

**COMMISSION de SURVEILLANCE
du SECTEUR FINANCIER**

In case of discrepancies between the French and the English text, the French text shall prevail

Luxembourg, 4 September 2013

To all credit institutions and investment
firms

CIRCULAR CSSF 13/572

- Re:**
- **Determination of stressed value at risk ("sVaR")**
 - **Determination of incremental default and migration risk charge ("IRC")**

Ladies and Gentlemen,

In accordance with item 1 of Part XIV of Circulars CSSF 06/273 and CSSF 07/290, the credit institutions and investment firms (hereinafter referred to as "institutions") may, subject to prior authorisation by the CSSF, calculate their capital requirements for foreign-exchange risk, commodity risk, and/or position risk in the trading book pursuant to their own internal risk management models.

The circular provides further details on the methods used for calculating the stressed value at risk (item 3-1 of Part XIV of Circulars CSSF 06/273 and CSSF 07/290). These details are in line with the guidelines published on 16 May 2012 by the European Banking Authority (EBA) (EBA Guidelines on Stressed Value at Risk ("sVaR") - EBA/GL/2012/2). The EBA guidelines on stressed value at risk are hereinafter referred to as GL2012/2.

This circular also specifies the way institutions shall address incremental default and migration risk for trading book positions (Sub-chapter 2.2 of Part XIV of Circulars CSSF 06/273 and CSSF 07/290). These details are in line with the guidelines published on 16 May 2012 by the European Banking Authority (EBA) (EBA Guidelines on the Incremental Default and Migration Risk Charge ("IRC") - EBA/GL/2012/3). The EBA guidelines on the incremental default and migration risk charge are hereinafter referred to as GL2012/3.

The following items 1 to 3 transpose Guidelines GL2012/2 and GL2012/3 into Luxembourg regulation. These guidelines are attached hereto.¹

1. The institutions using an internal risk-management model to determine the capital requirements in accordance with part XIV of Circulars CSSF 06/273 and CSSF 07/290 ("Approach based on the internal models of credit institutions") shall comply with EBA Guidelines GL2012/2 when calculating the stressed value at risk (item 3-1 of the aforementioned circulars).
2. The institutions which, in accordance with Chapter 2 of Part XIV of Circulars CSSF 06/273 and CSSF 07/290 use an internal risk-management model to determine the capital requirements for specific risk shall comply with EBA Guidelines GL2012/3.
3. This circular comes into force with immediate effect.

Yours faithfully,

COMMISSION DE SURVEILLANCE DU SECTEUR FINANCIER

Claude SIMON
Director

Simone DELCOURT
Director

Jean GUILL
Director General

Annexes:

- EBA Guidelines on Stressed Value At Risk (Stressed VaR) - EBA/GL/2012/2
- EBA Guidelines on the Incremental Default and Migration Risk Charge (IRC) - EBA/GL/2012/3.

¹ The annexe includes the English version. The translations, for example in French and German, are available on the EBA website under www.eba.europa.eu.
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