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COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
No. Cion doc.:	C(2025) 459 final
Subject:	COMMISSION DELEGATED REGULATION (EU) …/... of 28.1.2025 amending the regulatory technical standards laid down in Delegated Regulation (EU) 2021/931 as regards the specification of the formula for calculating the supervisory delta of call and put options mapped to the commodity risk category

Delegations will find attached document C(2025) 459 final.

Encl.: C(2025) 459 final

EUROPEAN
COMMISSION

Brussels, 28.1.2025
C(2025) 459 final

COMMISSION DELEGATED REGULATION (EU) …/...

of 28.1.2025

amending the regulatory technical standards laid down in Delegated Regulation (EU) 2021/931 as regards the specification of the formula for calculating the supervisory delta of call and put options mapped to the commodity risk category

(Text with EEA relevance)

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EXPLANATORY MEMORANDUM

1. CONTEXT OF THE DELEGATED ACT

Article 277(5) of Regulation (EU) No 575/2013 ('the Regulation') empowers the Commission to adopt delegated acts, following the submission of draft standards by the European Banking Authority (EBA) and in accordance with Articles 10 to 14 of Regulation No (EU) 1093/2010. These delegated acts are for identifying transactions with only one material risk driver and transactions with more than one material risk driver and for identifying the most material of those risk drivers for the purposes of Article 277(3) of the Regulation.

Articles 279a(3) of the Regulation empowers the Commission to adopt delegated acts, following the submission of draft standards by the EBA and in accordance with Articles 10 to 14 of Regulation No (EU) 1093/2010. These delegated acts are for specifying, in accordance with international regulatory developments, the formulae that institutions should use to calculate the supervisory delta of call and put options mapped to the interest rate risk or commodity risk category compatible with market conditions in which interest rates or commodity prices may be negative and the supervisory volatility that is suitable for those formulas. These acts also determine whether a transaction is a long or short position in the primary risk driver or in the most material risk driver in the given risk category for transactions referred to in Article 277(3) of the Regulation.

In accordance with Article 10(1) of Regulation No (EU) 1093/2010 establishing the EBA, the Commission should decide within 3 months of receipt of the draft standards whether to endorse the drafts submitted. The Commission may also endorse the draft standards in part only, or with amendments, where the EU's interests so require, having regard to the specific procedure laid down in that Article.

2. CONSULTATIONS PRIOR TO THE ADOPTION OF THE ACT

In accordance with the third subparagraph of Article 10(1) of Regulation No (EU) 1093/2010, the EBA carried out a public consultation on the draft technical standards submitted to the Commission in accordance with Articles 277(5) and 279a(3) of the Regulation. A consultation paper was published on the EBA's website on 14 December 2023, and the consultation closed on 14 March 2024. Moreover, the EBA requested the Banking Stakeholder Group set up in accordance with Article 37 of Regulation No (EU) 1093/2010 to provide advice on the standards. The EBA has submitted the final draft technical standards and an explanation of how the outcome of these consultations was taken into account in developing the final draft submitted to the Commission.

Together with the draft technical standards, and in accordance with the third subparagraph of Article 10(1) of Regulation No (EU) 1093/2010, the EBA submitted its impact assessment of the draft standards, including its analysis[1] of the costs and benefits.

3. LEGAL ELEMENTS OF THE DELEGATED ACT

The final draft technical standards amend Commission Delegated Regulation (EU) 2021/931 with regard to regulatory technical standards specifying the formula for calculating the supervisory delta of call and put options mapped to the commodity risk category for the purposes of Article 279a(3)the (a), of the Regulation in the standardised approach for

[1] See pp. 12-14 of the Final Report on the technical draft technical standards, https://www.eba.europa.eu/activities/single-rulebook/regulatory-activities/market-counterparty-and-cva-risk/regulatory-1.

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counterparty credit risk. The formula, which is compatible with negative commodity prices, uses a lambda (λ) shift to move the prices into positive territory. These final draft technical standards provide the methodology for computing the λ shift, and the parameters that are to be used in the supervisory delta formula.

Delegated Regulation (EU) 2021/931 should also be amended to adapt its text to the new wording of the Regulation, as amended by Regulation (EU) 2024/1623.

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COMMISSION DELEGATED REGULATION (EU) …/...

of 28.1.2025

amending the regulatory technical standards laid down in Delegated Regulation (EU) 2021/931 as regards the specification of the formula for calculating the supervisory delta of call and put options mapped to the commodity risk category

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012[2], and in particular Article 279a(3), third subparagraph, thereof,

Whereas:

(1) According to Article 279a(3), point (a), of Regulation (EU) No 575/2013, the formula that institutions are to use to calculate the supervisory delta of call and put options mapped to the commodity risk category compatible with market conditions in which commodity prices may be negative should also be specified in accordance with international regulatory developments, complementing the similar formula for call and put options mapped to the interest rate risk category.

(2) Chapter CRE52 of the Basel Framework, adopted by the Basel Committee on Banking Supervision (BCBS)[3], sets out the standardised approach for counterparty credit risk (SA-CCR). Within that Chapter, point 52.40 specifies the formula that institutions are to use to calculate the supervisory delta of call and put options mapped to a specific risk category. Question 2 to that point 52.40 raises the issue of how the supervisory delta for options should be calculated when the term P/K is zero or negative such that the term ln(P/K) cannot be calculated, for example in a negative interest rate environment. The BCBS has answered to that question that, in such cases, credit institutions are to use a slightly different formula to calculate the supervisory delta of call and put options, i.e. they should incorporate into that formula a shift in the price value and strike value of the options concerned by adding lambda ('λ'), where λ should represent the presumed lowest possible extent to which interest rates in the respective currency can become negative. A similar approach should be followed in the case of the supervisory delta of call and put options mapped to the commodity risk category, in situations where commodity prices may be negative. The λ shift should be large enough to enable credit institutions to calculate the supervisory delta of an option mapped to the commodity risk category in accordance with the formula laid down in Article 279a(1) of Regulation (EU) No 575/2013, but at the same time small enough not to introduce unnecessary bias in the outcome of the supervisory delta calculation.

[2] OJ L 176, 27.6.2013, p. 1, ELI: http://data.europa.eu/eli/reg/2013/575/oj.

[3] https://www.bis.org/basel_framework/chapter/CRE/52.htm?inforce=20230101&published=20200605.

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(3) In line with the approach set out in Delegated Regulation (EU) 2021/931 for options mapped to the interest rate risk category, the value of the supervisory volatility for put and call options in the commodity risk category as determined in the international standards adopted by the BCBS should be used, as it is deemed suitable for its use under Union law.

(4) Delegated Regulation (EU) 2021/931 should therefore be amended accordingly.

(5) This Regulation is based on the draft regulatory technical standards submitted to the Commission by the European Banking Authority.

(6) The European Banking Authority has conducted open public consultations on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the advice of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council[4],

HAS ADOPTED THIS REGULATION:

Article 1

Delegated Regulation (EU) 2021/931 is amended as follows:

1. In Article 4(4), the introductory wording is replaced by the following:

   ‘Institutions that either meet the conditions set out in Article 94(1) of Regulation (EU) No 575/2013, or meet the conditions set out in Article 325a(1) of that Regulation, may identify the most material risk driver by applying the following steps at inception of the transaction, and then at least on a quarterly basis:’;

2. Article 5 is amended as follows:

   (a) in paragraph 1, the introductory wording is replaced by the following:

   ‘Institutions shall calculate the supervisory delta (δ) of call and put options, when mapped to the interest rate risk or the commodity risk categories, that is compatible with market conditions in which interest rates or commodity prices may be negative, as follows:’;

   (b) paragraph 2 is replaced by the following:

   ‘2. For the purposes of paragraph 1, institutions shall calculate the shift (λ) for any call and put options as follows:

$$\lambda_j = \begin{cases} \max\{threshold_j - \min\{P_j, K_j\}, 0\} & \text{if option } j \text{ is mapped to the interest rate risk category;} \\ \max\{-(1 + threshold_j) \cdot \min\{P_j, K_j\}, 0\} & \text{if option } j \text{ is mapped to the commodity risk category.} \end{cases}$$

   where:

   P_j= the spot or forward price of the underlying instrument of the option j;

   K_j= the strike price of the option j;

[4] Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12, ELI: http://data.europa.eu/eli/reg/2010/1093/oj).

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$threshold_j =$

$$\begin{cases} 0.10\%, \text{if option } j \text{ is mapped to the interest rate risk category;} \\ 0.1, \text{if option } j \text{ is mapped to the commodity risk category.} \end{cases}$$ ‘;

(c) in paragraph 3, the Table is replaced by the following:

‘Table

Risk category	**Underlying instrument**	**Supervisory volatility**
Interest rate	All	50 %
Commodity	Electricity	150 %
	Other commodities (excluding electricity)	70 %

‘.

Article 2

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 28.1.2025

For the Commission
The President
Ursula VON DER LEYEN

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