

Tabular Explanation of Capital charge for General Market Risk subject to Vertical and Horizontal Disallowances

Ref. BFM book Rg 239/40 or Risk Management 2018 edition Pg 435/36

Positions in the books

	GMR	Res. Maturity
Securities	100	2 years
	450	5 years
Derivatives	-100	6 months
	-50	2 years
Net position	400	

Vertical Disallowance - within same time band

Securities	100	2 years
Derivatives	-50	2 years
Net amount / Balance	50	

VD - 5 % on matched/offset position i.e. 50

Vertical Disallowance 2.5

Horizontal Disallowance - across time bands

	6 months	2 years	5 years
	Zone 1	Zone 2	Zone 3
Derivatives	-100		
Securities (balance c/fd from above)		50	
Securities			450
Net amount / balance	-100	50	450

Zone 1&2	50	40%	20
Zone 2&3	0	40%	0
Zone 1&3	50	100%	50
Horizontal Disallowance			70

Note:

Between Zone 1&2 - 40% on matched/offset position i.e. Balance of Zone 1 (-100) with net balance of Zone 2 (50)

Between Zone 2&3 - Nil as both long positions

Between Zone 1&3 - 100% on matched/offset position i.e. Net balance of Zone 1 (-50) with Zone 3 (450)

Total Capital Charge for Market risk

Net Position	400
Vertical Disallowance	2.5
Horizontal Disallowance	70
Total	472.5