

## Subsection 4

**Property risk sub-module**

## Article 174

The capital requirement for property risk referred to in point (c) of the second subparagraph of Article 105(5) of Directive 2009/138/EC shall be equal to the loss in the basic own funds that would result from an instantaneous decrease of 25 % in the value of immovable property.

## Subsection 5

**Spread risk sub-module**

## Article 175

**Scope of the spread risk sub-module**

The capital requirement for spread risk referred to in point (d) of the second subparagraph of Article 105(5) of Directive 2009/138/EC shall be equal to the following:

$$SCR_{spread} = SCR_{bonds} + SCR_{securitisation} + SCR_{cd}$$

where

- (a)  $SCR_{bonds}$  denotes the capital requirement for spread risk on bonds and loans;
- (b)  $SCR_{securitisation}$  denotes the capital requirement for spread risk on securitisation positions;
- (c)  $SCR_{cd}$  denotes the capital requirement for spread risk on credit derivatives.

## Article 176

**Spread risk on bonds and loans**

1. The capital requirement for spread risk on bonds and loans  $SCR_{bonds}$  shall be equal to the loss in the basic own funds that would result from an instantaneous relative decrease of  $stress_i$  in the value of each bond or loan  $i$  other than mortgage loans that meet the requirements in Article 191, including bank deposits other than cash at bank referred to in Article 189(2)(b).

2. The risk factor  $stress_i$  shall depend on the modified duration of the bond or loan  $i$  denominated in years ( $dur_i$ ).  $dur_i$  shall never be lower than 1. For variable interest rate bonds or loans,  $dur_i$  shall be equivalent to the modified duration of a fixed interest rate bond or loan of the same maturity and with coupon payments equal to the forward interest rate.

3. Bonds or loans for which a credit assessment by a nominated ECAI is available shall be assigned a risk factor  $stress_i$  depending on the credit quality step and the modified duration  $dur_i$  of the bond or loan  $i$  according to the following table.

Credit quality step		0		1		2		3		4		5 and 6	
Duration ( $dur_i$ )	$stress_i$	$a_i$	$b_i$	$a_i$	$b_i$	$a_i$	$b_i$	$a_i$	$b_i$	$a_i$	$b_i$	$a_i$	$b_i$
up to 5	$b_i \cdot dur_i$	—	0,9 %	—	1,1 %	—	1,4 %	—	2,5 %	—	4,5 %	—	7,5 %
More than 5 and up to 10	$a_i + b_i \cdot (dur_i - 5)$	4,5 %	0,5 %	5,5 %	0,6 %	7,0 %	0,7 %	12,5 %	1,5 %	22,5 %	2,5 %	37,5 %	4,2 %
More than 10 and up to 15	$a_i + b_i \cdot (dur_i - 10)$	7,0 %	0,5 %	8,4 %	0,5 %	10,5 %	0,5 %	20,0 %	1,0 %	35,0 %	1,8 %	58,5 %	0,5 %