Market Risk

Market risk is the risk of economic or trading loss arising from changes in the value of Citi's assets and liabilities resulting from changes in market variables, such as interest rates, equity and commodity prices, FX or credit spreads.

CGML faces market risk across both its trading and non-trading positions. The Citi Mark-to-Market Risk Policy articulates principles and key requirements for defining, identifying, measuring, monitoring, managing and reporting Mark-to-Market ("MTM") risk.

Market risk is managed through limits and principles laid out in CGML's Risk Appetite Statement, governed by the CGML Risk Committee and CGML Board.

As outlined in the Citi MTM Risk Policy, Business units are responsible for complying with the Policy and for remaining within the approved independent Market Risk limits. Businesses are only permitted to take Market Risk exposure where it can be accurately and reliably measured, including at the CGML level.

Under the Citi MTM Risk Policy, any Desk or Business unit undertaking activity that is subject to MTM risk must have a Desk Mandate which describes the activities, such as the mission and strategy, the product types and usage, trading and hedging strategies, of each Desk.

In addition, any Desk or Business unit undertaking activity which gives rise to MTM Risk exposures must have one or more Permitted Product Lists ("PPLs") defining the products and legal entities in which they are permitted to execute transactions. The PPLs must align with the appropriate Desk Mandate.

Price risks are measured in accordance with established standards to ensure consistency across businesses and the ability to aggregate risk. Citi's market risk limit framework consists of Tier 0/1 limits, Tier 2 limits and Tier 3 limits and management triggers. Tier 0 or Market Risk Concentration Limits cover the entire Market Risk Trading Risk Pool while Tier 1 or Market Risk Limits cover the Global Markets division activities within Market Risk Trading Risk Pool.

Tier 2 limits are set to cover specific Product or/and Business activities within Market Risk Trading Risk Pool or in some cases at a desk, regional or legal entity level (as is the case for CGML). Tier 3 limits and management triggers are desk-level limits or triggers cover specific MTM Risk Desk activities within Market Risk for those risk factors that have been determined material for activities by the Desk and Market Risk. CGML has a Tier 2 Limit structure (Legal Entity level), and Tier 3 (Business Level) and Tier 4 (Desk Level) Management Triggers in place.

Responsibility for hedging or otherwise mitigating market risk lies in the first instance with the business originating the risk and the management of this process begins with the employees who work most closely with CGML's customers, products and markets and extends up to the senior executives who manage these businesses with a complementary aggregation up to the country level. Risks taken must be commensurate with the risk appetite of the firm as set by senior management.

Approach to calculate capital requirements

CGML uses a combination of standardised approach and IMA to capitalise for Market Risk. Under IMA, CGML uses a VaR model to calculate market risk capital requirements in line with the IMA permission granted by the PRA. The permission covers general market risk and issuer specific risk for Fixed Income, Equities, Foreign-exchange and Commodities businesses depending on their position type and trading location. In addition to VaR based capital requirements, CGML further capitalises for stressed VaR ("SVaR") and Incremental Risk Charge ("IRC").

Non-proprietary details of the scope of CGML's IMA permission are available in the Financial Services Register on the FCA website.

Table 29: Market Risk under Standardised Approach (UK MR1)
This table displays CGML's components of own funds requirements under the standardised approach for market risk.

		31 December 2023	31 December 2022
		RWAs	RWAs
		$ million	$ million
	Outright products		
1	Interest rate risk (general and specific)	15,691	13,370
2	Equity risk (general and specific)	3,006	3,986
3	Foreign exchange risk	4,811	6,711
4	Commodity risk	772	602
	Options		
7	Scenario approach	864	1,987
8	Securitisation (specific risk)	695	660
9	**Total**	25,840	27,316

Market risk RWAs under standardised approach decreased by $1.5 billion year-on-year, primarily reflecting a reduction in FX risk and across option positions.