

Chapter 1

Commission Delegated Regulation (EU) 2016/2251

ANNEX II Methodology to adjust the value
of collateral for the purposes of Article 21

(1) The value of the collateral shall be adjusted as follows:

$$C_{\text{value}} = C \cdot (1 - H_C - H_{\text{FX}})$$

where:

C = the market value of the collateral;

H_C = the haircut appropriate to the collateral, as calculated under paragraph 2;

H_{FX} = the haircut appropriate to currency mismatch, as calculated under paragraph 6.

(2) Counterparties shall apply at least the haircuts provided in the following Tables 1 and 2 to the market value of the collateral:

Table 1 Haircuts for long term credit quality assessments

Credit quality step with which the credit assessment of the debt security is associated	Residual maturity	Haircuts for debt securities issued by entities described in Article 4 (1) (c) to (e) and (h) to (k), in (%)	Haircuts for debt securities issued by entities described in Article 4 (1) (f), (g), (l) to (n) in (%)	Haircuts for securitisation positions meeting the criteria in Article 4 (1) (o) in (%)
1	<= 1 year	0,5	1	2
	> 1 <= 5 years	2	4	8
	> 5 years	4	8	16
2-3	<= 1 year	1	2	4
	> 1 <= 5 years	3	6	12
	> 5 years	6	12	24
4 or below	<= 1 year	15	N/A	N/A
	> 1 <= 5 years	15	N/A	N/A

> 5 years	15	N/A	N/A
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Table 2 Haircuts for short term credit quality assessments

Credit quality step with which the credit assessment of a short term debt security is associated	Haircuts for debt securities issued by entities described in Article 4(1) (c) and (j) in (%)	Haircuts for debt securities issued by entities described in Article 4(1) (m) in (%)	Haircuts for securitisation positions and meeting the criteria in Article 4(1) (o) in (%)
1	0,5	1	2
2-3 or below	1	2	4

(1) Equities in main indices, bonds convertible to equities in main indices and gold shall have a haircut of 15 %.

(2) For eligible units in UK UCITS the haircut is the weighted average of the haircuts that would apply to the assets in which the fund is invested.

(3) Cash variation margin shall be subject to a haircut of 0 %.

(4) For the purpose of exchanging variation margin, a haircut of 8 % shall apply to all non-cash collaterals posted in a currency other than those agreed in an individual derivative contract, the relevant governing master netting agreement or the relevant credit support annex.

(5) For the purpose of exchanging initial margin, a haircut of 8 % shall apply to all cash and non-cash collaterals posted in a currency other than the currency in which the payments in case of early termination or default have to be made in accordance with the single derivative contract, the relevant exchange of collateral agreement or the relevant credit support annex ("termination currency"). Each of the counterparties may choose a different termination currency. Where the agreement does not identify a termination currency, the haircut shall apply to the market value of all the assets posted as collateral.