



**WRITTEN NOTICE
OPTION DELTA PERMISSION**

To: **ICBCStandard Bank Plc
("the firm")**

Reference Number: **2705342**

Date: **25 August 2016**

DECISIONS

1. In accordance with the discretions afforded to the PRA by Article 329(1) of Regulation 575/2013 of the European Parliament and of the Council of 26th June 2013 on prudential requirements for credit institutions and investment firms (the "CRR"), the PRA has decided to grant the firm the permission to use its own calculations of delta in its calculation of own funds requirements for market risk in respect of options and warrants on the terms and conditions set out in Annex 1 (the "Option Delta Permission").
2. If the firm ceases to comply with the conditions for grant of this Option Delta Permission set out in Article 329(1) of the CRR, the terms and conditions of the Option Delta Permission set out in Annex 1, the PRA will re-consider the terms and conditions of the Option Delta Permission and the requirements relevant to it, including a revocation of the Option Delta Permission in whole or in part.
3. The Option Delta Permission takes effect on 25 August 2016 and replaces Written Notice reference 1747231.

PROCEDURAL MATTERS

4. The decision which gave rise to the obligation to give this Notice was made by Anna Ghobadian-Grinham, Senior Manager.
5. Details of the Option Delta Permission will be published on the Financial Services Register.

PRA CONTACTS

6. For more information concerning this matter generally, the firm should contact their usually supervisory contact.

Anna Ghobadian-Grinham,
Senior Manager, International Banks Supervision
Prudential Regulation Authority



ANNEX 1

THE OPTION DELTA PERMISSION

Definition

1. The Option Delta Permission means that the firm may use its own calculation of delta to calculate its own funds requirements for market risk in relation to the exposures described in paragraph 2 of this Annex.
2. In accordance with Article 329(1) of the CRR, the firm may use the Option Delta Permission to calculate the exposure value for the products set out in Table [1], which are either (i) OTC options or (ii) products traded on an exchange for which no delta is available from the exchange concerned.

Table [1]

Option Description	Pricing Model(s)
FX Quanto Barrier Swap	Finite difference model and lattice grids
Quanto FX Linked Range Accrual	Black-Scholes (Digitals) - The Quanto is captured by modifying the drift of the spot Brownian motion
FX Linked Swap	Linear combination of Black-Scholes pricing functions which replicates the payoff as a series of vanilla call options.
CMS Range Accrual Swap	Combination of Black-Scholes pricing functions which replicates the payoff as a series of digital payoffs with call spreads while also accounting for the CMS convexity adjustment and any quanto adjustment features.

3.