



WRITTEN NOTICE

COMMODITY OPTION DELTA PERMISSION

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

Reference Number: 1896510

Date: 11 December 2014

DECISIONS

1. In accordance with the discretions afforded to the PRA by Article 358(3) 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 commodities or commodity derivatives on the terms and conditions set out in Annex 1 (the "Commodity Option Delta Permission").
2. If the firm ceases to comply with the conditions for grant of this Commodity Option Delta Permission set out in Article 358(3) of the CRR, the terms and conditions of the Commodity Option Delta Permission set out in Annex 1 the PRA will re-consider the terms and conditions of the Commodity Option Delta Permission and the requirements relevant to it, including a revocation of the Commodity Option Delta Permission in whole or in part.
3. The Commodity Option Delta Permission takes effect on 11 December 2014.

Chris Forster
Manager, Overseas Banks Department



ANNEX 1 THE COMMODITY OPTION DELTA PERMISSION

Definition

1. The Commodity 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 358(3) of the CRR, the firm may use the Commodity 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 and for which no delta is available from the exchange concerned :

Table [1]

Option Description	Pricing Model(s)
Coal Swaption	Black 76 model
Conditional Vertical Spread Option for Carbon	Bespoke model based on the Black model
Asian Option for Carbon	Levy moment matching model
Asian Option for Iron Ore	Levy moment matching model
Leveraged Spread Option for Carbon	Two-factors Black model (with correlation)