

# INSTRUCTIONS FOR PREPARATION OF Quantitative Measurements

## *General Instructions:*

Each banking entity directly supervised by the Commodity Futures Trading Commission that is subject to the metrics reporting requirement specified in § 75.20(d) must furnish quantitative measurements, as applicable, for each of its trading desks engaged in covered trading activity.<sup>1</sup> The quantitative measurements must comply with Appendix A of the rule. These instructions provide guidance for the preparation of the optional Narrative Statement, the Trading Desk Information Schedule, the Quantitative Measurements Identifying Information Schedules, and each applicable quantitative measurement.<sup>2</sup> If a banking entity and one or more of its affiliates are required to report quantitative measurements to the Commodity Futures Trading Commission pursuant to § 75.20(d), the banking entity and its affiliate(s) should prepare one combined submission to the Commodity Futures Trading Commission that follows Appendix A, these Instructions, the Technical Specifications Guidance, and the XML Schema.

## *Who Must Report:*

Banking entities with significant trading assets and liabilities as defined in § 75.2(ee) are required to report metrics for each trading day on a quarterly basis to the Commodity Futures Trading Commission<sup>3</sup>. The determination of whether a banking entity has significant trading assets and liabilities is made quarterly, based on trading assets and liabilities measured as of the last day of each of the four previous calendar quarters. The metrics recordkeeping requirement applies for each quarter when the average over the previous four quarters is above the threshold for significant trading assets and liabilities. A banking entity that crosses above the threshold must begin recording the metrics as of the first day of the new quarter. For a banking entity that crosses below the threshold, the requirement to report metrics ceases for the new quarter, but the metrics collected for the past quarter must be reported according to the section *Frequency of Reporting* below.<sup>4</sup>

Notwithstanding the preceding paragraph, pursuant to § 75.20(d), the Commodity Futures Trading Commission may notify a banking entity in writing that it must report on a different basis.<sup>5</sup> Additionally, Commodity Futures Trading Commission may notify a banking entity that does not have significant trading assets and liabilities in writing that it must satisfy the reporting requirements contained in Appendix A.<sup>6</sup>

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<sup>1</sup> A trading desk is a unit of organization that purchases and sells financial instruments for the trading account of the banking entity or an affiliate thereof. Generally, a trading desk is the same unit of organization that is established for market risk capital calculations. See § 75.3(e)(14)(ii). “Covered trading activity” means trading conducted by a trading desk under §§ 75.4, 75.5, 75.6(a), or 75.6(b). A banking entity may include in its covered trading activity trading conducted under §§ 75.3(d), 75.6(c), 75.6(d), or 75.6(e). See Appendix A II. In addition, a banking entity may include exposures in loans, spot commodities, and spot foreign exchange or currency that are related to the desk’s covered trading activities in its quantitative measurements. A banking entity should use a consistent approach for including or excluding any positions in products that are not securities, commodity futures contracts, derivatives, or options on any of these instruments when calculating metrics for a trading desk and may explain changes to this approach in its optional Narrative Statement.

<sup>2</sup> See Appendix A III.

<sup>3</sup> See § 75.2(ee); § 75.20(d).

<sup>4</sup> See § 75.2(ee).

<sup>5</sup> See § 75.20(d)(2).

<sup>6</sup> See § 75.20(d)(1)(ii). See also § 75.20(g)-(i).

### *Frequency of Reporting:*

Banking entities subject to the reporting requirement must report these metrics within 30 days of the end of each calendar quarter unless Commodity Futures Trading Commission notifies the banking entity in writing that it must report on a different basis.<sup>7</sup>

## Narrative Statement

The banking entity may submit in a separate electronic document a Narrative Statement to the Commodity Futures Trading Commission with any information the banking entity views as relevant for assessing the information reported. The Narrative Statement may include further description of or changes to calculation methods, identification of material events, description of and reasons for changes in the banking entity's trading desk structure or trading desk strategies, and when any such changes occurred.<sup>8</sup> The banking entity should report the Narrative Statement in Portable Document Format ("PDF").

## Information Schedules

### Trading Desk Information Schedule

With each submission of quantitative measurements, provide the following information for each trading desk engaged in covered trading activities:<sup>9</sup>

1. Trading desk name. Provide the name of the trading desk used internally by the banking entity.
2. Trading desk identifier. Provide a unique character string to identify the trading desk. This identifier should generally remain constant for every quantitative measurements submission.<sup>10</sup>
3. Type of covered trading activity. Identify each covered trading activity in which the trading desk is engaged. Choose from the activity types listed in Table A at the end of these instructions to identify the relevant exemptions or exclusions, and provide the associated code for each type of covered trading activity selected.
4. Trading desk description. Provide a brief description of the general strategy of the trading desk.
5. Reported to CFTC. Identify whether this desk books trades through a legal entity whose primary federal regulator is the Commodity Futures Trading Commission.
6. Reported to FDIC. Identify whether this desk books trades through a legal entity whose primary federal regulator is the Federal Deposit Insurance Commission
7. Reported to FRB. Identify whether this desk books trades through a legal entity whose primary federal regulator is the Federal Reserve Board
8. Reported to OCC. Identify whether this desk books trades through a legal entity whose primary federal regulator is the Office of the Comptroller of the Currency
9. Reported to SEC. Identify whether this desk books trades through a legal entity whose primary federal regulator is the Securities and Exchange Commission
10. Currency reported. Specify the currency used by the trading desk.
11. Daily trading desk information.
  - Trading day indicator. Provide a list of calendar dates in the reporting period, indicating for each date if it is a trading day or not a trading day<sup>11</sup> for the desk.

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<sup>7</sup> See § 75.20(d)(2).

<sup>8</sup> See Appendix A III.d.

<sup>9</sup> See Appendix A III.b.

<sup>10</sup> If a banking entity restructures its operations and merges two or more trading desks, the banking entity should assign a new trading desk identifier to the merged desk (i.e., the merged desk's identifier should not replicate a trading desk identifier assigned to a previously unmerged trading desk) and permanently retire the unmerged desks' identifiers.

<sup>11</sup> As a general matter, a trading desk is not considered to be open for trading on a weekend. However, if a trading desk books positions into a banking entity on a calendar day that is not a business day (e.g., a day that falls on a weekend), then the desk is considered open for trading on that day. In addition, a trading desk may be open for

- Currency conversion rate. Specify the conversion rate for the specified currency to U.S. dollars for each trading day. If values for a trading desk are reported in a currency other than U.S. dollars, specify the multiplier conversion rate (not divisor) for the specified currency to U.S. dollars for the trading desk. For U.S. dollars, report 1.

## Quantitative Measurements Information Schedules

With each submission of quantitative measurements, provide an Internal Limits Information Schedule and a Risk Factor Attribution Information Schedule.<sup>12</sup> Each banking entity must provide the required information for the entire banking entity's covered trading activity. A banking entity should not prepare multiple versions of the same schedule for each trading desk engaged in covered trading activity.

### Internal Limits Information Schedule

Internal limits are constraints that define the amount of risk that a trading desk is permitted to take at a point in time, as defined by the banking entity for a specific trading desk.<sup>13</sup> Internal limits are often expressed in terms of risk measures, such as Value-at-Risk (VaR) and risk factor sensitivities but may also be expressed in terms of other observable criteria, such as net open positions or inventory aging.

On the Internal Limits Information Schedule, provide identifying and descriptive information for each limit that is reported in the Internal Limits and Usage metric. Provide the following information:<sup>14</sup>

1. Limit ID. A character string to be used as the permanent unique identifier for the limit. The limit ID is permanent in the sense that it has the same meaning in all future quantitative measurements submissions, even if the set of trading desks to which the limit applies changes.
2. Limit name. The name of the limit.
3. Limit description. A description of the limit.
4. Unit of measurement. The unit in which the limit is measured, e.g., basis points, USD, etc.
5. Type of limit. Identify which of the following categories best describes the limit.
  - a. VaR
  - b. Position limit
  - c. Sensitivity limit
  - d. Stress scenario
  - e. Inventory aging
  - f. Other
6. If "Other" is chosen as a type of limit, provide a brief description of this category
7. Source of limit. Identify which of the following sources of analysis determines the limit.<sup>15</sup>
  - a. Risk Appetite
  - b. Regulatory Capital
  - c. Reasonably Expected Near Term Demand (RENTD)
  - d. Risk Reducing or Risk Mitigating
  - e. Other

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trading on a national holiday. For example, if a trading desk spans a U.S. legal entity and a foreign legal entity and a national holiday occurs on a business day in the United States but a national holiday does not occur on the same day in the foreign jurisdiction, the date is a trading day because the trading desk is open to conduct trading in the foreign jurisdiction.

<sup>12</sup> See Appendix A III.c.

<sup>13</sup> See Appendix A IV.a.1.i.

<sup>14</sup> See Appendix A III.c.1.

<sup>15</sup> If a banking entity establishes distinct limits on the same measure (e.g., VaR) based on separate sources of analysis (e.g., distinct limits based on risk appetite and RENTD) then these should be identified as different limits. For a trading desk where multiple limits are applied to the same measure, the Daily Quantitative Measurements Schedule should include entries for each limit identifier with identical values of usage but potentially differing limit sizes. Alternatively, if a banking entity establishes a single limit that is informed by more than one source of analysis, this should be represented with a single limit identifier with multiple sources indicated.

8. Attribution identifier. The Risk Factor Attribution ID from the Risk Factor Attribution Information Schedule. This is only applicable for sensitivity limits (as reported in item 5) on sensitivities for which there is a corresponding profit and loss attribution category for the same risk factor.

## **Risk Factor Attribution Information Schedule**

The banking entity must report the profit and loss from existing positions due to changes in the specific risk factors and other factors that are monitored and managed as part of the trading desk's overall risk management policies and procedures.<sup>16</sup>

On the Risk Factor Attribution Information Schedule, provide identifying and descriptive information for each risk factor attribution reported in Part 3.B. of the Comprehensive Profit and Loss Attribution metric. Provide the following information:<sup>17</sup>

1. Risk Factor Attribution ID. A character string to be used as the permanent unique identifier for the risk factor or other factor attribution. The Risk Factor Attribution ID is permanent in the sense that it has the same meaning in all future quantitative measurements submissions, even if the set of trading desks for which the attribution is reported changes.
2. Risk factor name. The name of the risk factor or other factor.
3. Risk factor description. A description of the risk factor or other factor.
4. Risk factor change units. Report the type of units of the risk factor or other factor change that the entity has identified that impact the portfolio value (for example, for a DV01, the unit is in basis points, while for Equity Delta, the unit is a dollar change in equity prices or percentage change in equity prices).

## **Daily Quantitative Measurements Schedule**

Provide the following quantitative measurements, as applicable, for each trading day and for each trading desk engaged in covered trading activity.<sup>18</sup> Report the actual amounts in the currency utilized by a particular trading desk. Do not report amounts in abbreviated form, such as thousands. A banking entity may explain its inability to provide any quantitative measurement in the entity's optional Narrative Statement.

The appropriate approach to calculating quantitative measurements for a trading desk engaged in underwriting activity will depend on the banking entity's role in the distribution, as well as the particular facts and circumstances of the distribution. A banking entity that is a member of the underwriting syndicate should account for the banking entity's portion of any position attributable to the distribution, based on the number, amount, or percentage of securities the banking entity has purchased under the relevant underwriting agreement. In addition, to the extent the banking entity has responsibility for managing positions that are credited to the accounts of syndicate members collectively, the banking entity should account for those positions when calculating metrics for the relevant underwriting desk until the securities are disbursed to syndicate members.<sup>19</sup>

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<sup>16</sup> See Appendix A IV.b.1.i.

<sup>17</sup> See Appendix A III.c.2.

<sup>18</sup> See Appendix A IV.

<sup>19</sup> For example, assume a lead manager manages an unsold allotment arising from the distribution for a period of time and then disburses any remaining securities proportionally to other syndicate members. For the period of time in which a banking entity that is the lead manager manages the unsold allotment, such unsold allotment should be accounted for in the metrics of that banking entity's underwriting desk. However, once the unsold allotment is disbursed to other syndicate members, a banking entity receiving the disbursement should begin to account for its position in the metrics of its underwriting desk and the lead manager need only account for its own positions and any remaining syndicate positions in its metrics.

## A. Risk-Management Measurements

### Part 1. Internal Limits and Usage

Report the Internal Limits and Usage quantitative measurement for all trading desks engaged in covered trading activities.<sup>20</sup>

For a trading desk engaged in market making-related activities or risk-mitigating hedging, the limits required under these exemptions must include appropriate metrics for the trading desk limits including, at a minimum, VaR, except to the extent the VaR metric is demonstrably ineffective for measuring and monitoring the risks of a trading desk based on the types of positions traded by, and risk exposures of, that desk.<sup>21</sup>

Multiple trading desks may have limits that are established using the same method and apply to quantities or measures defined the same way. For example, multiple desks may have limits on the same risk factor sensitivity that are based on similar RENTD analyses. So that limits can be compared across trading desks, use the same identifier for limits that are established using the same method and apply to quantities or measures defined the same way. Give the name and description of each limit along with an identifier and other information in the Internal Limits Information Schedule.

For each trading desk, provide the following information for each limit that is applied on the desk for every trading day the limit was applied.<sup>22</sup> Each type of limit may be reported on one or more trading desks. If a limit is introduced or discontinued during a reporting period, report the following information for each trading day that the trading desk used the limit during the period.

#### Item 1: Limit ID

Report the limit ID listed in the Internal Limits Information Schedule.

#### Item 2.a: Limit Size—Upper Limit

If the limit represents an upper bound on the measure (i.e., a constraint that the value of the measure should remain lower than the value of the limit), then report an upper limit.<sup>23</sup> If the limit only applies a lower bound constraint, then do not report an upper limit.

#### Item 2.b: Limit Size—Lower Limit

If the limit represents a lower bound on the measure (i.e., a constraint that the value of the measure should remain higher than the value of the limit), then report a lower limit. Report negative lower limits as negative values. If the limit only applies an upper bound constraint, then do not report a lower limit.

#### Item 3: Value Usage

Report the value of the trading desk's risk or positions that are accounted for by the daily activity of the desk. For limits accounted for at the end of the day, report the value of usage as of the end of the day. For limits accounted for during the day (intraday), report the maximum value of usage. Report the actual value of the risk or positions, not the percentage of the upper or lower limit utilized.

### Part 2. Value-at-Risk (VaR)

Report the VaR quantitative measurement for all trading desks engaged in covered trading activities.<sup>24</sup>

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<sup>20</sup> See Appendix A IV.a.1.

<sup>21</sup> See *id.*

<sup>22</sup> See *id.*

<sup>23</sup> A single limit may apply both an upper and a lower constraint, in which case both items 2.a and 2.b should be reported. Upper and lower limit sizes may be positive or negative, and they may or may not be symmetrical. A limit that applies to the absolute value of a quantity should be represented as symmetric (positive) upper limit size and (negative) lower limit sizes with the signed value of usage reported for the measure being limited.

<sup>24</sup> See Appendix A IV.a.2.

When reporting the VaR measurements, report the risk of future financial loss in the value of the trading desk's aggregated positions at the 99% confidence level over a 1-day holding period, based on current market conditions.<sup>25</sup> Use the sign convention of a positive number for the value at risk of loss. Banking entities should compute and report VaR consistently with regulatory capital requirements for market risk.<sup>26</sup> If a trading desk does not have a standalone VaR calculation under regulatory capital requirements for market risk, but is part of a larger aggregation of positions for which a VaR calculation is performed, then a VaR calculation that includes only the trading desk's holdings should be performed consistently with the VaR model and methodology used for the larger aggregation of positions.

**Item 1: VaR**

Report the measurement of the risk of future financial loss in the value of the trading desk's aggregated positions at the 99% confidence level over a 1-day holding period, based on current market conditions. Banking entities may calibrate to a 1-day holding period using appropriate scaling of a VaR measure made for a different holding period.<sup>27</sup>

## B. Source-of-Revenue Measurements

### Part 3. Comprehensive Profit and Loss Attribution

Report the Comprehensive Profit and Loss Attribution quantitative measurement for all trading desks engaged in covered trading activities. Comprehensive Profit and Loss Attribution is an analysis that attributes the daily fluctuation in the value of a trading desk's positions to various sources.<sup>28</sup> First, the sources of profit and loss are divided into two categories: (i) profit and loss attributable to positions that were held by the trading desk as of the end of the prior day ("existing positions"); and (ii) profit and loss attributable to new positions resulting from the current day's trading activity ("new positions").<sup>29</sup>

The profit and loss from new positions is reported in the aggregate, and does not need to be further attributed to specific sources. The profit and loss from existing positions must be further attributed, as applicable, to (i) changes in the specific risk factors and other factors that are monitored and managed as part of the trading desk's overall risk management policies and procedures, (ii) any other applicable elements, such as cash flows, carry, changes in reserves and valuation adjustments, and the correction, cancellation, or exercise of a trade, and (iii) other unattributed profit and loss from existing positions.

Report in Part 3.A Item 4 the total profit and loss that is attributed to changes in specific risk factors. Report in Part 3.B the profit or loss attributed to each individual risk factor.<sup>30</sup>

### Part 3.A: Comprehensive Profit and Loss Attribution Measurements

For each trading desk, provide the following information for every trading day.<sup>31</sup>

**Item 1: Comprehensive Profit and Loss**

Report the trading desk's daily actual profit and loss from all sources.

**Item 2: Profit and Loss Due to Existing Positions**

Report the profit and loss attributable to positions that were held by the trading desk as of the end of the prior day.

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<sup>25</sup> See *id.*

<sup>26</sup> Computation of VaR is described under Section 205 of the Market Risk Rule

<sup>27</sup> In cases where a banking entity does not have a regulatory VaR, the banking entity should use a VaR consistent with the banking agencies' regulatory capital requirements. Banking entities may scale their VaR to arrive at a 99<sup>th</sup> percentile confidence level over a 1-day time horizon, either by scaling the percentile, time horizon, or both.

<sup>28</sup> See Appendix A IV.b.1.

<sup>29</sup> These two categories are mutually exclusive. Profit and loss should be attributed first to Profit and Loss Due to New Positions and then to Profit and Loss Due to Existing Positions.

<sup>30</sup> See *id.*

<sup>31</sup> See *id.*

### **Item 3: Profit and Loss Due to New Positions**

Report the profit and loss attributable to new positions resulting from the current day's trading activity. New positions include purchases and sales of financial instruments and other assets/liabilities and negotiated amendments to existing positions.

Profit and Loss Due to New Positions must reflect commissions and fee income or expenses, and market gains or losses associated with transactions executed on the applicable day. Any fees, commissions, or other payments received (paid) that are associated with transactions executed on that day are added to (subtracted from) Profit and Loss Due to New Positions. These factors should be measured consistently over time to facilitate historical comparisons.

*Note: Items 4 through 10 reflect profit and loss attributable to existing positions and are therefore subsets of Item 2. Profit and loss Due to Existing Positions are uniquely attributed to Items 4 through 10 (i.e., do not duplicate attributions in more than one item). The sum of Items 4 through 10 must equal Item 2. Item 2 should be sub-attributed first to Items 4 and 5, then to Items 6 through 9, and finally to Item 10.*

### **Item 4: Profit and Loss Attributed to Changes in Risk Factors**

Report the profit and loss from existing positions due to changes in the specific risk factors monitored and managed as part of the trading desk's overall risk management policies and procedures. The sum of Item 4 and Item 5 should equal the daily profit and loss produced by revaluing the positions held at the end of the previous day using the market data at the end of the current day.<sup>32</sup>

### **Item 5: Other Attributable Profit and Loss**

Report any portion of the daily profit and loss produced by revaluing the positions held at the end of the previous day using the market data at the end of the current day that is not specifically attributed to changes in risk factors monitored and managed as part of the trading desk's overall risk management policies and procedures.<sup>33</sup>

### **Item 6: Profit and Loss Due to Actual Cash Flows**

Report the profit and loss due to actual cash flows, if not included elsewhere.<sup>34</sup>

### **Item 7: Profit and Loss Due to Carry**

Report the profit and loss due to changes in carry. Generally, this item includes funding costs. Note that Item 7 does not include items otherwise included in Items 4 or 5.<sup>35</sup>

### **Item 8: Profit and Loss Due to Reserve or Valuation Adjustment Changes**

Report the profit and loss due to changes in reserves or valuation adjustments. Note that Item 8 does not include items otherwise included in Items 4 or 5.<sup>36</sup>

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<sup>32</sup> The sum of Items 4 and 5 is also known as hypothetical profit and loss or clean profit and loss.

<sup>33</sup> Report Item 5 such that the sum of Items 4 and 5 are consistent with the banking entity's implementation of hypothetical profit and loss or clean profit and loss used for regulatory capital requirements for market risk.

<sup>34</sup> If the banking entity does not report profit and loss due to actual cash flows in Item 6, the banking entity should state where it reports profit and loss due to actual cash flows in its optional Narrative Statement.

<sup>35</sup> Regulatory capital requirements for market risk may permit profit and loss due to the passage of time to be included in hypothetical profit and loss (i.e. if this is consistent with its treatment in the valuation used in a trading desk's risk management procedures). Report any profit and loss due to the passage of time that is included in hypothetical profit and loss in Item 4 or Item 5. If the banking entity does not report profit and loss due to carry in Item 7, the banking entity should state where it reports profit and loss due to carry in its optional Narrative Statement.

<sup>36</sup> Under the regulatory capital requirements for market risk, hypothetical profit and loss generally excludes valuation adjustments, but may include some valuation adjustments that are updated daily. Report any profit and loss from valuation adjustments that is included in hypothetical profit and loss in Item 4 or Item 5. If the banking entity does not report profit and loss due to reserve or valuation changes in Item 8, the banking entity should state where it reports profit and loss due to reserve or valuation changes in its optional Narrative Statement.

### **Item 9: Profit and Loss Due to Trade Changes**

Report the profit and loss due to changes emanating from the correction, cancellation, or exercise of a trade. Material amendments to the economic terms of existing financial instrument contracts (other than corrections, cancellations or exercises) are considered new trades and reported in accordance with Item 3.

### **Item 10: Other Unattributed Profit and Loss**

Report any other profit and loss on existing positions that is not reported in items 4 through 9.

## **Part 3.B: Comprehensive Profit and Loss Attribution Measurements by Risk Factor**

Report the risk factors that comprise Part 3.A, Item 4, Profit and Loss Due to Change in Risk Factors. Banking entities must include enough risk factors to explain the preponderance of the profit or loss changes due to risk factor changes. The methods used by a banking entity to calculate attribution to a common factor shared by multiple trading desks, such as an equity price factor, should be applied consistently across its trading desks so that the attributions can be compared from one trading desk to another. Give the name and description of each attribution along with an identifier in the Risk Factor Attribution Information Schedule.

For each trading desk, provide the following information for each risk factor attribution that is calculated for the desk's profit and loss from existing positions.<sup>37</sup> Each attribution may be reported on one or more trading desks. If an attribution is introduced or discontinued during a reporting period, report the following information for each trading day that the trading desk used the attribution during the period.

### **Item 1: Risk Factor Attribution ID**

Report the Risk Factor Attribution ID listed in the Risk Factor Attribution Information Schedule.

### **Item 2: Profit and Loss Due to Risk Factor Move**

Report the amount of profit or loss due to the risk factor change.

## **C. Positions and Transaction Volumes**

Each of the following quantitative measurements requires a banking entity to determine the "value" of an underwriting or market-making trading desk's positions in applicable financial instruments.<sup>38</sup>

## **Part 4. Positions**

Report the Positions quantitative measurement for trading desks that rely on § 75.4(a) or § 75.4(b) to conduct underwriting activity or market making-related activity, respectively.

The Positions quantitative measurement represents the value of all securities and derivatives positions managed by the trading desk.<sup>39</sup> For purposes of the Positions quantitative measurement, do not include in the Positions calculation for "securities" those securities that are also "derivatives," as those terms are defined under §§ 75.2(aa) and 75.2(h); instead, report those securities that are also derivatives as "derivatives."<sup>40</sup>

For each applicable trading desk,<sup>41</sup> provide the following information for every trading day.<sup>42</sup>

### **Item 1: Market Value of All Long Securities Positions**

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<sup>37</sup> See *id.*

<sup>38</sup> See Appendix A IV.c.

<sup>39</sup> The reported values should be based on the trading desk's end-of-day positions for a given trading day.

<sup>40</sup> See Appendix A IV.c.1; see also §§ 75.2(h), (aa). For example, under the rule, a security-based swap is both a "security" and a "derivative." For purposes of the Positions quantitative measurement, security-based swaps are reported as derivatives rather than as securities.

<sup>41</sup> See Appendix A IV.c.1.iv.

<sup>42</sup> See Appendix A IV.c.1.



**Item 2: Market Value of All Short Securities Positions**

**Item 3: Market Value of All Derivatives Receivables**

**Item 4: Market Value of All Derivatives Payables**

## Part 5. Transaction Volumes

Report the Transaction Volumes quantitative measurement for trading desks that rely on § 75.4(a) or § 75.4(b) to conduct underwriting activity or market making-related activity, respectively.<sup>43</sup>

The Transaction Volumes metric measures three exclusive categories of security and derivative transactions conducted by a trading desk. Specifically, a banking entity must report the value and number of security and derivative transactions conducted by the trading desk with: (i) customers, excluding internal transactions; (ii) non-customers, excluding internal transactions; and (iii) trading desks and other organizational units where the transaction is booked into either the same banking entity or an affiliated banking entity (internal transactions).

For a trading desk engaged in market making-related activity, a counterparty is generally considered to be a customer of the trading desk if the counterparty is a market participant that makes use of the banking entity's market making-related services by obtaining such services, responding to quotations, or entering into a continuing relationship with respect to such services.<sup>44</sup> However, a trading desk or other organizational unit of another banking entity would not be a customer of the trading desk engaged in market-making related activity if the other entity has trading assets and liabilities of \$50 billion or more as measured in accordance with the methodology described in 12 C.F.R. § 44.2(ee), unless (i) there is documentation satisfying 12 C.F.R. § 44.4(b)(3)(i)(A) as to how and why a particular trading desk or other organizational unit of the other entity should be treated as a customer, or (ii) the transaction is conducted anonymously on an exchange or similar trading facility that permits trading on behalf of a broad range of market participants.<sup>45</sup>

For a trading desk engaged in underwriting activity, a counterparty is considered to be a customer of the trading desk if the counterparty is a market participant that may transact with the banking entity in connection with a particular distribution for which the banking entity is acting as underwriter.<sup>46</sup>

Material amendments to the economic terms of existing financial instrument contracts (other than corrections, cancellations, or exercises) are considered new trades.<sup>47</sup> Do not include in the Transaction Volumes calculation for "securities" those "securities" that are also "derivatives," as those terms are defined under §§ 75.2(aa) and 75.2(h); instead, report those securities that are also derivatives as "derivatives." For commodity derivatives, the gross notional value means the gross notional value in the desk's reporting currency, i.e., the current dollar market value of the quantity of the commodity underlying the derivative.<sup>48</sup>

For each applicable trading desk,<sup>49</sup> provide the following information for every trading day.<sup>50</sup>

**Item 1: Gross market value of all securities transactions conducted with customers**

**Item 2: Number of all securities transactions conducted with customers**

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<sup>43</sup> See Appendix A IV.c.2.

<sup>44</sup> See § 75.4(b)(3); Appendix A IV.c.2.i.

<sup>45</sup> See § 75.4(b)(3); Appendix A IV.c.2.i.

<sup>46</sup> See § 75.4(a)(7); Appendix A IV.c.2.i.

<sup>47</sup> For example, unwinds, partial terminations, novations, assignments of financial instrument contracts, a change to the end date for a financial instrument contract, or a change in the cash flows or rates originally reported for a financial instrument contract generally should be treated as additive trade count events for purposes of the Transaction Volumes quantitative measurement.

<sup>48</sup> E.g., a derivative on 100,000 barrels of a certain grade of oil would have a notional value of 100,000 multiplied by the current market value of a barrel of that grade of oil.

<sup>49</sup> See Appendix A IV.c.2.iv.

<sup>50</sup> See Appendix A IV.c.2.

**Item 3: Gross notional value of all derivatives transactions conducted with customers**

**Item 4: Number of all derivatives transactions conducted with customers**

**Item 5: Gross market value of all securities transactions conducted with non-customers**

**Item 6: Number of all securities transactions conducted with non-customers**

**Item 7: Gross notional value of all derivatives transactions conducted with non-customers**

**Item 8: Number of all derivatives transactions conducted with non-customers**

**Item 9: Gross market value of all internal securities transactions**

**Item 10: Number of all internal securities transactions**

**Item 11: Gross notional value of all internal derivatives transactions**

**Item 12: Number of all internal derivatives transactions**

**TABLE A**  
**Type of Covered Trading Activity**

<b>Code</b>	<b>Type of Covered Trading Activity</b>
UW	Underwriting activity exempted under § 75.4(a)
MM	Market making-related activity exempted under § 75.4(b)
Hedging	Risk-mitigating hedging activity exempted under § 75.5
US Gov	Trading in domestic government obligations exempted under § 75.6(a)
Foreign Gov	Trading in foreign government obligations exempted under § 75.6(b)
Fiduciary	Fiduciary transactions exempted under § 75.6(c)(1)
RP	Riskless principal transactions exempted under § 75.6(c)(2)
Insurance	Trading by an insurance company or its affiliate exempted under § 75.6(d)
TOTUS	Trading by a foreign banking entity exempted under § 75.6(e)
Repo	Activity excluded under § 75.3(d)(1)
Sec Lending	Activity excluded under § 75.3(d)(2)
Liquidity Mgmt	Activity excluded under § 75.3(d)(3)
DCO/CA	Activity excluded under § 75.3(d)(4)
Clearing Member	Activity excluded under § 75.3(d)(5)
Delivery	Activity excluded under § 75.3(d)(6)(i)
Judicial	Activity excluded under § 75.3(d)(6)(ii)
Agent	Activity excluded under § 75.3(d)(7)
Employee	Activity excluded under § 75.3(d)(8)
DPC	Activity excluded under § 75.3(d)(9)
Purchase Error	Activity excluded under § 75.3(d)(10)
Matched Swap	Activity excluded under § 75.3(d)(11)
MSR Hedge	Activity excluded under § 75.3(d)(12)
NTAL	Activity excluded under § 75.3(d)(13)