



Appendix CA-13

Worked Example of Maturity Ladder Approach For Calculating
Commodities Risk

MARKET RISK CAPITAL ADEQUACY

(Note: Assume that all positions are in the same commodity as defined in the Capital Adequacy Module of the Rulebook, and are converted at current spot rates into BD which is the reporting currency in this example).

Time band	Position	Spread rate	Risk calculation	BD
0-1 month	0	1.5%	-	0
1-3 months	0	1.5%	-	0
3-6 months	Long BD 800 Short BD 1000	1.5%	800 long + 800 short (matched) x 1.5% = 200 short carried forward to 1- 2 years, so $200 \times 2^* \times 0.6\%$	24 2.4
6-12 months	0	1.5%	-	0
1-2 years	Long BD 600	1.5%	200 long + 200 short (matched) x 1.5% = 400 long carried forward to over 3 years, so $400 \times$ $2^* \times 0.6\%$	6 4.8
2-3 years	0	1.5%	-	0
Over 3 years	Short BD 600	1.5%	400 long + 400 short (matched) x 1.5% = Net position $200 \times 15\%$	12 30
Total				79.2

*This represents the number of time-bands carried forward.