

**§ 3.206 Stressed VaR-based measure.**

(a) *General requirement.* At least weekly, a national bank or Federal savings association must use the same internal model(s) used to calculate its VaR-based measure to calculate a stressed VaR-based measure.

(b) *Quantitative requirements for stressed VaR-based measure.* (1) A national bank or Federal savings association must calculate a stressed VaR-based measure for its covered positions using the same model(s) used to calculate the VaR-based measure, subject to the same confidence level and holding period applicable to the VaR-based measure under § 3.205, but with model inputs calibrated to historical data from a continuous 12-month period that reflects a period of significant financial stress appropriate to the national bank's or Federal savings association's current portfolio.

(2) The stressed VaR-based measure must be calculated at least weekly and be no less than the national bank's or Federal savings association's VaR-based measure.

(3) A national bank or Federal savings association must have policies and procedures that describe how it determines the period of significant financial stress used to calculate the national bank's or Federal savings association's stressed VaR-based measure under this section and must be able to provide empirical support for the period used. The national bank or Federal savings association must obtain the prior approval of the OCC for, and notify the OCC if the national bank or Federal savings association makes any material changes to, these policies and procedures. The policies and procedures must address:

(i) How the national bank or Federal savings association links the period of significant financial stress used to calculate the stressed VaR-based measure to the composition and directional bias of its current portfolio; and

(ii) The national bank's or Federal savings association's process for selecting, reviewing, and updating the period of significant financial stress used to calculate the stressed VaR-based measure and for monitoring the appropriateness of the period to the national

bank's or Federal savings association's current portfolio.

(4) Nothing in this section prevents the OCC from requiring a national bank or Federal savings association to use a different period of significant financial stress in the calculation of the stressed VaR-based measure.

**§ 3.207 Specific risk.**

(a) *General requirement.* A national bank or Federal savings association must use one of the methods in this section to measure the specific risk for each of its debt, equity, and securitization positions with specific risk.

(b) *Modeled specific risk.* A national bank or Federal savings association may use models to measure the specific risk of covered positions as provided in paragraph (a) of section 205 of this subpart (therefore, excluding securitization positions that are not modeled under section 209 of this subpart). A national bank or Federal savings association must use models to measure the specific risk of correlation trading positions that are modeled under § 3.209.

(1) *Requirements for specific risk modeling.* (i) If a national bank or Federal savings association uses internal models to measure the specific risk of a portfolio, the internal models must:

(A) Explain the historical price variation in the portfolio;

(B) Be responsive to changes in market conditions;

(C) Be robust to an adverse environment, including signaling rising risk in an adverse environment; and

(D) Capture all material components of specific risk for the debt and equity positions in the portfolio. Specifically, the internal models must:

(1) Capture event risk and idiosyncratic risk; and

(2) Capture and demonstrate sensitivity to material differences between positions that are similar but not identical and to changes in portfolio composition and concentrations.

(ii) If a national bank or Federal savings association calculates an incremental risk measure for a portfolio of debt or equity positions under section 208 of this subpart, the national bank or Federal savings association is not