

$$K_{CVA} = 3 \times (VaR_{Unstressed}^{CVA} + VaR_{Stressed}^{CVA})$$

where VaR_j^{CVA} is the 99% VaR reflecting changes of CVA_j and fair value of eligible

hedges (aggregated across all counterparties and eligible hedges) resulting from simulated

changes of credit spreads over a 10-day time horizon. CVA_j for a given counterparty must be

calculated according to

$$CVA_j = (LGD_{MKT}) \times \sum_{i=1}^T \text{Max} \left(0; \exp \left(-\frac{s_{i-1} \times t_{i-1}}{LGD_{MKT}} \right) - \exp \left(-\frac{s_i \times t_i}{LGD_{MKT}} \right) \right) \times \left(\frac{EE_{i-1} \times D_{i-1} + EE_i \times D_i}{2} \right)$$