

Content of question:

Are cross-currency interest rate swaps, for the purpose of determining the exposure amount, included in the currency derivatives class or the interest-rate derivatives class?

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Approved by: **Pavel Vacek**

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Piece of law	<b>Decree No. 123/2007 Coll. (as amended)</b>
Provision	<b>Annex 7 Annex 8, IV</b>
Explanation	Cross-currency interest-rate swaps (CIRSs) are, pursuant to Annex 7 to the Decree, considered to be currency derivatives. In determining the exposure amount of derivatives by the Mark-to-Market Method, these instruments are assigned conversion factors in accordance with the relevant column of Table 1 in Annex 8, IV to the Decree which relates to the "currency, including derivatives for monetary gold" category of derivatives and long settlement transactions. It holds regarding the CIRS instruments that the volatility of FX rates is higher than the volatility of interest rates.