

Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014 (Text with EEA relevance)

PART THREE

**CAPITAL REQUIREMENTS**

TITLE II

**K-FACTOR REQUIREMENT**

*CHAPTER 4*

***RtF K#factors***

*Section 1*

***Trading counterparty default***

*Article 28*

**Replacement cost (RC)**

The replacement cost referred to in Article 27 shall be determined as follows:

- (a) for derivative contracts, RC is determined as the CMV;
- (b) for long settlement transactions, RC is determined as the settlement amount of cash to be paid or to be received by the investment firm upon settlement; a receivable is to be treated as a positive amount and a payable is to be treated as a negative amount;
- (c) for repurchase transactions and securities or commodities lending or borrowing transactions, RC is determined as the amount of cash lent or borrowed; cash lent by the investment firm is to be treated as a positive amount and cash borrowed by the investment firm is to be treated as a negative amount;
- (d) for securities financing transactions, where both legs of the transaction are securities, RC is determined by the CMV of the security lent by the investment firm; the CMV shall be increased using the corresponding volatility adjustment in Table 4 of Article 30;
- (e) for margin lending transactions and credits and loans referred to in point (g) of Article 25(1), RC is determined by the book value of the asset in accordance with the applicable accounting framework.

**Changes to legislation:**

This version of this Regulation was derived from [EUR-Lex](#) on IP completion day (31 December 2020 11:00 p.m.). It has not been amended by the UK since then. Find out more about legislation originating from the EU as published on [legislation.gov.uk](#).