

Package ‘xVA’

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Type Package

Title Calculates Credit Risk Valuation Adjustments

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Description Calculates a number of valuation adjustments including CVA, DVA, FBA, FCA, MVA and KVA. A two-way margin agreement has been implemented. For the KVA calculation three regulatory frameworks are supported: CEM, SA-CCR and IMM. The probability of default is implied through the credit spreads curve. Currently, only IRSwaps are supported. For more information, you can check one of the books regarding xVA: <<http://www.cvacentral.com/books/credit-value-adjustment>>.

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Imports methods, SACCR, Trading

URL www.openriskcalculator.com

LazyData TRUE

Collate 'CalcNGR.R' 'CalcPD.R' 'CalcSimulatedExposure.R' 'CalcVA.R'
'GenerateTimeGrid.R' 'calcCVACapital.R' 'calcDefCapital.R'
'calcEAD.R' 'calcEffectiveMaturity.R' 'calcKVA.R'
'xVACalculator.R' 'xVACalculatorExample.R'

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calcCVACapital	<i>Calculates the CVA Capital Charge</i>
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Description

Calculates the CVA capital charge based on the standardized approach

Usage

```
calcCVACapital(trades, EAD, cpty_rating, effective_maturity)
```

Arguments

trades	The full list of the Trade Objects
EAD	Exposure-at-Default
cpty_rating	the rating of the counterparty
effective_maturity	The effective maturity of the trades of the netting set

Value

The CVA capital charge of the trade set

Author(s)

Tasos Grivas <tasos@openriskcalculator.com>

calcDefCapital	<i>Calculates the Default Capital Charge</i>
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Description

Calculates the default capital charge using the advanced IRB methodology and the stressed R

Usage

```
calcDefCapital(trades, EAD, reg_data, effective_maturity)
```

Arguments

trades	The full list of the Trade Objects
EAD	The Exposure-At-Default of the trades as per the selected regulatory framework
reg_data	A list containing data related to the regulatory calculations (for example the regulatory probability-of-default, the regulatory loss-given-default etc)
effective_maturity	The effective maturity of the trades of the netting set

Value

The default capital charge

Author(s)

Tasos Grivas <tasos@openriskcalculator.com>

calcEAD	<i>Calculates the Exposure-At-Default (EAD)</i>
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Description

Calculates the Exposure-At-Default (EAD) based on the given regulatory framework. It supports the CEM, SA-CCR and IMM frameworks

Usage

```
calcEAD(trades, framework, col, EEE, time_points)
```

Arguments

trades	The full list of the Trade Objects
framework	Specifies the regulatory framework used in the calculations. It can take the values of 'IMM', 'CEM', 'SA-CCR'
col	The margin agreement with the counterparty
EEE	A vector containing the effective expected exposure against the counterparty
time_points	The timepoints that the analysis is performed on

Value

The Exposure-At-Default

Author(s)

Tasos Grivas <tasos@openriskcalculator.com>

calcEffectiveMaturity *Calculates the Effective Maturity*

Description

Calculates the effective maturity based on the specified regulatory framework

Usage

```
calcEffectiveMaturity(trades, time_points, framework, simulated_exposure)
```

Arguments

trades	The full list of the Trade Objects
time_points	The timepoints that the analysis is performed on
framework	Specifies the regulatory framework used in the calculations. It can take the values of 'IMM', 'CEM', 'SA-CCR'
simulated_exposure	The exposure profile list containing the EE, EEE etc

Value

The effective maturity of the trade set

Author(s)

Tasos Grivas <tasos@openriskcalculator.com>

calcKVA	<i>Calculates the Capital Valuation Adjustment (KVA)</i>
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Description

Calculates the capital valuation adjustment by computing the default capital charge and the CVA capital charge and applying the required return-on-capital

Usage

```
calcKVA(exposure_profile, col, trades, reg_data, time_points)
```

Arguments

exposure_profile	The exposure profile list containing the EE, EEE etc
col	The margin agreement with the counterparty
trades	The full list of the Trade Objects
reg_data	A list containing data related to the regulatory calculations (for example the 'framework' member variable can be 'IMM', 'SACCR', 'CEM')
time_points	The timepoints that the analysis is performed on

Value

The capital valuation adjustment (KVA)

Author(s)

Tasos Grivas <tasos@openriskcalculator.com>

CalcNGR	<i>Calculates the Net/Gross ratio (NGR)</i>
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Description

Calculates the Net/Gross ratio used under the CEM regulatory framework

Usage

```
CalcNGR(MtM_Vector)
```

Arguments

MtM_Vector	A vector containing the trades to be netted
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Value

The Net-Gross ratio (NGR)

Author(s)

Tasos Grivas <tasos@openriskcalculator.com>

CalcPD *Calculates the Probability of Default*

Description

Calculates the probability of the default on specific time points by using the spread of the corresponding credit curve and the loss given default

Usage

CalcPD(spread, LGD, time_points)

Arguments

spread	The spread based on the credit curve
LGD	The loss-given-default
time_points	The timepoints that the analysis is performed on

Value

A vector containing the probability of default on the specified timepoints

Author(s)

Tasos Grivas <tasos@openriskcalculator.com>

CalcSimulatedExposure *Calculated the Simulated Exposure Profile*

Description

Calculates the simulated exposure profile (EE, NEE, PFE, EEE) by use of the Hull-White model. Two sets of results are provided: one after taking into account the margining agreement and one assuming that there is no margining agreement present

Usage

CalcSimulatedExposure(discount_factors, time_points, spot_curve, col, trades, sim_data)

Arguments

discount_factors	The discount curve derived from the spot curve
time_points	The timepoints that the analysis is performed on
spot_curve	The curve derived from interpolating the market spot rates
col	The margin agreement
trades	The list of the trade objects
sim_data	A list containing simulation-related data (model parameters and number of simulation)

Value

A list containing the exposure profile (both collateralized and uncollateralized)

Author(s)

Tasos Grivas <tasos@openriskcalculator.com>

CalcVA

Calculates the Valuation Adjustment

Description

Calculates the Valuation Adjustment based on the exposure, the probability-of-default and the loss-given-default

Usage

CalcVA(exposure, discount_factors, PD, LGD)

Arguments

exposure	A vector containing the exposure values on which the credit risk adjustment will be calculated
discount_factors	The Discount Curve
PD	The probability-of-Default
LGD	The Loss-Given-Default

Value

The Valuation Adjustment Value

Author(s)

Tasos Grivas <tasos@openriskcalculator.com>

xVACalculator

Calculates the xVA values

Description

Calculates the xVA values (CVA, DVA, FVA, FBA, MVA, KVA)

Usage

```
xVACalculator(trades, col, sim_data, reg_data, credit_curve_PO,
  credit_curve_cpty, funding_curve, spot_rates, cpty_LGD, PO_LGD)
```

Arguments

trades	The full list of the Trade Objects
col	The margin agreement with the counterparty
sim_data	A list containing data related to the calculation of simulated exposures (for example the model parameters and the number of simulations)
reg_data	A list containing data related to the regulatory calculations (for example the 'framework' member variable can be 'IMM', 'SACCR', 'CEM')
credit_curve_PO	The credit curve of the processing organisation
credit_curve_cpty	The credit curve of the processing organisation
funding_curve	A curve containing the credit spread for the funding of the collateral
spot_rates	The spot rates curve
cpty_LGD	The loss-given-default of the counterparty
PO_LGD	The loss-given-default of the processing organisation

Value

A list containing the xVA values

Author(s)

Tasos Grivas <tasos@openriskcalculator.com>

References

Gregory J., The xVA Challenge, 2015, Wiley

`xVACalculatorExample` *xVA calculation example*

Description

Calculates the xVA values for a simple example containing two IR swaps.

Usage

```
xVACalculatorExample()
```

Value

A list with the values of various valuations' adjustments

Author(s)

Tasos Grivas <tasos@openriskcalculator.com>

Examples

```
## run the example  
  
xVACalculatorExample()
```

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