**Global Market Shock**

Banks with large trading operations are required to include the global market shock as part of their adverse and severely adverse scenarios.

Trading banks must conduct a stress test of their trading books and private equity positions, including their credit valuation adjustments or CVAs, as of **October 16, 2013**. Banks must estimate trading and counterparty mark-to-market losses and incremental default risk (IDR) on the trading exposures. These trading banks are not required to estimate IDR losses on their counterparty exposures. All estimated losses associated with the global market shock should be reported in the initial quarter of the planning horizon.

In cases in which the specified shocks provided are not directly compatible with the BHC's internal systems, the bank is expected to interpolate or extrapolate around the given points to determine the appropriate shock. Supporting documentation should include a description of the methods used to interpolate or extrapolate.

The result of the global market shock is to be taken as an instantaneous loss and reduction of capital calibrated on applicable trading book and private equity positions, as of a point in time – specifically, October 16, 2013. Banks should not assume a related decline in portfolio positions or RWAs as a result of these market shock losses.

The global market shock should be treated as an add-on that is exogenous to the macroeconomic and financial market environment specified in the stress scenarios. These instantaneous losses are to be measured as an additional shock beyond the estimates of pre-provision net revenue (PPNR) and losses under the macroeconomic scenario.

It is assumed that the global market shock could occur at any time over the nine-quarter planning horizon, though for the purposes of the post-stress capital assessment, these losses are run through net income in the first quarter of the planning horizon. By assuming no recoveries of the losses generated by the global market shock over the nine quarters, the capital impact is carried over throughout the planning horizon, with the effect of measuring post-stress capital ratios inclusive of the global market shock and the macro scenario in every quarter.

The OCC is providing a set of hypothetical shocks to the risk factors relevant to the trading and counterparty positions.