



EUROPEAN
COMMISSION

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COMMISSION DELEGATED REGULATION (EU) .../...

of XXX

**amending Regulation (EU) No 575/2013 of the European Parliament and of the Council
as regards temporary targeted operational relief measures and targeted multipliers for
the calculation of an institutions' own funds requirements for market risk**

(Text with EEA relevance)

This draft has not been adopted or endorsed by the European Commission. Any views expressed are the preliminary views of the Commission services and may not in any circumstances be regarded as stating an official position of the Commission.

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE DELEGATED ACT

Financial instruments held by banks for trading purposes (shares, bonds and derivatives for example) are subject to market risk, i.e. the risk of their value decreasing due to adverse movements in market prices. The 2008 Global Financial Crisis revealed a number of weaknesses in the design of prudential requirements for market risk. These had resulted in banks having insufficient levels of capital to absorb losses related to market risk. This prompted the Basel Committee on Banking Supervision (BCBS) to revise the international market risk standards, which resulted in a revised market risk framework being adopted in January 2016, also known as the Fundamental Review of the Trading Book (FRTB). Subsequently, in December 2017, the Group of Central Bank Governors and Heads of Supervision asked the BCBS to review the FRTB after identifying a number of technical issues with the framework's calibration. The review was completed with the publication of the final version of the FRTB in January 2019. BCBS members initially agreed to implement the standards by 1 January 2022, then postponed doing so to 1 January 2023 because of the COVID-19 pandemic.

Given the significance of the changes introduced by the FRTB and the market risk revisions still taking place at Basel level, the EU decided to implement the framework in two phases. In the first phase, the FRTB was introduced as a reporting requirement, by amending Regulation (EU) No 575/2013 (the Capital Requirements Regulation or the CRR) by means of Regulation (EU) 2019/876 (CRR II). The reporting requirements aimed to enable the competent authorities to monitor how banks were implementing the FRTB, before the provisions became binding for banks' calculation of own funds requirements, and to enable legislators to take account of possible additional amendments introduced internationally in the meantime.

The second phase of implementing the FRTB standards as binding capital requirements in EU legislation was completed by finalising the Banking Package. Regulation (EU) 2024/1623 of the European Parliament and of the Council (CRR III) entered into force in July 2024 and set its entry into application on 1 January 2025.

Article 461a of Regulation (EU) No 575/2013, as amended by Article 1, point (236), of Regulation (EU) 2024/1623, includes a requirement for the European Commission to monitor the international implementation of the Basel FRTB standards across jurisdictions and empowers the Commission to adopt delegated acts to ensure an international level playing field, if there are significant deviations in implementation by third countries. The reason for the empowerment is that in wholesale markets, banks can easily compete by offering financial products and services across borders, including between Member States and third countries. The empowerment to adopt delegated acts allows temporary targeted amendments to the own funds requirements for market risk to be introduced for up to three years and allows the date of application of the FRTB in the EU to be postponed by up to two years in order to preserve an international level playing field.

At the time Regulation (EU) 2024/1623 entered into force, the Commission's monitoring of the FRTB's implementation across jurisdictions showed that, while some jurisdictions had implemented the standards (Canada and Japan, for example), other jurisdictions, for which level playing field considerations are very relevant, were lagging behind. Significant uncertainty remained about the timelines and possible deviations in implementing the framework in those jurisdictions. Most significantly, as of June 2024, the US had not yet implemented the FRTB standards or been sufficiently clear about when or how it would be ready to do so.

In response to those international regulatory developments, the Commission considered it necessary, in order to preserve a level playing field with third countries, to adopt a delegated act¹ and postpone the application of the FRTB standards by one year, to 1 January 2026. Over the course of 2025, the Commission observed that other jurisdictions were failing to make progress with implementing the Basel FRTB standards. Hence, after having consulted widely with all stakeholders (Member States, industry, the European Central Bank (ECB), the European Banking Authority (EBA), etc.), the Commission adopted a second delegated act² in June 2025 to postpone the application by one additional year, until 1 January 2027, the date of application of the new market risk prudential requirements. This second delegated act was the Commission's final possibility to delay the entry into application of the standards.

In November 2025, the Commission launched a two-month consultation on its proposed next step in implementing the FRTB. The proposal included targeted temporary amendments to address specific issues of the framework and an overall multiplier to offset negative capital impacts on banks. The consultation, which ran until 6 January 2026, gathered substantial input from a wide range of stakeholders. Contextually, developments in the UK and the US showed progress toward implementing the FRTB, even though there were delays and deviations from international standards. The UK is expected to apply the FRTB standardised approach from 2027 and the FRTB internal models from 2028, while the US re-proposed its Basel III implementation on 19 March 2026 for a 90-day consultation period, without providing any clarity on first application (and showing departures from the FRTB standards).

These uncertainties and divergences, particularly in the US, raise concerns about maintaining a level international playing field and the potential impact on EU banks. Hence, the Commission proposes temporary targeted amendments to the prudential framework, including introducing an overall multiplier, in order to preserve the level playing field and to offset the differences from other jurisdictions that have been observed. Considering the temporary nature of the targeted measures of the delegated act and the potential for permanent distortions to the level playing field from other jurisdictions' implementation, the Commission will reassess the necessary next steps in the context of the 2026 report on the competitiveness of the EU banking sector.

As in the case of the two previous delegated acts, the amendments and the multiplier have an impact on requirements in other parts of the CRR, which are ancillary, or connected with, to the entry into application of the FRTB. These requirements are the trading book/non-trading book boundary conditions, specifying the scope of application of the own funds requirements for market risk; the reporting and disclosure of the own funds requirements for market risk; the application of the output floor to the own funds requirements for market risk; and the supervisory benchmarking exercise of market risk. Where necessary, guidance on how banks should apply these requirements during the postponement period will be provided in the communication package and will be further specified by the EBA to ensure consistency and harmonisation in implementation across banks.

¹ Commission Delegated Regulation (EU) 2024/2795 of 24 July 2024 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the date of application of the own funds requirements for market risk (*OJ L*, 2024/2795, 31.10.2024, *ELI*: http://data.europa.eu/eli/reg_del/2024/2795/oj)

² Commission Delegated Regulation (EU) 2025/1496 of 12 June 2025 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the date of application of the own funds requirements for market risk (*OJ L*, 2025/1496, 19.9.2025, *ELI*: http://data.europa.eu/eli/reg_del/2025/1496/oj)

Preparing the delegated act involved several exchanges with stakeholders that are directly affected by the postponement. These include the EBA, the ECB /SSM, Member States and industry associations. The Expert Group on Banking, Payments and Insurance (EGBPI) was consulted twice, on 16 October 2025 before the public consultation and on 25 March 2025 on the draft delegated act.

2. LEGAL ASPECTS OF THE DELEGATED ACT

This delegated act introduces temporary targeted amendments to the own funds requirements for market risk. The amendments regard both the alternative internal model approach and the standardised approaches. In addition, this delegated act introduces an overall multiplier to the market risk own funds requirements.

The profit and loss attribution test (PLAT) is one of the requirements that a bank must meet in order to be permitted to use its internal models to calculate the own funds requirements for market risk. Recent experience has highlighted difficulties for institutions in complying with the test successfully, even though the failures may not necessarily be linked to model deficiencies. Other jurisdictions are also addressing this issue in their implementation of the FRTB. Therefore, the PLAT should be used as a monitoring tool during the three-year period and should not have a direct impact on the own funds requirements.

The non-modellable risk factors (NMRF) have been seen as a key obstacle to developing internal models for market risk. Several jurisdictions opted for implementing or applying the framework with certain modifications. The measure in the delegated act aims to make the NMRF framework more operational by reducing the number of observations required to consider a risk factor as modellable.

One of the criteria for a risk factor to be considered modellable is that the institution must have identified, over an observation period of 12 months, a certain number of verifiable prices for that risk factor. Other jurisdictions take into account the specific cases of recently created or recently issued risk factors, that have a limited time series, shorter than 12 months, and allows these factors to be integrated into the internal model approach before a full 12-month period has lapsed. Hence, to avoid level playing field issues in the EU implementation, the delegated act introduces pro-rating of the data requirements for the risk factor eligibility test (RFET), proportionate with the time period since the creation/issuance of a risk factor.

In the default risk charge for internal models, the probability of default (PD) of sovereign issuers is multiplied by 0, in order to align the treatment of default risk for sovereign issuers under the internal model approach to their treatment under the standardised approach, and aligning in substance the treatment of sovereign exposures to other jurisdictions.

As an operational relief measure, an option is given to banks to reduce the calculation frequency for the alternative internal model approach, from daily to weekly. This gives flexibility to institutions, which can opt for this burden reduction measure if it is consistent with their risk management.

The framework for collective investment undertaking (CIU) – i.e. positions in funds – is made more operational and receptive of level playing field considerations under both the alternative internal model approach and the alternative standardised approach. In particular, two aspects of the look-through method are simplified. First, its frequency has been reduced, allowing institutions to carry it out quarterly, rather than weekly (under the alternative internal model approach) or monthly (under the alternative standardised approach). Secondly, a partial look through is allowed, where institutions are allowed to use that method, provided they have visibility on at least 50% of the CIU's underlying exposures. In addition, under the alternative

internal model approach, alternative modelling techniques are allowed under supervisory approval. Lastly, the treatment of vega sensitivity in the alternative standardised approach is clarified as not being subject to decomposition.

A phasing-in of the own funds requirements for specific instruments under the residual risk add-on is also introduced. The measure neutralises the residual risk add-on (RRAO) for specific instruments (i.e. the ones with future realised volatility as an underlying, the “Bermudan options” that can be exercised on multiple predetermined dates and the constant maturity swap spread options). Other jurisdictions have also adopted similar measures on the RRAO.

As regards calculating the default risk charge under the alternative standardised approach, the recognition of widely used hedging techniques is simplified, reflecting the FRTB implementations in other jurisdictions. Institutions are allowed to address maturity mismatch issues in the default risk charge and recognise the hedging relationship for equity and credit derivatives, and cash instruments.

When calculating own funds requirements for exposures to EU emissions trading system (ETS) permits, a higher correlation coefficient is recognised, in line with quantitative research and analyses. The increases in the correlation coefficient lowers the overall capital requirements.

To mitigate uncertainties in other jurisdictions’ implementation of the FRTB, a multiplier of 0.9 is introduced, which targets the calculation results of the simplified standardised approach and the sensitivities-based method of the alternative standardised approach (its main component).

Under the alternative standardised approach, the requirements on the alternative correlation trading portfolio are being aligned more closely with institutions’ risk management practices and to other jurisdictions’ FRTB implementation. Hence, the decomposition of positions in the constituents of an index is allowed.

Banks with very little trading activity that would be required to implement the alternative standardised approach due to exceeding the threshold under Article 325a(1) CRR because of their non-trading book exposures to foreign exchange and commodity risk factors, should be allowed to use the simplified standardised approach instead. This is in line with measures introduced in other jurisdictions, brings targeted operational relief to those banks and reflects the proportionality considerations in the initiative.

Lastly, an overall multiplier to offset capital increases is introduced: the multiplier is a key measure for maintaining a level playing field in market risk activities. The multiplier is optional and limited to banks that would experience a capital increase under the FRTB framework. The multiplier is bank specific and recalibrated every three months on the basis of the approaches and trading book/non-trading book boundary that the banks are currently using for the calculation of their own funds requirements for market risk.

COMMISSION DELEGATED REGULATION (EU) .../...

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amending Regulation (EU) No 575/2013 of the European Parliament and of the Council as regards temporary targeted operational relief measures and targeted multipliers for the calculation of an institutions' own funds requirements for market risk

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012¹, and in particular Article 461a(2) thereof,

Whereas:

- (1) Regulation (EU) 2019/876 of the European Parliament and of the Council² amended Regulation (EU) No 575/2013, *inter alia*, to introduce as a reporting requirement into that Regulation the Fundamental Review of the Trading Book (FRTB) standards, which is a comprehensive set of own funds requirements for market risk exposures developed by the Basel Committee on Banking Supervision (BCBS). Regulation (EU) 2024/1623 of the European Parliament and of the Council³ further amended Regulation (EU) No 575/2013, *inter alia*, to transform the FRTB standards into binding requirements for the calculation of own funds requirements for market risk.
- (2) Given the highly competitive nature of international trading activities, the FRTB standards were adopted on the premise that their implementation across jurisdictions, both in terms of substance and timelines, would ensure an international level playing field for institutions' trading activities. The monitoring of the implementation of the FRTB standards in other BCBS member jurisdictions, and more specifically in those jurisdictions with many internationally active banks, has pointed to delays and a number of deviations from the international standards, and hence, to a significant risk of distortions to the international level playing field. To address that risk and to gather more information on other jurisdictions' implementation timelines and actual rules, the Commission has twice used the empowerment in Article 461a(2), point (b), of

¹ OJ L 176, 27.6.2013, p. 1, ELI: <http://data.europa.eu/eli/reg/2013/575/oj>.

² Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012 (OJ L 150, 7.6.2019, p. 1, ELI: <http://data.europa.eu/eli/reg/2019/876/oj>).

³ Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor (OJ L, 2024/1623, 19.6.2024, ELI: <http://data.europa.eu/eli/reg/2024/1623/oj>).

Regulation (EU) No 575/2013 to defer via delegated acts⁴ the application of the FRTB standards for the calculation of own funds requirements for market risk in the Union to 1 January 2027.

- (3) In recent months, the monitoring of the implementation of the FRTB standards has shown that while most jurisdictions have indeed progressed with the implementation of those standards, uncertainty remains around the implementation timelines and around the final rules in the jurisdictions that have many internationally active credit institutions. To avoid significant competitive disadvantages for Union credit institutions in their trading activities, the prudential framework for the calculation of the own funds requirements for market risk should be amended temporarily for three years. The targeted amendments should address specific aspects of the prudential framework where deviations in other jurisdictions have been identified or are extremely likely.
- (4) To provide credit institutions with certainty and regulatory stability in respect of the market risk framework that they are required to use for the calculation of their own funds requirements, the duration of the relief measures should be three years, i.e. until 31 December 2029, the maximum period specified in the empowerment in Article 461a(2) of Regulation (EU) No 575/2013.
- (5) In line with the Basel standards, pursuant to Article 325az(2), point (d), of Regulation (EU) No 575/2013, to be granted permission to use the alternative internal model approach (AIMA) for the calculation of their own funds requirements for market risk, credit institutions are required to conduct and successfully pass, on an ongoing basis, the profit and loss attribution test (PLAT) laid down in Article 325bg of that Regulation at the level of each trading desk included in the scope of their AIMA permission. For trading desks that fail the test, credit institutions are to calculate the own funds requirements for market risk under the alternative standardised approach. Recent experience has highlighted difficulties for several trading desks in successfully passing the test, even where the failures may not necessarily be linked to model deficiencies. As a result, other jurisdictions implemented the PLAT, at least temporarily, in a non-binding manner, only as a monitoring tool. To address concerns about the level playing field with those jurisdictions, the Union implementation should also allow banks to calculate the PLAT only for monitoring purposes during the three-year period, and should specify that the PLAT does not have a direct impact on the own funds requirements during that period.
- (6) The FRTB standards lay down clear and stringent requirements for non-modellable risk factors (NMRFs) that were introduced in Union law by means of legislative acts and Commission delegated and implementing acts. Due to a very limited adoption worldwide of market risk internal models so far and significant delays in FRTB implementation by major jurisdictions, the development of data solutions from third-party vendors, which would enable credit institutions to classify a smaller number of their risk factors as NMRFs, remains limited. That leads to a significant impact on

⁴ Commission Delegated Regulation (EU) 2024/2795 of 24 July 2024 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the date of application of the own funds requirements for market risk (OJ L, 2024/2795, 31.10.2024, ELI: http://data.europa.eu/eli/reg_del/2024/2795/oj) and Commission Delegated Regulation (EU) 2025/1496 of 12 June 2025 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the date of application of the own funds requirements for market risk (OJ L, 2025/1496, 19.9.2025, ELI: http://data.europa.eu/eli/reg_del/2025/1496/oj).

own funds requirements, which raises concerns that the contribution of NMRFs to the overall own funds requirements calculated using internal models is larger than originally expected. Overall, institutions have perceived the NMRF framework as a key obstacle in developing internal models for market risk. In light of those considerations, other major jurisdictions have simplified their NMRF framework by allowing more risk factors to be capitalised as modellable, under the expected shortfall measure. To preserve a global level playing field and to make the NMRF framework easier to implement, it is necessary to modify the conditions on the number of verifiable prices observations needed for a risk factor to be considered modellable and hence be capitalised under the expected shortfall calculation.

- (7) In line with the Basel standards, one of the criteria laid down in Article 1(1) and Article 4(2) of Commission Delegated Regulation (EU) 2022/2060⁵ for a risk factor to be modellable is that the institution concerned has identified, over an observation period of 12 months, a certain number of verifiable prices for that risk factor. That requirement is problematic for recently issued instruments, including newly issued bonds, new reference rates or commodities, because it means that during the 12 months following their issuance, the risk factors for those positions might not pass the risk factor eligibility test, regardless of the liquidity of those positions. To alleviate the operational burden on institutions and ensure a level playing field with credit institutions from other jurisdictions, credit institutions should be allowed to prorate the number of real price observations required for modellability purposes for those new risk factors until one year after those new instruments are first traded in the market.
- (8) One of the particular requirements for the internal default risk model referred to in Article 325bp of Regulation (EU) No 575/2013 is that a credit institution's estimates of default probabilities are floored at the percentages laid down in paragraph 5, point (a), of that Article. As a consequence, for specific issuers or obligors that do not attract any own funds requirements for default charge under the alternative standardised approach the own funds requirements for default risk under the alternative internal model approach would be higher than under the alternative standardised approach. That is the case, in particular, for highly rated central governments and central banks issuers. Several jurisdictions have deviated from the Basel standards, by allowing banks, under the internal model approach, to treat exposures to those issuers identically to how those exposures would be treated under the alternative standardised approach (i.e. no own funds requirements for default risk). Therefore, to ensure consistency across approaches and to preserve a level playing field with those jurisdictions, credit institutions in the Union should also benefit from a similar measure. that should be achieved by applying a multiplier equal to 0 to the probability of default of issuers/obligors that attract a 0 % risk-weight under the alternative standardised approach, nullifying the relevant capital charge for exposures to those issuers/obligors.
- (9) Credit institutions that have received the approval for using the alternative internal model approach for the calculation of their own funds requirements may find it operationally challenging to carry out daily calculations of the expected shortfall risk

⁵ Commission Delegated Regulation (EU) 2022/2060 of 14 June 2022 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying the criteria for assessing the modellability of risk factors under the internal model approach (IMA) and specifying the frequency of that assessment under Article 325be(3) of that Regulation (OJ L 276, 26.10.2022, p. 60, ELI: http://data.europa.eu/eli/reg_del/2022/2060/oj).

measure and of the stress scenario risk measure in accordance with Article 325ba(1) of Regulation (EU) No 2013/575. In particular, daily calculations require computational effort and impose requirements on timeliness of operational and governance processes. Credit institutions should therefore be temporarily allowed to calculate and disclose the values of the regulatory expected shortfall risk measure and stress scenario risk measure on a weekly basis rather than on a daily basis. That would enable Union credit institutions to maintain a level playing field with banks from other jurisdictions that will be required to use the alternative internal model approach only at a later date.

- (10) Article 325bh(1), point (i), and Article 325j of Regulation (EU) No 575/2013 contain specific conditions for the calculation of the own funds requirements for exposures to Collective Investment Undertakings ('CIU'), both under the alternative standardised approach and the alternative internal model approach. To avoid a very conservative treatment, credit institutions must be able to periodically look through all the components of the CIU underlying the exposure and calculate the own funds requirements for the CIU exposure as if they had direct exposures to the CIU components. The banks' ability to carry out the look-through approach is predicated on the availability of the CIU composition data at the look-through date, which has so far proven very challenging because CIU managers, due to confidentiality concerns, have little incentive to provide granular, detailed information on CIU composition. As a result, credit institutions are often unable to use the look-through methodology under either of the approaches and would often have to revert to a conservative treatment. Other major jurisdictions have therefore proposed amendments to the treatment of the CIU exposures under both the FRTB standardised and the internal model approaches. Hence, to avoid distortions to the level playing field and a disproportionate operational burden for using the look-through approach, it is necessary to introduce, in line with other jurisdictions, the flexibility for institutions to conduct a partial look-through and to that end, specify a minimum threshold for that partial look-through, while requiring those institutions to use a more conservative treatment for the CIU part that cannot be looked through. The design of that minimum threshold should be specified in relation to the market value of the exposure to allow for simplicity. Where the market value of the exposure is not appropriate for specific CIU exposures, such as highly leveraged ones, credit institutions should reflect that in their look-through approach to the satisfaction of their competent authorities. A lower frequency of the look-through should also be specified. Moreover, under the alternative internal model approach, credit institutions should be allowed to use alternative methodologies to the look-through, subject to approval from their competent authorities. For CIU exposures subject to vega risk, the look-through approach is complex to implement and is not aligned with the way credit institutions are risk managing those positions, as vega sensitivities are not additive and cannot be decomposed in a straightforward manner. CRR provisions require, however, that credit institutions use the same approach for the calculation of the own funds requirements for market risk for all the risk factors of the same CIU exposure. Therefore, a credit institution that uses for such a CIU position the look-through approach to calculate the capital requirements for its delta risk factor is required to use the look-through approach for the capital requirements for the vega risk factor. To alleviate institutions' operational burden, such credit institutions should be allowed to use an alternative approach to calculate the own funds requirements for the vega risk factor of a CIU exposure, regardless of the approach employed for capitalising other types of risk associated with that exposure.
- (11) The residual risk add-on (RRAO) determines an additional capital requirement for risks that are not already addressed by the other components of the alternative

standardised approach. As the RRAO charge is calculated based on an instrument's notional value regardless of its risk, and hedging is recognised only in cases where the hedged and the hedging instrument perfectly match, there could be cases where the own funds requirements for RRAO are misaligned with the actual residual risk at trading desk level. To avoid disproportionate capital requirements for instruments with residual risks that credit institutions might be able to hedge to a large extent in the market, and to preserve the level playing field vis-à-vis other jurisdictions which have implemented or will implement specific measures with regard to the RRAO, it should be laid down that multipliers are to be applied to RRAO capital requirements for instruments that have future realised volatility as an underlying, that are options that can be exercised on a finite number of dates, or that are options on the difference between two constant maturity swap rates denominated in the same currency, where those instruments attract an RRAO charge only for those reasons.

- (12) The default risk own funds requirement under the alternative standardised approach captures the default risk of issuers and obligors of exposures subject to market risk, over a one-year time horizon. Hedges are recognised for exposures to the same issuer or obligor subject to specific conditions, including on maturity mismatches between different positions. Some of those conditions do not allow for the recognition of the economic hedge between an equity derivative and a cash position of the same underlying, which is a risk management approach widely used in practice. To incentivise hedging and ensure alignment with similar measures in other jurisdictions, that type of economic hedging should be recognised in the calculation of the own funds requirements for default risk under the alternative standardised approach.
- (13) Regulation (EU) 2024/1623 introduced in the alternative standardised approach a specific risk weight for exposures to carbon trading under the EU Emissions Trading System (EU ETS), justified by the stability and the limited volatility of the Union's carbon emissions allowance market in recent years and related prices for carbon credits. Subsequent quantitative analysis provided evidence that, in addition to the lower risk weight, a correlation parameter used for the aggregation of the carbon trading exposures should also be set to a different value, that would result in lower own funds requirements for those specific exposures. Furthermore, exchanges between banks and regulators from other jurisdictions, including ongoing consultation processes, suggest that similar measures might be adopted in those jurisdictions' final implementation. It should therefore be laid down that, until 31 December 2029, the correlation parameter is to be amended via a multiplier to an appropriate value, in light of the existing evidence.
- (14) The delay in the implementation of the Basel III rules in jurisdictions with internationally active banks leads to temporary distortions in the level playing field, also as a result of the output floor that became applicable in the Union from 1 January 2025. To mitigate those distortions and ensure a smooth transition, credit institutions should temporarily benefit from a targeted and limited phase-in of the own funds requirements for market risk under the alternative standardised approach. Credit institutions that apply the simplified standardised approach should similarly benefit from the phase-in.
- (15) In line with the Basel standards, Article 325i(1), points (a) and (b), of Regulation (EU) No 575/2013 requires that credit institutions calculate, for positions in indices included in the alternative correlation trading portfolios (ACTP), a single sensitivity to the index and prohibits the decomposition of an ACTP index position into sub constituent risk factors (i.e. single name positions) and the subsequent netting of those risk factors

with the same risk factors of the same constituent of single name instruments. Those requirements create a discrepancy between the approach that credit institutions have in place for the risk management of those exposures and the calculation of the own funds requirements, leading to additional operational complexity and an increase in own funds requirements. For those reasons, one major jurisdiction with banks very active in ACP trading has chosen to allow banks to decompose ACP index exposures. To preserve the level playing field, credit institutions should temporarily be given the flexibility to apply a decomposition approach and net their sub constituent exposures to the same risk factors.

- (16) The implementation of the FRTB standards introduces more risk sensitive and complex methodologies that may be unnecessary for institutions with small trading activities. That is particularly the case for those small institutions that qualify for the derogation for small trading book business under Article 94 of Regulation (EU) No 575/2013, but exceed the thresholds set out in Article 325a of that Regulation due to foreign exchange risk or commodity risk resulting from non-trading book positions. To avoid disproportionate implementation costs and operational complexity for such Union credit institutions, given that other major jurisdictions either have similar measures in place, or do not apply the market risk own funds requirements to banks with small trading book businesses, Union credit institutions with small trading books should be allowed to use the simplified standardised approach for their non-trading book positions subject to foreign exchange risk and commodity risk.
- (17) Delays in the implementation of the new market risk framework in jurisdictions with internationally active banks mean that those Union credit institutions that have sophisticated trading activities and more complex portfolios would face an unlevel playing field, should the implementation of the Basel III standards be delayed beyond 1 January 2027 or the requirements be implemented in a more flexible manner in other jurisdictions. Monitoring of the implementation of the Basel III standards in other major jurisdictions has demonstrated that it is highly unlikely that major non-Union banks would have to implement the FRTB rules in their home jurisdictions from 1 January 2027. At the same time, to ensure that specific aspects of the new market risk framework, in particular in relation to the alternative internal model approach, are not excessively complex or too conservative, and hence do not lead to unjustified operational complexity or outsized capital requirements, it is necessary to reassess (and potentially recalibrate) those specific aspects. In that context, and to limit potential competitive disadvantages that would have negative impacts on the competitiveness of the Union banking sector in that area and on the financing of the Union economy, credit institutions that are adversely impacted by the implementation of the new market risk rules, after applying the targeted amendments introduced by this Regulation, should be allowed to limit that capital impact for the three-year duration of this Regulation.
- (18) Taken together, the proposed temporary measures should address many – but not all – of the differences in the level-playing field between major jurisdictions. To preserve, during the transition period, a level playing field until major jurisdictions finalise and implement the FRTB standards, credit institutions that are adversely impacted by the FRTB rules should be allowed to limit the impact of those rules on their capital requirements by applying a multiplier lower than or equal to 1 to those capital requirements for the three-year period of this delegated regulation. Given that those credit institutions are affected by the new framework to a different extent, the calibration of the multiplier should be bank specific. Furthermore, as credit institutions

would apply the multiplier until 31 December 2029, they should be able to recalibrate the multiplier periodically to a reliable benchmark to account for changes in their portfolios and in market conditions. It is therefore necessary to introduce a multiplier that scales down the impact of the new rules to the level of the previous Basel 2.5 implementation. To enable that precise calibration of the multiplier and avoid excessive operational complexity, including the application of multiple boundary concepts within the same institution and changes to the models used under the Basel 2.5 framework, it is necessary that the multiplier is calculated using the trading / non-trading book boundary under the Basel 2.5 implementation. Credit institutions that are eligible for and are choosing to apply the multiplier from 1 January 2027 should also have the choice to stop using it before the three-year period lapses, but they should not be allowed to resume the use of the multiplier later on. Reporting and disclosure requirements are essential tools to enable supervisory oversight and market discipline. Hence, credit institutions that choose to apply the multiplier should also continue to report and disclose information on their binding own funds requirements in accordance with the Basel 2.5 implementation, using the relevant provisions laid down in the version of the CRR in force on 8 July 2024.

- (19) Regulation (EU) No 575/2013 should therefore be amended accordingly.
- (20) The provisions contained in this Regulation apply without prejudice to banks' obligations under the CRR and the CRD to ensure adequate risk management and data aggregation capabilities. Banks should work with their supervisors to remedy any shortcomings observed in these areas.
- (21) The market risk requirements laid down in Regulation (EU) 2024/1623 will start to apply as of 1 January 2027. To avoid conflicting requirements for institutions, it is therefore necessary to align the date of application of this Regulation with that date. To avoid uncertainty among market participants and public authorities, this Regulation should enter into force on the day following that of its publication in the *Official Journal of the European Union*,

HAS ADOPTED THIS REGULATION:

Article 1

Amendment to Regulation (EU) No 575/2013

In Regulation (EU) No 575/2013, the following Articles 495i to 495v are inserted:

'Article 495i

Transitional provisions as regards the profit and loss attribution test under the alternative internal model approach for market risk

1. By way of derogation from Article 325az(2), point (d), and until 31 December 2029, institutions may use the alternative internal model approach to calculate their own funds requirements for market risk for trading desks that do not meet the requirements laid down in Article 325bg.
2. For the purposes of paragraph 1, institutions shall consider that, for the trading desks in scope, the theoretical changes in the value of those trading desks' portfolios, based on the institutions' risk measurement models, are close to the hypothetical changes in the value of those trading desks' portfolios, based on the institutions' pricing models.

Article 495j

Transitional operational relief measure on own funds requirements for non-modellable risk factors

1. By way of derogation from Articles 1(1) and Article 4(2) of Commission Delegated Regulation (EU) 2022/2060* and until 31 December 2029, institutions may assess as modellable for the purposes of Article 325be of this Regulation a risk factor for which the institution has identified at least two verifiable prices over the observation periods referred to in Article 1(1) and (2) and Article 4(2) and (3) of Delegated Regulation (EU) 2022/2060.
2. Institutions shall assign to the risk factors referred to in paragraph 1 a liquidity horizon equal to 250 scaled by the number of verifiable prices identified in accordance with Delegated Regulation (EU) 2022/2060, rounded to the nearest longer liquidity horizon set out in Table 2 of Article 325bd of this Regulation.

The liquidity horizon assigned in accordance with the first subparagraph shall not be shorter than the liquidity horizon that would be assigned to the risk factor, if the number of verifiable prices was sufficient to assess the risk factor as modellable in accordance with Article 1(1) and Article 4(2) of Commission Delegated Regulation (EU) 2022/2060.
3. Institutions shall include in the calculation referred to Article 325bb all those risk factors that are considered modellable pursuant to paragraph 1. Institutions shall include other non-modellable risk factors in the scope of the calculations laid down in Article 325bk.

* Commission Delegated Regulation (EU) 2022/2060 of 14 June 2022 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying the criteria for assessing the modellability of risk factors under the internal model approach (IMA) and specifying the frequency of that assessment under Article 325be(3) of that Regulation (OJ L 276, 26.10.2022, p. 60, ELI: http://data.europa.eu/eli/reg_del/2022/2060/oj).

Article 495k

Transitional provisions on data requirements for the assessment of modellability of new issuances

By way of derogation from Article 1(2) and Article 4 of Delegated Regulation (EU) 2022/2060 and until 31 December 2029, institutions, when assessing the modellability of risk factors in accordance with Article 325be of this Regulation, shall consider that for new risk factors from recently issued or recently created instruments:

- (a) the observation period referred to in Article 1(1) and Article 4 of Commission Delegated Regulation (EU) 2022/2060 begins on the day on which those instruments are issued or traded for the first time in the market;
- (b) the minimum number of verifiable prices which are representative of the risk factor in accordance with that Delegated Regulation are prorated until 12 months after that issuance or after that first trading date.

Article 495l

Transitional provisions on own funds requirements under the internal default risk model

By way of derogation from Article 325bp(5), point (a), and until 31 December 2029, institutions shall apply a multiplier equal to 0 to the probability of default estimates used for the calculation of the own funds requirements for default risk under the internal default risk model laid down in Part Three, Title IV, Chapter 1b, Section 3 for all issuers or obligors the exposures to which would attract a 0 % risk weight in the calculation of own funds requirements for default risk under the alternative standardised approach.

Article 495m

Transitional provisions on the calculation frequency for the alternative internal model approach

1. Until 31 December 2029, institutions that apply Article 325ba(1) for the calculation of their own funds requirements for market risk may choose to calculate the average values referred to in Article 325ba(1), point (b), over the preceding 12 weeks, instead of over the preceding 60 business days.
2. Until 31 December 2029, institutions that must comply with the disclosure requirements laid down in Article 455(2), points (a) and (b), may choose to disclose the values referred to in that Article for the preceding 12 weeks, instead of over the preceding 60 business days.

Article 495n

Transitional provisions on own funds requirements for positions in CIUs under the alternative internal model approach

1. By way of derogation from Article 325bh(1), point (i), and until 31 December 2029, institutions may look through:
 - (a) at least 50 % of all underlying positions of the CIU, measured by market value;
 - (b) the underlying positions of the CIUs on a quarterly basis rather than on a weekly basis.

For the purposes of the first subparagraph, point (a), institutions shall calculate the own funds requirement for market risk for all remaining positions in that CIU using the risk weight set out in Article 325j(1), point (b)(i).

2. When carrying out the look through referred to in paragraph 1, institutions shall be able to monitor risks resulting from significant changes in the composition of the CIUs concerned between two calculation dates.
3. By way of derogation from Article 325bh(1), point (i), an institution may use an alternative modelling approach for the calculation of the own funds requirements for market risk for positions in CIUs under the alternative internal model approach, subject to approval by its competent authority.

Article 495o

Transitional provisions on own funds requirements for positions in CIUs under the alternative standardised approach

1. By way of derogation from Article 325j(1), point (a), and until 31 December 2029, institutions may look through:
 - (a) at least 50 % of the underlying positions in those CIUs, measured by market value;
 - (b) the underlying positions of the CIU on a quarterly basis rather than on a monthly basis.

For the purposes of the first subparagraph, point (a), institutions shall calculate the own funds requirement for market risk for all remaining positions in those CIUs using the approach laid down in Article 325j(1), point (b)(i).

2. By way of derogation from Article 325j(1a) and (3), and until 31 December 2029, institutions may consider positions in CIUs as single equity positions with a risk weight of 100 % for the calculation of their own funds requirements for vega risk, regardless of other approaches used for the calculation of their own funds requirements for other risk factors for the same positions.

Article 495p

Transitional provisions on own funds requirements for residual risk add-on under the alternative standardised approach

By way of derogation from Article 325u and until 31 December 2029, institutions shall apply a multiplier equal to 0 to the own funds requirements for residual risks calculated in accordance with that Article for the following instruments:

- (a) instruments that reference future realised volatility as an underlying and that would not attract a residual risk add-on for other reasons;
- (b) instruments that are options that can be exercised on a finite set of predetermined dates and that would not attract a residual risk add-on for other reasons;
- (c) instruments that are options on the difference between two constant maturity swap rates denominated in the same currency and that would not attract a residual risk add-on for other reasons.

Article 495q

Transitional provisions on the calculation of the own funds requirements for default risk under the alternative standardised approach

By way of derogation from Article 325x(4) and until 31 December 2029, institutions may at their discretion assign:

- (a) to cash equity positions that hedge derivative instruments, the same maturity as the maturity of the derivative instruments they hedge;
- (b) a maturity of three months to equity derivative exposures.

Article 495r

Transitional provisions on the calculation of own funds requirements under the alternative standardised approach for instruments subject to EU ETS carbon trading risk

By way of derogation from Article 325at(2) and until 31 December 2029, institutions shall divide by 99,1 % the tenor correlation parameter set out in that Article for the calculation of their own funds requirements for market risk under the alternative standardised approach for instruments subject to EU ETS carbon trading delta commodity risk.

Article 495s

Transitional provisions on the phase-in of the own funds requirements under the alternative standardised approach and simplified standardised approach

1. Until 31 December 2029, institutions shall apply a multiplier of 0,9 to the result of the calculation of their own funds requirements for market risk under the sensitivities-based method in accordance with Article 325h(4).
2. Until 31 December 2029, institutions shall apply a multiplier of 0,9 to the result of the calculation of their own funds requirements for market risk under the simplified standardised approach referred to in Article 325(2).

Article 495t

Transitional provisions on the treatment of instruments in the ACTP portfolio

By way of derogation from Article 325i(1), points (a) and (b), and until 31 December 2029, institutions may choose to also apply the treatment laid down in that Article to positions included in the ACTP.

Article 495u

Transitional provisions on the derogation for small trading book business institutions

Until 31 December 2029, an institution that is eligible for the treatment set out in Article 94 may apply the approach referred to in Article 325(2) to calculate its own funds requirements for market risk of non-trading book positions that are subject to foreign exchange risk or commodity risk.

Article 495v

Transitional provisions on the application of a multiplier to own funds requirements for market risk

1. Until 31 December 2029, an institution may choose to apply a multiplier to its own funds requirements for market risk calculated using the approaches referred to in Article 325(1) and laid out in Articles 325c to 325ay, Articles 325az to 325bp and Articles 326 to 361, where its own funds requirements for market risk, calculated by applying this Regulation in the version in force on 9 July 2024 and taking into account the transitional treatments laid down in Articles 495i to 495t as of 31 March 2027, are higher than its own funds requirements for market risk calculated by applying Part Three, Title IV, of this Regulation in the version in force on 8 July 2024.

2. An institution shall not apply the multiplier in paragraph 1 where it calculates its own funds requirements for market risk by applying only Articles 326 to 361.
3. An institution that chooses to apply the treatment laid down in paragraph 1 shall notify the competent authorities without delay and shall provide evidence of meeting the requirements set out in that paragraph.
4. An institution that applies the treatment laid down in paragraph 1 may cease to apply that treatment at any point in time, provided that it has notified its competent authority. An institution that ceases to apply that treatment shall not apply it again at a later date.
5. An institution that chooses to use the multiplier referred to in paragraph 1 shall calibrate such multiplier every three months as the ratio between its own funds requirements for market risk calculated by applying Part Three, Title IV, of this Regulation in the version in force on 8 July 2024 and its own funds requirements for market risk calculated by applying this Regulation in the version in force on 9 July 2024, taking into account the transitional treatments laid down in Articles 495i to 495t.
6. An institution that applies the multiplier laid down in paragraph 1 shall continue to also report information on the own funds requirements for market risk calculated by applying Part Three, Title IV, of this Regulation in the version in force on 8 July 2024.
7. An institution that applies the multiplier laid down in paragraph 1 shall disclose that it chooses to apply the multiplier. That institution shall continue to also comply with the disclosure requirements of the own funds requirements for market risk set out in Part Eight of this Regulation in the version in force on 8 July 2024.
8. For the determination of its own funds requirements for market risk calculated by applying this Regulation in the version in force on 9 July 2024 in accordance with paragraphs 1 and 5, an institution shall use the requirements for inclusion in the trading book laid down in Article 104 of this Regulation in the version in force on 8 July 2024.’.

Article 2

Entry into force and application

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 1 January 2027.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Commission
The President
Ursula VON DER LEYEN