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

of 3.7.2025

supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying the conditions for assessing the materiality of extensions of, and changes to, the use of alternative internal models, and changes to the subset of the modellable risk factors

(Text with EEA relevance)

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE DELEGATED ACT

Article 325az(8) of Regulation (EU) No 575/2013 ('the Regulation') empowers the Commission to adopt, following submission of draft standards by the European Banking Authority (EBA), and in accordance with Articles 10 to 14 of Regulation (EU) No 1093/2010, delegated acts specifying the conditions for assessing the materiality of extensions and changes to the use of alternative internal models and changes to the subset of the modellable risk factors referred to in Article 325bc of the Regulation.

In accordance with Article 10(1) of Regulation (EU) No 1093/2010 establishing the EBA, the Commission shall decide within three months of receipt of the draft standards whether to endorse the drafts submitted. The Commission may also endorse the draft standards in part only, or with amendments, where the Union's interests so require, having regard to the specific procedure laid down in those Articles.

2. CONSULTATIONS PRIOR TO THE ADOPTION OF THE ACT

In accordance with the third subparagraph of Article 10(1) of Regulation (EU) No 1093/2010, the EBA has carried out a public consultation on the draft technical standards submitted to the Commission in accordance with Article 325az(8) of Regulation (EU) No 575/2013 ('the Regulation'). On 29 November 2023, the EBA launched a public consultation which closed on 29 February 2024. Moreover, the EBA requested the Banking Stakeholder Group set up in accordance with Article 37 of Regulation (EU) No 1093/2010 to provide advice on them. Together with the draft technical standards, the EBA submitted explanation on the inclusion of the outcome of these consultations in the development of the final draft technical standards submitted to the Commission.

Together with the draft technical standards, and in accordance with Article 10(1), third subparagraph, of Regulation (EU) No 1093/2010, the EBA has submitted its impact assessment, including its analysis of the costs and benefits, related to the draft technical standards submitted to the Commission. This analysis is available at <https://www.eba.europa.eu/legacy/regulation-and-policy/regulatory-activities/market-counterparty-and-cva-risk/regulatory-5>, pages 38-45 of the Final Report on the technical draft technical standards.

3. LEGAL ELEMENTS OF THE DELEGATED ACT

The final draft technical standards specify the conditions for assessing the materiality of extensions and changes to the use of alternative internal models and changes to the subset of the modellable risk factors. In accordance with Article 325az(8) of Regulation (EU) No 575/2013, the final draft technical standards differentiate between material extensions and changes, to be approved by competent authorities, and non-material extensions and changes, to be notified to competent authorities four weeks in advance. The latter category is further divided into two sub-categories: extensions and changes notified with additional information and extensions and changes notified with basic information.

For the categorisation of model extensions and changes to the relevant categories/sub-categories, the final draft technical standards set out a combination of qualitative and quantitative conditions. In particular, the quantitative conditions aim at assessing the effect of the extension or change on the overall alternative internal models own funds requirements and on its components (ES, SS and DRC), before and after the planned extension or change. In

addition, for changes to the institution's choice of the subset of modellable risk factors, the effect of the change on the ratio PES_t^{RC} / PES_t^{FC} is also assessed.

The final draft technical standards also include guiding principles that institutions should follow in the categorization process, provisions on the implementation of extensions and changes and documentation requirements.

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supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying the conditions for assessing the materiality of extensions of, and changes to, the use of alternative internal models, and changes to the subset of the modellable risk factors

(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 325az(8), first subparagraph, point (a), and third subparagraph thereof,

Whereas:

- (1) Whether institutions obtain permission from their competent authorities to use the alternative internal model approach laid down in Title IV, Chapter 1b, of Regulation (EU) No 575/2013 depends on whether those institutions comply with the requirements set out in Part Three, Title IV, Chapter 1b of that Regulation, including requirements as regards methods, processes, controls, data collection, organisation of the risk control unit and internal validation function, and IT systems. Institutions are allowed to modify the methods, processes, controls, data collection, organisation of the risk control unit and internal validation function, and IT systems, as approved by their competent authorities, provided that such modifications have been notified to their competent authority or have been approved by their competent authority, depending on the nature of the modifications, in accordance with Article 325az(7) of Regulation (EU) No 575/2013. That also applies to modifications triggered by the application of regulatory requirements, where those modifications encompass the use of methods or approaches that are not part of the existing competent authority's permission.
- (2) The choice of the subset of the modellable risk factors referred to in Article 325bc(2) of Regulation (EU) No 575/2013 is a part of the institution's approved and documented set of internal policies and procedures. Where the institution modifies its policies and procedures related to the choice of modellable risk factors, that modification should be approved by or notified to the competent authority, as it constitutes a change to the choice of the subset of the modellable risk factors. By contrast, changes to the composition of the list of risk factors included in the subset of modellable risk factors referred to in Article 325bc(2) of that Regulation, which take place within the approved policies and procedures, including in the case of a reduction

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

in data availability, should not be considered as changes to the institution's choice of the subset of modellable risk factors.

- (3) The permission from the competent authority relates to the methods, processes, controls, data collection and IT systems of the alternative internal model approach. Therefore institutions should not be required to notify their competent authority of ongoing alignments of the alternative internal models they use to the data sources used, of the correction of errors, or of minor adjustments that are necessary for the day-to-day maintenance of the models, that occur within the already approved methods, processes, controls, data collection and IT systems and are recorded accordingly.
- (4) Extensions and changes to the use of alternative internal models, or changes to the subset of the modellable risk factors, should be classified as 'material', and thus as requiring prior permission by competent authorities, or 'non-material' and thus requiring notification to competent authorities, on the basis of both qualitative and quantitative criteria. Some extensions and changes, including organisational changes, internal process changes, or risk management process changes, may not have a direct quantitative impact on the alternative internal models, but may influence the accuracy, soundness and use of the that alternative internal model. In those cases, given the difficulty of determining a quantitative impact, institutions and competent authorities should use only the qualitative criteria for the assessment of the materiality of those changes.
- (5) To ensure a prudent approach and enable competent authorities to review extensions of, and changes to, the use of alternative internal models, or changes to the subset of the modellable risk factors, before they are implemented, institutions should notify their competent authority of such non-material extensions and changes at least four weeks before implementation. However, that notice period should not apply to cases where institutions fail to meet the condition set out in Article 325bc(2), point (a) of Regulation (EU) No 575/2013. In such cases, institutions should have the possibility to take immediate action to restore compliance with the regulatory requirements, but should also duly and promptly notify competent authorities before implementing this change.
- (6) Competent authorities can only review extensions of, and changes to, the use of alternative internal models, and changes to the subset of the modellable risk factors, where they receive from the institutions concerned all information necessary for such a review. It is therefore necessary to specify the content of the information that institutions are to provide for that purpose.
- (7) The quantitative metrics and related thresholds used to identify material changes and extensions should be designed in a way that they take into account the impact on some relevant risk numbers and on the combined market risk capital requirements. To facilitate the computation of those quantitative metrics and ensure the most informative results, only the most recent risk numbers should be considered.
- (8) To take into account the effect of possible large changes to trading book positions, which typically happen on a daily basis, institutions should calculate the required risk numbers on the basis of an observation period of 15 consecutive business days, rather than on the basis of a single point in time. However, to include a certain degree of proportionality in the assessment of whether changes to the use of alternative internal models and changes to the subset of the modellable risk factors are material, that observation period of 15 consecutive business days should be subject to exemptions

where the assessed quantitative impact is very minor on the first testing date and where there is a presumption that the quantitative thresholds will not be breached during that 15 consecutive business days period.

- (9) Competent authorities should not require institutions to calculate the required risk numbers when they grant institutions the initial permission to calculate their own funds requirements by using alternative internal models. However, to justify and substantiate the materiality assessment of those changes and extensions, institutions should calculate the required risk numbers when they extend or change their alternative internal models and change the subset of the modellable risk factors.
- (10) To ensure that competent authorities take, at any time, appropriate supervisory measures with regard to extensions and changes to the alternative internal models and changes to the institution's choice of the subset of the modellable risk factors, they should consider a group of related extensions or changes to an alternative internal model notified separately by an institution as a single extension or change. In such a case, competent authorities should assess whether extensions and changes to the use of the alternative internal models are material at the level of that single extension or change.
- (11) This Regulation is based on the draft regulatory technical standards submitted to the Commission by the European Banking Authority.
- (12) The European Banking Authority has conducted open public consultations on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the advice of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council²,

HAS ADOPTED THIS REGULATION:

CHAPTER 1

CONDITIONS FOR ASSESSING THE MATERIALITY OF EXTENSIONS AND CHANGES TO THE USE OF ALTERNATIVE INTERNAL MODELS

Article 1

Categories of extensions and changes to the use of alternative internal models

1. Institutions shall assign extensions and changes to the use of their alternative internal models to one of the following categories:
 - (a) material extensions and changes to the use of alternative internal models, identified in accordance with Article 2(1) and (2), which require permission from the competent authorities;
 - (b) non-material extensions and changes to the use of alternative internal models, which require notification to the competent authorities.

² Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12, ELI: <http://data.europa.eu/eli/reg/2010/1093/oj>).

2. Institutions shall assign non-material extensions and changes to the use of their alternative internal models as referred to in paragraph 1, point (b), to one of the following sub-categories:
 - (a) extensions and changes, identified in accordance with Article 3(1) and (2), to be notified with additional information;
 - (b) extensions and changes to be notified with basic information.

Article 2

Material changes to, and material extensions of, the use of alternative internal models

1. Institutions shall categorise changes to the use of their alternative internal models as material, as referred to in Article 1(1), point (a), where those changes fulfil any of the following conditions:
 - (a) they meet any of the qualitative criteria set out in Part I of the Annex;
 - (b) they result in a change equal to or higher than 1 %, in absolute terms, calculated for the first business day of the testing of the impact of the change, of any of the risk numbers Rn_i as set out in paragraph 4 which are considered relevant pursuant to paragraph 5, and result in any of the following:
 - (i) an increase equal to or higher than 15 %, in absolute terms, of the following sum:

$$S_{IMA} = Rn_1 \cdot m_c + Rn_2 + Rn_3$$
 where Rn_1 , Rn_2 and Rn_3 are the risk numbers referred to in paragraph 4 of this Article, respectively, and m_c is the multiplication factor referred to in Article 325ba(1), point (b)(i), of Regulation (EU) No 575/2013;
 - (ii) a decrease of 10 % or more, in absolute terms, of the sum S_{IMA} referred to in point (b)(i) of this paragraph;
 - (iii) an increase equal to or higher than 20 %, in absolute terms, of any of the risk numbers Rn_i referred to in paragraph 4 which are considered relevant pursuant to paragraph 5;
 - (iv) a decrease equal to or higher than 15 %, in absolute terms, of any of the risk numbers Rn_i referred to in point (b)(iii) of this paragraph.
2. Institutions shall categorise extensions of the use of their alternative internal models as material, as referred to in Article 1(1), point (a), where those extensions fulfil any of the following conditions:
 - (a) they meet any of the qualitative criteria set out in Part I of the Annex;
 - (b) they result in a change equal to or higher than 1 %, in absolute terms, calculated for the first business day of the testing of the impact of the extension, of any of the risk numbers Rn_i set out in paragraph 4 which are considered relevant pursuant to paragraph 5, and result in any of the following:
 - (i) a change equal to or higher than 10 %, in absolute terms, of the sum S_{IMA} referred to in paragraph 1, point (b)(i);
 - (ii) a change equal to or higher than 15 %, in absolute terms, of any of the risk numbers Rn_i set out in paragraph 4 which are considered relevant pursuant to paragraph 5.

3. By way of derogation from paragraphs 1 and 2, institutions shall not categorise as material extensions and changes to the use of their alternative internal models that were requested by their competent authority.
4. To assess whether the conditions in paragraph 1, point (b), and paragraph 2, point (b), are fulfilled, institutions shall consider the following risk numbers Rn_i :
 - (a) Rn_1 , the institution's previous day's expected shortfall risk measure (ES_{t-1}) referred to in Article 325ba(1), point (a)(i), of Regulation (EU) No 575/2013, for the portfolio of all positions referred to in paragraph 10 of this Article;
 - (a) Rn_2 , the institution's previous day's stress scenario risk measure (SS_{t-1}) referred to in Article 325ba(1), point (a)(ii), of Regulation (EU) No 575/2013, for the portfolio of all positions referred to in paragraph 10 of this Article;
 - (b) Rn_3 , the most recent own funds requirement for default risk referred to in Article 325ba(2), point (a), of Regulation (EU) No 575/2013, for the portfolio of all positions referred to in paragraph 10 of this Article.

5. Institutions shall consider the risk number Rn_i set out in paragraph 4 as relevant where that risk number fulfils all the following conditions:

- (a) on at least one day over the period referred to in paragraph 9:

$$\frac{Rn_i}{S_{IMA}} > 5\%$$

- (b) on the first business day of the testing of the impact of the extension or change:

$$\frac{Rn_i}{S_{IMA}} > 1\%$$

where S_{IMA} is the sum referred to in paragraph 1, point (b)(i).

Institutions shall check the conditions referred to in the first subparagraph both with and without the extension or change to the use of their alternative internal models.

6. To assess whether the conditions in paragraph 1, point (b)(i) or (b)(iii), are fulfilled, institutions shall determine the impact of the change to the use of their alternative internal models by taking the highest increase, in absolute terms over the period referred to in paragraph 9, of the ratios set out in paragraphs 7 or 8, respectively.

To assess whether the conditions in paragraph 1, point (b)(ii) or (b)(iv), are fulfilled, institutions shall determine the impact of the change to the use of their alternative internal models by taking the highest decrease, in absolute terms over the period referred to in paragraph 9, of the ratios set out in paragraphs 7 or 8, respectively.

To assess whether the conditions in paragraph 2, point (b)(i) or (b)(ii), are fulfilled, institutions shall determine the impact of the extension to the use of their alternative internal models by taking the highest change, in absolute terms over the period referred to in paragraph 9, of the ratios set out in paragraphs 7 or 8, respectively.

7. Institutions shall calculate the ratio to be used for assessing whether the conditions set out in paragraph 1, points (b)(i) and (ii), or paragraph 2, point (b)(i), are fulfilled as follows:

- (a) in numerator, the difference between the sum S_{IMA} referred to in paragraph 1, point (b)(i), with and without the extension or change to the use of their alternative internal models;

- (b) in the denominator, the sum S_{IMA} referred to in paragraph 1, point (b)(i), without the extension or change to the use of their alternative internal models.
8. Institutions shall calculate the ratio to be used for assessing whether the conditions set out in paragraph 1, points (b)(iii) and (iv), and paragraph 2, point (b)(ii), are fulfilled as follows:
- (a) in the numerator, the difference between the relevant risk number Rn_i referred to in paragraph 4, with and without the extension or change to the use of their alternative internal models;
- (b) in the denominator, the relevant risk number Rn_i referred to in paragraph 4, without the extension or change to the use of their alternative internal models.
9. Institutions shall calculate the ratios referred to in paragraphs 7 and 8 for a period of 15 consecutive business days starting from the first business day of the testing of the impact of the extension or change to the use of their alternative internal models.
- The choice of the 15 consecutive business days period shall be representative of the trading and hedging activity under normal market conditions for the portfolio of positions affected by the extension or change to the use of their alternative internal models. That period shall be part of the 9 months preceding the notification or request for permission to their competent authority as referred to in Article 325az(7) of Regulation (EU) No 575/2013.
10. Institutions shall calculate the risk numbers Rn_i set out in paragraph 4 for the portfolio of all positions assigned to trading desks which fulfil all the requirements set out in of Article 325az(2) of Regulation (EU) No 575/2013 at the moment of notification or request of permission to their competent authority as referred to in Article 325az(7) of Regulation (EU) No 575/2013.

Article 3

Non-material changes to, and non-material extensions of, the use of the alternative internal models requiring notification with additional information

1. Institutions shall categorise non-material changes to the use of their alternative internal models as requiring notification with additional information, as referred to in Article 1(2), point (a), where those changes fulfil any of the following conditions:
- (a) they meet any of the qualitative criteria set out in the Part II of the Annex;
- (b) they result in a change equal to or higher than 1 %, in absolute terms, calculated for the first business day of the testing of the impact of the change of any of the risk numbers Rn_i set out in Article 2(4) which are considered as relevant pursuant to Article 2(5), and result in any of the following:
- (i) an increase equal to or higher than 10 % and lower than 15 %, in absolute terms, of the sum S_{IMA} referred to in Article 2(1), point (b)(i);
- (ii) a decrease equal to or higher than 5 % and lower than 10 %, in absolute terms, of the sum S_{IMA} referred to in Article 2(1), point (b)(i);
- (iii) an increase equal to or higher than 15 % and lower than 20 %, in absolute terms, of any of the risk numbers Rn_i referred to in Article 2(4) which are considered relevant pursuant to Article 2(5);

- (iv) a decrease equal to or higher than 10% and lower than 15%, in absolute terms, of any of the risk numbers Rn_i referred to in Article 2(4) which are considered relevant pursuant to Article 2(5).
2. Institutions shall categorise non-material extensions to the use of their alternative internal models as requiring notification with additional information, as referred to in Article 1(2), point (a), where those extensions fulfil any of the following conditions:
- (a) they meet any of the qualitative criteria set out in Part II of the Annex;
 - (b) they result in a change equal to or higher than 1 %, in absolute terms, calculated for the first business day of the testing of the impact of the extension of any of the risk numbers Rn_i referred to in Article 2(4) which are considered relevant pursuant to Article 2(5), and result in any of the following:
 - (i) a change equal to or higher than 5 % and lower than 10 %, in absolute terms, of the sum S_{IMA} referred to in Article 2(2), point (b)(i);
 - (ii) a change equal to or higher than 10 % and lower than 15 %, in absolute terms, of any of the risk numbers Rn_i referred to in Article 2(4) which are considered relevant pursuant to Article 2(5).
3. Institutions shall notify their competent authorities in accordance with Article 325az(7), second subparagraph, of Regulation (EU) No 575/2013, 4 weeks before they implement a non-material extension or change to the use of their alternative internal models.
4. To assess whether the conditions referred to in paragraph 1, points (b)(i) or (b)(iii) are fulfilled, institutions shall determine the impact of the change to the use of their alternative internal models by taking the highest increase, in absolute terms over the period referred to in Article 2(9), of the ratios referred to in Article 2(7) or (8), respectively.

To assess whether the conditions referred to in paragraph 1, points (b)(ii) or (b)(iv) are fulfilled, institutions shall determine the impact of the change to the use of their alternative internal models by taking the highest decrease, in absolute terms over the period referred to in Article 2(9), of the ratios referred to in Article 2(7) or (8), respectively.

To assess whether the conditions referred to in paragraph 2, points (b)(i) or (b)(ii) are fulfilled, institutions shall determine the impact of the extension to the use of their alternative internal models by taking the highest change, in absolute terms over the period referred to in Article 2(9) of the ratios referred to in Article 2(7) or (8), respectively.

CHAPTER 2
CONDITIONS FOR ASSESSING THE MATERIALITY OF CHANGES TO THE
INSTITUTION'S CHOICE OF THE SUBSET OF THE MODELLABLE RISK
FACTORS

Article 4

Categories of changes to the institution's choice of the subset of the modellable risk factors

1. Institutions shall assign changes to the choice of the subset of the modellable risk factors referred to in Article 325bc(2) of Regulation (EU) No 575/2013 to one of the following categories:
 - (a) material changes to the institution's choice of the subset of the modellable risk factors, identified in accordance with Article 5(1) of this Regulation, which require permission from the competent authorities;
 - (b) non-material changes to the institution's choice of the subset of the modellable risk factors, which require notification to the competent authorities.
2. Institutions shall assign changes to the institution's choice of the subset of the modellable risk factors referred to in paragraph 1, point (b), to one of the following sub-categories:
 - (a) changes to the institution's choice of the subset of the modellable risk factors, identified in accordance with Article 6(1), to be notified with additional information;
 - (b) changes to the institution's choice of the subset of the modellable risk factors to be notified with basic information.

Article 5

Material changes to the institution's choice of the subset of modellable risk factors

1. Institutions shall categorise changes to the institution's choice of the subset of modellable risk factors referred to in Article 325bc of Regulation (EU) No 575/2013 as material, in accordance with Article 4(1), point (a), of this Regulation, where that change results in both of the following:
 - (a) a change equal to or higher than 1 %, in absolute terms, calculated for the first business day of the testing of the impact of the change to the institution's choice of the subset of modellable risk factors, of the risk number Rn_1 referred to in Article 2(4), point (a);
 - (b) any of the following:
 - (i) an increase equal to or higher than 15 %, in absolute terms, of the sum S_{IMA} referred to in Article 2(1), point (b)(i);
 - (ii) a decrease equal to or higher than 10 %, in absolute terms, of the sum S_{IMA} referred to in Article 2(1), point (b)(i);
 - (iii) an increase equal to or higher than 20 %, in absolute terms, of the risk number Rn_1 referred to in Article 2(4), point (a);
 - (iv) a decrease equal to or higher than 15 %, in absolute terms, of the risk number Rn_1 referred to in Article 2(4), point (a);

- (v) a decrease of the ratio set out in paragraph 4, which leads to the following condition being met:

$$R_{change} \leq 80\%$$

where R_{change} is the ratio set out in paragraph 4 with the implementation of the change to the choice of the subset of modellable risk factors.

2. By way of derogation from paragraph 1, institutions shall not consider as material changes to their choice of subset of modellable risk factors that were requested by their competent authority.
3. By way of derogation from paragraph 1, institutions shall consider changes to their choice of the subset of modellable risk factors that follow from a failure to meet the requirement set out in Article 325bc(2), point (a), of Regulation (EU) No 575/2013 as non-material changes to be notified with basic information.
4. For the purposes of paragraph 1, point (b)(v), institutions shall calculate the ratio R_{change} in accordance with the following formula:

$$R_{change} = \frac{1}{15} \cdot \sum_{k=0}^{14} \frac{PES_{t+k}^{RC}}{PES_{t+k}^{FC}}$$

where institutions shall calculate PES_{t+k}^{RC} and PES_{t+k}^{FC} in accordance with Article 325bc(3) and (4) of Regulation (EU) No 575/2013, and where t shall be the first business day of the testing of the impact of the change to the institution's choice of the subset of modellable risk factors, and where the sum shall be taken over the 15 consecutive business days period referred to in Article 2(9) of this Regulation.

5. To assess whether the conditions referred to in in paragraph 1, points (b)(i) or (b)(iii) are fulfilled, institutions shall determine the impact of the change to their choice of subset of modellable risk factors by taking the highest increase, in absolute terms over the period referred to in Article 2(9), of the ratios referred to in Article 2(7) or (8), respectively.

To assess whether the conditions referred to in paragraph 1, points (b)(ii) or (b)(iv) are fulfilled, institutions shall determine the impact of the change to their choice of subset of modellable risk factors by taking the highest decrease, in absolute terms over the period referred to in Article 2(9), of the ratios referred to in Article 2(7) or (8), respectively.

Article 6

Non-material changes to the institution's choice of the subset of modellable risk factors

1. Institutions shall categorise non-material changes to their choice of the subset of modellable risk factors as requiring notification with additional information, in accordance with Article 4(2), point (a), where they result in all of the following:
 - (a) a change equal to or higher than 1 %, in absolute terms, computed for the first business day of the testing of the impact of the change to the institution's choice of the subset of modellable risk factors, of the risk number Rn_1 set out in Article 2(4), point (a);
 - (b) any of the following:

- (i) an increase equal to or higher than 10 % and lower than 15 %, in absolute terms, of the sum S_{IMA} referred to in Article 2(2), point (b)(i);
 - (ii) a decrease equal to or higher than 5 % and lower than 10 %, in absolute terms, of the sum S_{IMA} referred to in Article 2(2), point (b)(i);
 - (iii) an increase equal to or higher than 15 % and lower than 20 %, in absolute terms, of the risk number Rn_1 referred to in Article 2(4), point (a);
 - (iv) a decrease equal to or higher than 10 % and lower than 15 %, in absolute terms, of the risk number Rn_1 referred to in Article 2(4), point (a);
- (a) R_{change} does not meet the criterion set out in Article 5(1), point (b)(v).
2. Institutions shall notify their competent authorities in accordance with Article 325az(7), second subparagraph, of Regulation (EU) No 575/2013 4 weeks before they implement a non-material change to their choice of the subset of modellable risk factors.
- Institutions shall, however, notify any changes to their choice of subset of the modellable risk factors that follow from a failure to meet the requirement set out in Article 325bc(2), point (a), of that Regulation before they implement such a change.
3. To assess whether the conditions referred to in paragraph 1, points (b)(i) or (b)(iii), are fulfilled, institutions shall determine the impact of the change to their choice of the subset of modellable risk factors by taking the highest increase, in absolute terms over the period referred to in Article 2(9), of the ratios referred to in Article 2(7) or (8), respectively.
- To assess whether the conditions referred to in paragraph 1, points (b)(ii) or (b)(iv) are fulfilled, institutions shall determine the impact of the change to their choice of subset of modellable risk factors by taking the highest decrease, in absolute terms over the period referred to in Article 2(9), of the ratios referred to in Article 2(7) or (8), respectively.

CHAPTER 3

GENERAL PROVISIONS FOR ASSESSING THE MATERIALITY OF CHANGES TO AND EXTENSIONS OF THE USE OF THE ALTERNATIVE INTERNAL MODELS, AND OF CHANGES TO THE INSTITUTION'S CHOICE OF THE SUBSET OF MODELLABLE RISK FACTORS

Article 7

Principles for the classification of changes to, and extensions of, the use of alternative internal models, and of changes to the subset of the modellable risk factors

1. When calculating the quantitative impacts in accordance with Article 2(1) and (2), Article 3(1) and (2), Article 5(1) and Article 6(1), institutions shall use the most recent model setup and calibration and the data inputs corresponding to the period referred to in Article 2(9).
- No calculation requirements shall apply to extensions and changes having no direct quantitative impact.
2. Competent authorities shall consider several modifications to the alternative internal model, separately submitted by an institution, as a single model extension or change where such modifications are similar in nature or related in scope. Competent

authorities shall consider groups of modifications to the alternative internal model, submitted as a single model extension or change, as separate model extensions or changes where such modifications to the model are not similar in nature or related in scope.

3. In case of doubt on the categorisation referred to in Articles 1 or 4, institutions shall provide the competent authority with an explanatory note justifying their choices of category or sub-category and presenting possible alternatives. The competent authority may change the category or sub-category provided in the request for a permission as referred to in Article 325az(7), first subparagraph, of Regulation (EU) No 575/2013, or the notification as referred to in Article 325az(7), second subparagraph, of that Regulation.

Article 8

Implementation of changes to, and extensions of, the use of alternative internal models, and of changes to the subset of the modellable risk factors

1. Institutions that have been granted a permission for a material extension of, or change to, the use of alternative internal models, or a material change to the subset of the modellable risk factors, as referred to in Article 325az(7), first subparagraph, of Regulation (EU) No 575/2013, shall calculate their own funds requirements based on the approved extension or change from the date specified in the permission.
2. In case of a delay of the implementation of an extension or change to the use of alternative internal models or a change to the subset of the modellable risk factors for which a competent authority has granted a permission as referred to in Article 325az(7), first subparagraph, of Regulation (EU) No 575/2013, institutions shall, without undue delay:
 - (a) notify their competent authority of such a delay;
 - (b) submit to their competent authority a plan for a timely implementation of the approved extension or change, to be approved by the competent authority.
3. Institutions that have notified their competent authority of an extension or change and have subsequently decided not to implement such extension or change, shall notify their competent authority thereof without undue delay.

Article 9

Documentation of extensions and changes to the use of the alternative internal models and changes to the institution's choice of the subset of modellable risk factors

1. Institutions shall, when they ask their competent authority for a permission as referred to in Article 325az(7), first subparagraph, of Regulation (EU) No 575/2013, provide their competent authority, with all of the following documentation:
 - (a) a description of the extension or change to the use of their alternative internal models, or of the change to their choice of the subset of modellable risk factors, and a description of the rationale and objective of that extension or change;
 - (b) the implementation date of such extension or change;
 - (c) the scope of trading desks affected by the extension or change to the use of the alternative internal model or the change to the institution's choice of the subset of modellable risk factors including information on the trading volume of those desks;

- (d) technical and process documents;
 - (e) reports of the institutions' independent review or validation;
 - (f) a confirmation that the competent body of the institution has, through the institution's approval processes, approved the extension or change to the use of the alternative internal model or the change to the institution's choice of the subset of modellable risk factors, and the date of that approval;
 - (g) where applicable, any relevant one of the following, together with a justification of representativeness of the period of 15 consecutive business days selected for the quantitative impact:
 - (i) the quantitative impact of the extension or change to the use of the alternative internal model on the sum referred to in Article 2(1), point (b)(i);
 - (ii) the quantitative impact of the extension or change to the use of the alternative internal model on the relevant risk numbers Rn_i referred to in Article 2(4);
 - (iii) the quantitative impact of the change to the institution's choice of the subset of modellable risk factors on the sum referred to in Article 2(1), point (b)(i);
 - (iv) the quantitative impact of the change to the institution's choice of the subset of modellable risk factors on the risk number Rn_1 referred to in Article 2(4), point (a),
 - (v) the ratio R_{change} referred to in Article 5(4);
 - (h) information about the potential impact on trading desks that do not fulfil all the requirements of Article 325az(2) of Regulation (EU) No 575/2013 when the institution asks its competent authority for a permission as referred to in Article 325az(7), first subparagraph, of Regulation (EU) No 575/2013, or notifies its competent authority in accordance with Article 325az(7), second subparagraph, of that Regulation, including an estimate of the quantitative impact on the relevant risk numbers Rn_i referred to in Article 2(4) of this Regulation.
 - (i) records of the current and previous version number of the institution's alternative internal models concerned.
2. For non-material extensions or changes to be notified with additional information, as referred to in Article 1(2), point (a), and Article 4(2), point (a), institutions shall submit, together with the notification, all the documentation referred to in paragraph 1, points (a) to (i), of this Article.
 3. For non-material extensions or changes to be notified with basic information, as referred to in Article 1(2), point (b), and Article 4(2), point (b), institutions shall submit, together with the notification, the documentation referred to in paragraph 1, points (a), (b) and (c) and points (f) to (i), of this Article.
 4. The reports of the institutions' independent review or validation referred to in paragraph 1, point (e), of this Article shall contain all the following:
 - (a) a verification of the materiality assessment and of the representativeness of the period of 15 consecutive business days used;

- (b) a critical review of the characteristics of the extension or change to the use of the alternative internal model, or change to the institution's choice of the subset of modellable risk factors, performed in accordance with Article 325bi(2) and Article 325bj of Regulation (EU) No 575/2013;
- (c) a plan for a timely implementation of necessary corrective measures suggested as part of the independent review or validation process.

Article 10
Entry into force

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

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

Done at Brussels, 3.7.2025

For the Commission
The President
Ursula VON DER LEYEN