

Governors and Heads of Supervision endorse market risk capital framework

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The Basel Committee's oversight body, the Group of Central Bank Governors and Heads of Supervision (GHOS), endorsed a set of revisions to the market risk framework.

The revisions to the market risk framework endorsed on January 14, 2019 by the GHOS enhance its design and calibration by:

- Introducing a simplified standardised approach for banks with small or non-complex trading portfolios;
- Clarifying the scope of exposures that are subject to market risk capital requirements;
- Enhancing the risk sensitivity of the standardised approach by revising the treatment of foreign exchange risk, index instruments and options;
- Revising the standardised approach risk weights applicable to general interest rate risk, foreign exchange risk and selected credit spread risk exposures;
- Revamping the assessment process to determine whether a bank's internal risk management models appropriately reflect the risks of individual trading desks (the so-called profit and loss attribution test); and
- Revising the requirements for identifying risk factors that are eligible for internal modelling and the capital requirement applicable to risk factors that are deemed non-modellable.

[The minimum capital requirements for market risk](#) replace an earlier version of the standard published in January 2016.

The revised market risk framework will take effect as of 1 January 2022, concurrent with the implementation of the Basel III reforms endorsed by the GHOS in December 2017.

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