

Technical note

Delegated Regulation on temporary FRTB relief and adjustments

Temporary measures to address international implementation divergences

Issued

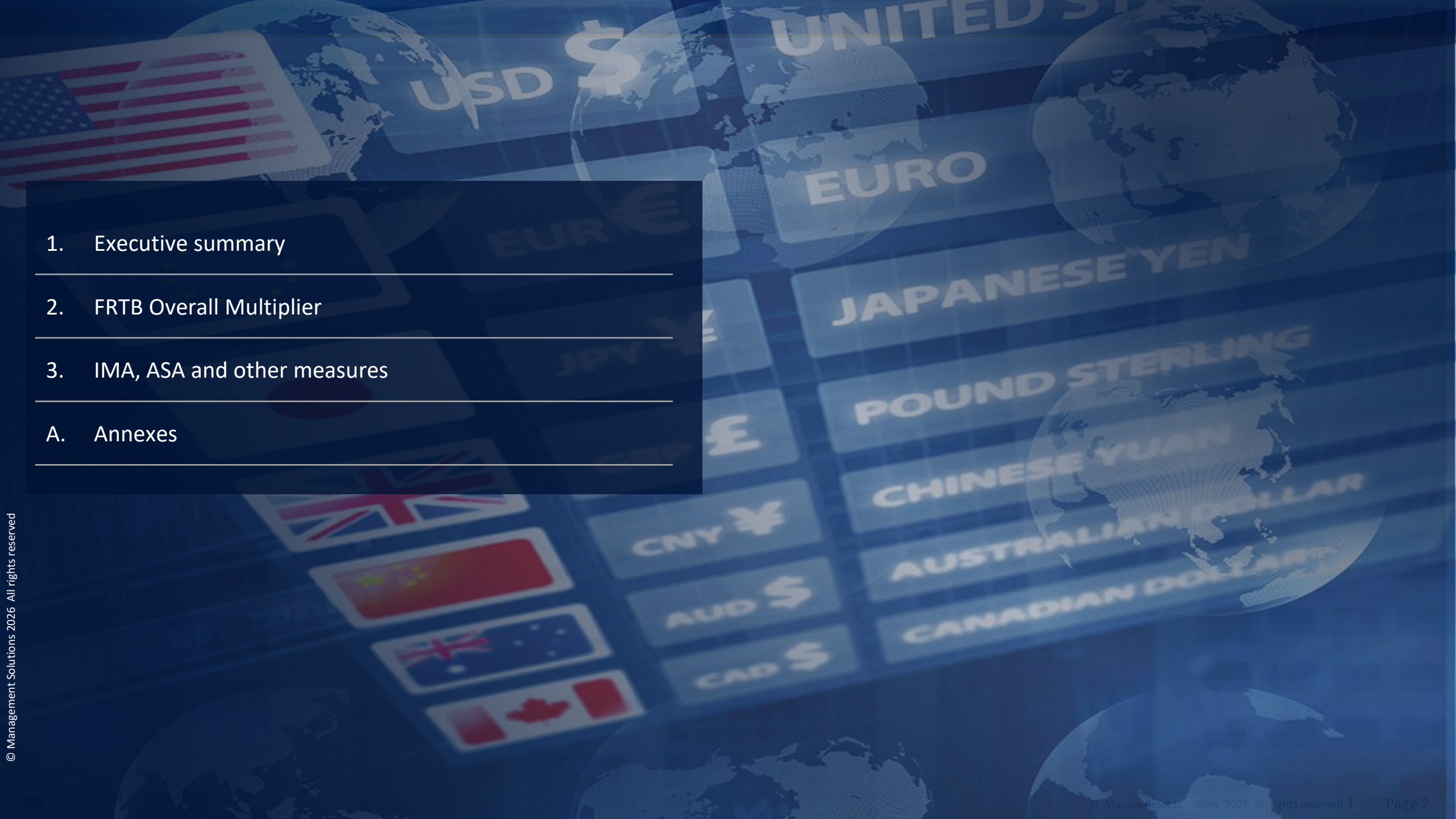
21 April 2026

Issuing agencies

European Commission

Primary applicability

EU credit institutions with trading book exposures subject to FRTB requirements

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1. Executive summary

 2. FRTB Overall Multiplier

 3. IMA, ASA and other measures

 - A. Annexes

The EC proposes temporary FRTB amendments to mitigate impacts on EU institutions and preserve a level playing field

Context

- Following the global financial crisis, the BCBS developed the FRTB to address shortcomings in the previous framework (**Basel 2.5**) and strengthen the risk sensitivity of capital requirements. Incorporated into the **CRR**, it introduces **more complex methodologies** and, in many cases, **higher capital requirements**, particularly in trading activities.
- However, its **international implementation** has **not been uniform**, creating **uncertainty** and potential **competitive disadvantages** for **European institutions**, particularly due to **delays** in the **IMA** in the **United Kingdom**, scheduled for **2028**, the relaxation of the standard in that jurisdiction, and the **absence** of a **clear implementation date** in the **United States**, which remains in the consultation phase.
- In this context, **Article 461a of CRR III** empowers the EC to adopt temporary delays or targeted adjustments to the framework where international implementation diverges. Building on this legal basis, and following **two prior postponements** of its application, the EC proposes **temporary amendments** to the FRTB framework for a three-year period (**January 1, 2027, to December 31, 2029**), aimed at preserving a level international playing field by mitigating the impact of uneven implementation across jurisdictions.

Next steps

- **May 19, 2026.** Consultation period closure.
- **2026.** EC competitiveness report assessing the measures and their potential continuation, adjustment, or withdrawal.
- **January 1, 2027 – December 31, 2029.** Application period of the Delegated Regulation.

Main content: proposed measures

FRTB Overall Multiplier

- An **optional, institution-specific multiplier** is introduced to **limit increases** in **capital requirements** under **FRTB** by aligning them with Basel 2.5 levels; it is recalibrated quarterly, based on existing portfolio boundaries, and requires continued reporting and disclosure under both frameworks.

IMA

- A range of **targeted adjustments** is introduced to **facilitate** the **practical use of internal models** without changing their prudential logic, including the **use of PLAT** as a monitoring tool, a **more flexible treatment of NMRFs** and newly **issued instruments**, a reduced calculation frequency, and a simplified and partial look-through approach for CIUs.

ASA

- Several measures aim to reduce the **capital impact** and **better align requirements** with actual **risk management practices**, including the **application of a 0.9 multiplier in the SBM**, the removal of certain **RRAO charges**, improved **recognition of economic hedges**, and more **flexible treatments for CIUs, correlations, and specific portfolios**.

Other operational and proportionality measures

- Additional measures are introduced to reduce **operational complexity** and **enhance proportionality**, particularly by allowing institutions with limited trading activity to apply simplified approaches to certain exposures and by streamlining the treatment of more complex positions.

2. FRTB Overall Multiplier

The overall multiplier allows institutions to scale down FRTB capital requirements by anchoring them to Basel 2.5 levels during the transition period

What is it?

- An overall multiplier is introduced as a temporary measure to **limit the increase in own funds requirements for market risk** resulting from the implementation of the **FRTB framework**. It is an **optional**, institution-specific mechanism that may be applied when FRTB requirements exceed those under the **previous Basel 2.5 regime**, linking capital levels to the former framework.

How does it work?

- Institutions may apply the multiplier where their **own funds requirements for market risk** under **FRTB** **exceed** those **calculated** under the **previous framework**, allowing them to **limit the resulting capital increase**.
- The mechanism operates by **linking the new FRTB requirements** to the **capital levels** calculated under **Basel 2.5**, ensuring **continuity** between **both frameworks** during the transition period. In practice, the multiplier is calibrated as the **ratio** between **own funds requirements under Basel 2.5** and those under **FRTB** and is used to scale down the latter to a comparable level.
- It scales down **FRTB own funds requirements** to a level comparable to **Basel 2.5**.

$$\text{Multiplier} = \frac{\text{Basel 2.5 capital}}{\text{FRTB capital}}$$

Scope and application

- The multiplier applies to total own funds requirements for market risk calculated under the FRTB framework and may be used where these **exceed** those under the previous **Basel 2.5 regime**.
- Its application is based on the **trading and banking book boundary** in force as of **8 July 2024 under Basel 2.5**, ensuring consistency in the comparison.
- It is a **temporary** measure available during the transition period and is **not applicable** to **institutions** using only the **standardised approach** without internal model components.

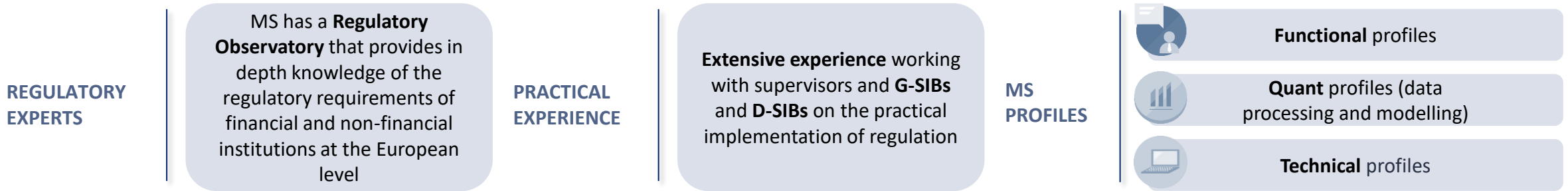
Key features

- The overall multiplier acts as a **key tool** to **offset international implementation asymmetries**, helping preserve a level playing field across jurisdictions during the transition period.
- The multiplier is **calibrated at institution level**, reflecting the **specific impact** of the **FRTB framework** on **each bank's portfolio** and **business model**, and is recalibrated on a **quarterly basis** to adjust dynamically to changes in market conditions and portfolio composition.
- **Institutions applying the multiplier** are required to **continue reporting** and **disclosing** their capital requirements under both **Basel 2.5 and FRTB**. **Once discontinued, the multiplier cannot be reapplied**, ensuring consistency over time.

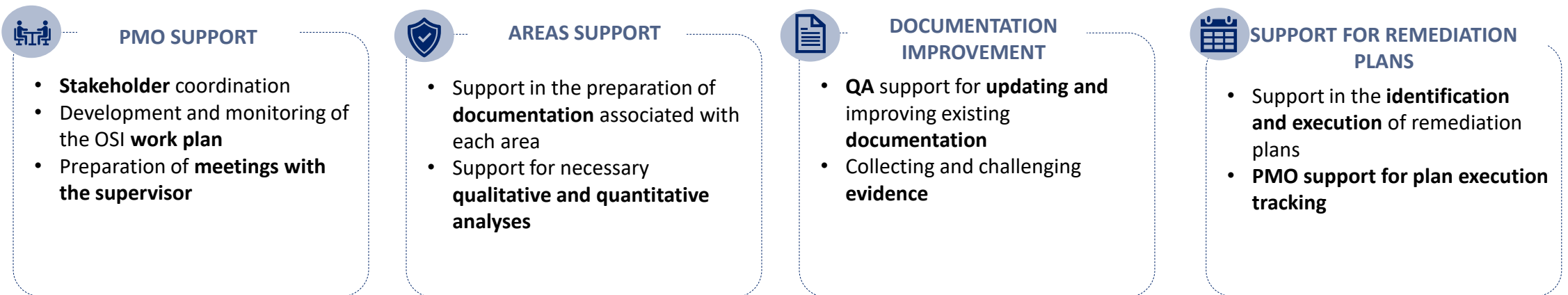
The proposal improves internal model usability and reduces capital and complexity under the standardised approach

IMA	Operational relief	<ul style="list-style-type: none"> The PLAT is used only as a monitoring tool during the transitional period, removing its direct impact on own funds requirements and facilitating the use of internal models. Institutions are allowed to reduce the calculation frequency of key risk metrics from daily to weekly, alleviating operational and computational burden.
	Model adjustments	<ul style="list-style-type: none"> The NMRF framework is significantly relaxed, including a reduction in the number of verifiable price observations (e.g. minimum thresholds) and adjustments to liquidity horizons, enabling a broader set of risk factors to be considered modellable. Data requirements for newly issued instruments are prorated, allowing recently created risk factors to be included in internal models before completing a full observation period, with proportional RFET requirements based on time since issuance. The treatment of default risk is aligned with the standardised approach by applying a multiplier of 0 to the probability of default for exposures with a 0% risk weight.
ASA	Capital relief	<ul style="list-style-type: none"> A multiplier of 0.9 is applied to the sensitivities-based method and the simplified standardised approach, directly reducing the resulting capital requirements. The residual risk add-on is neutralised (multiplier = 0) for specific instruments, including volatility-based products, Bermudan options and CMS spread options. Adjustments to key parameters, such as correlation factors for specific exposures (e.g. EU ETS carbon trading), are introduced to better reflect market behaviour and reduce capital requirements.
	Simplifications	<ul style="list-style-type: none"> The recognition of hedging in the default risk charge is improved, including better alignment of equity derivatives and cash instruments and more flexible treatment of maturity mismatches. The treatment of CIU exposures is simplified through partial (≥50%) and less frequent look-through, with conservative treatment for non-observed components and simplified treatment of vega risk (e.g. 100% RW proxy). The treatment of positions in the ACTP is aligned with risk management practices, allowing decomposition of index positions and netting with constituent exposure. Proportionality measures allow institutions with limited trading activity to use the simplified standardised approach in specific cases, reducing implementation complexity.
Other operational and proportionality measures		<ul style="list-style-type: none"> Measures are introduced to reduce operational complexity and enhance proportionality, adapting the framework to different institutional profiles. Institutions with low trading activity are allowed to apply the simplified standardised approach to certain non-trading book exposures (e.g. FX or commodities). Simplifications are introduced in the treatment of complex positions and in the application of certain methodologies.

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POSSIBLE TYPES OF COLLABORATION



A. Annex II. Abbreviations


Abbreviation	Meaning
ACTP	Alternative Correlation Trading Portfolio
ASA	Alternative Standardised Approach
BCBS	Basel Committee on Banking Supervision
CIU	Collective Investment Undertaking
CRR	Capital Requirements Regulation
D-SIB	Domestic Systemically Important Bank
EC	European Commission
EU	European Union
ETS	Emissions Trading System
FRTB	Fundamental Review of the Trading Book
G-SIB	Global Systemically Important Bank

Abbreviation	Meaning
IMA	Internal Model Approach
NMRF	Non-Modellable Risk Factor
OSI	Other Significant Institution
PLAT	Profit and Loss Attribution Test
PMO	Project Management Office
RFET	Risk Factor Eligibility Test
RRAO	Residual Risk Add-On
SBM	Sensitivities-Based Method




International
One Firm


Multiscope
Team


Best practice
know-how


Proven
Experience


Maximum
Commitment

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