

Newsletter



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The Commission's Targeted Amendments to the CRR Market Risk Regime

The European Commission has adopted a delegated regulation amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions (CRR), as regards institutions' own funds requirements for market risk. The act forms part of the EU's implementation of the Fundamental Review of the Trading Book (FRTB), the revised Basel market risk framework introduced to make trading book capital requirements more risk-sensitive after the global financial crisis. It is adopted under Article 461a CRR, which empowers the Commission to react where the international implementation of the market risk framework may affect the level playing field.



The delegated regulation does not merely announce policy guidance; it inserts directly applicable transitional provisions into the CRR framework. The substantive provisions are scheduled to apply from 1 January 2027 until 31 December 2029 and modify the operation of the new market risk regime, after the Commission had already used the Article 461a postponement mechanism to defer the application of the FRTB requirements until 1 January 2027. As a regulation, the measure will be binding in its entirety and directly applicable in all Member States once in force, without requiring national transposition.



The amendments concern both the alternative internal model approach and the alternative standardised approach. They include targeted derogations and operational relief in relation to the profit and loss attribution test, non-modellable risk factors, modellability of new issuances, calculation frequency, collective investment undertakings, residual risk add-ons, hedging recognition, sovereign default risk under internal models, EU emissions trading exposures, the phase-in of certain standardised requirements, the treatment of instruments in the alternative correlation trading portfolio and small trading book institutions. The regulation also introduces multipliers, including a 0.9 multiplier for certain standardised calculations and a bank-specific multiplier for institutions whose market risk capital requirements would otherwise increase under the new regime. These measures alter how certain CRR provisions operate during the transitional period, rather than suspending the FRTB framework altogether.

Article 461a CRR permits the Commission to adopt targeted amendments where the implementation of the Basel market risk standards in third countries creates a risk of competitive distortion. The delegated regulation reflects the Commission's assessment that divergences and delays in other major jurisdictions could place EU institutions at a disadvantage if the EU framework were applied without adjustment. It also preserves supervisory visibility, as institutions using certain multipliers remain subject to reporting and disclosure obligations, including information based on the previous market risk framework.

The update recalibrates, for a defined transitional period, the binding capital treatment of market risk exposures while preserving the broader objective of implementing Basel III in EU law. For institutions, it affects regulatory capital, reporting, disclosure and model implementation obligations. For supervisors and policymakers, it provides a structured mechanism to manage the transition to the FRTB framework without imposing disproportionate competitive effects on EU banks before other jurisdictions finalise their own implementation choices.



Dimitra Kouroupi
Lawyer

dkouroupi@saranti-partners.com

T: +302120216569

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