



Press release

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Ref no: 43/2009

15 October 2009

Results of the Basel Committee's trading book quantitative impact study

The Basel Committee on Banking Supervision issued today the results of its recent trading book quantitative impact study, which assesses the impact of the revisions to the 1996 rules governing trading book capital. These revisions, which were originally published by the Committee in January 2009, were subsequently adopted in July 2009.

Excluding the so-called correlation trading portfolio, the study concludes that the changes to the market risk framework will increase average trading book capital requirements by two to three times their current levels, although the Committee noted significant dispersion around this average. Based on the results of the study, the Committee decided to maintain the original calibration as proposed in its January consultative package and as adopted in July 2009.

Mr Nout Wellink, Chairman of the Basel Committee and President of the Netherlands Bank, noted that "increasingly complex trading book exposures were a major driver of losses in the recent crisis". He added: "The reforms will ensure that these exposures are backed by a sufficient capital cushion, help address procyclicality of trading book capital requirements, and limit arbitrage opportunities between the trading book and the banking book."

The Committee will conduct a further impact study, which will evaluate a floor for the comprehensive risk capital charge for correlation trading portfolios. This impact study will be completed in 2010. The trading book requirements will be implemented no later than 31 December 2010.

Technical background

The Committee's new trading book rules set a multiplier of three for both the current and stressed value-at-risk measures as well as a three-month floor on the liquidity horizon used in incremental and comprehensive risk capital requirements.



The incremental risk measure includes default risk as well as migration risk for unsecuritised credit products held in the trading book. The comprehensive risk measure can be applied to banks' correlation trading portfolios and captures not just incremental default and migration risks, but all price risks.

About the Basel Committee

The **Basel Committee on Banking Supervision** provides a forum for regular cooperation on banking supervisory matters. It seeks to promote and strengthen supervisory and risk management practices globally. The Committee comprises representatives from Argentina, Australia, Belgium, Brazil, Canada, China, France, Germany, Hong Kong SAR, India, Indonesia, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, Russia, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

The Committee's Secretariat is based at the Bank for International Settlements in Basel, Switzerland.