



## Basel Committee Adopts World Council-Advocated Simplified Approach for Market Risk

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BASEL—The [Basel Committee on Banking Supervision](#) (Basel Committee) on January 14<sup>th</sup> finalized amendments to the [Basel III](#) market risk framework which introduce a simplified approach supported by [World Council of Credit Unions](#) (World Council) that will help limit regulatory burdens on credit unions and other community-based depository institutions.

Basel III's approach to market risk sets many banks' and credit unions' reserve requirements for available-for-sale securities and derivatives positions under risk-based capital rules. The simplified approach to market risk will help limit regulatory burdens by retaining the existing Basel II standardized approach to market risk with the addition of a "scaling factor" add-on that the Committee reduced from its original proposal at World Council's urging.

World Council argued that the Basel Committee should retain the Basel II approach to market risk with limited modifications in comments made in [June 2018](#). Credit unions and banks will be able to utilize the simplified approach unless the institution is one of the [world's 29 largest banks](#), uses internal models or trades in some types of options. The final version of the standard retains the Basel II approach to market risk with a 30 percent add-on for interest rate derivatives, which is significantly less than the 50 to 100 percent add-on originally proposed by the Committee.

"We are very pleased that the Basel Committee has finalized a proportional regulatory approach to market risk reserves that will help limit compliance burdens on credit unions and other community-based depository institutions. We also strongly support the Committee's decision to significantly reduce the amount of additional reserves community-based institutions will be required to hold against interest rate swaps and caps under the simplified approach, compared to its proposal," said Michael Edwards, World Council's senior vice president and general counsel.

The revised standard will take effect Jan. 1, 2022 and may be viewed [here](#).

*World Council of Credit Unions is the global trade association and development platform for credit unions. World Council promotes the sustainable development of credit unions and other financial cooperatives around the world to empower people through access to high quality and affordable financial services. World Council advocates on behalf of the global credit union system before international organizations and works with national governments to improve legislation and regulation. Its technical assistance programs introduce new tools and technologies to strengthen credit unions' financial performance and increase their outreach.*

*World Council has implemented 300+ technical assistance programs in 89 countries. Worldwide, 89,026 credit unions in 117 countries serve 260 million people. Learn more about World Council's impact around the world at [www.woccu.org](http://www.woccu.org).*