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COMMISSION DELEGATED REGULATION (EU) 2025/1311

of 3 July 2025

supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying the conditions for assessing the materiality of extensions of, and changes to, the use of alternative internal models, and changes to the subset of the modellable risk factors

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012⁽¹⁾, and in particular Article 325az(8), first subparagraph, point (a), and third subparagraph thereof,

Whereas:

- (1) Whether institutions obtain permission from their competent authorities to use the alternative internal model approach laid down in Title IV, Chapter 1b, of Regulation (EU) No 575/2013 depends on whether those institutions comply with the requirements set out in Part Three, Title IV, Chapter 1b of that Regulation, including requirements as regards methods, processes, controls, data collection, organisation of the risk control unit and internal validation function, and IT systems. Institutions are allowed to modify the methods, processes, controls, data collection, organisation of the risk control unit and internal validation function, and IT systems, as approved by their competent authorities, provided that such modifications have been notified to their competent authority or have been approved by their competent authority, depending on the nature of the modifications, in accordance with Article 325az(7) of Regulation (EU) No 575/2013. That also applies to modifications triggered by the application of regulatory requirements, where those modifications encompass the use of methods or approaches that are not part of the existing competent authority's permission.
- (2) The choice of the subset of the modellable risk factors referred to in Article 325bc(2) of Regulation (EU) No 575/2013 is a part of the institution's approved and documented set of internal policies and procedures. Where the institution modifies its policies and procedures related to the choice of modellable risk factors, that modification should be approved by or notified to the competent authority, as it constitutes a change to the choice of the subset of the modellable risk factors. By contrast, changes to the composition of the list of risk factors included in the subset of modellable risk factors referred to in Article 325bc(2) of that Regulation, which take place within the approved policies and procedures, including in the case of a reduction in data availability, should not be considered as changes to the institution's choice of the subset of modellable risk factors.
- (3) The permission from the competent authority relates to the methods, processes, controls, data collection and IT systems of the alternative internal model approach. Therefore institutions should not be required to notify their competent authority of ongoing alignments of the alternative internal models they use to the data sources used, of the correction of errors, or of minor adjustments that are necessary for the day-to-day maintenance of the models, that occur within the already approved methods, processes, controls, data collection and IT systems and are recorded accordingly.
- (4) Extensions and changes to the use of alternative internal models, or changes to the subset of the modellable risk factors, should be classified as 'material', and thus as requiring prior permission by competent authorities, or 'non-material' and thus requiring notification to competent authorities, on the basis of both qualitative and quantitative criteria. Some extensions and changes, including organisational changes, internal process changes, or risk management process changes, may not have a direct quantitative impact on the alternative internal models, but may

⁽¹⁾ OJ L 176, 27.6.2013, p. 1, ELI: <http://data.europa.eu/eli/reg/2013/575/oj>.

influence the accuracy, soundness and use of the that alternative internal model. In those cases, given the difficulty of determining a quantitative impact, institutions and competent authorities should use only the qualitative criteria for the assessment of the materiality of those changes.

- (5) To ensure a prudent approach and enable competent authorities to review extensions of, and changes to, the use of alternative internal models, or changes to the subset of the modellable risk factors, before they are implemented, institutions should notify their competent authority of such non-material extensions and changes at least four weeks before implementation. However, that notice period should not apply to cases where institutions fail to meet the condition set out in Article 325bc(2), point (a), of Regulation (EU) No 575/2013. In such cases, institutions should have the possibility to take immediate action to restore compliance with the regulatory requirements, but should also duly and promptly notify competent authorities before implementing this change.
- (6) Competent authorities can only review extensions of, and changes to, the use of alternative internal models, and changes to the subset of the modellable risk factors, where they receive from the institutions concerned all information necessary for such a review. It is therefore necessary to specify the content of the information that institutions are to provide for that purpose.
- (7) The quantitative metrics and related thresholds used to identify material changes and extensions should be designed in a way that they take into account the impact on some relevant risk numbers and on the combined market risk capital requirements. To facilitate the computation of those quantitative metrics and ensure the most informative results, only the most recent risk numbers should be considered.
- (8) To take into account the effect of possible large changes to trading book positions, which typically happen on a daily basis, institutions should calculate the required risk numbers on the basis of an observation period of 15 consecutive business days, rather than on the basis of a single point in time. However, to include a certain degree of proportionality in the assessment of whether changes to the use of alternative internal models and changes to the subset of the modellable risk factors are material, that observation period of 15 consecutive business days should be subject to exemptions where the assessed quantitative impact is very minor on the first testing date and where there is a presumption that the quantitative thresholds will not be breached during that 15 consecutive business days period.
- (9) Competent authorities should not require institutions to calculate the required risk numbers when they grant institutions the initial permission to calculate their own funds requirements by using alternative internal models. However, to justify and substantiate the materiality assessment of those changes and extensions, institutions should calculate the required risk numbers when they extend or change their alternative internal models and change the subset of the modellable risk factors.
- (10) To ensure that competent authorities take, at any time, appropriate supervisory measures with regard to extensions and changes to the alternative internal models and changes to the institution's choice of the subset of the modellable risk factors, they should consider a group of related extensions or changes to an alternative internal model notified separately by an institution as a single extension or change. In such a case, competent authorities should assess whether extensions and changes to the use of the alternative internal models are material at the level of that single extension or change.
- (11) This Regulation is based on the draft regulatory technical standards submitted to the Commission by the European Banking Authority.

- (12) The European Banking Authority has conducted open public consultations on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the advice of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council ⁽²⁾,

HAS ADOPTED THIS REGULATION:

CHAPTER 1

Conditions for assessing the materiality of extensions and changes to the use of alternative internal models

Article 1

Categories of extensions and changes to the use of alternative internal models

1. Institutions shall assign extensions and changes to the use of their alternative internal models to one of the following categories:
 - (a) material extensions and changes to the use of alternative internal models, identified in accordance with Article 2(1) and (2), which require permission from the competent authorities;
 - (b) non-material extensions and changes to the use of alternative internal models, which require notification to the competent authorities.
2. Institutions shall assign non-material extensions and changes to the use of their alternative internal models as referred to in paragraph 1, point (b), to one of the following sub-categories:
 - (a) extensions and changes, identified in accordance with Article 3(1) and (2), to be notified with additional information;
 - (b) extensions and changes to be notified with basic information.

Article 2

Material changes to, and material extensions of, the use of alternative internal models

1. Institutions shall categorise changes to the use of their alternative internal models as material, as referred to in Article 1(1), point (a), where those changes fulfil any of the following conditions:
 - (a) they meet any of the qualitative criteria set out in Part I of the Annex;
 - (b) they result in a change equal to or higher than 1 %, in absolute terms, calculated for the first business day of the testing of the impact of the change, of any of the risk numbers Rn_i as set out in paragraph 4 which are considered relevant pursuant to paragraph 5, and result in any of the following:
 - (i) an increase equal to or higher than 15 %, in absolute terms, of the following sum:

$$S_{IMA} = Rn_1 \times m_c + Rn_2 + Rn_3$$

where Rn_1 , Rn_2 and Rn_3 are the risk numbers referred to in paragraph 4 of this Article, respectively, and m_c is the multiplication factor referred to in Article 325ba(1), point (b)(i), of Regulation (EU) No 575/2013;

⁽²⁾ Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12, ELI: <http://data.europa.eu/eli/reg/2010/1093/oj>).

- (ii) a decrease of 10 % or more, in absolute terms, of the sum S_{IMA} referred to in point (b)(i) of this paragraph;
- (iii) an increase equal to or higher than 20 %, in absolute terms, of any of the risk numbers Rn_i referred to in paragraph 4 which are considered relevant pursuant to paragraph 5;
- (iv) a decrease equal to or higher than 15 %, in absolute terms, of any of the risk numbers Rn_i referred to in point (b)(iii) of this paragraph.

2. Institutions shall categorise extensions of the use of their alternative internal models as material, as referred to in Article 1(1), point (a), where those extensions fulfil any of the following conditions:

- (a) they meet any of the qualitative criteria set out in Part I of the Annex;
- (b) they result in a change equal to or higher than 1 %, in absolute terms, calculated for the first business day of the testing of the impact of the extension, of any of the risk numbers Rn_i set out in paragraph 4 which are considered relevant pursuant to paragraph 5, and result in any of the following:
 - (i) a change equal to or higher than 10 %, in absolute terms, of the sum S_{IMA} referred to in paragraph 1, point (b)(i);
 - (ii) a change equal to or higher than 15 %, in absolute terms, of any of the risk numbers Rn_i set out in paragraph 4 which are considered relevant pursuant to paragraph 5.

3. By way of derogation from paragraphs 1 and 2, institutions shall not categorise as material extensions and changes to the use of their alternative internal models that were requested by their competent authority.

4. To assess whether the conditions in paragraph 1, point (b), and paragraph 2, point (b), are fulfilled, institutions shall consider the following risk numbers Rn_i :

- (a) Rn_1 , the institution's previous day's expected shortfall risk measure (ES_{t-1}) referred to in Article 325ba(1), point (a)(i), of Regulation (EU) No 575/2013, for the portfolio of all positions referred to in paragraph 10 of this Article;
- (b) Rn_2 , the institution's previous day's stress scenario risk measure (SS_{t-1}) referred to in Article 325ba(1), point (a)(ii), of Regulation (EU) No 575/2013, for the portfolio of all positions referred to in paragraph 10 of this Article;
- (c) Rn_3 , the most recent own funds requirement for default risk referred to in Article 325ba(2), point (a), of Regulation (EU) No 575/2013, for the portfolio of all positions referred to in paragraph 10 of this Article.

5. Institutions shall consider the risk number Rn_i set out in paragraph 4 as relevant where that risk number fulfils all the following conditions:

- (a) on at least one day over the period referred to in paragraph 9:

$$\frac{Rn_i}{S_{IMA}} > 5 \%$$

- (b) on the first business day of the testing of the impact of the extension or change:

$$\frac{Rn_i}{S_{IMA}} > 1 \%$$

where S_{IMA} is the sum referred to in paragraph 1, point (b)(i).

Institutions shall check the conditions referred to in the first subparagraph both with and without the extension or change to the use of their alternative internal models.

6. To assess whether the conditions in paragraph 1, point (b)(i) or (b)(iii), are fulfilled, institutions shall determine the impact of the change to the use of their alternative internal models by taking the highest increase, in absolute terms over the period referred to in paragraph 9, of the ratios set out in paragraphs 7 or 8, respectively.

To assess whether the conditions in paragraph 1, point (b)(ii) or (b)(iv), are fulfilled, institutions shall determine the impact of the change to the use of their alternative internal models by taking the highest decrease, in absolute terms over the period referred to in paragraph 9, of the ratios set out in paragraphs 7 or 8, respectively.

To assess whether the conditions in paragraph 2, point (b)(i) or (b)(ii), are fulfilled, institutions shall determine the impact of the extension to the use of their alternative internal models by taking the highest change, in absolute terms over the period referred to in paragraph 9, of the ratios set out in paragraphs 7 or 8, respectively.

7. Institutions shall calculate the ratio to be used for assessing whether the conditions set out in paragraph 1, points (b)(i) and (ii), or paragraph 2, point (b)(i), are fulfilled as follows:

- (a) in numerator, the difference between the sum S_{IMA} referred to in paragraph 1, point (b)(i), with and without the extension or change to the use of their alternative internal models;
- (b) in the denominator, the sum S_{IMA} referred to in paragraph 1, point (b)(i), without the extension or change to the use of their alternative internal models.

8. Institutions shall calculate the ratio to be used for assessing whether the conditions set out in paragraph 1, points (b)(iii) and (iv), and paragraph 2, point (b)(ii), are fulfilled as follows:

- (a) in the numerator, the difference between the relevant risk number Rn_i referred to in paragraph 4, with and without the extension or change to the use of their alternative internal models;
- (b) in the denominator, the relevant risk number Rn_i referred to in paragraph 4, without the extension or change to the use of their alternative internal models.

9. Institutions shall calculate the ratios referred to in paragraphs 7 and 8 for a period of 15 consecutive business days starting from the first business day of the testing of the impact of the extension or change to the use of their alternative internal models.

The choice of the 15 consecutive business days period shall be representative of the trading and hedging activity under normal market conditions for the portfolio of positions affected by the extension or change to the use of their alternative internal models. That period shall be part of the 9 months preceding the notification or request for permission to their competent authority as referred to in Article 325az(7) of Regulation (EU) No 575/2013.

10. Institutions shall calculate the risk numbers Rn_i set out in paragraph 4 for the portfolio of all positions assigned to trading desks which fulfil all the requirements set out in of Article 325az(2) of Regulation (EU) No 575/2013 at the moment of notification or request of permission to their competent authority as referred to in Article 325az(7) of Regulation (EU) No 575/2013.

Article 3

Non-material changes to, and non-material extensions of, the use of the alternative internal models requiring notification with additional information

1. Institutions shall categorise non-material changes to the use of their alternative internal models as requiring notification with additional information, as referred to in Article 1(2), point (a), where those changes fulfil any of the following conditions:

- (a) they meet any of the qualitative criteria set out in the Part II of the Annex;
- (b) they result in a change equal to or higher than 1 %, in absolute terms, calculated for the first business day of the testing of the impact of the change of any of the risk numbers Rn_i set out in Article 2(4) which are considered as relevant pursuant to Article 2(5), and result in any of the following:
 - (i) an increase equal to or higher than 10 % and lower than 15 %, in absolute terms, of the sum S_{IMA} referred to in Article 2(1), point (b)(i);
 - (ii) a decrease equal to or higher than 5 % and lower than 10 %, in absolute terms, of the sum S_{IMA} referred to in Article 2(1), point (b)(i);
 - (iii) an increase equal to or higher than 15 % and lower than 20 %, in absolute terms, of any of the risk numbers Rn_i referred to in Article 2(4) which are considered relevant pursuant to Article 2(5);

- (iv) a decrease equal to or higher than 10 % and lower than 15 %, in absolute terms, of any of the risk numbers Rn_i referred to in Article 2(4) which are considered relevant pursuant to Article 2(5).

2. Institutions shall categorise non-material extensions to the use of their alternative internal models as requiring notification with additional information, as referred to in Article 1(2), point (a), where those extensions fulfil any of the following conditions:

- (a) they meet any of the qualitative criteria set out in Part II of the Annex;
- (b) they result in a change equal to or higher than 1 %, in absolute terms, calculated for the first business day of the testing of the impact of the extension of any of the risk numbers Rn_i referred to in Article 2(4) which are considered relevant pursuant to Article 2(5), and result in any of the following:
 - (i) a change equal to or higher than 5 % and lower than 10 %, in absolute terms, of the sum S_{IMA} referred to in Article 2(2), point (b)(i);
 - (ii) a change equal to or higher than 10 % and lower than 15 %, in absolute terms, of any of the risk numbers Rn_i referred to in Article 2(4) which are considered relevant pursuant to Article 2(5).

3. Institutions shall notify their competent authorities in accordance with Article 325az(7), second subparagraph, of Regulation (EU) No 575/2013, 4 weeks before they implement a non-material extension or change to the use of their alternative internal models.

4. To assess whether the conditions referred to in paragraph 1, points (b)(i) or (b)(iii) are fulfilled, institutions shall determine the impact of the change to the use of their alternative internal models by taking the highest increase, in absolute terms over the period referred to in Article 2(9), of the ratios referred to in Article 2(7) or (8), respectively.

To assess whether the conditions referred to in paragraph 1, points (b)(ii) or (b)(iv) are fulfilled, institutions shall determine the impact of the change to the use of their alternative internal models by taking the highest decrease, in absolute terms over the period referred to in Article 2(9), of the ratios referred to in Article 2(7) or (8), respectively.

To assess whether the conditions referred to in paragraph 2, points (b)(i) or (b)(ii) are fulfilled, institutions shall determine the impact of the extension to the use of their alternative internal models by taking the highest change, in absolute terms over the period referred to in Article 2(9) of the ratios referred to in Article 2(7) or (8), respectively.

CHAPTER 2

Conditions for assessing the materiality of changes to the institution's choice of the subset of the modellable risk factors

Article 4

Categories of changes to the institution's choice of the subset of the modellable risk factors

1. Institutions shall assign changes to the choice of the subset of the modellable risk factors referred to in Article 325bc(2) of Regulation (EU) No 575/2013 to one of the following categories:

- (a) material changes to the institution's choice of the subset of the modellable risk factors, identified in accordance with Article 5(1) of this Regulation, which require permission from the competent authorities;
- (b) non-material changes to the institution's choice of the subset of the modellable risk factors, which require notification to the competent authorities.

2. Institutions shall assign changes to the institution's choice of the subset of the modellable risk factors referred to in paragraph 1, point (b), to one of the following sub-categories:

- (a) changes to the institution's choice of the subset of the modellable risk factors, identified in accordance with Article 6(1), to be notified with additional information;

- (b) changes to the institution's choice of the subset of the modellable risk factors to be notified with basic information.

Article 5

Material changes to the institution's choice of the subset of modellable risk factors

1. Institutions shall categorise changes to the institution's choice of the subset of modellable risk factors referred to in Article 325bc of Regulation (EU) No 575/2013 as material, in accordance with Article 4(1), point (a), of this Regulation, where that change results in both of the following:

- (a) a change equal to or higher than 1 %, in absolute terms, calculated for the first business day of the testing of the impact of the change to the institution's choice of the subset of modellable risk factors, of the risk number Rn_1 referred to in Article 2(4), point (a);
- (b) any of the following:
 - (i) an increase equal to or higher than 15 %, in absolute terms, of the sum S_{IMA} referred to in Article 2(1), point (b)(i);
 - (ii) a decrease equal to or higher than 10 %, in absolute terms, of the sum S_{IMA} referred to in Article 2(1), point (b)(i);
 - (iii) an increase equal to or higher than 20 %, in absolute terms, of the risk number Rn_1 referred to in Article 2(4), point (a);
 - (iv) a decrease equal to or higher than 15 %, in absolute terms, of the risk number Rn_1 referred to in Article 2(4), point (a);
 - (v) a decrease of the ratio set out in paragraph 4, which leads to the following condition being met:

$$R_{change} \leq 80 \%$$

where R_{change} is the ratio set out in paragraph 4 with the implementation of the change to the choice of the subset of modellable risk factors.

2. By way of derogation from paragraph 1, institutions shall not consider as material changes to their choice of subset of modellable risk factors that were requested by their competent authority.

3. By way of derogation from paragraph 1, institutions shall consider changes to their choice of the subset of modellable risk factors that follow from a failure to meet the requirement set out in Article 325bc(2), point (a), of Regulation (EU) No 575/2013 as non-material changes to be notified with basic information.

4. For the purposes of paragraph 1, point (b)(v), institutions shall calculate the ratio R_{change} in accordance with the following formula:

$$R_{change} = \frac{1}{15} \times \sum_{k=0}^{14} \frac{PES_{t+k}^{RC}}{PES_{t+k}^{FC}}$$

where institutions shall calculate PES_{t+k}^{RC} and PES_{t+k}^{FC} in accordance with Article 325bc(3) and (4) of Regulation (EU) No 575/2013, and where t shall be the first business day of the testing of the impact of the change to the institution's choice of the subset of modellable risk factors, and where the sum shall be taken over the 15 consecutive business days period referred to in Article 2(9) of this Regulation.

5. To assess whether the conditions referred to in paragraph 1, points (b)(i) or (b)(iii) are fulfilled, institutions shall determine the impact of the change to their choice of subset of modellable risk factors by taking the highest increase, in absolute terms over the period referred to in Article 2(9), of the ratios referred to in Article 2(7) or (8), respectively.

To assess whether the conditions referred to in paragraph 1, points (b)(ii) or (b)(iv) are fulfilled, institutions shall determine the impact of the change to their choice of subset of modellable risk factors by taking the highest decrease, in absolute terms over the period referred to in Article 2(9), of the ratios referred to in Article 2(7) or (8), respectively.

Article 6

Non-material changes to the institution's choice of the subset of modellable risk factors

1. Institutions shall categorise non-material changes to their choice of the subset of modellable risk factors as requiring notification with additional information, in accordance with Article 4(2), point (a), where they result in all of the following:

- (a) a change equal to or higher than 1 %, in absolute terms, computed for the first business day of the testing of the impact of the change to the institution's choice of the subset of modellable risk factors, of the risk number Rn_1 set out in Article 2(4), point (a);
- (b) any of the following:
 - (i) an increase equal to or higher than 10 % and lower than 15 %, in absolute terms, of the sum S_{IMA} referred to in Article 2(2), point (b)(i);
 - (ii) a decrease equal to or higher than 5 % and lower than 10 %, in absolute terms, of the sum S_{IMA} referred to in Article 2(2), point (b)(i);
 - (iii) an increase equal to or higher than 15 % and lower than 20 %, in absolute terms, of the risk number Rn_1 referred to in Article 2(4), point (a);
 - (iv) a decrease equal to or higher than 10 % and lower than 15 %, in absolute terms, of the risk number Rn_1 referred to in Article 2(4), point (a);
- (c) R_{change} does not meet the criterion set out in Article 5(1), point (b)(v).

2. Institutions shall notify their competent authorities in accordance with Article 325az(7), second subparagraph, of Regulation (EU) No 575/2013 4 weeks before they implement a non-material change to their choice of the subset of modellable risk factors.

Institutions shall, however, notify any changes to their choice of subset of the modellable risk factors that follow from a failure to meet the requirement set out in Article 325bc(2), point (a), of that Regulation before they implement such a change.

3. To assess whether the conditions referred to in paragraph 1, points (b)(i) or (b)(iii), are fulfilled, institutions shall determine the impact of the change to their choice of the subset of modellable risk factors by taking the highest increase, in absolute terms over the period referred to in Article 2(9), of the ratios referred to in Article 2(7) or (8), respectively.

To assess whether the conditions referred to in paragraph 1, points (b)(ii) or (b)(iv) are fulfilled, institutions shall determine the impact of the change to their choice of subset of modellable risk factors by taking the highest decrease, in absolute terms over the period referred to in Article 2(9), of the ratios referred to in Article 2(7) or (8), respectively.

CHAPTER 3

General provisions for assessing the materiality of changes to and extensions of the use of the alternative internal models, and of changes to the institution's choice of the subset of modellable risk factors

Article 7

Principles for the classification of changes to, and extensions of, the use of alternative internal models, and of changes to the subset of the modellable risk factors

1. When calculating the quantitative impacts in accordance with Article 2(1) and (2), Article 3(1) and (2), Article 5(1) and Article 6(1), institutions shall use the most recent model setup and calibration and the data inputs corresponding to the period referred to in Article 2(9).

No calculation requirements shall apply to extensions and changes having no direct quantitative impact.

2. Competent authorities shall consider several modifications to the alternative internal model, separately submitted by an institution, as a single model extension or change where such modifications are similar in nature or related in scope.

Competent authorities shall consider groups of modifications to the alternative internal model, submitted as a single model extension or change, as separate model extensions or changes where such modifications to the model are not similar in nature or related in scope.

3. In case of doubt on the categorisation referred to in Articles 1 or 4, institutions shall provide the competent authority with an explanatory note justifying their choices of category or sub-category and presenting possible alternatives. The competent authority may change the category or sub-category provided in the request for a permission as referred to in Article 325az(7), first subparagraph, of Regulation (EU) No 575/2013, or the notification as referred to in Article 325az(7), second subparagraph, of that Regulation.

Article 8

Implementation of changes to, and extensions of, the use of alternative internal models, and of changes to the subset of the modellable risk factors

1. Institutions that have been granted a permission for a material extension of, or change to, the use of alternative internal models, or a material change to the subset of the modellable risk factors, as referred to in Article 325az(7), first subparagraph, of Regulation (EU) No 575/2013, shall calculate their own funds requirements based on the approved extension or change from the date specified in the permission.

2. In case of a delay of the implementation of an extension or change to the use of alternative internal models or a change to the subset of the modellable risk factors for which a competent authority has granted a permission as referred to in Article 325az(7), first subparagraph, of Regulation (EU) No 575/2013, institutions shall, without undue delay:

- (a) notify their competent authority of such a delay;
- (b) submit to their competent authority a plan for a timely implementation of the approved extension or change, to be approved by the competent authority.

3. Institutions that have notified their competent authority of an extension or change and have subsequently decided not to implement such extension or change, shall notify their competent authority thereof without undue delay.

Article 9

Documentation of extensions and changes to the use of the alternative internal models and changes to the institution's choice of the subset of modellable risk factors

1. Institutions shall, when they ask their competent authority for a permission as referred to in Article 325az(7), first subparagraph, of Regulation (EU) No 575/2013, provide their competent authority, with all of the following documentation:

- (a) a description of the extension or change to the use of their alternative internal models, or of the change to their choice of the subset of modellable risk factors, and a description of the rationale and objective of that extension or change;
- (b) the implementation date of such extension or change;
- (c) the scope of trading desks affected by the extension or change to the use of the alternative internal model or the change to the institution's choice of the subset of modellable risk factors including information on the trading volume of those desks;
- (d) technical and process documents;
- (e) reports of the institutions' independent review or validation;
- (f) a confirmation that the competent body of the institution has, through the institution's approval processes, approved the extension or change to the use of the alternative internal model or the change to the institution's choice of the subset of modellable risk factors, and the date of that approval;

- (g) where applicable, any relevant one of the following, together with a justification of representativeness of the period of 15 consecutive business days selected for the quantitative impact:
 - (i) the quantitative impact of the extension or change to the use of the alternative internal model on the sum referred to in Article 2(1), point (b)(i);
 - (ii) the quantitative impact of the extension or change to the use of the alternative internal model on the relevant risk numbers Rn_i referred to in Article 2(4);
 - (iii) the quantitative impact of the change to the institution's choice of the subset of modellable risk factors on the sum referred to in Article 2(1), point (b)(i);
 - (iv) the quantitative impact of the change to the institution's choice of the subset of modellable risk factors on the risk number Rn_1 referred to in Article 2(4), point (a),
 - (v) the ratio R_{change} referred to in Article 5(4);
 - (h) information about the potential impact on trading desks that do not fulfil all the requirements of Article 325az(2) of Regulation (EU) No 575/2013 when the institution asks its competent authority for a permission as referred to in Article 325az(7), first subparagraph, of Regulation (EU) No 575/2013, or notifies its competent authority in accordance with Article 325az(7), second subparagraph, of that Regulation, including an estimate of the quantitative impact on the relevant risk numbers Rn_i referred to in Article 2(4) of this Regulation;
 - (i) records of the current and previous version number of the institution's alternative internal models concerned.
2. For non-material extensions or changes to be notified with additional information, as referred to in Article 1(2), point (a), and Article 4(2), point (a), institutions shall submit, together with the notification, all the documentation referred to in paragraph 1, points (a) to (i), of this Article.
3. For non-material extensions or changes to be notified with basic information, as referred to in Article 1(2), point (b), and Article 4(2), point (b), institutions shall submit, together with the notification, the documentation referred to in paragraph 1, points (a), (b) and (c) and points (f) to (i), of this Article.
4. The reports of the institutions' independent review or validation referred to in paragraph 1, point (e), of this Article shall contain all the following:
- (a) a verification of the materiality assessment and of the representativeness of the period of 15 consecutive business days used;
 - (b) a critical review of the characteristics of the extension or change to the use of the alternative internal model, or change to the institution's choice of the subset of modellable risk factors, performed in accordance with Article 325bi(2) and Article 325bj of Regulation (EU) No 575/2013;
 - (c) a plan for a timely implementation of necessary corrective measures suggested as part of the independent review or validation process.

Article 10

Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 3 July 2025.

For the Commission
The President
Ursula VON DER LEYEN

ANNEX

PART I

Extensions and changes requiring competent authorities' permission ('material')

1. Significant changes to the structure or organisation of an institution's trading desks, for which permission has been granted to calculate the own funds requirements for market risk by using alternative internal models, including significant changes to the booking models, to the risk management structure or to the business strategy, including any of the following cases:
 - (a) significant changes where the institution aims to apply internal risk transfers for the first time;
 - (b) significant changes where trading desks capture foreign exchange (FX) or commodity risk in the non-trading book for the first time;
 - (c) significant changes where trading desks start to include positions in asset classes different from those forming part of the permission to use the alternative internal models.
2. Inclusion in the scope of the alternative internal model approach of a trading desk, which, at the moment of the request for a permission as referred to in Article 325az(7), first subparagraph, of Regulation (EU) No 575/2013, is not part of the permission to calculate the own funds requirements for market risk by using alternative internal models, and which fulfils any of the following conditions:
 - (a) for that trading desk, front office systems or IT systems that are different from those forming part of the permission to use the alternative internal models are used;
 - (b) that trading desk is located in a third country jurisdiction where, at the moment of the request, no trading desk in the scope of the alternative internal models is located;
 - (c) that trading desk entails positions in asset classes that are different from those forming part of the permission to use the alternative internal models.
3. Changes to the fundamental approach to calculate the partial expected shortfall measures referred to in Article 325bb(1) of Regulation (EU) No 575/2013, including between historical simulation, parametric or Monte Carlo approach.
4. Changes to the fundamental approach to calculate the own funds requirement for default risk referred to in Article 325ba(2) of Regulation (EU) No 575/2013, including significant changes to the choice of the systematic risk factors or to the correlation structure of the model.

PART II

Extensions and changes requiring notification with additional information

1. The inclusion in the scope of a trading desk under the alternative internal models of product classes requiring other risk modelling techniques than those forming part of the permission to use those alternative internal models, such as path-dependent products, or multi-underlying positions, including cases where a change in booking models leads to products for which the institution was transferring the market risk to another entity of the group outside the scope of the highest level of consolidation within the Union at the time when permission for internal models was granted start being risk-managed in the institution.
2. Changes to the structure or organisation of an institution's trading desks consisting of the merging or the splitting of desks for which permission has been granted to calculate the own funds requirements for market risk by using the alternative internal models, provided that those changes do not meet the conditions set out in Article 2 of this Regulation.

3. Changes to the methodology used to assess the modellability of risk factors in accordance with Article 325be of Regulation (EU) No 575/2013.
4. Changes to the methodology for calculating actual or hypothetical profit and loss, where such changes have the effect of reducing the number of overshootings of a trading desk for which permission has been granted to use alternative internal models, restoring its compliance with the conditions on back-testing referred to in Article 325bf(3) of Regulation (EU) No 575/2013.
5. Changes to the methodology for calculating hypothetical or theoretical profit and loss, where such changes have the effect of increasing the Spearman correlation coefficient or reducing the Kolmogorov-Smirnov test metric of a trading desk for which permission has been granted to use alternative internal models, changing its classification as laid down in Article 9 of Commission Delegated Regulation (EU) 2022/2059 ⁽¹⁾, for the purpose of meeting the P&L attribution requirements set out in Article 325bg of Regulation (EU) No 575/2013.
6. Fundamental changes to the internal validation methodology referred to in Article 325bj of Regulation (EU) No 575/2013 which lead to significant changes in the way the institution assesses the overall performance and integrity of the alternative internal models, including:
 - (a) where the scope of the internal validation review, its frequency or the quantity or quality of the tests and controls performed are reduced;
 - (b) where there are significant changes to the decision-making process in place to ensure that the findings and recommendations resulting from the validation process are properly taken into account by the senior management of the institution.
7. Structural, organisational or operational changes to the core processes in risk management or risk controlling functions referred to in Article 325bi(1) of Regulation (EU) No 575/2013, including:
 - (a) significant changes to the limit setting framework;
 - (b) changes to the reporting framework leading to a loss of information or to a change of addressees in the senior management;
 - (c) changes to the stress testing methodology leading to significant differences in the stress testing results;
 - (d) changes to the policies and approval processes for new products or internal model changes.
8. Fundamental extensions and changes in the IT infrastructure, including data storage, relevant for the calculation of the own funds requirements for market risk using the alternative internal models, including:
 - (a) an extension of the IT system to vendor pricing models;
 - (b) the outsourcing of central data collection functions to data vendors;
 - (c) the introduction of cloud computing or data storage.

⁽¹⁾ Commission Delegated Regulation (EU) 2022/2059 of 14 June 2022 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards specifying the technical details of back-testing and profit and loss attribution requirements under Articles 325bf and 325bg of Regulation (EU) No 575/2013 (OJ L 276, 26.10.2022, p. 47, ELI: http://data.europa.eu/eli/reg_del/2022/2059/oj).