



EDBS/KH/214/2013  
18<sup>th</sup> November, 2013

**CEOs and Compliance Officers**  
All Locally Incorporated Banks  
Manama  
Kingdom of Bahrain

Dear Sir,

**BIS Consultative Document –**  
**“Fundamental review of the trading book – second consultative document”**

The Basel Committee on Banking Supervision ('the BCBS') has issued a second consultative paper on the fundamental review of capital requirements for the trading book. The paper comprises a detailed set of proposals for a comprehensive revision of the market risk framework.

The initial paper, dated May 2012, set out specific measures aimed at improving trading book capital requirements. These proposals are an integral part of a wider objective of designing a new regulatory framework to address weaknesses in risk measurement under the current internal models-based and standardised approaches, with a view to promoting consistent implementation across jurisdictions.

This second consultative document, dated 31<sup>st</sup> October 2013, provides significantly more detail on the approaches. The key features of the proposed revised framework include:

1. A **revised boundary** between the trading book and banking book.
2. A **revised risk measurement approach and calibration.**
3. The incorporation of the risk of **market illiquidity**, through the introduction of "liquidity horizons" in the market risk metric, and an additional risk assessment tool for trading desks with exposure to illiquid, complex products.
4. A **revised standardised approach.**
5. A **revised internal models-based approach, and**
6. A **closer alignment between the trading book and the banking book.**

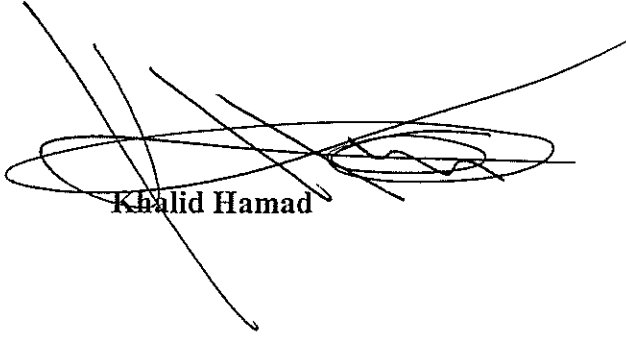
المدير التنفيذي للرقابة المصرفية

Executive Director - Banking Supervision

The CBB intends to provide the BCBS with an industry-wide response which reflects the thoughts of our banking community. To facilitate this process, comments on this consultative document should be submitted to the CBB no later than Tuesday 31<sup>st</sup> December, 2013. These comments will form the basis of a consolidated response which will be submitted to the BCBS.

Your participation and contribution would be greatly appreciated.

Yours faithfully,



**Khalid Hamad**