Targeted amendments to SACCR for FX

GFXD Position Paper

Executive Summary

Access to the highly liquid and predominantly short-dated FX forwards and swaps market, on an unmargined and uncleared basis, is critical for end-users, such as pension funds, asset managers and corporates (collectively 'end-users'), to be able to fund and hedge their commercial and investment-related currency exposures.

The current overly conservative calibration of SA-CCR for FX forwards and swaps is disconnected from the underlying economic risk and materially overstates the counterparty credit risk associated with these products resulting in increased capital utilisation for banks. This increased utilisation has impacted how trades with end-users are being priced[1] and is beginning to impact their ability to access these products in the market as banks redeploy capital[2]. In times of market uncertainty, when hedge-ratios are at their highest, this presents a significant risk to this segment of the market.

The overstatement of the exposure for FX forwards and swaps should be revisited and adjusted through a targeted recalibration of two FX specific components in the SA-CCR calculation and the consistent global treatment of the alpha factor.

- The 4% supervisory factor (SF), which is intended to capture potential future exposure (PFE) under stressed conditions, does not adequately reflect the liquidity, depth, continuous trading and short-dated risk horizons of the FX market. We propose reducing the SF to 2% for G10 currency pairs and 3% for non-G10 and EM currency pairs.
- The FX hedging set framework should be recalibrated to reflect how FX risk is actually managed in practice. As a result, the current pair-by-pair approach fails to recognise genuine offsets and can overstate exposure where portfolios are actively risk-managed and naturally diversified. We propose redefining FX hedging sets to reflect net currency exposure per non-USD currency, rather than per currency pair, incorporating an explicit correlation parameter between FX rates.
- The inconsistent implementation of the alpha factor results in economically equivalent counterparty exposures attracting materially different regulatory capital requirements across jurisdictions, despite there being no corresponding difference in the underlying risk. This undermines the risk sensitivity and international consistency of SA-CCR and can distort where banks allocate scarce intermediation capacity. Given the vital importance to the global economy of end-users being able to continue to access low-risk FX hedging products to manage exposures on their commercial and investment activity, it is important the regulators coalesce

[1] https://www.risk.net/derivatives/7946886/sa-ccr-hits-citis-fx-forwards-pricing
[2] https://www.risk.net/markets/7962412/inside-citi%E2%80%99s-fx-refresh?ref=search

around a consistent treatment which we propose would align with instances where this is already set this at 1.0 for pension funds and corporate end user.

1. Why capital allocation has become a concern

Since SA-CCR was implemented at the national level in 2021/22, FX forward and swap volumes traded by end-users have increased while spreads have continued to follow a long trend of contraction. This raises a concern that liquidity provision becomes concentrated in a small number of the larger, more sophisticated banks that are able to operate at the lowest marginal cost.

As detailed in the BIS Triennial survey data, the average daily volumes between 2022 and 2025 traded by institutional investors and non-financial customers have increased by 23% to USD 461 billion and by 12% to USD 498 billion for FX forwards and swaps respectively.

As FX volumes have grown, bank balance sheets and capital base have not been growing at a commensurate rate over the same period to meet this demand. For the largest 50 G10 banks by CET1 capital, Tier 1 capital increased by 18% from USD 3.2 trillion in 2022 to USD 3.9 trillion in 2025.

Consequently, because SA-CCR requires a disproportionate amount of capital for short-dated, but essential FX liquidity provided to end-users, banks have begun to ration their balance sheet and capital toward higher-return trades using increasingly sophisticated analytical tools.

In addition, banks are reporting that the availability of capital is also now being further constrained by the phased implementation of the output floor for internal models.

It is the increased demand for these products at keener prices by end-users and greater awareness by banks of the need to allocate their balance sheet to clients and products that generate a higher return that has highlighted the need to re-evaluate the calibration of SA-CCR for FX.

2. The Risk profile of FX Forwards and Swaps

SA-CCR was introduced to replace earlier counterparty credit risk methodologies considered to be insufficiently risk-sensitive and ensure that regulatory capital more accurately reflected the underlying risk of derivative transactions. However, industry quantitative impact studies[3] have consistently found that SA-CCR can generate materially higher EAD than both CEM and IMM.

For short-dated deliverable forwards and FX swaps, which comprise a material proportion of the FX market (see Figure 1), the punitive exposures generated by SA-CCR are disconnected from the underlying risk. According to the 2025 BIS Triennial survey, 25% of global FX forward and swap average daily volume has a tenor of 1day, 57% has a tenor of ≤7 days and 75% has a tenor of ≤1mth.

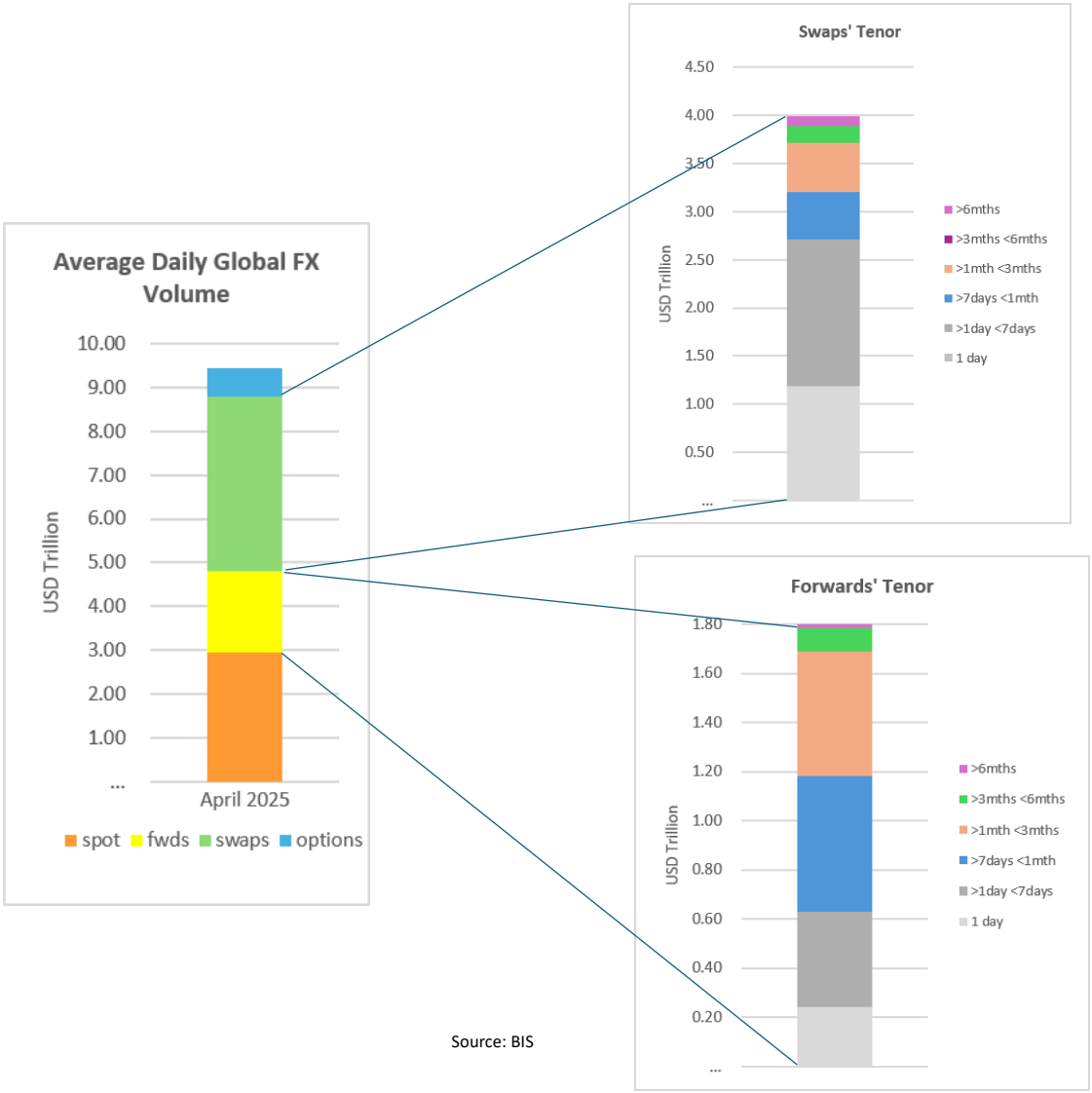
For a portfolio of short-dated FX forwards and swaps with an end-user that has defaulted, the primary risks facing the dealer are:

[3] https://www.afme.eu/media/xuicwkga/afmeprdsaccrfinalpaper.pdf

a. Settlement risk: the dealer delivers one currency but does not receive the other which is managed through Continuous Linked Settlement[4] and other payment-vs-payment mechanisms and netting agreements.

In its ruling under the Determination of Foreign Exchange Swaps and Foreign Exchange Forwards, included in the Commodity Exchange Act[5], the US Treasury stated that "For the vast majority of foreign exchange swap or forward contracts, the risk profile is centered on settlement risk".

Figure 1. Tenor Analysis for FX Forwards and Swaps.



Source: BIS

b. Replacement risk between default and close-out: even though replacement risk exists, the replacement horizon for FX forwards and swaps is extremely short, typically measured in minutes or hours and at most would take place within one or two days for less liquid currencies,

[4] https://www.cls-group.com/

[5] https://www.govinfo.gov/content/pkg/FR-2012-11-20/pdf/2012-28319.pdf

because the products are standardised, linear and trade in the deepest and most liquid market in the world.

The SA-CCR framework assumes a 1-year replacement horizon over which a dealer can close out, replace or hedge a vanilla FX forward or swap. Even during severe stress events such as the financial crisis[6,7], the SNB removal of the EUR/CHF floor or COVID, market participants were able to execute trades and manage their currency exposure on an uninterrupted, 24-hour basis in a relatively liquid market. Consequently, the replacement risk associated with FX forwards and swaps is realised over a much shorter horizon than that implicitly embedded within SA-CCR.

SA-CCR's calibration may be a reasonable simplification for complex, thinly traded derivatives that cannot be readily unwound, but it is difficult to justify for FX forwards and swaps.

3. Impact of SA-CCR on end-users

SA-CCR penalises directionality in derivatives portfolios, typically prevalent for end-users. A prime example of this exists with the Australian superfunds and the need to hedge their significant offshore asset holdings. In September 2025, it was estimated that the size of the funds' FX hedge book was AUD 500 billion[8] and that it will double over the next decade as AUM reach AUD 6 trillion. In order to be able to hedge this exposure, it is likely that super funds will have to extend and diversify their pool of hedge providers. However, as highlighted by a sell-side market participant there are "not that many players in the forward market, and it is not large enough"[9].

In April 2026, due to a strengthening of the AUD, almost 90% of super funds planned to increase hedge ratios over the next three months, and more than 80% planned to increase their foreign currency exposures over the same period[10]. An independent consultant commented that "this is a one-way flow, and the counterparties start to run out of balance sheet because this is quite capital intensive for them"[11].

As has been stated in previous industry submissions, a key concern is that non-margined portfolios are punitively hit by SA-CCR resulting in a significant increase in exposures and capital requirements, constraining banks' ability to support end users' demand for FX hedging products at an acceptable cost[12,13,14].

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[6] https://www.newyorkfed.org/medialibrary/microsites/fxc/files/annualreports/ar2009/23-28_fx09.pdf
[7] Foreign Exchange Joint Standing Committee Paper on the Foreign Exchange Market, September 2009
[8] https://www.rba.gov.au/speeches/2025/sp-dg-2025-09-16.html
[9] https://www.risk.net/markets/7963433/super-fund-fx-growth-threatens-dealer-%E2%80%98tipping-point%E2%80%99?ref=search
[10] https://www.commbank.com.au/articles/newsroom/2026/04/cba-fx-barometer-economic-uncertainty.html
[11] https://www.risk.net/markets/7963433/super-fund-fx-growth-threatens-dealer-%E2%80%98tipping-point%E2%80%99?ref=search
[12] ISDA-AFME Position Paper: CRD 5/CRR 2: The Standardised Approach for Counterparty Credit Risk March 2017 https://www.afme.eu/media/xuicwkga/afmeprdsaccrfinalpaper.pdf
[13] https://www.isda.org/a/XFKME/US_SA-CCR_NPR_Response_Letter_03.18.19.pdf
[14] A study by the Deutsches Aktieninstitut (DAI) in December 2019 found that the SA-CCR framework and output floor could raise hedging costs for German non-financial companies by EUR 112 to 167 million annually. At that time this represented a potential 200% increase in capital requirement costs for unmargined trades. https://www.dai.de/fileadmin/dokumente/positionspapiere/191213%20Position%20Paper%20Basel%20IV%20Implementation%20Deutsches%20Aktieninstitut.pdf

4. Use of Collateral

Under the G20 Financial Regulatory Reforms, physically settled FX forwards and swaps are excluded from the requirement to exchange margin under the BCBS and IOSCO Margin Requirements for Non-Centrally Cleared Derivatives.

The result is that regulators have exempted end-users from the margin and clearing requirements to ensure that they have ongoing access to derivatives markets to hedge and mitigate their commercial risk. This treatment enables end-users to trade FX forwards and swaps without tying up cash or high-quality liquid assets and incurring additional opportunity and operational costs which acts as a disincentive to hedge.

However, under SA-CCR, while collateralising FX forwards and swaps can improve the capital treatment, it can convert the capital benefit into significant liquidity, funding and operational costs. This cost is not simply the posted collateral itself, it also includes:

- maintaining larger cash buffers;
- selling liquid securities to meet margin calls;
- using repo or securities lending to raise cash;
- altering portfolio construction to hold more eligible collateral;
- absorbing the opportunity cost of lower-yielding liquid assets;
- managing procyclical liquidity demands during periods of market stress;
- significant set-up and operational costs associated with the daily monitoring of exposures and the transfer of margin.

These increased costs potentially discourage prudent risk management through reduced hedge ratios, shortened hedge tenors or less frequent hedging. Such behaviour is counterintuitive as it increases rather than decreases economic risk.

As a result, end-users are unwilling to post collateral because the benefits don't outweigh the costs, which in turn are not proportionate to the risks being mitigated.

5. Overly Conservative Calibration

Where the capital cost of providing liquidity becomes materially disconnected from the risk of the transaction, there is a risk of diminished access to competitive FX pricing for end-users that trade on a non-cleared, non-margined basis, or at worst, creates a risk of economic exclusion where transactions no longer meet return-on-capital hurdles that exist within banks despite having low-risk, hedging-motivated FX exposures.

Significant differences are found between the exposures calculated under SA-CCR, current exposure method (CEM) and the internal model method (IMM). For a portfolio of non-margined interest rate and FX trades, SA-CCR results in far greater exposures and higher capital requirements than both CEM, by as much as four times greater, and for IMM by as much as 1.9 times greater[15].

[15] ISDA-FIS SA-CCR: Why Change is Necessary https://www.isda.org/a/hTiDE/isda-sa-ccr-briefing-paper-final1.pdf

For short-dated forwards and swaps, an example of the conservation calibration is the 10-day floor of the Margin Period of Risk (MPOR). While we don't propose changes to the Maturity Factor, the MPOR represents a structural flaw in the SA-CCR framework because it creates a disconnect from real-world market risk for short-dated trades. A 3-day FX forward is modeled as having a PFE for 10 business days. In reality, on day 3, the trade settles and the counterparty credit risk drops to zero. However, SA-CCR mathematically extends the risk for an extra 7 days after the contract has legally ceased to exist.

Table 1 (see page 7) shows the capital cost for 3 hypothetical trades under 3 scenarios that represent the future state implementations in the US, Rest of the World (RoW) and the UK. The purpose is to derive the hurdle rate required to determine the capital cost breakeven level to enable a comparison with current market rates.

The table shows that the maximum revenues, assuming the spread is crossed, that could be earned on each trade are significantly below the pre-tax cost of capital. This indicates that for banks to continue to provide liquidity there would either need to be a material change in how these trades are priced impacting end-user behaviour or, as banks become more effective at efficiently allocating capital against transactions and business with higher returns, end-users face reduced access to sources of liquidity. Discussions with institutional investors have confirmed instances of being unable to trade due to the withdrawal of liquidity.

Recent episodes of severe stress in government bond markets demonstrate that while the banking system can be well capitalised, dealer balance sheets have lacked the capacity to absorb exceptional customer flows[16,17,18, 19]. There is similar evidence in the FX market that balance sheet constraints on a dealer's capacity to absorb risk impacts the price and ability to intermediate in the market[20].

SA-CCR makes the provision of short-dated FX forward and swap liquidity to end-users unnecessarily balance-sheet intensive through the cumulative effect of its 4% FX SF, maturity treatment, currency-pair hedging-set structure and alpha factor.

Consequently, the recalibration of SA-CCR components covered in the following sections merit particular consideration.

6.i Supervisory Factor

The 4% FX SF is supposed to reflect the volatility of FX spot rates and cover extreme tail risk events over a 1-year closeout horizon. This uniform 1-year period is mandated regardless of an individual transaction's maturity on the basis that:

[16] "Treasury Market Functioning During the COVID-19 Outbreak: Evidence from Collateral Re-use," FEDS Notes, Board of Governors of the Federal Reserve System, 4 December 2020, DOI: 10.17016/2380-7172.2755.
[17] "An Anatomy of the 2022 Gilt Market Crisis," Bank of England Staff Working Paper No. 1,019, 31 March 2023
[18] "Bank of England Completes Unwind of Recent Financial Stability Gilt Purchases," 12 January 2023
[19] , "The Effect of Primary Dealer Constraints on Intermediation in the Treasury Market," Review of Financial Studies, published online 22 April 2026
[20] "Constrained Liquidity Provision in Currency Markets," BIS Working Paper No. 1073, Bank for International Settlements, 14 February 2023

Table 1. Comparison of the implied cost of capital breakeven rate with current market prices

	Without Output Floor, alpha=1.4, i.e. US			With Output Floor (72.5%), alpha=1.4, i.e. RoW			With Output Floor (72.5%), alpha=1, i.e. UK		
	3mth EURUSD	3mth GBPUSD	3mth EURGBP	3mth EURUSD	3mth GBPUSD	3mth EURGBP	3mth EURUSD	3mth GBPUSD	3mth EURGBP
Notional	100,000,000	300,000,000	200,000,000	100,000,000	300,000,000	200,000,000	100,000,000	300,000,000	200,000,000
Trade date spot date	01-Apr	01-Apr	01-Apr						
Direction	Buy EUR	Buy GBP	Sell EUR						
Trade date spot rate	1.16140	1.33310	0.87160						
Fwd points	0.00403	0.00014	- 0.00286						
Contracted forward rate	1.16543	1.33324	0.86874						
PFE	2,322,800	7,998,600	4,645,600	2,322,800	7,998,600	4,645,600	2,322,800	7,998,600	4,645,600
RWA	3,251,920	11,198,040	6,503,840	2,357,642	8,118,579	4,715,284	1,684,030	5,798,985	3,368,060
Total ave CET1 (a),(b) incl GSIB surcharge (ave) (c),(d)	11.5%								
RoE (post tax) (e)	12%								
Pre-tax cost over remaining maturity, USD	14,024	48,292	28,048	10,167	35,011	20,335	7,262	25,008	14,525
Hurdle Rate (pip/million)	**1.4024**	**1.6097**	**1.2075**	**1.0167**	**1.1670**	**0.8754**	**0.7262**	**0.8336**	**0.6253**
Indicative median spread (pip)	**0.28**	**0.36**	**0.30**	**0.28**	**0.36**	**0.30**	**0.28**	**0.36**	**0.30**
Indicative Revenue earnt (max), USD	2,800	10,800	6,000	2,800	10,800	6,000	2,800	10,800	6,000

(a) https://www.federalreserve.gov/publications/2025-december-supervision-and-regulation-report-banking-system-conditions.htm
(b) https://www.banque-france.fr/system/files/2025-08/ECB-press-release_2025-08-06_ECB-publishes-supervisory-banking-statistics-on-significant-institutions-for-the-first-quarter-of-2025.pdf
(c) https://www.fsb.org/2025/11/2025-list-of-global-systemically-important-banks-g-sibs/
(d) https://www.risk.net/risk-quantum/7962737/jp-morgan-attracts-bigger-add-on-from-fed%E2%80%99s-g-sib-scoring?check_logged_in=1
(e) https://www.ey.com/content/dam/ey-unified-site/ey-com/en-cn/insights/financial-services/documents/ey-global-banking-outlook-2025-en.pdf

i. A full year is considered the standard regulatory horizon to liquidate complex, uncollateralised portfolios during severe market disruptions.
ii. A standardised, conservative 1-year floor is used to account for the time and market friction required to unwind these positions without incurring steep fire-sale losses.
iii. It creates model consistency and simplicity and ensures an easily verifiable standard across all banks.

While that logic holds true for complex, thinly traded derivatives that cannot be readily unwound , like structured credit or long-dated exotic options, it is flawed when applied to G10 FX forwards and swaps.

At its current level, the SF overstates the PFE for FX forwards and swaps relative to the amount of credit loss that banks actually experience when a counterparty defaults. Research shows that:

- FX markets can remain liquid even during substantial volatility as evidenced during the volatile conditions of April 2025[21,22].
- The market risk of major-currency FX forwards and swaps can be mitigated over a substantially shorter time horizon than that in the SA-CCR framework.
- Volatility in major currency pairs is time-varying, horizon-dependent and ordinarily concentrated around identifiable information and liquidity events[23]. As a result, exposure calculations should be based more closely on what actually happens in FX markets.
- Close-out risk in FX is mitigated by deep spot markets, continuous trading, and widespread use of Payment-versus-Payment (PvP) settlement mechanisms such as that offered by Continuous Linked Settlement Bank[24,25].

Based on the risk profile a 1yr replacement horizon is not appropriate for FX forwards and swaps. Empirical evidence for 10-day and 20-day realised volatility, time periods more appropriate to the MPOR floor and the maximum maturity of 75% of forwards and swaps, shows that historical volatility is generally around 1% to 2.5%, but in extreme tail-risk events does exceed 4%.

Using a conservative and more appropriate 2-day replacement horizon and only considering periods of market stress over the last 20-years, the historical volatility 95th percentile is 2.7% and the 99th percentile is 4.9%.

Therefore, the FX SF should be reduced from 4% to 2% for G10 currency pairs and to 3% for non-G10 and EM currency pairs as a proportionate, targeted adjustment for deliverable FX forwards and swaps and would align SA-CCR with empirical FX volatility distributions.

6.ii Reform of FX Hedging Set Definitions

The FX hedging set definition should reflect the empirical correlation between FX rates, the economic reality of portfolio hedging and established international risk management market practice.

[21] https://www.bis.org/publications/qr-202512/non-visible-trading-and-fx-liquidity-conditions-april-2025
[22] https://www.cftc.gov/sites/default/files/2023-05/FX%20white%20paper%20CFTC_ada.pdf
[23] https://www.ecb.europa.eu/pub/pdf/scpwps/ecbwp726.pdf
[24] https://www.bis.org/publications/qr-202606/uncovering-fx-settlement-risk-new-measures-2025-bis-triennial-survey
[25] https://www.imf.org/en/publications/wp/issues/2026/07/24/settlement-risk-and-currency-markets-578075

In FX, currency risk is managed by currency and not by currency pair, e.g. the exposure to the following EUR/GBP, GBP/USD, USD/EUR are netted down to the residual exposure in GBP, EUR and USD.

Previous Industry submissions[26] to regulators have consistently highlighted the importance of recognising legitimate hedging relationships and cross-risk correlations. A failure to recognise effective hedges leads to disproportionate capital outcomes that are misaligned with underlying risk.

Academic research[27] shows that currency risk is driven by a currency's sensitivity to global market shocks rather than its isolated relationship with another specific currency. Consequently, grouping exposures by individual currency is a better measure of risk.

FX hedging sets should reflect net currency exposure per non-USD currency, rather than by currency pair, incorporating an explicit correlation parameter between FX rates. This would also align to the changes made to FRTB for the triangulation of currencies in order to better recognise the economic risk of hedged portfolios.

Correlation-based aggregation, using $\rho = 0.5$ as a standardised correlation factor, is already employed for other asset classes within SA-CCR and is therefore consistent with the framework's broader design philosophy. In addition, under the ISDA SIMM™ methodology the cross-currency correlation parameter is 40%–60% for G10 currency pairs[28].

6.iii Globally consistent treatment of the Alpha Factor

The alpha factor plays a dominant role in determining EAD, yet it is not calibrated to reflect the empirical risk characteristics of FX portfolios.

Academic and industry research[29] indicates that the current calibration of alpha materially overstates counterparty credit risk particularly where exposures are short-dated. Studies suggest that a lower alpha calibration[30] would remain prudentially sound while more accurately reflecting realised credit exposure.

The industry continues to advocate that alpha does not apply to a standardised framework like SA-CCR, and it should be calibrated to reflect present market conditions. This is a position that has also been recognised through supervisory discretion in a number of jurisdictions:

- In the United States (US), while alpha remains at 1.4 for financial counterparties, on November 19, 2019[31], the US authorities removed the alpha factor from the calculation of EAD for commercial end-users on a permanent basis[32].

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[26] ISDA letter to BCBS 20 March 2017 https://www.isda.org/a/qTiDE/isda-letter-to-the-bcbs-on-sa-ccr-march-2017.pdf

[27] P Mueller, A Stathopoulos & A Vedolin international Correlation Risk https://researchonline.lse.ac.uk/id/eprint/43087/1/DP716.pdf

[28] Under FRTB, the cross-bucket correlation parameter for all FX delta and FX vega risk factors is fixed at 0.60

[29] https://www.sec.gov/files/rules/proposed/s72103/isda020404a.pdf#:~:text=ISDA%2C%20TBMA%20and%20LIBA%20have,to%20(i)%20counterparty%20risk%20measurement%3B

[30] AFME The Standardised Approach for Counterparty Credit Risk – Design and Calibration July 2019 https://www.afme.eu/media/owode5lz/afmecrr3saccrpositionpaperfinal20190801.pdf

[31] https://www.federalreserve.gov/newsevents/pressreleases/bcreg20191119c.htm

[32] European Banking Federation SA-CCR: Why it needs to be revisited 29 January 2020 https://www.ebf.eu/wp-content/uploads/2020/03/EBF-position-on-revision-of-SA-CCR-clean.pdf

- In the United Kingdom, the PRA has gone further than the US regulators and removed the alpha factor for derivative trades with pension funds and non-financial counterparties[33,34]. This is due to take effect from 1 January 2027[35].
- In the European Union, alpha is set at 1.4 for general derivative exposures, but banks with an IMM permission are permitted to temporarily reset it to one on the IMM perimeter only specifically for the calculation of the output floor until December 31, 2029.

Elsewhere, i.e. Australia, Canada, Hong Kong, Japan and Singapore and Switzerland, SA-CCR has been implemented with alpha set to 1.4.

A fundamental concern with divergent alpha factor treatment is the inconsistent measurement of the same underlying counterparty credit risk. Where economically equivalent transactions with equivalent end-users generate materially different EAD solely because they are booked by banks subject to different national implementations, regulatory capital ceases to be determined principally by risk and instead becomes partly a function of regulatory jurisdiction. This is difficult to reconcile with the objectives of a globally consistent and risk-sensitive SA-CCR framework.

Furthermore, divergent treatment also creates an incentive for the provision of FX liquidity to migrate toward institutions or jurisdictions where identical exposures consume less capital. This is not just a competitive issue, it could affect where capital capacity exists and concentrate liquidity provision among banks that benefit from the more proportionate treatment. Regulatory differences that are unrelated to underlying counterparty risk should not determine which liquidity providers are economically able to provide essential hedging capacity to end-users.

Given the fact the prudential regulators in two major global markets have identified that with an alpha value of 1.4 SA-CCR is over calibrated should provide sufficient evidence that a recalibration is necessary. Consequently, regulators should coalesce around a globally consistent treatment and align with the most collaborative treatment adopted by the UK's PRA.

7. Conclusion

The intent of these proposals is to support a SA-CCR framework that is robust, risk-sensitive, internationally consistent and conducive to safe and efficient markets.

By forcing banks to treat a 3-day forward or 7-day rolling FX swap with a mandatory 10 business-day risk floor, an annualized 4.0% volatility penalty and a hedging set definition that doesn't align with international market risk best practice, SA-CCR treats low-risk hedging instruments as complex, long-dated and thinly traded derivatives. In doing so, it is artificially restricting the amount of capital that banks can allocate to the real economy.

The FX market underpins global trade, investment and financial stability. However, left unaddressed, the calibration issues associated with the SF and FX Hedging Sets outlined above will

[33] https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policy-statement/2023/december/ps1723-full.pdf
[34] https://www.bankofengland.co.uk/prudential-regulation/publication/2026/january/implementation-of-the-basel-3-1-final-rules-policy-statement
[35] https://www.bankofengland.co.uk/prudential-regulation/publication/2023/december/implementation-of-the-basel-3-1-standards-near-final-policy-statement-part-1

continue to impact the capital cost of providing FX liquidity and risks impairing the ability of banks to intermediate FX risk for real-economy participants.

The targeted recommendations would mitigate the misalignment between capital and risk and preserve market liquidity and resilience.