Secretariat of the Basel Committee on Banking Supervision
Bank for International Settlements
Centralbahnplatz 2, CH-4002 Basel, Switzerland
baselcommittee@bis.org

Re: Consultative Document: Consolidated Guidelines and Sound Practices (BCBS d608, February 2026)

Submitted by: Sergio Federico Carrillo Farfan

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I. Introduction and Qualifications

I submit these comments in response to the Basel Committee on Banking Supervision's consultative document on the Consolidated Guidelines and Sound Practices (BCBS d608, February 2026), which invites public comment on three questions relating to the proposed framework's consolidation of the Committee's existing guidelines and sound practices into a modular structure.

I write as a financial risk management professional with fourteen years of specialized experience in model risk governance, regulatory capital frameworks, stress testing, and anti-money laundering controls at federally regulated financial institutions. Most recently, I served as Vice President, Risk Governance and Controls at Citibank, N.A. (Miami, Florida), a Global Systemically Important Bank subject to the highest tier of U.S. and international regulatory oversight, where I held regional responsibility for model risk governance across fourteen Latin American jurisdictions: Mexico, Costa Rica, El Salvador, Honduras, Panama, Jamaica, Haiti, the Bahamas, Colombia, Peru, Ecuador, Uruguay, and Argentina. Prior to my institutional career, I contributed to the early-stage implementation of Basel III at Mexico's Comisión Nacional Bancaria y de Valores (CNBV), supporting senior staff in adapting international prudential standards to a Latin American financial system at the earliest stages of that framework's introduction.

My comments are grounded in direct operational experience applying BCBS guidelines, including the Committee's AML/CFT guidance, across a complex cross-border portfolio, as well as in independent research on structural governance gaps in model risk frameworks as applied to Latin American market conditions. I offer these observations in the spirit of constructive engagement with the Committee's ongoing standard-setting work.

II. Response to Question 1: Removal of Outdated and Duplicative Materials

The proposed consolidation effectively achieves its stated objective of removing outdated, superseded, and duplicative materials from the Committee's guidance library. The reduction of approximately 75% in volume, achieved through reorganization into 13 thematic modules, substantially improves the accessibility and navigability of BCBS guidance for practitioners and supervisors. The modular format replicates the successful architecture of the Basel Framework for standards, and its application to guidelines and sound practices is a logical and welcome extension of that approach.

No substantive concerns arise with respect to the removal of historical materials. The Committee's effort to distinguish between "consolidated," "other," and "superseded" classifications provides an appropriate degree of transparency for the disposition of legacy documents.

III. Response to Question 2: Clarity and Readability Without New Expectations

The proposed reorganization and redrafting achieve the objective of improving clarity and readability. The modular structure, with its consistent organization of core material, links to related standards, and cross-references to other chapters, provides a significantly more user-friendly format than the current series of standalone PDF documents. The decision to refrain from altering existing policies or introducing new expectations through the consolidation process is appropriate and preserves the legal predictability of the framework.

One observation on readability: the placement of certain guidelines within modules may affect how practitioners and supervisors perceive their relative importance. The Committee may wish to ensure that the modular architecture does not inadvertently signal a hierarchy of priorities that differs from the Committee's intent, a point addressed further in Section IV below.

IV. Response to Question 3: Topics Requiring More Substantive Review

The Committee invites comment on topics that warrant more substantive review or areas where further guidance is warranted. I respectfully submit three observations in this regard, each grounded in direct operational experience applying BCBS guidance in a cross-border, multi-jurisdictional context.

A. AML/CFT Guidance: Module Placement and Cross-Border Risk Specificity

The Committee's Guidelines on the Sound Management of Risks Related to Money Laundering and Financing of Terrorism (BCBS d505, revised July 2020) represent one of the most operationally consequential documents in the BCBS guidance library. These guidelines are regularly cited by supervisors and invoked by regulated institutions as the primary international framework for AML/CFT risk management at banks. Their incorporation into the consolidated framework under the Supervision and Corrective Actions (SCA) module, rather than as a standalone module, warrants reconsideration.

AML/CFT risk management is not primarily a supervisory corrective action discipline. It is an ongoing operational obligation for banks, embedded in day-to-day transaction monitoring, customer due diligence, suspicious activity reporting, and model governance.

Consolidating this guidance under a supervisory module may unintentionally signal that AML/CFT is a secondary or reactive concern rather than a primary operational framework. The Committee should consider whether a dedicated AML/CFT module, structured in parallel to the Risk Management (RMA) module, would better reflect the operational significance and standalone scope of this guidance.

Beyond placement, the Committee should also consider whether the substantive content of d505 adequately addresses the specific governance challenges of AML/CFT model application in high-risk cross-border corridors. From direct operational experience managing AML/CFT governance across a regional portfolio spanning the United States and fourteen Latin American jurisdictions, a material gap is observable: the d505 guidelines establish sound general principles for group-wide and cross-border AML/CFT risk management, but provide insufficient specific guidance on how AML/CFT models should be calibrated, validated, and governed when applied to corridors where regulatory frameworks, risk typologies, and supervisory expectations differ materially between home and host jurisdictions.

The U.S.-Mexico financial corridor, the highest-volume remittance and commercial transfer corridor in the Western Hemisphere, is where this gap produced concrete governance friction. U.S. regulatory expectations required heightened sensitivity to structuring patterns and the use of intermediaries, consistent with FinCEN typologies for the U.S.-LATAM illicit finance corridor. Mexican regulatory frameworks, shaped in part by financial inclusion objectives, applied different thresholds and treated certain transaction patterns as lower risk. This divergence in regulatory risk tolerance required institution-level adjustments to model parameters (alert thresholds, scenario configurations, and escalation protocols) on a jurisdiction-by-jurisdiction basis, weakening the internal consistency of the cross-border governance framework. Critically, the aggregate risk of the corridor was not consistently captured in a single governance view, because no international standard required or facilitated a corridor-level risk assessment that reconciled the divergent national approaches.

The Committee should consider, as part of the substantive review of d505, whether updated guidance on AML/CFT model governance in high-risk cross-border corridors, including guidance on corridor-level risk assessment, cross-jurisdictional parameter consistency, and escalation protocols for transactions traversing jurisdictions with materially different regulatory risk tolerances, would strengthen the practical utility and supervisory consistency of the framework.

B. Model Risk Governance: A Missing Chapter in the Risk Management Module

The Risk Management (RMA) module consolidates the Committee's guidance on risk data aggregation (RMA10, anchored in BCBS 239), foreign exchange risks (RMA20), stress testing (RMA30), step-in risk (RMA40), and digitalization and fintech risks (RMA50). This is a substantive and well-organized collection. However, the RMA module does not include a chapter on model risk governance, covering the lifecycle management, independent validation, ongoing performance monitoring, and governance oversight of quantitative models used in credit risk, market risk, liquidity, capital adequacy, and financial crime detection.

This absence is consequential. Quantitative models are the decision engines of modern banking: they determine capital allocation, regulatory capital requirements, systemic risk exposure, and the effectiveness of AML/CFT controls. The governance, validation, and oversight of these models is a distinct professional discipline with well-developed supervisory expectations at the national level. The most prominent reference is the U.S. Federal Reserve's SR 11-7, which has served as the de facto global benchmark for model risk management since 2011, alongside the European Central Bank's Guide to Internal Models (revised July 2025), which sets out comprehensive supervisory expectations for model governance including specific requirements for machine learning models. The BCBS has no equivalent consolidated international guidance.

The Committee should consider incorporating a dedicated model risk governance chapter (RMA60 or equivalent) into the RMA module. This chapter need not duplicate the detailed prescriptive content of national-level guidance. Rather, it could establish international baseline principles for: (1) model lifecycle governance, covering development, validation, implementation, and retirement; (2) independent validation as a distinct governance function, with specific requirements for AI and machine learning models including explainability, data drift monitoring, and dependence on external data sources; (3) ongoing performance monitoring protocols calibrated to model complexity and risk materiality; and (4) governance escalation requirements for models that operate across multiple jurisdictions with materially different regulatory environments.

The urgency of this gap is increasing as AI and machine learning models are deployed more broadly across financial risk functions. The RMA50 chapter addresses digitalization and fintech risks at a general level, but does not address the specific governance requirements for AI-enabled quantitative models used in prudential risk management. The Committee's 2024 report on the digitalization of finance acknowledges risks associated with generative AI; a dedicated model risk governance chapter in the RMA module would provide the supervisory infrastructure needed to translate those concerns into actionable governance expectations for internationally active banks.

C. Cross-Border Risk in Emerging Markets: A Structural Gap Across Multiple Modules

The consolidated framework addresses cross-border supervision in SCA20 (Consolidated Supervision) and SCA30 (Information Sharing and Cooperation). These chapters provide sound governance principles for home-host supervisory relationships. However, the framework does not include guidance on how risk management frameworks, whether for credit risk, market risk, liquidity, stress testing, or AML/CFT, should be adapted when applied to portfolios in jurisdictions with risk characteristics that differ materially from the environments in which those frameworks were originally designed and calibrated.

This gap is most acute for internationally active G-SIBs with material Latin American operations. Latin American markets present a combination of risk dynamics that includes macroeconomic volatility driven by commodity cycles, currency instability with asymmetric devaluation risk, political risk cycles with direct transmission to credit and liquidity conditions, regulatory fragmentation across multiple jurisdictions, and documented illicit finance vectors. These are factors systematically underrepresented in the standard risk models and governance frameworks developed primarily for U.S. and European market conditions. When these frameworks are applied without adequate calibration to LATAM portfolios, they produce systematically distorted risk signals: underestimated credit risk, inadequate stress scenarios, and AML/CFT models that fail to capture corridor-specific typologies.

The Committee should consider whether the framework, in its next iteration, should include a chapter or annex specifically addressing the governance requirements for applying risk management frameworks to emerging market portfolios, with particular attention to the calibration of models for jurisdictions with materially different regulatory environments, the adaptation of stress testing scenarios to idiosyncratic regional risk dynamics, and the AML/CFT governance requirements for corridors identified by national risk assessments as elevated-risk for illicit finance. Such guidance would strengthen supervisory consistency for internationally active banks operating across these corridors, and would complement the Committee's existing guidance on cross-border supervisory cooperation.

V. Conclusion

The proposed Consolidated Guidelines and Sound Practices framework represents a substantive and well-executed improvement in the accessibility and organization of BCBS guidance. The Committee's initiative to move from a series of standalone PDF documents to a modular, maintainable framework is the right direction, and the consolidation project has been executed with appropriate care for legal continuity and transparency.

The observations offered in Section IV are intended to strengthen the framework's long-term utility rather than to question its current architecture. The three gaps identified, namely the placement and substantive scope of AML/CFT guidance, the absence of a model risk governance chapter in the RMA module, and the lack of guidance on applying risk frameworks to emerging market portfolios, represent areas where the Committee's next substantive review cycle could generate meaningful improvements in supervisory consistency and practical utility for internationally active banks.

I appreciate the Committee's openness to public engagement in the development of this framework and welcome any follow-up inquiry.

Respectfully submitted,

Sergio Federico Carrillo Farfan

Financial Risk Management Professional

Miami, Florida

farfans@gmail.com

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