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EBF RESPONSE TO THE EUROPEAN COMMISSION CONSULTATION ON THE APPLICATION OF THE MARKET RISK PRUDENTIAL FRAMEWORK

The European Banking Federation (EBF) welcomes the opportunity to contribute to this targeted consultation on the prudential framework for market risk for banks, the Fundamental Review of the Trading Book (FRTB).

As stated in our response to the April 2025 consultation, we would like to reiterate that the level playing field in the application of market risk standards remains an outstanding issue in the prudential framework. This has direct implications for competitiveness between EU and non-EU corporates, given that the former are mainly served by EU banks and the latter by non-EU banks. Addressing this imbalance is more important than ever in the current context, where preserving EU competitiveness and market stability is a key policy objective.

Feedback received from the EBF membership reflects two distinct perspectives on the appropriate timing and conditions for the implementation of the FRTB framework.

On the one hand, a number of EBF members, those with higher market risk RWA, consider that a further delay remains the most robust and effective solution to address level-playing-field concerns across jurisdictions, given the ongoing uncertainty surrounding implementation timelines and calibration in other major jurisdictions, in particular the United States and the United Kingdom. From this perspective, postponement would provide additional time for global convergence, reduce the risk of competitive distortions for EU banks, and allow for a more coherent application of related reforms, including the revised trading/banking book boundary. Proponents of this view also caution that temporary relief measures may add complexity and may not fully mitigate the structural disadvantages arising from divergent international implementation.

On the other hand, other EBF members agree to proceed with FRTB implementation on 1st January 2027, provided that appropriate adjustments are introduced. A number of members emphasize the significant operational and cost burden of maintaining parallel Basel 2.5 and FRTB frameworks and the deterioration of model maintenance caused by repeated delays. They stress that any temporary measures should be simple, operationally feasible, and designed to avoid additional implementation complexity. Overall, many of those banks who underline the need to preserve a level playing field consider the proposal of targeted amendments supplemented by bank-specific multipliers which neutralise the capital impact to be acceptable for that purpose. In that case, it is crucial that the banks whose primary concern is to avoid additional operative costs are allowed to use a trivial multiplier of 1 instead.

To balance these considerations, we believe a delay should be further considered, while banks should be allowed to transition to FRTB on 1 January 2027 fully (with targeted amendments and a bank-specific multiplier) if they wish to do so for the reasons explained above.

Across both perspectives, there is broad agreement on the importance of preserving the competitiveness of EU banks and avoiding solutions that would be operationally too complex requiring institutions to operate parallel market risk frameworks for a prolonged period.

EBF members will provide detailed input on the other questions in the consultation based on their individual preferences.

We stand ready to provide any clarification, discuss our comments at your convenience, and to participate in the subsequent steps following the consultation period.

We appreciate your attention to and consideration of our comments.
