

Press release

AFME responds to EU Commission consultation on Application of Market Risk Prudential Framework

6 January 2026

Following the closing of the European Commission's targeted consultation on the application of the market risk prudential framework, **Caroline Liesegang, Managing Director of Capital and Risk Management at the Association for Financial Markets in Europe (AFME)** said:

"AFME has long advocated for a globally consistent implementation of the Basel III revised market risk framework (FRTB) to ensure a level playing field for internationally active banks. With ongoing uncertainty in other major jurisdictions and diverse business models of banks operating across the EU, flexibility is key.

"The EU Commission's proposed multiplier is a step forward but brings operational complexity. For FRTB to work for all banks, the Commission should delay mandatory implementation but let firms who wish to transition in 2027 do so to reduce burdens and ensure a practical, risk-sensitive framework."

AFME's response raised the following points:

Approach to Implementing FRTB

- Given the continued uncertainty regarding implementation of FRTB in other jurisdictions, the EU Commission should consider delaying the mandatory implementation of FRTB, while permitting firms to fully transition to FRTB on 1 January 2027 if they wish to do so to address operational burdens.
- The ability for the EU to delay would help address information asymmetry and would better position the EU to achieve a more consistent implementation of the framework across jurisdictions.

EU Commission Proposals for a Capital Neutrality Multiplier

- The EU Commission's proposals to introduce a multiplier to guarantee capital neutrality could be a step in the right direction, but a multiplier remains a non-risk sensitive tool.
- Banks that would be negatively impacted by the implementation of FRTB prefer a bank-specific multiplier that is periodically recalibrated throughout the three year period (Option A in the Commission's consultation). To fully achieve its primary objective and prevent any additional operational burdens, this option should be accompanied by a delay to the transition to the new trading book/banking book boundary.
- Banks should be permitted to transition fully to the FRTB framework if they wish, while those that prefer to continue using their existing Basel 2.5 models should be able to do so. This flexibility would address the burdens associated with the multiplier option, as acknowledged by the Commission in its consultation.

EU Commission Proposals for Targeted Amendments

- The ten targeted amendments proposed by the EU Commission are broadly welcome, as they help to address operational complexity and excessively conservative capital requirements that do not align with the underlying economic risk.
- The temporary nature of these targeted amendments provides time to consider whether these changes should become permanent.
- However, further measures are needed to ensure the successful implementation of FRTB. In our response, we have recommended additional steps for consideration, such as temporarily discontinuing the non-modellable risk factors (NMRF) framework while its suitability is assessed by regulators.

– Ends –

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Notes:

1. The Association for Financial Markets in Europe (AFME) is the voice of the leading banks in Europe's financial markets, providing expertise across a broad range of regulatory and capital markets issues. We represent over 150 leading global and European banks and other significant market players. Our members play a vital role in Europe's financial ecosystem, underwriting around 90% of European corporate and sovereign debt, and 85% of European listed equity capital issuances. Importantly, AFME members are market makers, providing liquidity, which is essential for ensuring financial markets can function efficiently. We also represent law firms and other associate members which advise market participants and support AFME's legal and regulatory initiatives. For more information please visit the AFME website: www.afme.eu
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