
Press release

AFME Urges Ambitious Reform of UK Bank Capital Framework

2 April 2026

The Association for Financial Markets in Europe (AFME) has today published its response to the Financial Policy Committee's (FPC) review of UK bank capital requirements, calling for bold, holistic reforms to ensure the framework better reflects actual risk, supports deep and liquid markets, and strengthens the UK's competitiveness as a global financial centre.

Caroline Liesegang, Managing Director – Capital & Risk Management at AFME, said: *“The FPC’s review is a crucial opportunity to modernise and future-proof the UK’s capital framework so it remains robust while better enabling banks to provide the lending, underwriting and market making activities that support households, businesses and the wider economy. Incremental changes will not be sufficient. Meaningful, well calibrated reforms are needed to ensure capital requirements align with risk, reduce unnecessary conservatism, and maintain the UK’s global competitiveness.”*

AFME welcomes the FPC's move to lower its benchmark for Tier 1 capital requirements, which reflects both the effectiveness of post-crisis reforms and improvements in risk measurement. However, AFME cautions that a reduction in the benchmark alone will not be sufficient to deliver meaningful change in practice.

Under the existing framework, banks have limited scope to reduce their capital levels closer to the FPC's benchmark due to binding constraints across the capital stack, including minimum requirements and buffers. As a result, AFME argues that structural changes to the framework are required if the benchmark is to be achievable in practice, reducing capital requirements in a way that is sufficiently meaningful to have a significant firm-level impact across business models. This is crucial because a narrow reform, underestimating areas of overcapitalisation for some business models, could introduce competitive distortions between firms undertaking similar economic activities.

AFME emphasises that there is already significant flexibility for the FPC and Prudential Regulation Authority (PRA) to act within the existing international framework. While supporting international engagement to review global standards, AFME encourages UK authorities not to delay reforms pending changes to Basel standards.

The submission sets out a range of recommendations aimed at reducing excessive structural conservatism while maintaining resilience. These include reforms to risk-weighted and leverage-based requirements, addressing overlaps in the treatment of domestic exposures, and simplifying the capital buffer framework to improve usability.

AFME highlights that a more proportionate and better-calibrated regime would enable banks to intermediate more efficiently across wholesale and capital markets, supporting lending, underwriting and market-making activity. In turn, this would help deepen market liquidity, reduce the cost of raising capital for UK companies, and strengthen the UK's position as a conduit for global investment flows.

AFME and its members stand ready to support ongoing engagement with the FPC and the PRA as the review progresses.

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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
2. Follow us on X, formerly Twitter [@AFME_EU](https://twitter.com/AFME_EU)

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