Press release

**AFME welcomes EU political agreement on the implementation of the Basel 3 standards, but cautions against expendable capital increases**

27 June 2023

In response to this week’s agreement by the European Parliament, European Council and European Commission of the CRR3 and CRD6 proposal, which were agreed in December 2017 and will implement the final Basel III rules in Europe, concluding the post financial crisis regulatory repair programme, **Caroline Liesegang, Head of Prudential Regulation** **at the Association for Financial Markets in Europe (AFME),** welcomed the agreement:

*“This agreement will strengthen banks’ resilience and recognises their role in financing the economy. European banks have raised hundreds of billions in equity capital since the financial crisis, resulting in record capital levels and strong resilience - as demonstrated by recent events in the banking sector. These market events also show the soundness of the banking system is not necessarily only about regulatory requirements setting capital levels, but also require effective supervision. AFME therefore cautions against driving up minimum capital requirements further without a comprehensive economic assessment. Going forward, we expect the impact of the agreement to be closely monitored in line with the Commission’s impact assessment.*

*“AFME in particular supports the agreement to maintain a limited number of adjustments to reflect European market specificities while remaining faithful to the Basel principles and the corresponding global standards. Improvements to the treatment of exposures to unrated corporates and low-risk real estate lending as the Output Floor is introduced are also welcome. The recognition of the floor’s impact on securitisation and the introduction of a transitional arrangement to mitigate this is also positive. This being said, a more extensive review of the capital treatment for the securitisation framework will be important in the future to ensure this tool can effectively finance transitions needs between bank balance sheet and market funding of the economy.*

*“AFME also notes the co-legislators’ desire to bring forward the Basel framework for cryptoasset exposures. While a full implementation of the international standard would have been preferable, rather than a transitional treatment, work should now be prioritised to develop a final standard concurrent to the Basel Committee completing its ongoing reviews.*

*“It will be important that between now and the finalisation of the text that the implementation date of 1 January 2025 is kept under close review to ensure global consistency and competitiveness.”*

– Ends –

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Notes:

AFME (Association for Financial Markets in Europe) promotes fair, orderly, and efficient European wholesale capital markets and provides leadership in advancing the interests of all market participants. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information, please visit the AFME website: [www.afme.eu](http://www.afme.eu). Follow us on Twitter @AFME\_EU