
Press release

AFME welcomes the publication of the EU implementation of final Basel III standards and stresses the need for jurisdictional coordination

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The Association for Financial Markets in Europe (“**AFME**”) welcomes the publication of the CRR3 and CRD6 proposals in the Official Journal of the EU (OJEU) and its upcoming entry into force in early July, which marks the implementation of the final Basel III rules in Europe. AFME supports the EU Commission’s decision to activate the delegated act for the Fundamental Review of the Trading Book (FRTB), which is highly relevant to ensure a more consistent timeline for the FRTB implementation across the world.

Caroline Liesegang, Head of Capital and Risk Management at AFME, commented: *“This package strengthens banks’ resilience and recognises their role in financing the economy. European banks are much better capitalised already, and the increased resilience was effectively demonstrated in 2023 following some stress events in the global banking system. AFME therefore calls on decision makers to resist further increases in capital requirements in the coming years as the banking sector goes through an important implementation phase. In fact, while the industry pools its capacity to finance, in particular, the digital and green transition, we encourage regulators to begin thinking of targeted adjustments to the regulatory framework that would also future proof the real economy”.*

“As we look ahead at the implementation phase, it is important that the EU level 2 legislation stays true to the political agreement to ensure not to increase the capital requirements for banks beyond what was agreed at level 1, but also to duly consider the implementation of market risk standards to ensure global consistency and avoid harming the competitiveness of EU capital markets.”

“AFME supports the agreement to maintain limited set of provisions reflecting European market specificities while remaining faithful to the Basel principles. Improvements to the treatment of exposures to unrated corporates as the Output Floor is introduced are also welcome and should avoid unnecessarily restricting the funding for unrated corporates that are the backbone of the EU economy. The recognition of the floor’s impact on securitisation and the introduction of a transitional arrangement to mitigate its impact is a small, but positive development. However, a more extensive review of the capital treatment for the securitisation framework is inevitable to ensure this tool can effectively be used by all banks. This will become ever more important as the EU tries to boost its capital markets in the framework of a revived CMU project.

“Unfortunately, parts of the agreement lead to a suboptimal outcome for the European Single Market. AFME regrets that the Output Floor will be applied at the solo level of consolidation, contrary to Basel’s intention. This is not in the interests of the competitiveness of the European banking sector as it adds further market fragmentation. As further integration of the EU’s banking and capital market progresses, AFME hopes the EU will focus on addressing these obstacles to the free flow of capital and liquidity to allow for more efficient capital and liquidity allocation in the EU. This will in turn support and achieve a more economically prosperous EU, able to finance individuals, companies and the green and digital transitions.

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Notes:

1. 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
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