
Press release

AFME welcomes the European Commission's Proposal on Transitional Liquidity Risk Regulation

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The Association for Financial Markets in Europe (AFME) welcomes and strongly supports the European Commission's [proposal](#) to amend the CRR (Regulation (EU) No 575/2013) to **permanently** address the requirements for securities financing transactions (SFTs) under the net stable funding ratio (NSFR). The industry considers it essential to maintain the application of the current 0%, 5% and 10% Required Stable Funding (RSF) factors for reverse repos secured by Level 1 HQLA and non-Level 1 HQLA and unsecured lending transactions.

This proposal is a recognition by the European Commission that a reversion of the Basel Committee for Banking Supervision (BCBS) levels would be inconsistent and a significant outlier to the more realistic and permanent treatments in other major jurisdictions, including the US, UK, Japan and Switzerland and would therefore distort the playing field and unduly disadvantage European banks in comparison to their third country peers. We are confident that the co-legislators will come to the same conclusion.

Commenting on the European Commission's proposal, **Caroline Liesegang, Managing Director, Head of Capital & Risk Management, Sustainable Finance and Research at AFME**, "AFME has been an early advocate for the need for the continuation of the current RSF factors on a permanent basis. This is an essential element for the development of a well-functioning, liquid and attractive sovereign debt market and a deep diversified SFT market for EU debt instruments. Yesterday, the European Commission set the first and necessary step, but there is more work to be done. It is key for the co-legislators to grasp the level playing-field nature of the issue at hand and to progress this file at pace to ensure a political agreement is reached before the sunset clause of 28 June 2025. We are therefore hopeful that the co-legislators will fast-track this proposal.

We also take note of the European Banking Authority (EBA)'s mandate to report to the European Commission by January 2029 on the appropriateness of the current calibration. AFME would caution against the risk of introducing policy recommendations and changes in a monitoring report without consulting appropriate industry stakeholders".

AFME looks forward to working with the European Commission, co-legislators and other industry stakeholders to ensure the successful progress and finalisation of this proposal to support the ongoing development of a robust and resilient financial system that can finance the real economy and support a competitive and prosperous Europe .

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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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