
Press release

AFME welcomes adoption of delegated act to delay the implementation of the European Union's market risk framework

25 July 2024

The Association for Financial Markets in Europe (AFME) welcomes yesterday's adoption by the European Commission of the Delegated Act to delay the implementation of the EU's market risk framework by one year to 1 January 2026. AFME supports the EU Commission's decision given the need for further clarity on both substance and timing, and the need for international alignment.

Caroline Liesegang, Managing Director, Head of Capital & Risk Management, Sustainable Finance and Research at the Association for Financial Markets in Europe (AFME) said: *"Delaying the implementation of the market risk framework (FRTB) was a necessary decision in light of the ongoing lack of clarity on both content and timeline in other major jurisdictions. It is important to avoid unnecessary regulatory fragmentation when possible. Today's decision underlines that the European Commission firmly supports international alignment."*

"AFME also commends the European Commission's complementary Q&A as it takes into consideration and clarifies the implications a delayed implementation would have on other elements of the EU's banking regulatory framework (e.g. CRR3 reporting and disclosure requirements and the calculation of the Output Floor). These elements are intrinsically linked to the market risk framework and could create significant challenges for banks if not addressed accordingly."

"However, further work remains to be done. It is crucial that the EU's implementation of the Trading Book/Banking Book boundary (TB/BB boundary) is consistent with the timeline invoked by the delegated act to delay both the FRTB Standardised Approach (SA) and the FRTB Internal Model Approach (IMA) capital calculations and therefore, we welcome the guidance issued to the European Banking Authority (EBA) to instruct supervisors to delay the implementation of the TB/BB boundary as they have done previously. We are, however, disappointed in the Commission's conclusion not to address the credit valuations adjustment framework (CVA) and the profit and loss attribution test (PLAT). In our view, given the interdependence of the various regulatory frameworks, an aligned timeframe of implementation and transition is important to avoid operational inconsistencies. We look forward to a continuing dialogue with the Commission and the EBA as these issues evolve and as the broader international picture becomes clearer."

– Ends –

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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.

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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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