Just in Time

EBA No Action Letter and Technical Implementation Guidance on the Application of the FRTB from 1 January 2027

Sep 2026

iason ESSENTIAL SERVICES FOR FINANCIAL INSTITUTIONS

Executive Summary

- The EBA published two complementary documents on 3 August 2026 following the European Commission's adoption of the **Third Delegated Act on the Fundamental Review of the Trading Book (3rd FRTB DA)**: a **No Action Letter** and technical implementation guidance on the application of the FRTB from **1 January 2027**. Together, they establish a transitional supervisory framework for the period from **1 January 2027 to 31 December 2029**, aiming to reduce legal uncertainty, limit operational complexity and preserve a level playing field within the European Union.

- The guidance clarifies the use of the **overall multiplier** under **Article 495v CRR**, including eligibility, notification, quarterly recalibration and interaction with the **Basel output floor**. It also confirms the continued relevance of the **CRR2 boundary framework**, avoiding inconsistent trading book–banking book boundary regimes and requiring institutions applying the multiplier to maintain **dual CRR2/FRTB calculation capability**.

- The documents further address supervisory reporting, Pillar 3 disclosures, structural foreign exchange positions, operational risk boundary treatment, benchmarking and the treatment of existing model permissions. The No Action Letter recommends temporary supervisory forbearance while legislative amendments and technical standards are prepared, but it does not reduce expectations on governance, controls, reporting readiness or FRTB implementation programmes.

At a Glance

Keywords: Market risk, FRTB, CRR3

01

Regulatory Background and Purpose of the Documents

Regulatory Background and Purpose of the Documents

Just in Time

The **FRTB** constitutes one of the most significant reforms of the Basel prudential framework, replacing the **Basel 2.5 market risk regime** with a more risk-sensitive methodology based on revised standardised approaches, strengthened internal models, stricter governance requirements and a substantially redesigned boundary between the **trading book** and the **banking book**.

Within the European Union, the FRTB has been incorporated into the **Capital Requirements Regulation (CRR)** through two major legislative acts:

Regulation (EU) 2019/876 (CRR2)

Although the revised framework was originally intended to apply from **1 January 2025**, implementation delays in several major international jurisdictions – including the **United States** and other Basel Committee members – created concerns regarding **competitive neutrality** for European institutions.

Regulation (EU) 2024/1623 (CRR3)

To preserve an **international level playing field**, the European Commission exercised its powers under **Article 461a CRR** to postpone implementation through successive Delegated Acts. The **Third FRTB Delegated Act**, adopted on **4 June 2026**, differs from the previous postponements because it not only delays the full implementation of the FRTB but also introduces **temporary operational relief measures**, including an overall capital multiplier and targeted multipliers for certain market risk components.

The EBA documents are designed to accompany these temporary measures. **The No Action Letter** addresses legal inconsistencies arising from the coexistence of different regulatory provisions, whereas the **technical implementation guidance** explains how institutions should apply the transitional framework in practice until permanent legislative amendments are adopted.

02

EBA No Action Letter: Key Regulatory Clarifications

The Trading Book–Banking Book Boundary and the CRR2 Framework

The Overall Multiplier under Article 495v CRR

Interaction with the Output Floor

Institutions Not Applying the Multiplier and the CRR2 Boundary Framework

Structural Foreign Exchange Positions

EBA No Action Letter: Key Regulatory Clarifications 1/5

The Trading Book–Banking Book Boundary and the CRR2 Framework

Just in Time

A central theme of the No Action Letter concerns the trading book–banking book boundary.

This boundary determines which positions are subject to **market risk capital requirements** and therefore directly affects institutions' **own funds requirements**. Although **Article 104 CRR** is generally considered the cornerstone of the boundary framework, the EBA explains that it operates together with several interconnected provisions, notably **Articles 104a, 106(2)–(7), 204a and 325j(5)**. Collectively, these provisions govern the allocation of instruments between books, the circumstances under which reclassifications are permitted and the treatment of **internal risk transfers**.

The Third FRTB Delegated Act explicitly refers only to **Article 104** in its provisions governing the **overall multiplier**. The EBA considers that interpreting this provision in isolation would create **legal inconsistencies** because institutions would effectively be required to operate under two partially incompatible boundary regimes.

Instead, the EBA concludes that the **entire pre-FRTB CRR2 boundary framework** should continue to apply during the transitional period for institutions using the overall multiplier. This interpretation aligns with the policy objective expressed in Recital 18 of the Third FRTB Delegated Act, namely to avoid excessive operational complexity and the simultaneous application of multiple boundary concepts within the same institution.

The Commission expressed the same understanding in its accompanying Questions and Answers, and the EBA extends this reasoning throughout the implementation guidance.

EBA No Action Letter: Key Regulatory Clarifications 2/5

The Overall Multiplier under Article 495v CRR

Just in Time

The principal innovation introduced by the Third Delegated Act is the **overall multiplier** established by new **Article 495v CRR**.

The multiplier is intended to mitigate potentially significant increases in market risk capital requirements resulting from the migration from the CRR2 framework to the revised FRTB approaches.

Eligibility is determined using the reference date of **31 March 2027**. Institutions compare their own funds requirements calculated under:

- the historical CRR2 framework; and
- the revised FRTB framework (including transitional treatments).

*Only institutions whose FRTB capital requirements exceed those under CRR2 qualify as **"adversely impacted"** and may therefore apply the multiplier.*

The multiplier is neither automatic nor mandatory

Eligible institutions must notify their competent authority and demonstrate compliance with Article 495v. The EBA recommends that institutions engage with supervisors well before the supervisory reporting deadline of **12 May 2027**.

⚠ *Importantly, institutions choosing to apply the multiplier must maintain systems capable of calculating capital requirements simultaneously under both **CRR2** and **FRTB** methodologies because the multiplier is **recalibrated quarterly**.*

The guidance further clarifies that institutions do not lose eligibility simply because, in a subsequent quarter, the FRTB calculation falls below the CRR2 calculation. However, they must continue producing both calculations for as long as they intend to benefit from the multiplier.

The EBA also clarifies the status of existing CRR2 internal model permissions. Such permissions automatically expire unless institutions qualifying for the multiplier notify their competent authority that they intend to continue using those models solely for purposes of calculating the multiplier.

EBA No Action Letter: Key Regulatory Clarifications 3/5

Interaction with the Output Floor

The principal innovation introduced by the Third Delegated Act is the **overall multiplier** established by new **Article 495v CRR**.

The **Commission** emphasised that the multiplier should preserve **capital neutrality**, ensuring that institutions are not disadvantaged simply because they become subject to the output floor.

Where the output floor does not bind, institutions should base the multiplier on capital requirements calculated using the Advanced Internal Models Approach (AIMA) and Alternative Standardised Approach (ASA).

The **EBA** therefore explains that the multiplier should be calibrated differently depending on whether an institution is constrained by the output floor.

Where the output floor is binding, the relevant benchmark becomes the standardised approach.

Regardless of whether the institution is constrained by the output floor, the resulting market risk contribution to total risk-weighted exposure amounts ultimately corresponds to the capital requirement that would have existed under **CRR2**, thereby preserving the intended **neutrality of the transitional framework**.

EBA No Action Letter: Key Regulatory Clarifications 4/5

Institutions Not Applying the Multiplier and the CRR2 Boundary Framework

The EBA also considers institutions that decide not to apply the overall multiplier.

Absent further clarification, these institutions would technically become subject immediately to the more prescriptive FRTB boundary framework while multiplier users would continue applying the historical CRR2 boundary.

Such asymmetrical treatment would undermine consistency within the Union and create competitive distortions.

Accordingly, the EBA recommends that institutions not applying the multiplier should nevertheless be allowed to continue using the **CRR2 boundary framework** until legislative amendments restore **legal certainty**.

This recommendation ensures that all institutions operate under a consistent regulatory boundary regardless of whether they choose to use the multiplier.

EBA No Action Letter: Key Regulatory Clarifications 5/5

Structural Foreign Exchange Positions

The technical guidance also addresses the treatment of structural foreign exchange (S-FX) positions.

- Under the existing CRR2 framework, competent authorities may exempt qualifying structural FX positions from certain market risk capital requirements pursuant to Article 352(2) CRR and the EBA Guidelines.
- The revised FRTB framework introduces **Article 104c CRR** and forthcoming **Regulatory Technical Standards (RTS)** governing these exemptions.
- EBA: Pending the application of the RTS, the EBA recommends that competent authorities continue recognising permissions granted under the current Guidelines and consider them compatible with Article 104c.
- Institutions may therefore continue excluding qualifying positions from foreign exchange own funds requirements during the transitional period.
- Once the RTS become applicable and the No Action Letter expires, both institutions and supervisors are expected to review existing permissions to ensure compliance with the new framework.

03

Supervisory Reporting and Pillar 3 Disclosures

Supervisory Reporting

A significant portion of the guidance addresses supervisory reporting.

Commission Implementing Regulation (EU) 2024/3117 introduced revised market risk reporting templates based on the FRTB framework. However, because institutions may continue calculating capital requirements under the **CRR2 boundary framework** during the transitional period, immediate implementation of these reporting obligations would create inconsistencies.

The EBA therefore intends to amend the reporting ITS to reflect the Third FRTB Delegated Act.

Until those amendments apply, institutions should continue using existing reporting templates while incorporating the effects of the temporary FRTB modifications.

Institutions applying the overall multiplier must report both:

- CRR2 market risk calculations; and
- FRTB calculations before application of the overall multiplier.

Institutions not using the multiplier report only under the FRTB framework.

The guidance specifies how individual supervisory reporting templates—including C18–C24, C91 and C02—should be completed during the transitional period.

Pillar 3 Public Disclosures

Just in Time

The documents also clarify disclosure obligations under Pillar 3.

Targeted multipliers affecting the Sensitivities-based Method (SbM) and Simplified Standardised Approach (SSA) should be reflected directly in the relevant disclosure templates.

Institutions applying the **overall multiplier** face more complex disclosure requirements because **Article 495v** requires compliance with both historical (**CRR2**) and revised (**CRR3**) disclosure provisions.

The EBA therefore recommends pragmatic solutions pending formal amendments to the disclosure ITS.

Qualitative disclosures may largely follow the CRR3 templates because of substantial overlap, whereas institutions using both CRR2 internal models and FRTB AIMA should disclose information under both versions where material differences exist.

Quantitative disclosures should reflect operational relief measures and targeted multipliers but exclude the impact of the overall multiplier in the market risk templates. Other own funds disclosure templates, such as OV1 and KM1, should instead reflect the complete impact of the Third FRTB Delegated Act, including the overall multiplier.

Institutions are encouraged to explain these temporary disclosure treatments through accompanying narrative statements.

04

Prudential Boundary for Operational Risk

Prudential Boundary for Operational Risk

Just in Time

The guidance briefly considers **operational risk**.

Institutions using the **"prudential boundary"** approach when calculating the financial component of the **Business Indicator** should apply the same boundary definition used for market risk.

Accordingly, institutions applying the historical CRR2 trading book boundary under the No Action Letter should use the same boundary for operational risk calculations.

Following the expiry of the No Action Letter, institutions will need to review and, where appropriate, resubmit their notifications under the forthcoming RTS governing the prudential boundary.

05

Tools and Limits of Supervisory Action

Supervisory Benchmarking

Supervisory Forbearance and Legislative Proposals

Tools and Limits of Supervisory Action 1/2

Supervisory Benchmarking

Just in Time

The postponement of the FRTB also affects the supervisory benchmarking exercise conducted under Article 78 CRD.

Institutions continuing to use **CRR2 internal models** for purposes of the multiplier remain within the existing **CRR2 Internal Models Approach benchmarking framework**.

Institutions using the revised FRTB standardised approach will participate in benchmarking from 2027.

However, benchmarking for the Advanced Internal Models Approach (FRTB-AIMA) is suspended pending clarification of the timing of its practical implementation within European institutions.

The EBA also proposes postponing the 2027 benchmarking exercise to the second half of the year to align it with the revised implementation timetable.

Tools and Limits of Supervisory Action 2/2

Supervisory Forbearance and Legislative Proposals

Just in Time

The No Action Letter culminates in recommendations directed to competent authorities. The EBA concludes that temporary coexistence of **CRR2** and **FRTB** provisions creates unnecessary **legal uncertainty** and **operational burdens**.

Until legislative amendments clarify the applicable framework – or until **31 December 2029**, whichever occurs first – the EBA recommends that supervisors **do not prioritise supervisory or enforcement action** concerning:

- Articles 104, 104a, 106(2)–(7), 204a and 325j(5) CRR
- trading book allocation and reclassification requirements
- reporting on trading book composition and reclassifications under the FRTB boundary framework

The Opinion also recommends that the European Commission **amend** both the **Capital Requirements Regulation** and the relevant **Implementing Technical Standards** to align the legal framework with the temporary measures introduced by the Third FRTB Delegated Act.

The Commission has already announced its intention to **submit** the necessary **legislative proposal** during the **first quarter of 2027**.

06

Overall Conclusions and Key Takeaways

Overall Conclusions and Key Takeaways 1/4

Just in Time

Taken together, the two EBA documents establish a **comprehensive transitional framework** governing the implementation of the Third FRTB Delegated Act. Rather than changing the substantive prudential rules, they aim to ensure that the temporary postponement of the full FRTB does not create unnecessary **legal fragmentation** or **operational burdens**.

Full FRTB implementation is postponed, but implementation work cannot stop	Although the Third FRTB Delegated Act provides relief until **31 December 2029**, institutions are still expected to implement the FRTB framework from **1 January 2027**. The relief affects the **calibration of capital requirements**, not the need to build and maintain FRTB calculation capabilities. Institutions will therefore need robust systems capable of producing FRTB calculations.
Institutions should assess early whether they qualify for the overall multiplier	Institutions expecting an increase in market risk capital under FRTB should perform an early impact assessment using the **31 March 2027 reference date**. Applying the multiplier is: - **optional**; - subject to supervisory notification; - available only to institutions meeting the eligibility criteria. Institutions should engage with their competent authorities well before the first reporting deadline.
Dual calculation capability becomes a strategic requirement	Institutions applying the overall multiplier will need to maintain the capability to calculate market risk capital simultaneously under: - the **CRR2 framework**, and - the **FRTB framework**. This dual calculation is required because the multiplier must be recalibrated every quarter. For many institutions, this means maintaining two parallel calculation engines and associated governance processes throughout the transition period.

Overall Conclusions and Key Takeaways 2/4

Just in Time

The CRR2 trading book boundary remains operationally relevant	One of the most important messages of the No Action Letter is that supervisors are expected not to enforce the new FRTB boundary framework during the transition. In practice, institutions can continue using the **existing CRR2 boundary framework** for allocating positions between the trading book and the banking book while legislative amendments are prepared. This significantly reduces implementation complexity and avoids operating two different boundary frameworks simultaneously.
Governance around book allocations should remain robust	Although supervisory enforcement is temporarily relaxed, the EBA does **not** suggest that institutions weaken governance over: - trading book designation; - reclassifications; - internal risk transfers. Institutions should continue documenting decisions and maintaining appropriate controls, anticipating that the full FRTB boundary framework will eventually become applicable.
Output floor interactions should be analysed carefully	Institutions subject to the Basel output floor should not assume that the multiplier automatically offsets all capital impacts. The EBA clarifies that the multiplier should preserve **capital neutrality**, but institutions will need to understand how the output floor affects the calibration. This increases the importance of integrated capital planning across market risk and overall capital requirements.

iason

Overall Conclusions and Key Takeaways 3/4

Just in Time

Reporting and disclosure processes will become more complex

During the transition, institutions may need to:
- report CRR2 calculations;
- report FRTB calculations;
- produce Pillar 3 disclosures reflecting different aspects of the temporary framework;
- explain transitional adjustments in accompanying narratives.

Finance, Regulatory Reporting and Investor Relations teams should therefore coordinate closely to ensure consistency between regulatory reporting and public disclosures.

Existing model approvals remain important

Institutions currently using **CRR2 internal models** should note that those permissions do not automatically continue indefinitely.

Institutions wishing to continue using internal models for purposes of the multiplier must notify their competent authority accordingly.

Model governance therefore remains a priority despite the postponement.

Overall Conclusions and Key Takeaways 4/4

Just in Time

Operational readiness should continue despite supervisory flexibility	The No Action Letter should not be interpreted as a delay in implementation programmes. Rather, it provides **supervisory forbearance** while legislative amendments are prepared. Institutions should therefore continue: - FRTB implementation projects; - data quality improvements; - model development; - reporting enhancements; - governance adaptations. The transition period should be viewed as additional preparation time rather than a suspension of implementation.
The regulatory framework is still evolving	The EBA explicitly signals that: - further legislative amendments are expected; - reporting ITS will be revised; - disclosure ITS will be updated; - additional technical clarifications may be issued. Institutions should therefore monitor future EBA and European Commission publications closely and retain sufficient flexibility within their implementation programmes to accommodate further changes.

ESSENTIAL SERVICES FOR FINANCIAL INSTITUTIONS

iason is an international consulting firm that has been supporting both financial institutions and regulators in topics related to Risk Management, Finance and ICT since 2008

Strategy

Strategic advisory on the **design** of **advanced frameworks** and **solutions** to fulfil both **business** and **regulatory needs** in Risk Management and IT departments

Methodology & Governance

Implementation of the designed **solutions** in bank departments **Methodological support** to both **systemically important financial institutions** and **supervisory entities**

Solution

Advanced **software solutions** for **modelling, forecasting, calculating** metrics and **integrating** risks, all on cloud and distributed in Software-as-a-Service (**SaaS**)

Company Profile

iason is an international firm that consults Financial Institutions on Risk Management. **iason** integrates deep industry knowledge with specialised expertise in Market, Liquidity, Funding, Credit and Counterparty Risk, in Organisational Set-Up and in Strategic Planning.

Dario Esposito

Alessandro Cappo

Lorena Corna

www.iasonltd.com