Pills

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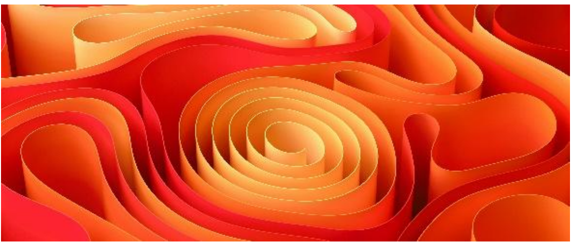
Author: Dario Esposito



TOPICS:

Market risk

SOURCE:

European Banking Authority

The EBA Publishes a No-Action Letter and Technical Considerations to Support the Implementation of the Market Risk

- The two EBA documents provide complementary guidance on the implementation of the European Commission's Third Delegated Act (3rd FRTB DA), which introduces **temporary measures to facilitate the transition to the revised Fundamental Review of the Trading Book (FRTB) framework** between 1 January 2027 and 31 December 2029. Together, the documents aim **to ensure consistent implementation, reduce operational burden and preserve international competitiveness** while the permanent FRTB framework is finalised.
- The **EBA Opinion (No Action Letter)** addresses legal and operational uncertainties arising from the interaction between the existing CRR2 framework and the revised FRTB boundary rules governing the allocation of positions between the trading and banking books. To avoid excessive operational complexity, regulatory fragmentation and an uneven playing field, the EBA **recommends that competent authorities do not prioritise supervisory or enforcement actions related to the new boundary framework** during the transitional period. It also recommends postponing the associated reporting requirements until the legal framework is aligned.
- The accompanying **EBA technical note** provides practical **guidance on applying the 3rd FRTB DA**, including eligibility for the overall capital multiplier under Article 495v CRR, supervisory notifications, interaction with the output floor, treatment of structural foreign exchange positions, disclosure expectations, supervisory reporting and benchmarking. It clarifies that eligible institutions must maintain the capability to calculate market risk capital requirements under both the CRR2 and FRTB approaches throughout the transition period.