



TOPICS:

Market Risk

SOURCE:

European Commission

European Commission Seeks Views on Market Risk Prudential Requirements for EU Banks

- This draft Commission Delegated Regulation introduces **temporary, targeted amendments** to Regulation (EU) No 575/2013 (CRR) to address implementation challenges associated with the **Fundamental Review of the Trading Book (FRTB)**. The **measures are explicitly transitional, applying from 1 January 2027 until 31 December 2029**.
- The regulation is driven by **delays and divergences in FRTB implementation across major jurisdictions**, notably the United States, which risk placing EU institutions at a competitive disadvantage. To mitigate this, the Commission leverages its mandate under Article 461a CRR to introduce temporary relief and recalibration measures while maintaining alignment with Basel standards where feasible.
- Key provisions focus on **operational relief and capital requirement adjustments**. First, the **profit and loss attribution test (PLAT)** is downgraded to a monitoring tool, removing its binding impact on model eligibility. Second, the framework for **non-modellable risk factors (NMRFs)** is relaxed by lowering data requirements and allowing proportional treatment for newly issued instruments. These changes aim to facilitate broader use of internal

models and reduce excessive capital charges.

- **Additional measures** enhance proportionality and usability. These include **reduced calculation frequency for internal models** (daily to weekly), **simplified treatment of collective investment undertakings** (including partial look-through and lower frequency requirements) and **adjustments to default risk and residual risk add-ons**. The regulation also introduces targeted improvements for hedging recognition, carbon trading exposures and correlation trading portfolios.
- A central feature is the introduction of **multipliers to moderate capital impacts**. A general 0.9 multiplier applies to certain standardised approaches, while an optional, bank-specific multiplier allows institutions to cap increases in market risk capital requirements relative to the previous Basel 2.5 framework. This mechanism is recalibrated quarterly and subject to disclosure and supervisory oversight.
- The **formal adoption of the delegated act** is expected to take place at the end of a four-week period **on 19 May 2026**.

