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European Commission

CALL FOR EVIDENCE
FOR AN INITIATIVE (without an impact assessment)

This document aims to inform the public and stakeholders about the Commission's work, so they can provide feedback and participate effectively in consultation activities.

TITLE OF THE INITIATIVE	Market risks – own funds requirements
LEAD DG – RESPONSIBLE UNIT	Directorate-General for Financial Stability, Financial Services and Capital Markets Union, Unit D1 - Banking regulation and supervision
LIKELY TYPE OF INITIATIVE	Delegated act
INDICATIVE TIMING	Q1-2026
ADDITIONAL INFORMATION	*Targeted consultation on the application of the market risk prudential framework - Finance*

This document is for information purposes only. It does not prejudge the final decision of the Commission on whether this initiative will be pursued or on its final content. All elements of the initiative described by this document, including its timing, are subject to change.

A. Political context, problem definition and subsidiarity check

Political context

The European Union has implemented the Basel 3 prudential standards for banks via the Banking Package, which consists of: (i) the Capital Requirements Regulation (CRR3); and (ii) the Capital Requirements Directive (CRD6).

Nearly all parts of the Basel 3 standards have been in application since 1 January 2025, except the market risk part, also known as the Fundamental Review of the Trading Book (FRTB).

The FRTB was designed to respond to the weaknesses in the market risk prudential framework that the 2008 global financial crisis revealed. The objective of the FRTB is to establish a more robust framework for determining capital requirements for banks' financial instruments held for trading activities (e.g. shares, bonds, derivatives).

To ensure a level playing field, the application of these binding capital requirements has been postponed twice, until 1 January 2027.

This call for evidence aims to gather feedback on a proposed approach currently under evaluation and does not represent a final policy position.

Problem the initiative aims to tackle

Due to the ease with which market risk activities can be conducted across borders (including between EU countries and non-EU countries or through branches), maintaining a level playing field is crucial for banks with large trading activities. A coordinated implementation of the Basel standards in this area across jurisdictions is essential to ensure that EU banks do not face competitive disadvantages in their activities.

To cater for this uncertainty on implementation timelines across other jurisdictions with internationally active banks, the CRR3 empowered the Commission to delay the market risk section of the CRR by up to two years or amend it for up to three years. This measure was designed to maintain a level playing field for EU banks if there were delays or deviations in other jurisdictions.

In June 2025, in response to continuous delays in implementation by non-EU countries and uncertainty over their final rules, the Commission proposed to delay the application of the market risk requirements by an additional year. This followed a previous one-year postponement in July 2024. The decision aimed to prevent significant competitive disadvantages for EU banks' trading activities both in the single market and in non-EU countries. The

delegated act, delaying the market risk requirements for the second time, entered into force on 20 September 2025.

However, implementation of the Basel 3 standards in other jurisdictions remains uncertain, in terms of both timeline and content. Recent developments in the US suggest that it might make a new proposal to implement Basel 3 in Q1-2026, with the first application date still uncertain. The UK has consulted on a new staggered approach, which would likely allow banks with large trading activities and using internal models for calculating their market risk capital requirements to delay applying the FRTB to January 2028. A final decision from the UK is still pending.

As regards other jurisdictions, Hong Kong, Singapore, Japan and Canada have already implemented the FRTB, but they are now looking more closely at emerging level playing field issues for their banks. Australia has signalled that they will not issue market risk rules before the second half of 2026 (with some specific market risk requirements facing further delays).

As a result, the Commission is evaluating whether to use the empowerment granted in the CRR to introduce targeted amendments to the market risk requirements. The objective of the delegated act would be to address the level playing field concerns resulting from international discrepancies in implementation timelines and requirements. It would also aim to incorporate those targeted changes already proposed by other jurisdictions that the Commission believes can improve the EU framework (e.g. removing excessive rigidity and preventing excessive operational burden on banks).

Basis for EU action (legal basis and subsidiarity check)

Legal basis

The legal basis for the envisaged delegated act is Article 461a(2)(a) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012.

Practical need for EU action

The objective of the envisaged measure would be to amend existing EU legislation. This can only be achieved at EU level and cannot be pursued through different national initiatives. Adopting national measures would be legally challenging given that the CRR already regulates banking prudential requirements at EU level.

B. What does the initiative aim to achieve and how

The initiative would aim to introduce targeted amendments and multipliers to the FRTB to avoid penalising EU banks that are active on global financial markets and to maintain their competitiveness in EU markets compared to non-EU banks. The FRTB is a more conservative framework than the current one, so its full implementation would increase a bank's own funds requirements for market risk.

As mentioned above, due to the ease with which market risk activities can be conducted across borders, competition in this field is very intense. As a result, if EU banks apply the FRTB without mitigating measures, there would be an unlevel playing field between EU banks applying the FRTB and non-EU banks that do not. The disparity would also be noticeable in EU financial markets, where non-EU banks could consolidate their requirements in jurisdictions that do not apply the FRTB.

Likely impacts

The initiative under consideration would avoid a significant increase in capital requirements for banks with substantial financial market activities and ensure a level playing field for EU banks operating on capital markets compared to non-EU banks.

Future monitoring

The effects of the proposed amendments would be monitored by the European Banking Authority and the supervisory authorities through regulatory reporting.

C. Better regulation

Impact assessment

Due to the temporary, targeted and forward-looking nature of the amendments envisaged, the delegated act would not be supported by an impact assessment.

Consultation strategy

The following consultation activities are planned.

- A targeted consultation launched alongside this call for evidence (Targeted consultation on the application of the market risk prudential framework - Finance). Replies can be made in any of the 24 official EU languages The targeted consultation will run for eight weeks. The details and the replies will be published in due course. The results of all consultation activities will be summarised in a synopsis report.
- Continued outreach with key stakeholder representatives and expert groups (e.g. Expert Group on Banking, Payments and Insurance – EGBPI), covering both fundamental issues and specific technical issues.

Why we are consulting?

We aim to gather the views and experience of stakeholders. We are particularly interested in stakeholder's views on implementation of the FRTB and their insights into past and current challenges related to the FRTB.

Target audience

Contributions are particularly sought from national regulators and supervisors in the EU, banks and other financial institutions, organisations representing end users of financial services, think tanks and academics.