EBA consideration on the application of the FRTB from 1 January 2027

Background

On 4 June 2026, the European Commission adopted a Delegated Act ('3rd FRTB DA') in accordance with Article 461a of Regulation (EU) No 575/2013 (CRR), that, upon entry into force, would modify the calculation of own funds requirements for market risk from 1 January 2027, mostly in the context of the approaches of the Fundamental Review of the Trading Book (FRTB) standards. The Commission Delegated Act was accompanied by a Communication setting the Commission's expectation regarding ancillary requirements relating to the provisions included in the Delegated Act.

The Delegated Act is currently under scrutiny by the European Parliament and the Council. If and once the Delegated Act becomes applicable, institutions can apply certain operational relief measures and targeted multipliers in their calculation of own funds requirements for market risks. Institutions faced with an increase in the own funds requirements when migrating from the currently applicable (CRR2-) framework to the FRTB framework are eligible to scale down their own funds requirements by means of an overall multiplier.

On 3 August 2026, the EBA issued a 'No action letter' ('EBA NAL on the boundary') that would complement the Delegated Act, once it applies, by advising competent authorities not to prioritise any supervisory or enforcement action in relation to the application of the provisions on the boundary between the non-trading and the trading book, until the earlier of 31 December 2029 and the date of application of an amendment to the CRR that clarifies the application of the boundary rules.

Application of the CRR from 1 January 2027 to 31 December 2029

In the light of the Delegated Act, the accompanying statement by the European Commission and the EBA 'no action letter', questions and issues may arise as regards the application of the provisions of the CRR and Directive 2013/36/EU (CRD), as well as certain Technical Standards and Guidelines developed by the EBA.

Below, this document discusses issues that have been identified so far, for which clarifications on the regulatory approach are considered necessary.

The EBA stands ready to analyse further issues that emerge, and to provide its considerations on the regulatory approach to achieve a sufficient level of consistency in the application of the provisions of the CRR, as modified by the 3rd FRTB DA. In this context, the EBA recommends that institutions inform their competent authorities of additional issues identified, in particular where those issues are material.

EBA considerations on specific issues arising from the 3rd Delegated Act on FRTB

Eligibility to use the overall multiplier and notifications of the competent authority

The 3rd Delegated Act provides that institutions adversely impacted by the transition to the FRTB framework may apply the overall multiplier set out in Article 495v CRR, as introduced by that Delegated Act.

In accordance with Article 495v(1) CRR, institutions should assess whether they qualify as 'adversely impacted' based on the own funds requirements for market risk calculated for the reference date of 31 March 2027. Institutions can only be considered 'adversely impacted' if the own funds requirements for market risk calculated using the FRTB approaches and taking the transitional provisions of Articles 495i to 495t CRR into consideration ($OFR_{MKR-FRTB}$[1,2]) for that reference date exceed those calculated on the basis of the CRR2-standardised approach (CRR2-SA) and the CRR2-internal models ($OFR_{MKR-CRR2}$[2,3]). Institutions that are eligible can only apply the multiplier from Q1 2027 (i.e. they cannot start using it at a later point in time).

The application of the overall multiplier is neither mandatory, nor automatic. Institutions that are eligible and want to apply the overall multiplier should notify the competent authority and prove their eligibility in accordance with Article 495v(3) CRR. The EBA recommends that institutions expecting to be negatively affected liaise with their competent authority early and submit the notification as soon as possible after the reference date, and well before 12 May 2027[4].

Because of the quarterly recalibration set out in Article 495v(5) CRR, institutions that apply the overall multiplier have to, among others, keep the systems and processes in place for calculating own funds requirements for market risk based on both the CRR2- and FRTB approaches.

In accordance with Article 495v(4) CRR, institutions should notify their competent authority, before they stop applying the overall multiplier. Institutions that are eligible and started applying the overall multiplier from March 2027 do not have to stop applying it because $OFR_{MKR-FRTB}$ falls below $OFR_{MKR-CRR2}$ for a certain reference date or reference dates. However, institutions have to keep performing both calculations referred to in the previous paragraph for as long as they wish to remain eligible to apply the overall multiplier.

Where institutions have the permission to use the CRR2-internal models, that permission to use the model automatically expires (i.e. there is no need for requesting or approving a withdrawal of that permission), unless institutions are eligible to apply the multiplier and notify their CA that they wish to continue using those models in the context of the application of that multiplier.

[1] Article 495v(1) CRR defines those as the own funds requirements for market risk calculated by applying Regulation (EU) No 575/2013 in the version in force on 9 July 2024 and taking into account the transitional treatments laid down in Articles 495i to 495t.

[2] In accordance with the EBA NAL on the boundary, the scope of positions for which own funds requirements for market risk are calculated is determined based on the boundary between the trading book and non-trading books that was in place before the FRTB framework was introduced into the CRR ('old' boundary)

[3] Article 495v(1) CRR defines those as the own funds requirements for market risk calculated by applying Part Three, Title IV, of this Regulation in the version in force on 8 July 2024.

[4] 12 May 2027 is the deadline for reporting information for the reference date of 31 March 2027 in accordance with Regulation (EU) 2024/3117 (ITS on Supervisory Reporting)

Application of the overall multiplier of Article 495v CRR in conjunction with the output floor

In its communication accompanying the adoption of the 3rd Delegated Act on the FRTB, the Commission emphasises the need to 'apply the multiplier in a way that is consistent with its policy objective, i.e. capital neutrality'. In that context, the Commission advises institutions to account in their calibration of the overall multiplier for potential negative impacts resulting from the application of the output floor, so that the outcome of the calculation is equivalent to the own funds requirements calculated on the basis of the pre-FRTB approaches.

In simplified terms, the own funds requirements (OFRs) for market risk can be expressed as the following, where the overall multiplier is applied:

$$\text{OFRs for market risk} = \text{Overall multiplier} \cdot OFR_{MKR-FRTB} = \frac{OFR_{MKR-CRR2}}{OFR_{MKR-FRTB}} \cdot OFR_{MKR-FRTB}$$

In accordance with the Commission's statement on neutralising the impact of the output floor, the own funds requirements for market risk $OFR_{MKR-FRTB}$ should correspond to the sum of the own funds requirements calculated on the basis of the standardised and internal model approaches (i.e. FRTB ASA/AIMA, and where relevant at consolidated level, the SSA), where the institution is not bound by the output floor, and the one calculated on the basis of the standardised approaches (i.e. FRTB ASA and/or SSA), where the institution is bound by the output floor, or as a formula:

$$\text{OFRs for market risk} = \begin{cases} OFR_{AIMA/ASA\&SSA} \cdot \dfrac{OFR_{MKR-CRR2}}{OFR_{AIMA/ASA\&SSA}} & \text{where not bound by floor} \\ OFR_{ASA\&SSA} \cdot \dfrac{OFR_{MKR-CRR2}}{OFR_{ASA\&SSA}} & \text{where bound by floor} \end{cases}$$

Thus, irrespective of whether the institution is bound by the output floor (TREA = x% · S-TREA) or not (TREA = U-TREA), the risk-weighted exposure amount for market risks that enters the calculation of the total risk weighted exposure amount (TREA) referred to in Article 92(3) CRR is the same and corresponds to $12{,}5 \cdot OFR_{MKR-CRR2}$.

Structural foreign exchange positions

Competent authorities can grant institutions the permissions to exempt structural foreign exchange (S-FX) positions from certain own funds requirements. In the context of the CRR2-SA and CRR2-IMA, such a permission is currently based on Article 352(2) CRR and the corresponding EBA Guidelines (EBA/GL/2020/09). Article 104c CRR and the future RTS on S-FX positions, the final draft of which has been submitted to the European Commission for adoption, enable such an exemption also in the context of the application of the FRTB. While institutions had to request permission to classify positions deducted from own funds that are subject to foreign exchange risk (FX risk) as S-FX positions in the context of the EBA Guidelines, Article 325(1), second subparagraph, CRR excludes such positions by default, and irrespective of their nature, from the calculation of the own funds requirements for FX risk.

Until the RTS on S-FX are applicable, competent authorities may consider permissions granted in accordance with Article 352(2) CRR on the basis of the currently applicable EBA Guidelines on S-FX and the current boundary as compliant with Article 104c CRR and may apply the Guidelines also in the context of Article 104c CRR. Institutions may consider positions deducted from own funds as automatically excluded from the calculation of the own funds requirements for foreign exchange risk. Where institutions apply the overall multiplier, this reduces the gap between the treatment of such positions in the numerator and denominator of the multiplier, respectively, until 31 December 2029, and facilitates the transition from the CRR2- to the FRTB framework.

Once the RTS on S-FX are applicable and the no action letter ceases to apply, the EBA expects that institutions and competent authorities review the permissions granted or extended for the purposes of Article 104c CRR on the basis of the EBA Guidelines to ensure that those comply with the requirements set out in Article 104c CRR and the RTS.

Disclosures

Reflecting the impact of the SbM- and SSA-multipliers

Article 495s(1) and (2) CRR foresee the application of a targeted multiplier to the own funds requirements calculated on the basis of the Sensitivities-based method (SbM, paragraph 1), as disclosed in template EU MR1, and to the own funds requirements calculated on the basis of the Simplified Standardised Approach (paragraph 2), as disclosed in template EU MR3, respectively.

In both cases, institutions should reflect the impact of the targeted multiplier in the template, i.e. present figures for those components of the own funds requirements, for which the multiplier is relevant, after the application of the targeted multiplier. In case of the SbM and EU MR1, this means adjusting the figures in rows 1 to 7 (SbM) and 12 (Total). In case of the SSA and EU MR3, this adjustment affects all rows.

Disclosures by institutions applying the overall multiplier

Article 495v(7) CRR, as introduced by the Delegated Act, requires institutions to disclose that they chose to apply the multiplier, and to comply with the disclosure requirements on the own funds requirements for market risk set out in Part Eight of the CRR in the version in force on 8 July 2024 and further specified in Article 15 of Commission Implementing Regulation (EU) 2021/637[5] ('CRR2 version of the disclosures'). These disclosure requirements come in addition to the disclosures requirements on market risks applicable in accordance with the most recent version of the CRR, as further specified in Article 16 of Commission Implementing Regulation (EU) 2024/3172[6] ('CRR3-version of the disclosures').

The EBA will make the necessary amendment to Regulation (EU) 2024/3172 to reflect the impact of Article 495v(7) CRR. Until then, the EBA suggests applying the following principles for the disclosures on market risks:

- Qualitative disclosures (EU MRA and EU MRB templates): Considering the significant overlap between the CRR2-version and the CRR3-version of template EU MRA, institutions

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[5] Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council and repealing Commission Implementing Regulation (EU) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295 (OJ L 136, 21.4.2021, pp. 1–327, ELI: http://data.europa.eu/eli/reg_impl/2021/637/oj)

[6] Commission Implementing Regulation (EU) 2024/3172 of 29 November 2024 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to public disclosures by institutions of the information referred to in Part Eight, Titles II and III, of that Regulation, and repealing Commission Implementing Regulation (EU) 2021/637

may disclose only the information in the CRR3-version of that template. Institutions using both the CRR2-internal models for market risk and the FRTB AIMA should disclose the information in both the CRR2- and CRR3-versions of template EU MRB, given the substantive differences between those versions.

- Quantitative disclosures (EU MR1, EU MR2, EU MR3): When disclosing the information set out in the CRR3-version of the market risk templates (i.e. disclosing information on $OFR_{AIMA/ASA\&SSA}$ in those templates), institutions should reflect the impact of Articles 495i to 495t CRR (operational relief measures and targeted multipliers), but not the impact of Article 495v CRR (overall multiplier), i.e. the figures disclosed should reflect the own funds requirements for market risk determined on the basis of the modified FRTB framework before the application of the overall multiplier. Institutions may accompany their disclosures in these templates by a statement that the figures presented correspond to the theoretical own funds requirements under the revised framework, taking into account the temporary modifications introduced by 3rd FRTB DA, with the exception of the overall multiplier, but do not enter the calculation of capital ratios as of the reference date.

Article 495v(7) CRR applies only partially to other disclosures on own funds and own funds requirements, including disclosures in templates OV1, KM1 and CMS1. Institutions only have to disclose the information set out in the CRR3-version of those templates. Where the disclosures templates foresee presenting information on the own funds requirements for market risk, the figures disclosed should reflect the impact of the 3rd FRTB DA in its entirety, considering both the operational relief measures and targeted multipliers as well as the overall multiplier. Institutions should indicate in the accompanying narrative for those templates that they make use of the option to apply the overall multiplier of Article 495v CRR.

Reporting

The EBA intends to reflect the impact of the 3rd FRTB DA in the amending ITS that was recently under consultation (see the market risk module of EBA/CP/2026/07). The consultation paper presented a preliminary assessment of the impact of the 3rd FRTB DA based on the policy proposal published by the European Commission for consultation in November 2025. The final draft will be revised in the light of the adoption of the Delegated Act.

The revised reporting requirements on market risks are expected to apply from the second half of 2027. Until then, institutions should reflect the revised framework applicable from 1 January 2027 in the templates that are currently in use, considering the following guidance:

INSTITUTIONS APPLYING THE OVERALL MULTIPLIER OF ARTICLE 495V CRR

In accordance with Article 495v(6), these institutions are required to report own funds requirements under both the CRR2- and FRTB frameworks.

Template	Guidance
C 18.00 to C 24.00	Institutions should report the own funds requirements as determined in accordance with the CRR2-SA (C 18.00 to C 23.00) and CRR2-IMA (C 24.00).
C 91.00	Institutions should report the own funds requirements determined in accordance with the FRTB ASA. They should reflect the impact of the measures of the 3rd FRTB DA, excluding the impact from the overall multiplier (Article 495v CRR). Institutions

	shall reflect the ‘SbM multiplier’ of Article 495s(1) CRR only in columns 0190 and 0200 of that template, i.e. they should not scale down the sensitivities or own funds requirements under the different scenarios reported in columns 0010 to 0150. Institutions using the FRTB-AIMA should reflect the calculation of $ASA_{all\ portfolio}$, as referred to in the formula of Article 325ba(3) CRR, in the template.
C 02.00	Institutions should report only the RWEA under CRR2 (after multiplier)

OTHER INSTITUTIONS

These institutions are required to report only the own funds requirements under the FRTB framework.

Approach used	Templates	Guidance
ASA and/or AIMA	C 91.00	Institutions should report the own funds requirements determined in accordance with the FRTB ASA. They should reflect the impact of the measures of the 3rd FRTB DA, excluding the impact from the overall multiplier (Article 495v CRR). Institutions using the FRTB-AIMA should reflect the calculation of $ASA_{all\ portfolio}$, as referred to in the formula of Article 325ba(3) CRR, in the template.
SSA	C 18.00 to C 23.00	Institutions should report the own funds requirements determined in accordance with the SSA. They should reflect the impact of both the scaling factors of Article 325(2) CRR and the targeted multiplier of Article 495s(2) CRR in the columns dedicated to the TREA in templates C 18.00 and C 21.00 to C 23.00

‘Prudential boundary’ approach of the operational risk framework

Where appropriate, institutions can apply the ‘prudential boundary’ approach in order to determine the financial component of the business indicator for the purposes of calculating the own funds requirements for operational risk. Where they apply this approach, they perform the calculations on the basis of the same boundary definition as they apply for the purposes of calculating the own funds requirements for market risk.

Once the no action letter ceases to apply, institutions that used the prudential boundary approach during the postponement period are expected to review the information on the use of this approach in line with the forthcoming associated regulatory technical standards and resubmit the corresponding notification.

Implication of the FRTB postponement to the Benchmarking exercise (Market Risk)

As a result of the Delegated Act, institutions choosing to apply the multiplier of Art. 495v CRR will continue to apply CRR2-IMA for the calculation of the multiplier used to determine the own funds requirements for market risk. These institutions remain within the scope of the mandate under Article 78 of Directive 2013/36/EU (CRD) and are expected to participate in the CRR2-IMA market risk part of the supervisory benchmarking exercise.

Institutions subject to the FRTB-ASA will also participate in the market risk supervisory benchmarking exercise from 2027, in accordance with Article 78 CRD.

The FRTB-AIMA benchmarking data collection is suspended until the actual adoption of the FRTB-AIMA framework by European banks is clarified.

The benchmarking data collection will take place in accordance with the benchmarking ITS for the 2027 exercise, which is currently under consultation and is expected to be finalised in autumn 2026. As part of the Consultation Paper, the EBA proposes to delay the timeline of the 2027 benchmarking exercise to the second half of 2027.