EBA/Op/2026/08

03.08.2026

Opinion of the European Banking Authority on the application of the provisions relating to the boundary between trading book and banking book, and on the internal risk transfer between books

Background, description of the issue and legal basis

1. Regulation (EU) 2019/876[1] and Regulation (EU) 2024/1623[2] introduced the revised framework for capitalising market risk, the Fundamental Review of the Trading Book (FRTB), in the Union.
2. Article 2 of Regulation (EU) 2024/1623 specified that the amended Article 325 of Regulation (EU) No 575/2013[3], which introduces the FRTB-inspired approaches for the purpose of calculating the own funds requirements for market risk, should have applied from 1 January 2025. However, the European Commission acted based on the empowerment of Article 461a of Regulation (EU) No 575/2013 to preserve an international level playing field by adopting two Delegated Acts which postponed the application of the FRTB framework to 1 January 2027. On 4 June 2026, in light of the delays of the implementation of that framework in other jurisdictions, the Commission adopted a new Delegated Act in accordance with said

[1] Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012 (OJ L 150, 7.6.2019, pp. 1–225, ELI: http://data.europa.eu/eli/reg/2019/876/oj)

[2] Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor (OJ L, 2024/1623, 19.6.2024).

[3] Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

empowerment ('3rd FRTB DA'), which introduces targeted operational relief measures, and defines targeted multipliers, that modify the implementation of the FRTB framework in the Union and apply from 1 January 2027 to 31 December 2029. That Delegated Act is currently under scrutiny by the European Parliament and the Council. The considerations set out in this opinion become relevant, only if and once the 3rd FRTB DA enters into force.

The boundary framework for institutions applying the multiplier of Article 495v of Regulation (EU) No 575/2013

3. The 3rd FRTB DA introduces, via a new Article 495v of Regulation (EU) No 575/2013, a multiplier that institutions are allowed to apply to their own funds requirements for market risk, and sets out the conditions for the application of that multiplier. Paragraph 8 of that Article specifies that institutions shall apply the requirements for inclusion in the trading book laid down in Article 104 of that Regulation in the version in force on 8 July 2024, when they determine their own funds requirements for market risk in accordance with paragraphs 1 and 5 of that Article. Recital (18) of the 3rd FRTB DA provides as a rationale that this is necessary to 'enable that precise calibration of the multiplier and avoid excessive operational complexity, including the application of multiple boundary concepts within the same institution and changes to the models used under the Basel 2.5 framework'.

4. However, institutions need to take into account, in addition to Article 104 of Regulation (EU) No 575/2013, also Articles 104a, 106(2) to (7) and 325j(5), second sentence, to determine their own funds requirements for market risk. Together, those provisions constitute the 'boundary framework', which determines the scope of application of the approaches for the capitalisation of market risk by prescribing rules for the allocation of instruments to the regulatory books and for their reallocation. In addition, to the extent that the provisions of Article 204a of Regulation (EU) No 575/2013 are conditional on the application of Article 106 of that Regulation, changes to the application of Article 106 of that Regulation should be duly considered in the application of Article 204a of that Regulation as well.

5. Regulation (EU) 2019/876 introduced certain elements of the FRTB boundary framework, while Regulation (EU) 2024/1623 introduced the remaining elements of the FRTB. Against the background of ongoing legislative negotiations on the latter, in 2023, the EBA had issued an opinion (EBA/Op/2023/02) recommending that competent authorities should not prioritise any supervisory or enforcement action in relation to the elements of the boundary framework put in place by Regulation (EU) No 2019/876, until the remaining elements of the boundary framework were implemented. In accordance with Article 2 of Regulation (EU) 2024/1623, those remaining elements, set out in Article 1, points (34), (35) and (38) of that Regulation, entered into force on 9 July 2024.

6. Article 495v(5) of Regulation (EU) No 575/2013 introduced by the 3rd FRTB DA requires institutions to determine the multiplier as the ratio between the own funds requirements for market risk calculated by applying Part Three, Title IV, of Regulation (EU) No 575/2013 in the version in force on 8 July 2024 (numerator, '$OFR_{MKR-CRR2}$') and the own funds requirements for market risk calculated by applying that Regulation in the version in force on 9 July 2024, taking into account the transitional treatments laid down in Articles 495i to 495t (denominator, '$OFR_{MKR-FRTB}$').

7. Considering the EBA Opinion EBA/Op/2023/02, as well as Article 495v(8) of Regulation (EU) No 575/2013, institutions that apply the multiplier of Article 495v of that Regulation determine $OFR_{MKR-CRR2}$ effectively on the basis of the boundary framework defined by Articles 104 and 106 of Regulation (EU) No 575/2013 as they stood prior to the amendments to these articles introduced by Regulation (EU) 2019/876, i.e. as they stood prior to 28 June 2023 ('CRR2 boundary framework').
8. In order to achieve the objective of a precise calibration of the multiplier and avoid excessive operational complexity, as set out in recital (18) of the 3rd FRTB DA, institutions using the multiplier would have to determine also $OFR_{MKR-FRTB}$ on the basis of that CRR2 boundary framework.
9. In the 'questions and answers' accompanying the publication of the 3rd FRTB DA, the Commission expresses its view that 'banks using the multiplier should apply, throughout the three-year duration of the delegated act, the CRR2-boundary requirements for the actual calculation of the capital requirements, and not solely for the purposes of the multiplier.' In line with that view, institutions could also base their calculation of the own funds requirements that the multiplier is applied to (referred to in Article 495v(1) of Regulation (EU) No 575/2013 as the 'own funds requirements for market risk calculated using the approaches referred to in Article 325(1) and laid out in Articles 325c to 325ay, Articles 325az to 325bp and Articles 326 to 361') on the CRR2-boundary framework.

The boundary framework applicable to institutions not applying the multiplier of Article 495v of Regulation (EU) No 575/2013

10. As part of the 'questions and answers', the Commission also expresses its view that, '[to] ensure a level playing field in the Union with respect to the implementation of the boundary requirements, banks not using the multiplier should be afforded the same flexibility as those banks applying the multiplier.' In line with this and based on the considerations presented in the previous section, institutions not using the multiplier should be allowed to base the calculation of their own funds requirements for market risk on the CRR2 boundary framework as well.

Reporting of information on the application of the FRTB boundary framework

11. Commission Implementing Regulation (EU) 2024/3117[4] foresees, among others, that institutions report information on composition of the trading book and the reclassifications between books. The definition of the specific information to be reported is based on the FRTB boundary framework, i.e. on the boundary framework of Regulation (EU) No 575/2013 as amended by Regulation (EU) 2024/1623.

[4] Commission Implementing Regulation (EU) 2024/3117 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 supervisory reporting of institutions and repealing Commission Implementing Regulation (EU) 2021/451 (OJ L, 2024/3117, 27.12.2024, http://data.europa.eu/eli/reg_impl/2024/3117/oj)

12. In the light of the postponement of the application of the FRTB framework to 1 January 2027 through the 1st and 2nd Delegated Acts, the EBA issued an opinion on the application of the boundary framework in 2024 (EBA/Op/2024/05) recommending that competent authorities should not prioritise any supervisory or enforcement action in relation to the elements of the boundary framework put in place by Regulations (EU) 2019/876 and 2024/1623 for as long as the applicable legal framework did not provide for the application of the FRTB-inspired approaches for capital calculation purposes. Consistently with that, Article 24(2) of Regulation (EU) 2024/3117 foresees that the first reference date for the reporting of information on composition of the trading book and the reclassifications between books shall be a date after the 'alternative approaches set out in Part Three, Title IV, Chapters 1a and 1b of Regulation (EU) No 575/2013 become applicable for the calculation of the own funds requirements referred to in Article 92(4), points (b)(i) and (c), and Article 92(5), points (b) and (c), of that Regulation.'
13. Once the 3rd FRTB DA applies, the condition set out in Article 24(2) of Regulation (EU) 2024/3117 is met, with the consequence that institutions should report information on composition of the trading book and the reclassifications between books from the reference date of 31 March 2027.
14. In the spirit of recital (18) of the 3rd FRTB DA, a situation where institutions would have to apply one version of the boundary framework for the purposes of calculating their own funds requirements and reporting on those calculations, and apply a different version for reporting complementary information on the composition of the trading book and reclassifications between books should be prevented. Consequently, the reporting on the composition of the trading book and reclassifications between books should continue being suspended, until the calculation of the own funds requirements is based on the FRTB boundary framework.

Legal basis of this opinion

15. The EBA's competence to deliver an opinion in the form of a No Action Letter is based on Article 9c(3) and (4) of Regulation (EU) No 1093/2010[5], which provide that the EBA may issue no-action letters, if it considers that the application of one of the relevant legislative acts raises significant issues, as provisions contained in such act may directly conflict with another relevant act, and if it has received relevant information and considers on the basis of that information that the application of the relevant provisions raises significant exceptional issues pertaining to market confidence, consumer, customer or investor protection, the orderly functioning and integrity of financial markets or commodity markets, or the stability of the whole or part of the financial system in the Union.

[5] Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority) amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).

16. In accordance with Article 14(7) of the Rules of Procedure of the Board of Supervisors[6], the Board of Supervisors has adopted this opinion which is addressed to the European Commission and to the competent authorities referred to in Article 4(2), points (i) and (viii), of Regulation (EU) No 1093/2010.

Summary of the issue

17. With a view to preserving an international level playing field in the light of differences between the implementation of international standards on own funds requirements for market risk in the Union and in third countries, Article 495v of Regulation (EU) No 575/2013 permits institutions, under certain conditions, to apply a multiplier to their own funds requirements for market risk. When calibrating that multiplier, institutions are required to apply Article 104 of Regulation (EU) No 575/2013, as in force on 8 July 2024. That provision is a core component, but not the only component, of the CRR2 boundary framework, which determines the scope of application for the calculation of the own funds requirements for market risk.

18. Where institutions apply the multiplier set out in Article 495v of Regulation (EU) No 575/2013, requiring them to apply Article 104 of that Regulation without the other provisions that together constitute the CRR2 boundary framework, and requiring them to apply the FRTB boundary framework instead of the CRR2 boundary framework in contexts other than the calibration of the multiplier, would create significant operational issues: Institutions would be subject to

    - a fragmented and operationally complex, and therefore costly implementation of two parallel, but distinct sets of rules for the allocation of instruments to the trading and non-trading books and
    - an operationally burdensome and costly fragmented application of the rules for the reclassification of positions and internal risk transfer between the trading and non-trading books.

19. Differences between the implementation of international standards in the Union and in the implementation in third countries can be observed not only with regard to the approaches applied for the calculation of the own funds requirements for market risk, but also with regard to the rules for the boundary between the trading book and the non-trading book. As a result, global institutions could be subject to very different regulatory requirements depending on the rules applicable in the jurisdiction where the risk management is performed, resulting in regulatory fragmentation and level playing field issues. In this context, it would be reasonable to assess these other jurisdictions' implementation of the boundary framework before enforcing its application in the Union.

20. Where institutions do not apply the multiplier of Article 495v of Regulation (EU) No 575/2013, they would have to apply the FRTB boundary framework as set out in the most recent

[6] Decision adopting the Rules of Procedure of the European Banking Authority Board of Supervisors of 22 January 2020 (EBA/DC/2020/307).

applicable version of Regulation (EU) No 575/2013. In comparison to the CRR2 boundary framework, the FRTB boundary framework is more prescriptive and therefore likely to be associated with stronger operational and administrative constraints. Subjecting those institutions to more restrictive requirements than institutions using the multiplier would create issues for the level playing field inside the Union and potentially affect the integrity of the single market for financial services.

21. Where institutions do not apply the FRTB boundary framework when they calculate their own funds requirements for market risk, they should not have to report complementary information on their compliance with the requirements of the FRTB boundary framework either, i.e. they should not have to report information about the composition of their trading book and reclassifications between books.

Specific proposals

22. In these circumstances, a legislative proposal to provide the necessary legal certainty as concerns the application, temporary suspension of application or modification, as applicable, of Articles 104, 104a, 106(2) to (7), 204a and 325j(5) of Regulation (EU) No 575/2013 from 1 January 2027 to 31 December 2029 should be introduced by the Commission[7].

23. Article 24(2) of Commission Implementing Regulation (EU) 2024/3117 should also be revised to align the start date for the reporting of information on the composition of the trading book and reclassifications between books based on the FRTB boundary framework, with the start date for the application of the FRTB boundary for the purposes of the calculation of the own funds requirements for market risk.

24. Until the earlier of 31 December 2029 and the date where the measures to restore legal certainty and clarity referred to in the previous two points take effect, competent authorities referred to in Article 4(2), points (i) and (viii), of Regulation (EU) No 1093/2010 should not prioritise any supervisory or enforcement action in relation to the FRTB boundary framework as introduced by Regulations (EU) 2019/876 and 2024/1623. More specifically, competent authorities should not prioritise supervisory or enforcement action in relation to the compliance with

- the requirements set out in Articles 104, 104a, 106(2) to (7) and 204a, and the requirements set out in Article 325j(5) of Regulation (EU) No 575/2013 with regard to CIUs held with trading intent where the institution uses the approach set out in Article 325j(1), point (b)(i), of that Regulation, as applicable on 9 July 2024, until the earlier of 31 December 2029 and the date of application of a legislative proposal modifying those articles, or their application;
- the requirement to report information on the composition of the trading book and reclassifications between the non-trading and trading books in accordance with Commission Implementing Regulation (EU) 2024/3117, until the earlier of 31 December

[7] The European Commission's Communication of 17 July 2026 has confirmed the intention to proceed with a legislative proposal in the first quarter of 2027.

2029 and the date of application of an amending regulation aligning the date of application of those reporting requirements to the date of application of the requirement to apply the FRTB boundary framework for the purposes of the calculation of the own funds requirements.

25. The EBA Opinion EBA/Op/2023/02 dated 27 February 2023 should equally apply until the earlier of 31 December 2029 and the date of application of a legislative proposal modifying Articles 104, 104a, 106(2) to (7), 204a and 325j(5) of Regulation (EU) No 575/2013, or their application.

This opinion will be published on the EBA's website.

Done at Paris, DD Month YYYY

[signed]

[François-Louis Michaud]

Chairperson

For the Board of Supervisors