



EUROPEAN COMMISSION

DIRECTORATE-GENERAL FOR FINANCIAL STABILITY, FINANCIAL SERVICES AND CAPITAL
MARKETS UNION

The Director-General

Brussels
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Mr José Manuel Campa
Chairman
European Banking Authority – EBA
Paris, France
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Dear Mr Campa,

Regulation (EU) 2019/876 ('CRR2') introduced certain elements of the Basel standards on the trading book / non-trading book boundary framework ('boundary framework') in Union law, which will enter into application as of 28 June 2023.

At the time CRR2 was adopted, the expectation was that the entry into force of the remaining elements of the boundary framework, implementing the final Basel III standards, would precede the entry in application of CRR2. The implementation of the final Basel III standards was however postponed due to the pandemic. As a result, the final and complete boundary framework will not enter into application before 2025, leading to a two-step implementation of the boundary framework in Union law.

EU banks hence face an operationally complex and fragmented two-step implementation of the boundary framework due to the pandemic induced postponement of the Basel III standards implementation. Other jurisdictions intend to apply all boundary provisions on the same date. Several Member States raised this concern during the negotiations of the new Banking Package in Council. The Council General Approach of November 2022 argues that the entire boundary framework should be implemented on the same date. The European Parliament has yet to finalise its position, but preparatory discussions seem to indicate that it would also propose to align the implementation dates of the boundary framework provisions.

We consider that a concomitant implementation of the boundary framework would indeed be justified. On the legislative side, there are however no timely actions that the Commission can take, given the short timeframe before the end of June 2023, and in any case, banks may already need to start their preparations

early 2023 to ensure their compliance with the 28 June 2023 CRR2 application date of that subset of the elements of the boundary framework.

In light of the above considerations, we would appreciate if EBA could consider communicating to credit institutions and investment firms that they are not expected to comply with the boundary framework provisions in CRR2 until all the boundary framework elements are implemented in Union law, and to invite competent authorities to apply supervisory forbearance to this end.

We are grateful for your active role on this matter and my services remain at your disposal for further discussions, if necessary.

Yours sincerely,

Electronically signed

John BERRIGAN

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