



EUROPEAN CENTRAL BANK  
BANKING SUPERVISION

## Press release

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# ECB Banking Supervision provides temporary relief for capital requirements for market risk

- ECB temporarily allows lower capital requirements for market risk
- Move aims to maintain market-making activities and market liquidity
- ECB to review decision after six months

The European Central Bank (ECB) today announced a temporary reduction in capital requirements for market risk, by allowing banks to adjust the supervisory component of these requirements.

With this decision, the ECB is responding to the extraordinary levels of volatility recorded in financial markets since the outbreak of the coronavirus (COVID-19). As well as smoothing procyclicality, it aims to maintain banks' ability to provide market liquidity and to continue market-making activities.

The ECB is temporarily reducing a supervisory measure for banks – the qualitative market risk multiplier – which is set by supervisors and is used to compensate for the possible underestimation by banks of their capital requirements for market risk.

This temporary reduction of the qualitative multiplier compensates for currently observed increases of another factor, the quantitative multiplier, which can rise when market volatility has been higher than predicted by the bank's internal model.

This decision will be reviewed after six months on the basis of observed volatility.

**For media queries, please contact [François Peyratout](#), tel.: +49 172 8632 119.**

### European Central Bank

Directorate General Communications, Global Media Relations Division  
Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany

Tel.: +49 69 1344 7455, e-mail: [media@ecb.europa.eu](mailto:media@ecb.europa.eu), website: [www.bankingsupervision.europa.eu](http://www.bankingsupervision.europa.eu)

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