

## Box 7.1

**THE EUROPEAN BANKING AUTHORITY'S ROADMAP TO DELIVER THE MANDATES OF THE NEW EUROPEAN CAPITAL REQUIREMENTS REGULATION**

The Basel III agreement is the global and coordinated response of banking supervisors and regulators to the significant vulnerabilities revealed by the 2007–2009 global financial crisis. The second part of the agreement<sup>1</sup> was concluded in December 2017 with the approval of significant adjustments to the calculation of risk-weighted assets included in the capital ratio's denominator.<sup>2</sup> Its consistent and harmonised implementation is essential to ensure global financial stability and a level playing field across jurisdictions.

In June 2024, the European Union (EU) finalised the transposition of the 2017 Basel agreement with the final publication of the so-called “banking package”. This consists of two separate documents: the amendment to Regulation (EU) No 575/2013 (CRR III), which constitutes the core of the reform and includes the changes arising from the implementation of the 2017 Basel agreement; and the amendment to Directive 2013/36 (CRD VI), which, while incorporating certain Basel-related changes, primarily aims to strengthen and harmonise supervisors' capacities in several areas.<sup>3</sup> The adoption of Basel III in the EU is, in general, complete and faithful to the international framework, although it introduces some European particularities that are not included in the Basel framework.<sup>4</sup> The date of the entry into force of CRR III was established as 1 January 2025. However, as a result of delays in the adoption of the new market risk framework (FRTB) in other jurisdictions, the European Commission adopted a delegated act in July 2024 delaying the entry into force of the FRTB until January 2026.

The European Banking Authority (EBA) —as the European regulator— is responsible for developing various aspects of CRR III and CRD VI and has been tasked with delivering on around 140 mandates on a range of different issues, many of which are highly technical. These developments will be implemented through various regulatory products, such as regulatory and implementing technical standards, guidelines,

reports and maintaining information lists and registers. The EBA and the European co-legislators worked closely together on planning in order to organise the work and facilitate effective implementation by credit institutions.

In December 2023, the EBA published a roadmap<sup>5</sup> clarifying how it will develop the aforementioned mandates and the deadlines for their finalisation. As detailed in the following figure, it proposed a sequential approach, in line with the deadlines set out in the banking package. The execution of the roadmap will span a four-year period, until the end of 2028. The mandates related to the 2017 Basel agreement were deemed a priority and are expected to be completed within the first two years.

The main work areas are described briefly below:

- Credit, market and operational risk. A total of 81 mandates address issues related to the amendments introduced by the 2017 Basel agreement to the capital ratio's denominator. The credit risk area covers the largest number of tasks —43 in total— arising from changes to the calculation of capital requirements for credit risk under the standardised approach and tighter restrictions on the use of internal models. In addition, 27 mandates will complete the implementation of the FRTB. Lastly, the operational risk area comprises a total of 11 mandates, which develop various aspects of the new standardised approach that replaces the internal models permitted until now.
- Supervisory reporting and market disclosure obligations. This area consists of 14 mandates, mainly aimed at adapting the supervisory reporting and disclosure frameworks to the amendments introduced to capital requirements, making both

1 In 2010, the first phase of the reform was completed, covering the following aspects: improving the quality of regulatory capital, increasing the level of own requirements, recalibrating certain areas of the framework (market risk, counterparties and securitisations), introducing macroprudential elements and establishing a leverage ratio. A few years later, new liquidity requirements were introduced in the form of two new ratios, the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR).

2 BCBS. (2024). *Basel III: Finalising post-crisis reforms*. <https://www.bis.org/bcbs/publ/d424.htm>

3 The directive reinforces the treatment of certain risks —environmental, social and governance (ESG)— of institutions and aims for greater harmonisation of national regulations in several areas — third-country branch framework, senior officer suitability assessment, certain supervisory powers and independence of supervisory authorities.

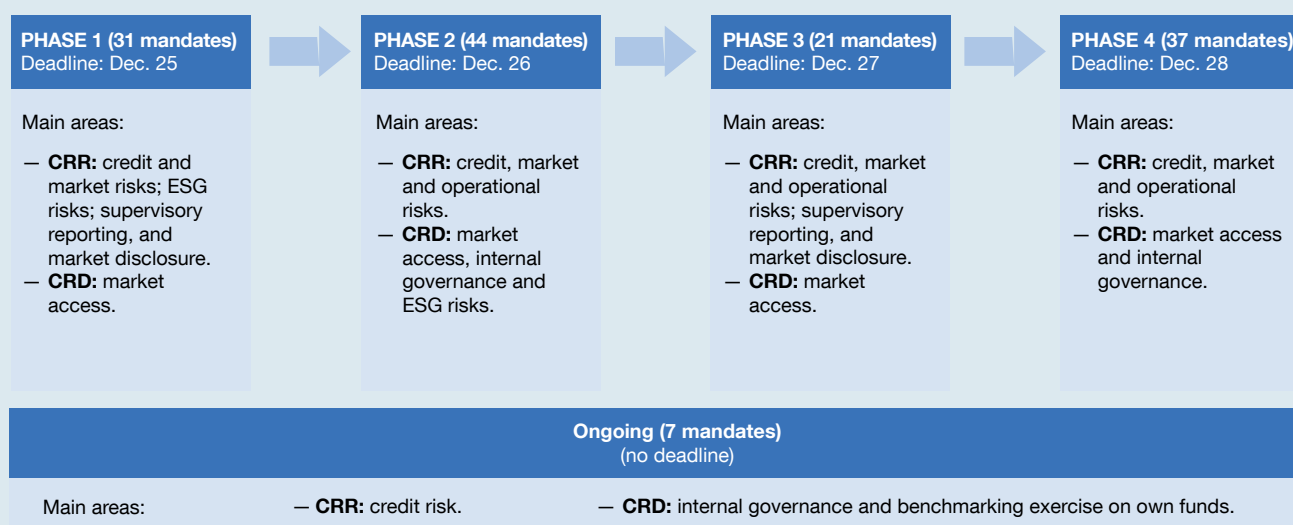
4 For more information in this connection, see Banco de España. (2024). “Box 8.2. Final phase of Basel III implementation in the European Union”. In Banco de España, 2023 Supervision Report, p. 178-179. [https://www.bde.es/f/webbde/Secciones/Publicaciones/PublicacionesAnuales/MemoriaSupervisionBancaria/23/SupervisionReport2023\\_Chap8\\_Box8.2.pdf](https://www.bde.es/f/webbde/Secciones/Publicaciones/PublicacionesAnuales/MemoriaSupervisionBancaria/23/SupervisionReport2023_Chap8_Box8.2.pdf)

5 EBA. (2023). *EBA Roadmap strengthening the prudential framework*. [https://www.eba.europa.eu/sites/default/files/2023-12/9dc534e8-8a3d-438f-88e3-bc86e623d99e/EBA%20Roadmap%20on%20strengthening%20the%20prudential%20framework\\_1.pdf](https://www.eba.europa.eu/sites/default/files/2023-12/9dc534e8-8a3d-438f-88e3-bc86e623d99e/EBA%20Roadmap%20on%20strengthening%20the%20prudential%20framework_1.pdf)

Box 7.1

# THE EUROPEAN BANKING AUTHORITY'S ROADMAP TO DELIVER THE MANDATES OF THE NEW EUROPEAN CAPITAL REQUIREMENTS REGULATION (cont'd)

Figure 1  
CRR and CRD mandates to the EBA



SOURCE: Banco de España.

frameworks more efficient and proportionate. Also, a significant number of mandates respond to the EBA's new obligation to publish and centralise on its website the prudential information that institutions are required to disclose to the market.

- Market access, internal governance and ESG risks. The European regulation incorporates very significant changes in the area of market access, such as a minimum harmonisation regime for branches of third-country institutions and new supervisory tools for the prudential assessment of material changes in institutions, such as the acquisition of qualifying holdings or mergers. There are 18 technical developments in these areas. Changes to internal governance focus on the management of institutions at the highest executive level, reinforcing fit-and-proper requirements. A total of 7 mandates will develop the details of these new requirements. In the area of ESG risks, the aim is to accelerate their integration into the three pillars

of the banking prudential framework, particularly Pillar 2 (supervisory review). Moreover, new concepts are introduced —such as «fossil fuel entity» —along with new supervisory powers. The EBA roadmap on sustainable finance, published on 13 December 2022, already anticipated 5 of the mandates in this area, and their development commenced in 2023.

- Lastly, another 16 mandates correspond to a diverse set of areas: ongoing supervision, conflicts of interest, equivalence, fines, proportionality, accounting, authorisations, stress tests, large exposures, securitisations, macroprudential matters, and benchmarking exercises.

The execution of this roadmap is one of the EBA's strategic priorities. With a view to facilitating, insofar as possible, the considerable efforts that institutions will have to make to adapt to the new regulation, the EBA publishes the progress status of each mandate on its website.<sup>6</sup>

6 [https://ebprstaewspublic01.blob.core.windows.net/public/tools-prod/assets/roadmap/roadmap\\_progress\\_list.html](https://ebprstaewspublic01.blob.core.windows.net/public/tools-prod/assets/roadmap/roadmap_progress_list.html)