Capital Requirements Regulation (CRR): requirements for securities financing transactions under the net stable funding ratio

2025/0077(COD) - 31/03/2025 - Legislative proposal

PURPOSE: to amend Regulation (EU) No 575/2013 (Capital Requirements Regulation or CRR) to maintain the current transitional approach to the Net Stable Funding Ratio (NSFR) requirement.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament acts in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: the **Net Stable Funding Ratio (NSFR) requirement** is part of the Basel III international standards, which the EU agreed to implement as part of the wide-ranging reform of the prudential framework for banks in the aftermath of the 2008 Global Financial Crisis. This requirement aims to ensure that banks have stable funding sources to fund their activities and reduce their dependency on short-term wholesale funding. The NSFR requirement under Capital Requirements Regulation (EU) No 575/2013 or CRR has been applicable to credit institutions since 28 June 2021.

The CRR currently provides for the stable funding factors for monies due from financing transactions with financial customers, where those transactions have a residual maturity of less than six months.

These funding factors are, depending on the financing transaction concerned, **0%, 5% or 10%** . An increase of these requirements to **10%, 15% and 15%** is planned for 28 June 2025.

The considerations that led to the deferral of that raise still prevail. In particular, as the bulk of SFTs are collateralised by sovereign debt instruments, a raise in the related required stable funding could **reduce the liquidity** in the markets concerned.

Furthermore, other Basel Committee member jurisdictions have set required stable funding levels for securities financing transactions that are identical to those that are currently applicable. In that context, given the intense international competition in the SFT market, a raise of the funding factors on 28 June 2025 would create an **uneven international playing field** that would be detrimental to Union financial markets.

To avoid those unintended consequences, the current stable funding factors for SFTs and unsecured transactions with financial customers, where such transactions have a residual maturity of less than six months, should be made permanent.

CONTENT: to avoid possible unintended consequences on capital markets liquidity and considering the safeguards provided by the current framework for banks, the Commission proposes to Regulation (EU) No 575/2013 (Capital Requirements Regulation or CRR) to **maintain the current transitional treatment** for monies due from securities financing transactions and for unsecured transactions with a residual maturity of less than six months, with financial customers. In addition to the ongoing monitoring of capital market developments by central banks and to the ongoing supervision by competent authorities, the

Commission also proposes to mandate the EBA to **report the impact of this treatment every 5 years**. This would allow the Commission to act accordingly and propose amendments if evidence emerges from these periodic monitoring reports.

The proposal will: (i) ensure that the liquidity and the cost structure of SFT and collateral markets remain appropriate; (ii) avoid an undue increase in funding costs for EU banks and Member States on short-term funding markets; and (ii) ensure the consistency of the required stable funding treatment in the EU with other large jurisdictions.