



EUROPEAN CENTRAL BANK

EUROSYSTEM

EN

OPINION OF THE EUROPEAN CENTRAL BANK

of 2 May 2025

on a proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions as regards requirements for securities financing transactions under the net stable funding ratio

(CON/2025/9)

Introduction and legal basis

On 4 April and 22 April 2025 the European Central Bank (ECB) received requests from the Council of the European Union and the European Parliament, respectively, for an opinion on a proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions as regards requirements for securities financing transactions under the net stable funding ratio¹ (hereinafter the 'proposed regulation').

The ECB's competence to deliver an opinion is based on Articles 127(4) and 282(5) of the Treaty on the Functioning of the European Union as the proposed regulation is related to (1) the tasks of the European System of Central Banks to define and implement the monetary policy of the Union pursuant to Article 127(2), first indent, of the Treaty, and to contribute to the smooth conduct of policies pursued by the competent authorities relating to the stability of the financial system pursuant to Article 127(5) of the Treaty; and (2) the ECB's tasks concerning the prudential supervision of credit institutions pursuant to Article 127(6) of the Treaty.

In accordance with Article 17.5, first sentence, of the Rules of Procedure of the European Central Bank, the Governing Council has adopted this opinion.

1. Observations

- 1.1 The ECB welcomes the intention to amend Regulation (EU) No 575/2013 of the European Parliament and of the Council² (hereinafter the 'Capital Requirements Regulation' (CRR)) as regards the prudential treatment of securities financing transactions (SFTs) with a residual maturity of less than six months undertaken with financial customers under the net stable funding ratio (NSFR) in a targeted manner.
- 1.2 The NSFR standard agreed by the Basel Committee on Banking Supervision (hereinafter the 'Basel NSFR standard') requires banks to maintain a stable funding profile in relation to the composition of

¹ COM(2025) 146 final.

² Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1, ELI: <http://data.europa.eu/eli/reg/2013/575/oj>).

their assets and off-balance sheet activities³. The NSFR is defined as the amount of available stable funding (ASF) relative to the amount of required stable funding (RSF). To calculate the amount of ASF, ASF factors are assigned to a bank's sources of funding according to their relative stability, for example depending on the residual maturity and the propensity of different types of funding providers to withdraw their funding. Similarly, to calculate the amount of RSF, RSF factors are assigned to assets and off-balance sheet items based on their residual maturity and liquidity characteristics. In the context of secured lending transactions, RSF factors also differ depending on the liquidity characteristics of the collateral underlying those transactions.

- 1.3 The ECB understands that the proposed regulation intends to make permanent the current transitory prudential treatment of short-term SFTs and unsecured transactions undertaken with financial customers, which, in the absence of any legislative amendments, would be aligned with the treatment laid down in the Basel NSFR standard once the transitional period ends.
- 1.4 With respect to short-term SFTs backed by collateral in the form of level 1 assets, including EU sovereign bonds, the ECB has considered the impact of the proposed regulation's targeted amendment on SFT market functioning and financial stability⁴.
- 1.5 On the one hand, the expiry of the transitional arrangement with lower RSF factors being applied to short-term transactions undertaken with financial customers could have adverse effects on the distribution of liquidity and the absorption of government bonds via SFT markets. More specifically, the increase in regulatory costs could lead to a repricing and a reduction in the depth of this SFT market segment. Such frictions might materialise at a time when the announced changes to the Eurosystem's operational framework for implementing monetary policy envisage an increased reliance on the SFT market for liquidity redistribution⁵. Moreover, a possible decrease in SFT market activity could eventually spill over into sovereign bond markets, as the two markets are tightly linked. Against this background, several jurisdictions, such as the United States and the United Kingdom, do not require stable funding for these transactions backed by collateral in the form of level 1 assets in their national implementation of the NSFR (see the table at the end of paragraph 1.8).
- 1.6 On the other hand, the prudential and financial stability considerations behind the calibration of the Basel NSFR standard remain valid⁶. In fact, the transitional RSF factors may not adequately cover the funding risks from short-term transactions with financial customers. In particular, requiring stable funding for short-term transactions, including SFTs backed by collateral in the form of level 1 assets, undertaken with financial customers, may better account for the potential franchise risk involved, which may incentivise banks to continue rolling-over part of their short-term lending. In addition, a

³ Basel Committee on Banking Supervision, Basel III: the net stable funding ratio, October 2014, available on the website of the Bank for International Settlements at www.bis.org.

⁴ See ECB staff response to the European Commission's call for evidence on a targeted amendment to the prudential treatment of securities financing transactions under the net stable funding ratio, 7 March 2025, available on the ECB's website at www.ecb.europa.eu.

⁵ See statement by the Governing Council, 'Changes to the operational framework for implementing monetary policy', 13 March 2024, and the ECB blog article 'Repo markets: Understanding the effects of a declining Eurosystem market footprint', 23 July 2024, both available on the ECB's website at www.ecb.europa.eu.

⁶ See European Banking Authority (EBA), Report on specific aspects of the NSFR framework under Article 510(4), (6) and (9) of Regulation (EU) No 575/2013, January 2024, available on the EBA's website at www.eba.europa.eu. The report was published within the mandate granted to the EBA by Article 510(6) of the CRR.

positive RSF factor could reduce the risk of maturity mismatches between lending and funding within the category of short-term SFTs as well as contagion risks between institutions during liquidity shocks.

- 1.7 On balance, in view of concerns about market functioning and the associated implications for the implementation of monetary policy, the ECB supports extending the current treatment of short-term SFTs backed by collateral in the form of level 1 assets, for example by five years, as a temporary measure, which should be subject to a review clause. It is too early to conclude that concerns about market functioning permanently outweigh financial stability and supervisory benefits. The ECB therefore suggests limiting the extension in time, also underlining the Union’s commitment to international standards. The issue could then be reviewed again, taking into account the functioning of SFT markets following the finalisation of the Eurosystem operational framework as well as prudential and financial stability considerations.
- 1.8 With respect to short-term SFTs backed by other assets as well as unsecured transactions, such transactions do entail higher funding risks compared to the transactions addressed above that should be properly captured in the NSFR. With respect to SFTs, the characteristics of non-level 1 assets are diverse, and while some are highly liquid, others are not necessarily liquid enough to justify the current 5 % RSF factor. A 5 % RSF factor for SFTs backed by other assets is low compared to other jurisdictions (see the table below, noting that most jurisdictions applying the Basel NSFR standard that are not covered in the table apply the relevant Basel NSFR standard calibration⁷). Similarly, with respect to unsecured transactions, the current 10 % RSF factor is below the 15 % factor used by most key jurisdictions. The potential funding risks and the treatment in other jurisdictions render these envisaged permanent deviations from the Basel NSFR standard unwarranted. Against this background, if the current treatment of those transactions is to be extended, it should also only be temporary.

RSF factors in key jurisdictions for short-term transactions with financial counterparties							
Type of transaction	EU	CA⁽¹⁾	CH⁽²⁾	JP⁽³⁾	UK⁽⁴⁾	US⁽⁵⁾	Basel
SFTs backed by level 1 assets	0 %	5 %	10 %	0 %	0 %	0 %	10 %
SFTs backed by non-level 1 assets	5 %	10 %	10 % ⁽⁶⁾	15 %	5 %	15 %	15 %
Unsecured loans	10 %	15 %	15 % ⁽⁷⁾	15 %	10 %	15 %	15 %

(1) **Canada:** see Office of the Superintendent of Financial Institutions, ‘Liquidity Adequacy Requirements (LAR) (2025) Chapter 3 – Net Stable Funding Ratio’, available on the website of the Government of Canada’s Office of the Superintendent of Financial Institutions at www.osfi-bsif.gc.ca.

(2) **Switzerland:** see the Swiss Federal Council, Ordinance on the Liquidity of Banks and Securities Firms of 30 November 2012 (Liquidity Ordinance, LiqO; RS 952.06), available on the Swiss Federal Council’s website at www.fedlex.admin.ch.

(3) **Japan:** see Bank for International Settlements, Regulatory Consistency Assessment Programme (RCAP): Assessment of Basel Committee’s Net Stable Funding Ratio standard – Japan, available on BIS’s website at www.bis.org.

(4) **United Kingdom:** see Bank of England Prudential Regulation Authority Rulebook – Liquidity (CRR), available at www.prerulebook.co.uk.

⁷ For detailed jurisdictional assessments of the implementation of the NSFR, see Basel Committee on Banking Supervision, RCAP Jurisdictional assessments: regulatory implementation consistency, last update 2 April 2025, available on the website of the Bank for International Settlements at www.bis.org.

- (5) **United States:** see Comptroller of the Currency, Federal Reserve System and Federal Deposit Insurance Corporation, Net Stable Funding Ratio: Liquidity Risk Measurement Standards and Disclosure Requirements, 86 Fed. Reg. 9120 (Feb. 11, 2021), available on the website of the Federal Register at www.federalregister.gov.
- (6) A 10 % RSF factor applies to SFTs backed by Level 2a assets.
- (7) A 15 % RSF factor applies to SFTs backed by collateral other than in the form of level 1 and level 2a assets, as well as unsecured transactions.

Where the ECB recommends that the proposed regulation is amended, specific drafting proposals are set out in a separate technical working document accompanied by an explanatory text to this effect. The technical working document is available in English on EUR-Lex.

Done at Frankfurt am Main, 2 May 2025.

[signed]

The President of the ECB

Christine LAGARDE



EUROPEAN CENTRAL BANK
EUROSYSTEM

Technical working document
produced in connection with ECB Opinion CON/2025/9¹
Drafting proposals

Text proposed by the Commission	Amendments proposed by the ECB ²
<p>Amendment 1</p> <p>Recital 5</p>	
<p>'(5) 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, as laid down in Article 428r(1), point (g), Article 428s(1), point (b), and Article 428v, point (a), of Regulation (EU) No 575/2013, should be made permanent.'</p>	<p>'(5) 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, as laid down in Article 428r(1), point (g), Article 428s(1), point (b), and Article 428v, point (a), of Regulation (EU) No 575/2013, should be made permanent extended by five years.'</p>
<p><u>Explanation</u></p> <p><i>The extension of the preferential treatment should only be temporary. It should not be made permanent, which would reverse the burden of proof compared to the status quo. The issue should be reviewed again in five years' time.</i></p> <p><i>See paragraphs 1.7 and 1.8 of the ECB Opinion.</i></p>	
<p>Amendment 2</p> <p>Recital 6</p>	
<p>'(6) To ensure sufficient monitoring of the interactions with the market liquidity of assets received as collateral in SFTs and unsecured transactions with financial customers, where such transactions have a residual maturity of less than six months, including when collateralized by</p>	<p>'(6) To ensure sufficient monitoring of the interactions with the market liquidity of assets received as collateral in SFTs and unsecured transactions with financial customers, where such transactions have a residual maturity of less than six months, including when collateralized by</p>

¹ This technical working document is produced in English only and communicated to the consulting Union institution(s) after adoption of the opinion. It is also published on EUR-Lex alongside the opinion itself.

² Bold in the body of the text indicates where the ECB proposes inserting new text. Strikethrough in the body of the text indicates where the ECB proposes deleting text.

<p>sovereign debt, the funding risk for credit institutions, and possible international developments in that area, the EBA should report to the European Commission every five years on the appropriateness of those stable funding requirements.'</p>	<p>sovereign debt, the funding risk for credit institutions, and possible international developments in that area, the EBA should report to the European Commission every five years by 28 June 2028 on the appropriateness of those stable funding requirements. By 28 June 2029 the Commission should, where appropriate, submit a legislative proposal to the European Parliament and to the Council on how to amend the provisions regarding the treatment of SFTs and the treatment of unsecured transactions with a residual maturity of less than six months with financial customers for the calculation of the NSFR.'</p>
<p><u>Explanation</u></p> <p><i>As noted above, the extension of the preferential treatment should only be temporary. The issue should be reviewed again in five years' time. To that end, the report by the EBA should be brought forward by six months to allow for the potential legislative initiative by the Commission.</i></p> <p><i>See paragraphs 1.7 and 1.8 of the ECB Opinion.</i></p>	
<p>Amendment 3</p> <p>Article 1(1), point (a)</p> <p>(replacing Article 510(6), first subparagraph)</p>	
<p>'(a)</p> <p>[...]</p> <p>"The EBA shall monitor the amount of stable funding required to cover the funding risk linked to securities financing transactions, including the assets received or given in those transactions, and to unsecured transactions, with financial customers, where such transactions have a residual maturity of less than six months. The EBA shall report to the Commission by 31 January 2029, and every five years thereafter, on the appropriateness of that requirement. Taking into account international developments and the regulatory treatment of similar transactions in other jurisdictions, the reports shall assess at a minimum:"</p>	<p>'(a)</p> <p>[...]</p> <p>"The EBA shall monitor the amount of stable funding required to cover the funding risk linked to securities financing transactions, including the assets received or given in those transactions, and to unsecured transactions, with financial customers, where such transactions have a residual maturity of less than six months. The EBA shall report to the Commission by 31 January 2029 28 June 2028, and every five years thereafter, on the appropriateness of that requirement. Taking into account international developments and the regulatory treatment of similar transactions in other jurisdictions, the reports shall assess at a minimum:"</p>
<p>Amendment 4</p>	

<p>Article 1(1), point (b) (replacing Article 510(6), points (d) and (e))</p>	
<p>‘(b) [...] “(e) the impact of the introduction of higher or lower required stable funding factors for securities financing transactions, in particular with a residual maturity of less than six months with financial customers, on: (i) the price structure of those transactions; and (ii) the market liquidity of assets received as collateral in those transactions, in particular of sovereign and corporate bonds;”</p>	<p>‘(b) [...] “(e) the impact of the introduction of higher or lower required stable funding factors for securities financing transactions, in particular with a residual maturity of less than six months with financial customers, on: (i) the price structure of those transactions; and (ii) the market liquidity of assets received as collateral in those transactions, in particular of sovereign and corporate bonds; and (iii) the stability and functioning of the affected short-term funding markets in adverse conditions.”</p>
<p><u>Explanation</u></p> <p><i>As noted above, the extension of the preferential treatment should only be temporary. It should not be made permanent, which would reverse the burden of proof compared to the status quo. The issue should be reviewed again in five years’ time. To that end, the report by the EBA should be brought forward by six months to allow for the potential legislative initiative by the Commission.</i></p> <p><i>The EBA should also consider the stability and functioning of the affected short-term funding markets in adverse conditions to ensure a holistic analysis.</i></p> <p><i>See paragraphs 1.7 and 1.8 of the ECB Opinion.</i></p>	
<p>Amendment 5 Article 1(2) (amending Article 510(7) and (8))</p>	
<p>‘(2) paragraphs 7 and 8 are deleted.’</p>	<p>‘(2) paragraphs 7 and 8 are replaced by the following:</p> <p>“7. By 28 June 2029, the Commission shall, where appropriate and taking into account the report referred to in paragraph 6, any international standards and the diversity of the banking sector in the Union, submit a legislative proposal to the European Parliament and to the Council on how to amend the provisions regarding the treatment of securities financing transactions,</p>

	<p>including of the assets received or given in those transactions, and the treatment of unsecured transactions with a residual maturity of less than six months with financial customers for the calculation of the NSFR as set out in Title IV of Part Six where it considers it appropriate regarding the impact of the existing treatment on institutions' NSFR and to take better account of the funding risk linked to those transactions.;</p> <p>8. By 28 June 2030, the required stable funding factors applied to the transactions referred to in Article 428r(1), point (g), Article 428s(1), point (b), and Article 428v, point (a), shall be raised from 0 % to 10 %, from 5 % to 15 % and from 10 % to 15 % respectively, unless otherwise specified in a legislative act adopted on the basis of a proposal by the Commission, in accordance with paragraph 7.”</p>
<p><u>Explanation</u></p> <p><i>As noted above, the extension of the preferential treatment should only be temporary. The issue should be reviewed in five years' time. If in five years' time there are still reasons to extend the preferential treatment for the purposes of the NSFR, that could be proposed again by the Commission with a new legislative amendment to Article 510(6) to (8) of the CRR.</i></p> <p><i>See paragraphs 1.7 and 1.8 of the ECB Opinion.</i></p>	