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Targeted consultation on the competitiveness of the EU banking sector

Fields marked with * are mandatory.

Introduction

A competitive EU banking sector is crucial for the success of the savings and investments union and is an integral part of the Commission Communication adopted on 19 March 2025. Banks play a vital role as financial intermediaries, connecting savers and businesses, and remain the main source of financing of the EU economy.

The Communication announced that the Commission would publish in 2026 a report assessing the overall situation of the banking system in the single market, including the evaluation of the banking sector's competitiveness.

The banking sector reforms undertaken in the EU in the past 15 years, including the set-up of the banking union, have significantly contributed to financial stability in the EU and globally. They resulted in more resilient and safer banks, more transparency and level playing field, credible rules to resolve banks in case of failure and safeguard the confidence of depositors and markets in the system.

However, the single market for banking is at the crossroads of several old and new political debates in the EU, notably on competitiveness, financing the green and digital transitions and defence needs, cross-border banking consolidation and global competition, regulatory stability, burden reduction and proportionality. At the same time, cross-border banking activity across the single market is limited and the banking union remains incomplete, hindering development opportunities that could better support the financing of EU economy.

This consultation seeks stakeholders' feedback on the state of the banking sector in view of informing the preparation of the Commission's work to achieve a true single market in banking, improve capital mobility across the EU and foster the international competitiveness of the EU banking sector.

This targeted consultation seeks stakeholders feedback on three main areas:

1. banking competitiveness in the EU and globally
2. the single market and the banking union
3. complexity and effectiveness of the regulatory framework

The responses to this consultation will provide important guidance to the Commission when preparing, if considered appropriate, a Commission Communication on the competitiveness of the banking sector as part of its efforts to deliver on the savings and investments union.

Responding to the consultation

The objective of this targeted consultation is to gather views on the broad range of issues mentioned above from financial institutions, including credit institutions and industry associations, but also their clients, namely savers, businesses and consumer associations, as well as national authorities and Ministries, the European Supervisory Agencies, EU authorities and institutions, as well as academics, non-governmental organisation and research institutions.

Respondents are encouraged to provide explanations for each of their responses. Where possible, respondents are encouraged to provide qualitative evidence and quantitative data in their responses and to substantiate their reasoning with concrete examples, legal references, and specific suggestions. At the end of the consultation, respondents have the possibility to upload files to support their replies. If size limitations are constraining, respondents may upload several files. These will be published together with the responses to the targeted consultation.

All interested stakeholders are invited to **reply by 19 April 2026** at the latest to the present online questionnaire.

Please note: In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact fisma-banking-sector-competitiveness@ec.europa.eu.

More information on

- this consultation
- the consultation document
- the related call for evidence
- savings and investments union
- macroprudential policy
- banking regulation
- the protection of personal data regime for this consultation

About you

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* Language of my contribution

- ○ Bulgarian

- Croatian
- Czech
- Danish
- Dutch
- (•) English
- Estonian
- Finnish
- French
- German
- Greek
- Hungarian
- Irish
- Italian
- Latvian
- Lithuanian
- Maltese
- Polish
- Portuguese
- Romanian
- Slovak
- Slovenian
- Spanish
- Swedish

* I am giving my contribution as

- Academic/research institution
- (•) Business association
- Company/business
- Consumer organisation
- EU citizen
- Environmental organisation
- Non-EU citizen

- ○ Non-governmental organisation (NGO)
- ○ Public authority
- ○ Trade union
- ○ Other

* First name

Olaf

* Surname

Achtelik

* Email (this won't be published)

o.achtelik@bvr.de

* Organisation name

255 character(s) maximum

German Banking Industry Committee

* Organisation size

- ○ Micro (1 to 9 employees)
- ○ Small (10 to 49 employees)
- ○ Medium (50 to 249 employees)
- ◉ Large (250 or more)

Transparency register number

255 character(s) maximum

Check if your organisation is on the transparency register. It's a voluntary database for organisations seeking to influence EU decision-making.

52646912360-95

* Country of origin

Please add your country of origin, or that of your organisation.

- ○ Afghanistan
- ○ Djibouti
- ○ Libya
- ○ Saint Martin

- Åland Islands
- Albania
- Algeria
- American Samoa
- Andorra
- Angola
- Anguilla
- Antarctica
- Antigua and Barbuda
- Argentina
- Armenia
- Aruba
- Australia
- Austria
- Azerbaijan
- Bahamas
- Bahrain
- Bangladesh
- Barbados
- Belarus
- Belgium
- Belize
- Benin
- Bermuda
- Dominica
- Dominican Republic
- Ecuador
- Egypt
- El Salvador
- Equatorial Guinea
- Eritrea
- Estonia
- Eswatini
- Ethiopia
- Falkland Islands
- Faroe Islands
- Fiji
- Finland
- France
- French Guiana
- French Polynesia
- French Southern and Antarctic Lands
- Gabon
- Georgia
- Germany
- Ghana
- Gibraltar
- Greece
- Liechtenstein
- Lithuania
- Luxembourg
- Macau
- Madagascar
- Malawi
- Malaysia
- Maldives
- Mali
- Malta
- Marshall Islands
- Martinique
- Mauritania
- Mauritius
- Mayotte
- Mexico
- Micronesia
- Moldova
- Monaco
- Mongolia
- Montenegro
- Montserrat
- Morocco
- Mozambique
- Saint Pierre and Miquelon
- Saint Vincent and the Grenadines
- Samoa
- San Marino
- São Tomé and Príncipe
- Saudi Arabia
- Senegal
- Serbia
- Seychelles
- Sierra Leone
- Singapore
- Sint Maarten
- Slovakia
- Slovenia
- Solomon Islands
- Somalia
- South Africa
- South Georgia and the South Sandwich Islands
- South Korea
- South Sudan
- Spain
- Sri Lanka
- Sudan
- Suriname

- Bhutan
- Bolivia
- Bonaire Saint Eustatius and Saba
- Bosnia and Herzegovina
- Botswana
- Bouvet Island
- Brazil
- British Indian Ocean Territory
- British Virgin Islands
- Brunei
- Bulgaria
- Burkina Faso
- Burundi
- Cambodia
- Cameroon
- Canada
- Cape Verde
- Cayman Islands
- Central African Republic
- Chad
- Chile
- Greenland
- Grenada
- Guadeloupe
- Guam
- Guatemala
- Guernsey
- Guinea
- Guinea-Bissau
- Guyana
- Haiti
- Heard Island and McDonald Islands
- Honduras
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Iran
- Iraq
- Ireland
- Isle of Man
- Myanmar/Burma
- Namibia
- Nauru
- Nepal
- Netherlands
- New Caledonia
- New Zealand
- Nicaragua
- Niger
- Nigeria
- Niue
- Norfolk Island
- Northern Mariana Islands
- North Korea
- North Macedonia
- Norway
- Oman
- Pakistan
- Palau
- Palestine
- Panama
- Svalbard and Jan Mayen
- Sweden
- Switzerland
- Syria
- Taiwan
- Tajikistan
- Tanzania
- Thailand
- The Gambia
- Timor-Leste
- Togo
- Tokelau
- Tonga
- Trinidad and Tobago
- Tunisia
- Turkey
- Turkmenistan
- Turks and Caicos Islands
- Tuvalu
- Uganda
- Ukraine

- China
- Christmas Island
- Clipperton
- Cocos (Keeling) Islands
- Colombia
- Comoros
- Congo
- Cook Islands
- Costa Rica
- Côte d'Ivoire
- Croatia
- Cuba
- Curaçao
- Cyprus
- Czechia
- Democratic Republic of the Congo
- Denmark
- Israel
- Italy
- Jamaica
- Japan
- Jersey
- Jordan
- Kazakhstan
- Kenya
- Kiribati
- Kosovo
- Kuwait
- Kyrgyzstan
- Laos
- Latvia
- Lebanon
- Lesotho
- Liberia
- Papua New Guinea
- Paraguay
- Peru
- Philippines
- Pitcairn Islands
- Poland
- Portugal
- Puerto Rico
- Qatar
- Réunion
- Romania
- Russia
- Rwanda
- Saint Barthélemy
- Saint Helena Ascension and Tristan da Cunha
- Saint Kitts and Nevis
- Saint Lucia
- United Arab Emirates
- United Kingdom
- United States
- United States Minor Outlying Islands
- Uruguay
- US Virgin Islands
- Uzbekistan
- Vanuatu
- Vatican City
- Venezuela
- Vietnam
- Wallis and Futuna
- Western Sahara
- Yemen
- Zambia
- Zimbabwe

* Field of activity or sector (if applicable)

- [ ] Accounting
- [ ] Auditing
- [x] Banking
- [ ] Credit rating agencies
- [ ] Insurance

- ☐ Pension provision
- ☐ Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)
- ☐ Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
- ☐ Social entrepreneurship
- ☐ Other
- ☐ Not applicable

The Commission will publish all contributions to this targeted consultation. You can choose whether you would prefer to have your details published or to remain anonymous when your contribution is published. **For the purpose of transparency, the type of respondent (for example, 'business association, 'consumer association', 'EU citizen') is always published. Your e-mail address will never be published.** Opt in to select the privacy option that best suits you. Privacy options default based on the type of respondent selected

*** Contribution publication privacy settings**

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

- ○ **Anonymous**

  Only the organisation type is published: The type of respondent that you responded to this consultation as, your field of activity and your contribution will be published as received. The name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your name will not be published. Please do not include any personal data in the contribution itself if you want to remain anonymous.

- ◉ **Public**

  Organisation details and respondent details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published. Your name will also be published.

☑ I agree with the personal data protection provisions

1. Banking competitiveness in the EU and globally

A competitive banking sector is key both to the resilience of the financial sector and to boost EU's economic growth, to the benefit of EU citizens and businesses.

This section of the consultation seeks stakeholder's views on general questions regarding the contribution by the banking sector to a more competitive EU economy, including in terms of financing strategic priorities as referred to in the competitiveness compass for the EU. It asks questions on the competitiveness of banks themselves and driving factors, competition in the banking markets, both within the EU and globally, cross-border activity, international level playing field, the role of banks in capital markets and the importance of digitalisation in driving competitiveness.

1.1. Contribution of the banking sector to the EU economy

Banks perform essential intermediation and maturity transformation functions and play a role across almost all sectors of the economy. Therefore, their capacity to finance a competitive EU economy-including small and medium enterprises (SMEs), infrastructure, innovation, defence as well as the green, digital and social transitions, among other policy priorities-is crucial as banks remain for the time being the most used source of financing by EU businesses.

This section aims at gathering views and evidence on whether banks' contribution to the EU economy is satisfactory or could be improved, and what are the areas where respondents observe important competitiveness gaps versus other third country banking players.

Question 1. How is the banking sector currently supporting economic growth in the EU, and to what extent (for example, by providing loans to households and businesses, supporting innovative sectors, and helping channel investments into capital markets (including for retail investors))?

How could banks do more to boost productivity and economic growth, thereby supporting the priorities of the EU and accelerating the green, digital and social transitions?

Please give concrete examples and evidence:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Please explain your answer to question 1:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The EU banking sector plays a central role in supporting economic growth, investment and resilience across the EU. Banks provide reliable financing to households and businesses and act as key financing partners for small and medium-sized enterprises (SMEs), including many highly specialised “hidden champions” that are critical to Europe’s industrial base. Banks’ broad market presence and long-term business models help ensure a continuous supply of credit, even during periods of economic uncertainty.

Beyond lending, banks channel household savings into productive investment and thereby strengthen the link between bank-based financing and capital markets. They offer a wide range of savings and investment products, including capital-market instruments with a strong European focus, supporting retail investor participation in long-term investment. The implementation of an EU Savings Account at national level, such as current efforts for the “Altersvorsorgedepot” (pension portfolio) in Germany, could further enhance this role by creating incentives for long-term savings and retirement provision and by mobilising additional private capital for investment in the European economy.

Banks also contribute to Europe’s strategic resilience and security. They finance companies that are part of critical value chains, including in the areas of security and defence. In particular, banks support smaller and mid-sized firms that may be less accessible to large international institutions but are nevertheless essential for Europe’s defence capabilities and strategic autonomy.

Banks could support productivity and economic growth even more effectively if the conditions that enable them to do so were improved. Banks are already financing renewable energy projects such as photovoltaic and wind installations, energy efficient building renovations and transformation investments by companies, thus strongly contributing to the green transition. Further expansion of this financing would require a more practicable EU taxonomy—especially for SMEs—as well as greater flexibility in regulatory capital requirements.

In terms of the digital transition, banks can act as trusted promoters of digital identity and provide authentication solutions, for example through bank-based digital wallets. In doing so, they can support secure digital transactions and the development of public-private digital ecosystems.

With regard to the social transition, banks finance investments in housing—including social and cooperative housing—energy and transport infrastructure, as well as projects in healthcare and education, often in cooperation with public and promotional institutions. These activities could be scaled up significantly through targeted public guarantee and risk-sharing instruments that reduce banks’ capital burden and enable them to take on long-term, transformation-related risks.

Overall, banks could make an even stronger contribution to productivity and economic growth if regulatory complexity were reduced, capital constraints eased in a targeted manner and public guarantee and risk-sharing instruments strengthened. Such measures would allow banks to expand financing in line with EU priorities and accelerate the green, digital and social transitions across Europe. This is particularly true when it comes to systemic competition, for example with the United States. It will be essential to once again put banks in Europe in a stronger position to assume risks and thus finance the future. In light of this, regulatory relief, the genuine implementation of an omnibus approach to financial services and the application of proportionality remain central challenges.

Question 2.1 Is current credit demand adequately met by banks and how is the demand and the capacity to meet it likely to evolve in the medium and long-term?

- (•) Yes
- ( ) No
- ( ) Don’t know / no opinion / not applicable

Question 2.2 Are you observing barriers affecting bank financing in support of the economy, including in areas identified as political priorities by the EU or Member States?

- (•) Yes
- ( ) No
- ( ) Don’t know / no opinion / not applicable

Please elaborate on your answer to question 2.1 and 2.2 by providing evidence and identifying economic sectors where access to credit could be improved:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Current credit demand in the EU is largely being met by banks. However, credit demand is expected to increase significantly in the medium and long term. Financing needs are rising across key sectors, notably energy, digital and physical infrastructure, housing and defence. These trends point to structurally higher financing needs over the coming years. While current credit demand is largely being met, the key challenge lies in the ability of banks to scale financing in the future under a regulatory framework that increasingly constrains capital allocation rather than capital availability.

From a microeconomic perspective, several barriers affect banks’ capacity to support the economy in line with EU and member states’ priorities. Capital requirements are often insufficiently sensitive to risk and business models, limiting balance-sheet flexibility. Over the next few years, certain forms of lending that cover large segments of the European economy face the risk of higher financing costs and reduced credit availability over the coming decade.

According to the EBA Basel III monitoring report, almost all EU banks already comply with the fully loaded capital requirements. The challenge therefore does not lie in capital adequacy itself, but rather in the allocation of capital across different exposures. In several cases, prudential rules do not align with the risk-sensitive pricing models that are applied by banks and expected by well-functioning markets. This misalignment creates competitive distortions in global markets at a time when competitiveness has moved to the forefront of economic policy discussions. As a consequence, a number of economic sectors and asset classes are placed at a disadvantage.

First, lending to large corporates, mid-caps and SMEs may be affected, as the cost of corporate lending will be influenced by the prudential treatment of unrated corporates once the current transitional arrangements expire. In addition, corporates’ access to bank financing is further constrained by the ECB’s particularly restrictive approach to lending to companies with higher leverage (“leveraged finance”). Many of these firms play a key role in European supply chains within strategically important sectors.

Second, low-risk mortgages could experience a significant increase in capital costs once the relevant transitional arrangements expire. This has substantial implications for the EU economy, especially when compared with the U.S., where a large share of low-risk mortgages is transferred from banks to government sponsored entities (Fannie Mae and Freddie Mac).

Further important economic effects concern the treatment of specialised lending, particularly project finance. This type of financing is essential for the development of infrastructure projects that are critical for the EU in the near term, including in areas such as defence, the green transition and technological innovation.

Trade finance is also affected, notably through the application of credit conversion factors and the treatment of unconditionally cancellable commitments. Trade finance exposures—including short-term instruments such as documentary credits, guarantees and unconditionally cancellable commitments—are subject to conservative maturity assumptions and conversion factors. In addition, the cost of hedging trade finance transactions may increase due to higher risk weights for foreign exchange and commodity trading under the FRTB. The standardised approach does not sufficiently recognise diversification and hedging effects, even though such hedging is necessary given the continued dominance of the U.S. dollar in international trade. A more appropriate calibration could be achieved through better recognition of diversification benefits and adjustments to correlation parameters and risk weights.

Lastly, in a bank-based financial system, collateral—particularly physical assets and assigned receivables—plays a critical role in facilitating credit access for SMEs and retail clients. However, while the Internal Ratings-Based (IRB) approach allows for the risk-mitigating effects of such collateral to be reflected in capital requirements, the Standardised Approach (SA) does not. This discrepancy leads to an overestimation of actual credit risk under the SA, resulting in unnecessarily high capital charges and increased borrowing costs for end users. Moreover, the Output Floor amplifies this effect by imposing SA-based floors on IRB institutions, further constraining credit supply. To address this, the recognition of eligible collateral should be harmonised across both approaches by amending Articles 197, 199 and 210 CRR to ensure consistent and risk-sensitive capital treatment.

As a result, access to credit could be improved in transformation-intensive sectors such as energy, infrastructure, housing renovation and SME investment, particularly through more proportionate capital requirements and reduced regulatory complexity.

Question 3. For the following types of clients seeking financing, how would you assess the ability to access finance and the availability of financing options? What obstacles may limit the ability of banks to provide credit to these clients?

a) a retail client

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Retail clients generally have good access to basic banking services and a broad range of payment and financial products, including overdraft facilities/current account credit, instalment loans, credit card or revolving credit, as well as mortgage lending (including loans for modernisation). In the area of residential mortgage lending, the market is also shaped by EU requirements on advice, information provision and creditworthiness assessments.

Access to consumer credit is in principle available, but several factors can limit banks' ability to expand lending to retail customers.

First, consumer protection and conduct rules, while important for safeguarding clients, often lead to complex processes and higher compliance requirements, which can reduce flexibility and increase costs in retail lending.

Second, ongoing economic uncertainty affects households' creditworthiness. Declining real incomes and higher costs of living can weaken debt-servicing capacity and increase banks' risk assessments, thereby constraining credit supply.

Third, high residential property prices limit access to mortgage financing. Higher loan-to-value requirements and affordability constraints make it more difficult for households to qualify for housing loans, despite strong underlying demand.

Fourth, customer onboarding and AML-requirements are complex and costly: improving the usability of transparency registers for customer identification would significantly simplify banks' work routines when starting business with all customers groups.

Fifth, with regard to channelling savings (customer deposits) into capital markets, significantly expanded requirements for customer advice and documentation in recent years have resulted in a very high cost burden, particularly in the retail banking segment.

Overall, while retail clients are generally well served, access to credit could be improved through a more proportionate regulatory framework, stable economic conditions that support household incomes and a housing market environment in which the cost structure is better aligned with consumers' financial means. Retail clients generally have good access to basic services and innovative payment products.

b) an SME

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

SMEs generally retain good access to credit through universal banks, regionally anchored banks and other types of banks. At the same time, financing needs for innovation, digitalisation, investments into sustainability and supply-chain resilience are rising. Banks support these needs, but their capacity to scale lending is constrained by disproportionate regulatory and reporting burdens, which have a larger effect on smaller banks. Key obstacles include prudential capital requirements, as risk weights—particularly for unrated corporates, which are the norm among SMEs—affect banks' capital costs and thus the pricing and volume of financing. At the same time, mitigating elements within the EU framework, such as the SME Supporting Factor, can support credit supply and should be preserved. In addition, high compliance and documentation costs, which are largely fixed per loan, disproportionately affect smaller ticket sizes.

SMEs depend largely on bank financing as their main source of external funding. While access to credit is generally sufficient for established companies with strong financial positions and adequate collateral, it remains more difficult for younger and more innovative SMEs, micro-enterprises and firms located in regions with weaker economic conditions.

Key barriers include:

- Limited availability of collateral and shorter credit track records.
- Insufficient information on balance sheets and business plans, which prevents banks from assessing creditworthiness efficiently.

These constraints particularly affect investments that are growth-oriented, intangible-intensive or related to the economic transition, even where underlying business models are sound. Strengthening public guarantee schemes and ensuring better alignment and a proportionate supervisory approach—particularly for innovative, digital and green SMEs—would significantly improve access to finance.

c) a corporate (non-SME)

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Corporates in Europe generally benefit from broad and diversified sources of financing. In addition to traditional bilateral bank loans, they can access syndicated credit facilities, revolving credit lines, export and project financing and various forms of structured lending. Larger corporates also complement bank financing with capital market instruments such as bonds, commercial paper, private placements or equity financing. This diversified funding mix usually provides large companies with flexibility and resilience in their financing strategies.

Nevertheless, constraints can arise under certain circumstances. One important limitation relates to concentration and large exposure limits. Individual transactions might quickly absorb banks' internal risk limits or regulatory thresholds for large exposures, especially for capital intensive projects.
Syndication often helps distribute risk across several lenders, but this depends on market conditions and timing. However, concentration and large exposure limits adequately address idiosyncratic risks.

Another constraint stems from regulatory capital and liquidity requirements. The implementation of Basel III final reforms, including CRR3 and the output floor, increases capital costs for banks and may influence pricing, loan structures or overall credit availability. At the same time, higher funding costs for banks—partly driven by regulatory requirements—can be passed on to borrowers, particularly during cyclical downturns when refinancing conditions tighten.

Certain company specific characteristics can also limit access to financing. Highly leveraged firms often face

restrictions because prudential limits and internal bank risk policies constrain additional exposures. Similarly, companies operating in sectors exposed to significant technological or transition risks may encounter higher risk premiums or stricter lending conditions, particularly when credible and verifiable transition strategies are not yet available.

Cross-border and multi-jurisdictional projects present another challenge. Differences in tax frameworks and reporting requirements across jurisdictions increase transaction complexity and costs, making it more difficult to structure bank lending. In addition, where supervisory expectations remain unclear—for example in sectors such as shipping or construction—banks may adopt a more cautious lending approach.

In general, and beyond these factors, Europe faces a structural challenge related to credit assessments for corporates. A large proportion of European companies, especially SMEs and mid-caps, are not rated externally. As a result, a significant share of corporate exposures in the EU banking system are unrated—by design. Under the current transitional treatment in the Capital Requirements Regulation (CRR), these exposures benefit from a preferential risk weight of 65%. However, if the transitional provision under Article 465(3) were to expire, the applicable risk weight would increase to 100%. This change would mechanically raise capital requirements without reflecting any deterioration in the underlying credit quality.

Such a regulatory “cliff effect” could have significant consequences. Bank financing for unrated corporates would become more expensive, and SMEs and mid-caps could face reduced access to affordable credit. Companies might increasingly turn to private credit providers that operate outside the traditional prudential framework and often charge more for financing. This shift could move risks away from the regulated banking sector while increasing financing costs for European firms.

These developments would run counter to key EU policy objectives, including industrial transformation, digitalisation, the green transition and investment in strategic sectors such as defence. These priorities depend on predictable and affordable financing conditions.

For this reason, it will be important to maintain and extend the current transitional treatment for unrated corporates beyond the existing sunset clause. The structural characteristics of corporate financing in Europe, particularly the large number of unrated companies, are unlikely to change in the foreseeable future. Extending the transitional framework would therefore help avoid non-risk-based increases in capital requirements and support stable financing conditions for European companies, thereby strengthening the competitiveness of the European economy.

Question 4. To what extent does market fragmentation affect consumers’ and businesses’ cross-border access to banking products and services?

Please give examples, such as but not limited to IBAN discrimination and difficulties of businesses and individuals to open a bank account, lack of harmonisation of banking products, challenges linked to open finance data sharing.

Please provide data if available:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

For competition and growth, it is crucial that the banking system remain closely aligned with the respective economic structure and that competition among banks leads to continuously evolving quality in banking services as well as favourable prices for companies and consumers. An economic structure characterised by a large number of small and medium-sized enterprises (SMEs) requires a banking system with many small, regionally rooted credit institutions. When decisions are made locally, there are clear advantages in terms of information available and the time it takes to make said decisions. “Fragmentation” is therefore not a problem per se.

However, reducing obstacles would improve consumers’ and businesses’ cross-border access to banking products and services. This includes structural impediments such as fragmented payment infrastructures and inconsistent AML/KYC implementations, which increase onboarding costs and timelines. Finally, differences in tax and supervisory regimes hinder product harmonisation and the development of true pan-European banking offerings.

Besides, differences in the interpretation and application of supervisory practices across member states can also limit the scalability of national solutions and hinder the rollout of cross-border offerings, for example in the area of payment solutions and local card schemes.
In practice, cross-border service provision and customer accessibility remain limited. Banks are required to ensure comprehensive customer service and availability, including call centre support and complaint handling, across markets. Maintaining such cross-border service infrastructures is costly and resource intensive and can represent a competitive disadvantage compared to digital only providers or BigTechs, which often offer limited or no customer reachability.

At the same time, targeted European initiatives such as Wero show that coordinated solutions can effectively reduce barriers and facilitate cross-border payments. Greater consistency in supervisory interpretation would significantly improve cross-border banking access for consumers and businesses in the EU.

Question 5. To what extent does the EU economy benefit from a diversified banking sector?

How would you further encourage the diversity of the EU banking sector landscape, with banks operating across different business models (universal, investment, savings, mortgage financing, cooperatives, digital banks, etc.)?

Please elaborate whether and how banking sector diversity matters:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

A diversified banking landscape is a clear advantage for the EU economy, as it strengthens competition, resilience and the tailored financing of the real economy. For competition and growth, it is crucial that the banking system is closely aligned with the respective economic structure. An economic structure characterised by a large number of small and medium-sized enterprises (SMEs) benefits from a banking system with many small, regionally rooted credit institutions. For example, in 2025, above 50% of all loans to domestic corporates and self-employed persons in Germany were provided by small and medium sized banks. When decisions are made locally, they can be made quicker and with better information, for instance in creditworthiness assessments and the financing of transformation investments. Local decision making also stabilises credit supply, particularly during periods of crisis and economic weakness.

At the same time, diversity enhances crisis resilience: different business models (savings and cooperative banks, small private banks, universal banks, commercial banks, specialised and digital banks, etc.) respond differently to shocks. This reduces concentration risks and too-big-to-fail structures while supporting financing across the economic cycle. A banking landscape with a broad base helps ensure that investment impulses in different sectors and regions can actually be financed. It also helps close the trade finance gap, with local banks serving SMEs, global banks handling complex structures and FinTechs expanding access through digital solutions. In terms of capital markets, it can support issuance, market depth and risk mitigation, while reducing dependency on a few large institutions and fostering competition in market-servicing roles (Trust & Security Services (TSS)).

However, current regulatory frameworks increasingly apply a “one size fits all” approach that disadvantages smaller and regionally focused banks and risks eroding diversity over time. To preserve and strengthen diversity, regulations should better reflect differences in size, risk profile and business model, in line with the principle of proportionality.

Encouraging diversity in the EU banking sector requires a consistent application of proportionality in regulation, fair and non-discriminatory access to financial market infrastructures and support for digital innovation through harmonised standards and regulatory sandboxes. In addition, targeted measures should include the digitalisation of processes (e.g. trade documents), a proportionate calibration of capital requirements (notably in trade finance), open access to payment systems (e.g. under PSD3) and greater interoperability and standardisation, including through common APIs and instant payment solutions.

Question 6. Do you consider that national promotional banks and public guarantee institutions provide a complementary contribution to the activities of commercial banks in financing the EU economy?

- (●) Yes
- ( ) No
- ( ) Don’t know / no opinion / not applicable

Please explain your answer to question 6:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

National promotional banks and guarantee institutions provide a clear complementary contribution to the activities of commercial banks in financing the EU economy. They do so by enabling risk sharing and crowding in private capital, especially where regulatory constraints or structural policy objectives limit credit supply, and particularly in situations of market failure or financing gaps where commercially viable projects might otherwise not be realised. In times of economic stress or crisis, promotional banks and guarantee institutions can act countercyclically, stabilising credit supply and supporting financial system resilience. However, crowding out and market distortions, e.g. through distortive pricing by public institutions, should be avoided.

These institutions also play an important role in implementing and complementing European financial instruments (e.g. through cooperation with the EIB Group or EU guarantee schemes), thereby combining national and European resources. This enhances the leverage of public funds and strengthens the impact of EU investment priorities, particularly in the areas of competitiveness, digitalisation, climate transition and resilience as well as social, regional and innovation related objectives.

Their programs frequently form an integral component of comprehensive financing solutions provided by commercial banks. The financial support for small and medium-sized enterprises (SMEs) provided by promotional banks and guarantee institutions/MBGs aims to improve financing conditions, in particular as a means of fostering greater innovation and transformation projects, as well supporting startups. They primarily offer low-interest loans with extended maturities, the provision of equity capital or quasi-equity instruments and the assumption of guarantees.

Question 7. To what extent would the EU economy benefit from the following changes in the banking landscape?

	To a very large extent	To a large extent	Neutral	To a small extent	Not at all	Don't know - No opinion - Not applicable
Cross-border bank consolidation	○	○	○	○	○	◉
Domestic bank consolidation	○	○	○	○	○	◉
Banking services offered across the single market	○	○	◉	○	○	○

Digitalised banking services	○	◉	○	○	○	○
Other	○	○	○	○	○	○

Please explain your answers to question 7:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The economic impact of cross-border and domestic bank consolidation depends on the establishment of clear and harmonised single-market rules, as well as on ensuring that consolidation does not lead to a significant reduction in competition or prolonged integration phases that could offset efficiency gains. Having said this, a diversified banking landscape is a clear advantage for the EU economy, as it strengthens competition, resilience and the tailored financing of the real economy.

Scaling up allows EU banks to compete more effectively with U.S. and Asian peers that benefit from larger domestic markets. It also facilitates a more efficient allocation of capital and liquidity within the EU, leading to improved product offerings and pricing, while strengthening resilience to local shocks and mitigating bank sovereign nexus risks. To summarise: while economies of scale matter—particularly in the international context—they are not a one-dimensional solution and must be balanced against the benefits of a diversified banking landscape.

This is illustrated, for example, by the development by the EPI company of a pan-European payment scheme such as Wero, which significantly strengthens the competitiveness of the European banking market in the long term. A unified European payment solution for P2P, eCommerce and POS transactions, based on real-time infrastructure, reduces dependencies on non-European providers and enhances Europe’s strategic autonomy on the payments market.

At the same time, it fosters competition by enabling scalable and standardised solutions across Europe. This improves efficiency for banks, merchants and end customers, particularly in cross-border payments. Moreover, the scheme and others like it support innovation and the integration of the single market for digital payments.

Question 8. What are in your view the main risks faced by EU banks today?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

EU banks hold a position of overall strength in terms of capital, liquidity and asset quality. However, profitability and long-term competitiveness remain key structural challenges. EU banks currently face a combination of macroeconomic, regulatory, structural and geopolitical risks. A key challenge is the prolonged period of economic weakness and uncertainty, which increases credit risk, particularly for SMEs and highly leveraged sectors, and may lead to rising defaults if growth remains subdued. Elevated risk provisions and legacy effects from recent insolvencies continue to weigh on balance sheets.

From a macroeconomic perspective, the risk of financial market turbulence has increased, driven in particular by geopolitical escalations and the high level of public debt of major economies, which continues to rise. Expansionary fiscal policy in the United States, despite historically high debt levels, together with China's continued debt accumulation, raises the risk of adverse spillovers to global financial markets and, by extension, to European banks.

Interest rate risk is another important factor. While banks have benefited from higher interest rates in recent years, rapid or unexpected changes in monetary policy by the ECB could negatively affect bank balance sheets, valuation positions and funding conditions, thereby reducing lending capacity.
Regulatory and compliance risk has also increased significantly. The growing volume and complexity of EU financial regulation, including extensive Level 2 and Level 3 measures, absorbs substantial capital and operational resources and may weaken banks' ability to lend, invest and innovate. A one-size-fits-all approach risks disproportionately affecting smaller and regionally focused institutions and undermining competitiveness. In addition, certain climate-related regulations—such as requirements that were originally designed for other sectors (e.g. the EU Deforestation Regulation)—also apply to banks and add further complexity and compliance burdens without necessarily being risk-adequate.

Another major risk stems from competitive distortions. Banks face growing competition from less-regulated non-bank financial intermediaries and digital providers, which operate under lighter capital and reporting requirements. This creates an uneven playing field and may shift risks outside the regulated banking sector.

Operational and technological risks are rising as well. Digitalisation and the increasing use of artificial intelligence require substantial investment to improve efficiency and risk management. At the same time, banks face stricter supervisory constraints in the use of AI compared to start-ups and technology firms, potentially limiting innovation and adoption speeds. Cyber threats, data protection requirements and digital resilience challenges further amplify these risks.

Finally, geopolitical tensions, including conflicts, sanctions and trade measures such as tariffs, continue to destabilise markets and increase uncertainty. Regulatory ambiguity in strategically relevant sectors such as energy transition and defence further complicates risk assessment and long-term planning for banks.

Taken together, these risks highlight the need for a proportionate, risk-based and predictable regulatory framework that safeguards financial stability while preserving banks' capacity to support the real economy. In addition, further increases in capital requirements must be stopped. Growth requires scope for credit and investment in the real economy, not banks that have to adapt to higher capital requirements.

Question 9. What are in your view the main risks stemming from EU banks today?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The risks that may currently be associated with the European banking sector should be viewed in the context of the financial system as a whole. Post-financial-crisis reforms significantly increased banks' resiliency. European institutions today hold higher capital and liquidity buffers and are subject to a comprehensive supervisory framework. In light of this, we see potential risks less at the level of individual institutions and more, where applicable, arising from overall macroeconomic developments. Another relevant factor is the interaction between banks, financial markets and other financial intermediaries.

The main risks stemming from EU banks today are closely linked to their central role in financing the real economy and implementing EU policy priorities. If banks' lending capacity is constrained, this can directly translate into lower investment, slower growth and delayed progress in the green, digital and security related transitions.

One key risk is insufficient credit provision to SMEs and regional economies, which remain heavily dependent on bank financing. Rising regulatory complexity, capital constraints and limited risk transfer tools may reduce banks' ability to meet increasing financing needs, potentially amplifying economic divergence across regions and sectors.

1.2. Competitiveness and competition in the EU banking sector

The competitiveness of banks reflects their ability to perform effectively and remain profitable, innovative and resilient, highlighting their capacity to attract and retain customers, generate profits and adapt to changes compared to competitors. A competitive and profitable banking sector is key, as it contributes to the resilience of the financial system and to the growth and competitiveness of the EU economy, supporting EU businesses at home and abroad, as well as EU citizens. A competitive EU banking market also serves the EU's strategic autonomy objectives as referred to in the competitiveness compass for the EU.

This section seeks stakeholders' feedback on the current level of competitiveness and competition in the EU banking sector and the different factors behind the competitiveness of EU banks.

Question 10. In which of the following dimensions of competitiveness is the EU banking sector performing well?

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
EU banks produce financial products at low cost and/or offer financial services at a low price	○	◉	○	○	○	○
International competitiveness: EU banks are able to maintain and increase their market shares in international markets	○	○	○	◉	○	○
Innovation competitiveness: EU banks are able to supply qualitative or innovative, original financial products or services	○	◉	○	○	○	○
Other	○	○	○	○	○	○

Please explain your answers to question 10 and indicate for the different business areas (wholesale and investment banking, retail banking, etc.):

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Competitiveness should not be viewed only through the lens of competition for customers and market shares. EU banks also compete with other sectors and with international peers for investors and funding. Institutions that are profitable and attractive to investors are able to obtain funding more easily and at lower cost, which in turn allows them to support the economy and provide competitive financial products. In capital market related activities, however, EU banks face tougher competition from global peers, especially from the U.S., which benefits from greater scale, deeper markets and more flexible regulatory environments. Easing regulatory constraints would allow EU banks to compete more effectively on the global stage.

Overall, the EU banking sector performs reasonably well across several dimensions of competitiveness, even as its full potential is increasingly constrained by regulatory intensity rather than by a lack of capability or innovation.

For example, EU banks demonstrate strong innovative capacity in several areas, including digital payments, onboarding processes, compliance and RegTech solutions, risk management and data analytics. Nevertheless, the overall speed and scale of innovation and digital transformation often remains more limited than among leading global peers. This is largely due to structural factors such as the complexity of legacy IT infrastructures and the considerable resources devoted to compliance and reporting requirements. The current regulatory framework and close supervisory oversight (including by the ECB) can slow down product development and encourage a more cautious risk approach. As a result, innovation tends to occur in incremental steps rather than through more ambitious initiatives. To illustrate this, investment in software that is essential for innovation in EU banks is constrained by a punitive prudential treatment, as software is subject to an almost full deduction from capital, whereas in the U.S. it is treated as a standard asset with a 100% risk weight. As a result, software investments by EU banks require more than ten times the capital compared to equivalent investments in the U. S. [see Q29].

EU banks provide high-quality, reliable and comparatively affordable financial products and services—particularly for core retail banking and payments—supported by strict regulatory standards that act as confirmation of confidence and stability. Strong competition and sustained efficiency pressures have contributed to low pricing for consumers and businesses, even as cost structures remain elevated due to regulatory compliance requirements and legacy IT systems. A more proportionate regulatory framework could further improve cost efficiency and enable banks to pass additional benefits on to customers.

At the same time, EU banks are actively innovating in areas such as digital payments, sustainable finance and data-driven services. However, in fields including platform-based solutions, advanced data analytics, embedded finance and artificial intelligence, innovation dynamics are increasingly shaped by FinTechs and BigTechs. Regulatory frameworks such as the AI Act—while essential for safeguarding confidence and ethical standards—risk constraining banks' speed of adoption and experimentation compared to less regulated market participants. A more risk-based and proportionate implementation would allow banks to leverage AI more effectively in order to enhance productivity, customer service and risk management. Overall, ensuring a level playing field between FinTechs, BigTechs and banks remains crucial, in line with the principle of "same activity, same risk, same rules".

The EU banking sector performs especially well in the financing of small and medium sized enterprises (SMEs), as reflected by generally low to moderate market concentration levels measured by the Herfindahl Hirschman

Index in many member states. This competitive, diverse and regionally rooted banking landscape supports favourable financing conditions and contributes to stable credit supply, particularly in economies with a strong SME base.

Overall, the EU banking sector is relatively innovative and enjoys a great deal of consumer confidence. Its competitive performance could be significantly enhanced if regulation focused more strongly on proportionality, technological neutrality and regulatory cost considerations, allowing banks to fully leverage their strengths in innovation, scale and customer confidence.

Question 11. What are the main regulatory and non-regulatory factors that determine and drive the competitiveness of EU banks?

Please specify the factors per market segment: savings, payments, retail banking, corporate banking, investment banking (including underwriting, brokerage, custody, settlement, market making, etc.):

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In principle, the competitiveness of European banks is enhanced by the intense competition among credit institutions of different sizes and with different business models. In this regard, the three-pillar banking system in Germany makes a significant contribution to competition and the competitiveness of the economy. It counterbalances tendencies towards concentration and centralisation and ensures broad access to financial services via the diversity of business models.

Factors differ by market and business segment, but common themes include prudential capital, supervisory fragmentation, digitalisation, market access, market infrastructure efficiency and access to capital and technology;

From a capital markets perspective, the European market is characterised by an excessively detailed and burdensome regulatory framework. The sheer volume of regulatory requirements places a significant strain on European financial institutions, both in terms of personnel resources and technological infrastructure. The implementation of these regulations is not a one-time effort; rather, it involves continuous adaptation, as rules are frequently updated and expanded, often becoming more granular and complex over time.

To illustrate this further: EU banks have already lost significant market shares in investment banking (e.g. in euro government bonds and interest rate derivatives) to U.S. peers. Key drivers include the calibration of market risk rules (notably FRTB) and excessive capital deductions under the prudent valuation (PruVal) framework, which can lead to double counting of risks (e.g. alongside RRAO). This results in disproportionately high capital costs without clear financial stability benefits. In addition, constraints related to market infrastructure access (e.g. CCPs) and remuneration rules further weigh on competitiveness.

In corporate banking, the planned capital increases (e.g. output floor and expiry of transitionals) create incentives for corporates to shift financing to non-EU banks, especially where external ratings are costly or impractical. Divergences with other jurisdictions (e.g. lower SA-CCR alpha in the U.S./UK) further exacerbate this effect. Additional pressures stem from comparatively high compliance costs (AML/KYC, DORA), sustainability reporting requirements (CSRD) and mandatory investments (e.g. instant payments), which

constrain banks' capacity to invest in growth and innovation.

Generally, European regulation is among the most stringent in the world. While the goal may be to ensure stability, transparency and consumer protection, it also creates a competitive imbalance. Institutions based in third countries are typically subject to far less onerous requirements in their home markets. They only need to comply with the stricter European standards for the limited portion of their business conducted within the EU. This disparity effectively grants non-European banks a cost advantage, as they are—compared to their total business—only partly subject to the full scope of regulatory burdens that European institutions must bear.

We therefore explicitly welcome any approaches which aim to reduce the regulatory burden without watering down, for example, stability or investor protection levels. However, there are some prominent negative examples which hinder these approaches, notably the recently adopted Retail Investment Strategy (RIS) in the capital markets / MiFID-context. The underlying RIS concepts run counter to the objective of relieving the economy by reducing bureaucracy. Even though many simplifications could be reached as part of the recent trilogue negotiations, the RIS still lays down a massive expansion of bureaucratic requirements and lacks proposals to encourage clients to invest in the European capital markets. These developments also hinder the competitiveness of European banks in the long run.

The cumulative effect of these factors is a significant drag on the competitiveness of the European banking sector. The resources diverted to regulatory compliance—both financial and human—could otherwise be invested in innovation, growth and customer service. In the long run, these regulations risk undermining the attractiveness and dynamism of Europe's capital markets.

An effective approach would be to systematically review both existing and proposed regulations with regard to their impact on competitiveness, and to simplify, recalibrate or suspend initiatives where appropriate.

Question 12. How would you assess the current level of competition in the market?

	Fully agree	Somewhat agree	Neutr
EU banks face high levels of competition within their Member State of establishment	◉	○	○
EU banks face high levels of competition in the EU market	◉	○	○
EU banks face high levels of competition in global markets/ markets outside of the EU	◉	○	○
Traditional banks are challenged by new developments in a number of product lines and areas (e.g. digital banks/FinTech in specific areas such as payments, tokenisation of assets, etc.)	○	○	○
Other	○	○	○

Please explain your answers to question 12:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Competition in the banking sector of the single market can be assessed as high overall. This is also reflected in the Herfindahl-Hirschman Index (HHI) values, which are used in analyses by the ECB and the European Commission. In many member states, HHI values are below the thresholds typically associated with highly concentrated markets, indicating a market structure characterised in large parts by a broad provider base.

The comparatively low level of concentration supports competitive pricing conditions, innovation pressure and customer proximity. While differences exist across individual member states, the EU banking sector as a whole exhibits a solid level of competition within the single market.

EU market: Pan-European competition is strong as established banks from various member states compete for corporate and retail clients across the EU. Global markets/outside EU: Different and arguably more intense set of competitive pressures, with competition not being uniform, but varying by region and product, e.g. U.S. investment banks being global leaders in M&A advisory, ECM and DCM and complex derivatives, major Asian banks, e.g. Chinese state-owned banks having a strong footing in financing infrastructure and trade, and Japanese and Singaporean banks having a strong position in corporate banking across Southeast Asia.

The majority of FinTech firms primarily operate as technology providers and partners to incumbent banks rather than as direct competitors. At the same time, competitive pressure from certain FinTechs, particularly “neo-banks” as well as from non-financial technology firms (BigTech) is increasing in specific market segments. In this context, further regulatory tightening or additional increases in capital requirements risk being counterproductive by constraining banks’ ability to compete and innovate.
Fintech activities are evolving rapidly across several segments, including payments, crypto-assets, fraud prevention, wealth and capital markets technology and Banking-as-a-Service (BaaS). This development is intensifying competition in key revenue pools that have traditionally been dominated by banks, while at the same time creating new forms of partnership between banks and technology providers.

Of course, European banks are not merely passive participants in the digital transformation of financial services; rather, they are actively engaged and increasingly competitive in the field of digitalisation. They have made significant investments in digital infrastructure and innovative technologies such as artificial intelligence and DLT. These efforts are not only about keeping pace with global trends but also about promoting new business models, enhancing customer experiences and improving operational efficiency by integrating data analytics into their core operations.

Moreover, technological developments such as tokenisation, AI-driven business models and digital wallets are reshaping customer expectations and accelerating the transformation of product and service offerings across the EU financial sector.

1.3. Banks and other financial institutions as enablers of capital markets

Question 13. According to many analysts, EU banks are persistently undervalued by investors when compared to international peers.

If you agree with this assessment, what could explain this undervaluation?

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
Limited scale and inefficiency of EU capital markets (limited depth, insufficient liquidity, etc.)	○	○	○	○	○	◉
Macro-economic environment (economic growth, inflation, fiscal situation, interest rates, demographics)	○	○	○	○	○	◉
Limited growth and scaling up prospects due to market fragmentation and different national rules	○	○	○	○	○	◉
Underinvestment in new technologies	○	○	○	○	○	◉
Supervisory practices (e.g. potentially impacting the level of dividend distribution and share buybacks)	◉	○	○	○	○	○
EU regulatory/ resolution frameworks (including international level playing field)	◉	○	○	○	○	○

Internal factors (low risk appetite, bank governance/culture)	○	○	○	○	○	◉
Uncertain or ineffective market exit for inefficient or distressed banks	○	○	○	○	○	◉
Other	○	○	○	○	○	○

Please explain your answers to question 13:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Profitability prospects for the banking sector have been persistently subdued over many years. As a result, equity capital is relatively expensive compared to international competitors. According to the ECB the profitability gap with (as an example) U.S. banks that consistently earn higher returns (e.g. about 5 percentage points higher ROE since the financial crisis) is mainly driven by stronger non-interest income (like investment banking and trading) and lower credit losses in U.S. banks, while EA banks rely more on traditional lending and face higher impairments.

The weak profitability outlook has been driven, inter alia, by weaker overall macroeconomic developments (subdued investment activity in particular), as well as by the ECB's prolonged negative interest rate policy (June 2014 to July 2022; no negative policy rates in the United States or the United Kingdom).

Furthermore, the combination of Pillar 1 requirements, Pillar 2 add-ons, macroprudential buffers, MREL, the leverage ratio and numerous reporting and disclosure obligations creates an overall burden that represents a significant capital and cost disadvantage, particularly in international comparison—for example with U.S. banks. Investors anticipate that these factors will weigh on banks' return on equity (ROE). Although the price-to-book ratios of European banks recovered in 2025, it remains significantly below the valuations of U.S. peers and European blue-chip companies.

For banks with a regional business model that cannot realise the economies of scale of globally active universal banks, the cumulative regulatory burden has a particularly strong impact on the cost base. This is especially evident in reporting, compliance and the implementation of continuously evolving regulatory requirements. Between 2011 and 2025 alone, the European Banking Authority (EBA) issued a total of 394 guidelines and 332 RTS/ITS, in addition to numerous other relevant regulatory provisions.

Since European large banks have relied more heavily on internal models (compared to the U.S.), the current banking backage has disproportionally affected European banks' capital requirements and will lead to further increases if not actively counteracted by, as an example, prolonging transitional provisions (cf. Q3 ii). Equally, on the NII income side, small differences in regulations can create/further deepen profitability gaps as the following example shows: the service component under the Standardised Measurement Approach (SMA) for operational risk (Article 314(5) CRR) does not permit the netting of service-related income and expenses. As a result, operational risk capital requirements increase mechanically with gross income. This has a particular impact on fee-intensive capital market activities and leads to higher capital requirements, irrespective of the underlying risk profile, thereby putting pressure on profitability. The United States has stated that it does not intend to implement this element, which places European banks at a competitive disadvantage in service areas such as securities issuance, trading, clearing, asset management, custody and foreign exchange. Allowing the netting of service-related income and expenses through an amendment to Article 314(5) CRR would better align capital requirements with the actual risk profile and help restore a level playing field.

To close the valuation gap, regulatory complexity and cumulative requirements need to be consistently reduced, the regulatory framework should be applied more proportionately, and the broader economic environment in the EU should be strengthened. This is particularly important as regulatory gold-plating and differing supervisory expectations currently limit the scalability of European banks and prevent even large institutions from fully realising economies of scale, putting them at a competitive disadvantage compared with U.S. banks.

Question 14.1 Does the prudential framework adequately account for the activities and the complexity of intermediaries performing financial services other than core banking services?

Reference is made to financial services performed by investment firms, financial advisors, custodians, wealth managers, market makers or other liquidity providers that are not primarily or not at all engaging in deposit taking and granting loans.

- ○ Yes
- ◉ No
- ○ Don’t know / no opinion / not applicable

Question 14.2 Are there any perceived undue limitations to such activities?

- ○ Yes
- ◉ No
- ○ Don’t know / no opinion / not applicable

Please explain your answer to questions 14.1 and 14.2:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

A growing imbalance has emerged between banks and non-bank financial intermediaries, as the latter are often subject to a lighter and more fragmented regulatory framework despite engaging in activities that generate comparable risks. This points to shortcomings in the current regulatory perimeter, which remains largely anchored in a traditional banking model centred on deposit-taking.
While deposits justify stringent prudential safeguards, this institution-based approach is increasingly insufficient to capture the risks posed by non-bank intermediaries that perform bank-like functions without taking deposits. As a result, the existing framework may fail to ensure a level playing field across financial actors.

In light of this, the regulatory approach should be reconsidered and, where necessary, expanded. A stronger focus on activity-based supervision is required, assessing risks based on the nature of the services provided rather than on institutional form. In this context, the guiding principle should be: “same service, same risk, same rules”.

Question 15. How would you assess the competition between banks and other entities performing financial services (such as financial conglomerates, investment firms, FinTechs, etc.) from the perspective of the overall functioning of capital markets (provision of liquidity, transparent market information and pricing, scaling up of trading venues etc.)?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Competition between banks and other financial service providers has intensified, with mixed effects on the functioning of EU capital markets. Financial services are embedded into non-bank platforms (e.g. ERP systems, marketplaces), meaning that liquidity origination is moving outside traditional bank channels. As a result, banks risk losing control over flow aggregation and timing, which can weaken price formation and increase settlement complexity. While FinTechs and non-bank intermediaries can enhance innovation and niche liquidity, banks are subject to comprehensive prudential, conduct and reporting requirements (e.g. MiFIR, CRR/CRD, MaRisk, SREP, liquidity and deposit guarantee requirements), whereas shadow banks and some BigTechs operate under significantly less restrictive regulatory regimes. The data and platform dominance of BigTechs further intensifies market concentration through network effects and proprietary customer interfaces. This creates an uneven playing field, shifts risks outside the regulated banking sector and may undermine transparency, pricing quality and market integrity.

To address these challenges, we propose three key measures:
(ii) Establishing a level playing field by applying the principle of “same activity, same risk, same rules”, subjecting non-banks with bank-like business models to banking regulations.
(ii) Addressing existing data asymmetries by preventing gatekeepers from gaining regulatory access to financial data, as this would further exacerbate unfair competition.
(ii) Supporting European infrastructure by strengthening pan-European payment and capital market systems and fostering bank-led digital ecosystems.

1.4. Cross-border activities in the EU banking sector

Reports – for example ECB Financial Integration and Structure in the Euro Area (2024), or speech by Mr. Andrea Enria, former Chair of the Supervisory Board of the ECB ‘How can we make the most of an incomplete Banking Union?’ (2021) – show that in the last decade cross-border banking activities in the Euro Area have not grown and banking sector consolidation has shown limited progress. This is also illustrated by statistics on, amongst others, the share of EU cross-border total assets, market concentration and mergers activity.

This section seeks feedback from stakeholders on the possible reasons behind the lack of progress on integrating the single banking market, which may differ by market segment.

Question 16. For retail banking as well as for wholesale and investment banking, would you agree with the following statement?

"*The EU banking market is highly fragmented along national borders, domestic entities mainly cater for domestic clients, cross-border activity is subdued, and it is very difficult for clients to get banking services across the single market*".

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
Retail banking	○	○	◉	○	○	○
Wholesale and investment banking	○	○	◉	○	○	○

Please explain your answers to question 16:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In retail banking, domestic client focus and limited cross-border provision of services lead to a predominantly national orientation (due to non-harmonised onboarding, KYC/credit assessments and technical interfaces (eID, IBAN acceptance), which prevent scalable cross-border offerings). And yet, the resulting structure is not a market failure, but rather an expression of effective competition and an adaptation to the structures of European economies. Differing supervisory expectations reinforce this pattern. A granular structure and diversity are essential prerequisites for competition (an atomistic market structure rather than oligopolies). For competition and growth, it is crucial that the banking system be tailored to the underlying economic structure. An economy with a large number of small and medium-sized enterprises (SMEs) requires a banking system with many small, regionally rooted credit institutions.

In wholesale and investment banking, institutions tend to operate more frequently across borders in some cases, and certain market segments—such as advisory services or financing for internationally active corporates—are more integrated. In investment banking, activities are inherently cross-border, but fragmented infrastructures and divergent regulatory practices constrain execution efficiency and EU-wide scaling.

Question 17. What are, in your view, the benefits and the costs associated with the current level of cross-border banking activities in the EU, and what would be the benefits and costs associated with further integration of banking activities in the EU?

Please also include quantitative estimates if available:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

There is still no way for liquidity to move freely within a banking group across Europe. The existing waivers under the CRR apply only to domestic institutions. This hampers the central management of liquidity and complicates cross-border mergers within Europe, thereby negatively affecting the competitiveness of European banks. The solution is to apply liquidity requirements at the consolidated group level, rather than separately for each individual (national) entity within a banking group.

Levels of cross border banking activities: cross border banking activities enable cost savings in payment services, greater economies of scale, improved risk diversification and broader financing options for companies with cross border operations.
Drawbacks of ring fencing: the European Central Bank highlights integration barriers within the Banking Union; around €225 billion in capital and €250 billion in liquidity are reported to be nationally bound ("locked capital and liquidity"). This ring fencing, driven by the ECB and national supervisory authorities, leads to sub optimal capital allocation within cross border banking groups and restricts intra group flexibility.

Benefits and risks of further integration:
Further integration can unlock economies of scale and strengthen the international competitiveness of banks operating across borders. This also facilitates more efficient trade finance and centralised liquidity management. However, it is only meaningful if accompanied by adequate safeguards and if it mobilises private investment, strengthens credit and capital markets and avoids additional regulatory burdens. In this context, policymakers in particular need to decide how real economy conditions in Europe can be improved, including through effective permit procedures, national tax systems that incentivise investment and relief from reporting obligations.

An example of integration through infrastructure rather than consolidation: Wero. Cross-border integration in the banking sector does not occur solely through mergers and the formation of large, cross-border banking groups. The European Payments Initiative (EPI) and its Wero payment service demonstrates an alternative and successful path to integration: European banks and savings banks are jointly creating a cross-border digital payment infrastructure based on SEPA Instant Credit Transfers. Wero is now active in Germany, France, Belgium and the Netherlands and will expand to Luxembourg in 2026.

In February 2026, EPI and EuroPA (with Bancomat/Italy, Bizum/Spain, SIBS/Portugal and Vipps MobilePay /Scandinavia) signed a cooperation agreement intended to enable cross-border P2P payments starting in 2026 and e-commerce and POS payments starting in 2027. Across Europe, Wero has already reached over 51.8 million registered users. Wero reduces dependence on non-European payment service providers (Visa, Mastercard, PayPal), lowers transaction costs for merchants, strengthens European data sovereignty and creates cross-border interoperability—without requiring the consolidation of banking structures.

The European Commission should recognise this model of cooperative infrastructure integration in its report as a distinct and effective path to integration that also enables decentralised financial groups to actively participate in European market integration.

Question 18. What factors prevent EU banks from engaging in more cross-border activity within the EU or make cross-border activity more costly?

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
Divergent implementation of EU banking rules across Member States	○	○	◉	○	○	○
Supervisory divergence/gold-plating by Member States/national supervisors	○	◉	○	○	○	○
Requirements for allocation of capital and liquidity at local level	◉	○	○	○	○	○
Non-harmonised macroprudential buffers	◉	○	○	○	○	○
National discretion in intragroup large exposure limits	○	◉	○	○	○	○
Incomplete banking union (lack of a European deposit insurance scheme, liquidity in resolution, etc.)	○	○	○	○	○	◉
Non-prudential barriers (insolvency, investor protection, company law, taxation)	○	○	○	○	○	◉
Political barriers (government direct or indirect interference)	○	○	◉	○	○	○

Complexity and length of mergers and acquisition supervisory authorisation procedures	○	○	◉	○	○	○
Costs/risks of mergers and acquisitions	○	○	○	○	○	◉
Absence of economies of scale from engaging in cross-border activities	○	◉	○	○	○	○
Other	◉	○	○	○	○	○

Please specify to what other factor(s) you refer in your answer to question 18:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Tax law matters

Please explain your answers to question 18:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Barriers to entering additional EU markets beyond Germany primarily stem from the fact that these markets are already clearly occupied by established players from the perspective of a universal bank. Moreover, cross-border expansion often runs counter to the business model of regional banks, which is, at its core, based on local proximity and strong regional anchoring. This model enables deep market knowledge and close integration into the regional economy and society, which in turn builds trust and allows for a sound, on-the-ground risk assessment that cannot be replicated through centralised, remote decision-making.

Cross-border business entails additional costs, in particular due to language differences and the need for market development and staff recruitment. All banking markets within the European Union are effectively saturated, meaning fully served by existing providers. There is no shortage of providers in any market. As banking products are highly similar and the scope for technological innovation is limited, a new entrant seeking to operate in an already established market can generate new business mainly through price competition or by accepting lower credit qualities. Both approaches are associated with higher costs.

Furthermore, retail customers exhibit a strong preference for established domestic brands and institutions with a physical presence. Trust formation in banking remains closely linked to brand familiarity, linguistic proximity and perceived local embeddedness. Domestic institutions therefore benefit from a structural trust premium, which constitutes a significant competitive advantage independent of pricing considerations. Against this backdrop, credit institutions that see potential in another member state typically open branches or subsidiaries there.

For customers, deposit protection is a highly technical matter. Customers are generally aware that deposits within the EU are protected up to EUR 100,000. In our experience, deposit protection does not play a role in the decision as to where, or in which country, a customer places their deposit, provided that the institution is based within the EU.

Tax fragmentation: no cross-border tax consolidation of profits/losses; differing corporate tax treatments and withholding taxes reduce efficiency, meaning a profitable subsidiary can’t offset losses elsewhere, discouraging multi-country operations. “Steuerliche Organschaft” (tax pooling) benefits often stop at national borders.

Operational, duplicate reporting/compliance: each country adds local reporting (e.g. Spain’s credit registry, local statistical returns) and compliance checks (e.g. separate AML procedures). This duplication raises costs non-linearly with each added country.

Market/cultural, customer preferences: retail customers typically prefer local banks. Trust and relationship banking are harder to replicate across borders—a foreign-owned bank often still needs a local identity.

Limited retail demand: few retail clients seek cross-border banking except in edge cases (e.g. cross-border workers). For SMEs, local banking ties (knowledge of local business conditions, connections) are crucial. This means the business case for cross-border retail banking is weak—banks don’t see enough revenue upside to justify overcoming the fixed costs of entry.

Question 19. Why have EU banks generally relied more on subsidiaries rather than branches and the free provision of services for their cross-border activities within the banking union and the single market?

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
Incompatibility with internal organisational strategy and budgets	○	○	○	○	○	◉
Preference for domestic markets	○	○	○	○	○	◉
Preference of Member States/national authorities for subsidiaries, as they bring more employment, tax revenues, supervisory control, etc. (moral suasion)	○	○	○	○	○	◉
Client preferences (language, trademark recognition)	○	○	○	○	○	◉
Lack of trust in deposit guarantee schemes of the host Member States	○	○	○	○	◉	○
Group resolution strategy	○	○	○	○	○	◉
Non-prudential barriers like divergences in contract and civil laws, labour laws, product features, consumer protection rules, foreclosure rules, etc.	○	○	○	○	○	◉

Other operational benefits linked to the legal form of a branch vs. subsidiary	○	○	○	○	○	◉
Other	○	○	○	○	○	○

Please explain your answers to question 19:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Given that banking markets within the European Union are already effectively saturated, cross-border expansion frequently occurs through the acquisition of an existing institution. In order to avoid disrupting the established organisational structures and to prevent destabilisation of customer relationships that might result from the dissolution of the acquired bank, cross-border activities are often conducted in the legal form of a subsidiary. Thus, the existing brand name is typically retained, thereby preserving customer and depositor trust. Deposit guarantee schemes do not play a role in the decision as to whether the organisational form of a subsidiary or that of a branch is chosen. Instead, it reflects primarily reputational and operational considerations.

In the context of the home-host debate, concerns are frequently raised by host-country DGSs regarding liability for subsidiaries belonging to cross-border banking groups. One conceivable policy response would be a system in which the DGS of the parent company's home member state assumes comprehensive responsibility for deposit protection across the entire banking group, including its subsidiaries. In return, prudential supervisory requirements could be concentrated exclusively at the level of the banking group.

Question 20. Could you provide a quantitative estimate of the additional requirements and costs (e.g. liquidity requirements, capital requirements, resolution or macroprudential requirements, operational costs in % of balance sheet, etc.) for a banking group that makes use of subsidiaries as compared to the same banking group relying on branches or freedom to provide services?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

1.5. International level playing field

Large EU banks compete directly with large international banks, both globally and in the EU market. A level playing field among these global players is critical when it comes to the regulatory framework, to ensure appropriate competition, fair treatment and outcomes for customers and global financial stability.

This section seeks stakeholders' feedback on the state of the international level playing field in banking and the challenges faced by EU banks when competing globally.

Question 21. What is your assessment of the level playing field in the European banking market, with regards to the presence of significant non-EU financial institutions?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Although the EU's regulatory framework formally applies to all institutions operating within the Union, a fully level playing field does not exist. Structural and regulatory asymmetries, particularly in wholesale and investment banking (i.e. European rules regarding prudent valuation—PruVal), place EU-based banks at a competitive disadvantage compared to non-EU peers. Key issues also include the inconsistent application of EU rules to all market participants (e.g. booking models and risk transfers to non-EU entities) and EU banks are often more affected by extraterritorial market access rules when operating internationally. Meanwhile, large U.S. investment banks benefit from a larger and more profitable domestic market, enabling greater technological investment and economies of scale. Moreover, while their European subsidiaries are subject to EU rules, their parent institutions operate under different, sometimes less stringent, regulatory regimes.

The playing field for retail and commercial banking is more level, as this market is dominated by domestic and regional EU banks that have deep local knowledge, extensive branch networks and established client relationships. The "home field advantage" is strong.

This is also reflected by the EBA's estimations. Non-EU banks hold around 9.8% of total EU banking assets but are significantly more prominent in specialised segments such as derivatives, where their market share reaches around 28–33%; U.S. institutions in particular dominate investment banking and capital market activities (EBA). At the same time, non-EU banks have expanded their presence in the EU market, including through neobanks.

Question 22. According to many analysts, EU banks have lost market share in the provision of investment banking services to EU clients compared to non-EU banks.

Do you agree with this view?

- (●) Yes
- ( ) No
- ( ) Don't know / no opinion / not applicable

Please explain what, according to you, are the reasons for this decline:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

This response focuses on drivers within the remit of financial regulatory authorities:

Increasing capital requirements continue to limit scale, including through supervisory discretion, which constrain balance sheet capacity and reduce competitiveness in capital-intensive activities. In contrast, U.S. institutions benefit from larger and deeper capital markets and faster innovation cycles, enabling them to outcompete European banks in most high margin investment banking segments.

Policy-related factors have also weighed on profitability. The prolonged low/negative interest rate environment reduced internal capital generation, while high legacy IT costs and the prudential treatment of software investments limit efficiency gains and digitalisation.

Question 23. To what extent do the following difficulties faced by EU banks hinder their ability to compete globally?

	To a very large extent	To a large extent	Neutral	To a small extent	Not at all	Don't know - No opinion - Not applicable
Divergent banking prudential rules applying to EU and non-EU banks impact international strategic choices by EU banks	○	◉	○	○	○	○
Supply side factors (e.g. cost competitiveness, innovation, depth of home market).	○	◉	○	○	○	○
EU supervisory practices affect expansion in other jurisdictions	○	◉	○	○	○	○

Other	○	◉	○	○	○	○

Please specify to what other difficulty(ies) you refer in your answer to question 23:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Detailed Specifications

Please explain your answers to question 23:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Prudential requirements have a direct and substantial influence on the profitability and viability of the activities concerned. For instance, the requirement to deduct software assets from own funds makes investments in proprietary technology and innovation significantly more costly for EU banks as compared with their U.S. peers, thereby limiting their ability to compete globally. Moreover, even where overarching prudential rules formally apply in the same way to EU and non-EU banks, the numerous EU authorities often tighten these standards further through Level 2 and Level 3 measures. The resulting level of detail and additional requirements go well beyond what is observed in other major jurisdictions.

b) In particular, intense competition from new players using leading technologies, such as FinTechs and Neobanks, necessitates significant investments and leads to high pressure on cost and revenue structures. The ability to develop innovative products in short cycles becomes a decisive criterion for relevance among digitally savvy customer segments.

The supervisory approach in the EU, particularly by the ECB, has so far been characterised by a high degree of formalism, an extensive focus on detailed requirements and a strong emphasis on capital as the primary tool to address supervisory concerns. For example, EU supervisors may impose capital add-ons (P2R) not only for clearly identified risks, but also for perceived qualitative shortcomings in banks' risk management or governance frameworks. However, it is not clear how higher capital levels can effectively address governance issues. On the contrary, increased capital requirements entail additional costs for banks and may reduce the resources available for investment in skilled personnel and robust risk management systems. In contrast, U.S. authorities generally apply additional capital requirements mainly in relation to quantitative risk factors. Furthermore, EU supervisors have at times shown a tendency to intervene in banks' business models, for example in relation to exposures to leveraged entities.

Re: other: We would strongly welcome a greater emphasis on the mutual recognition of regulatory frameworks. The current approach, which often requires full compliance with local regulations for each jurisdiction (e.g. EU and UK or U.S.), creates duplicate work, increases operational costs and ultimately hampers the efficient allocation of resources for banks operating across borders.

Re: other: A crucial factor is the "market entry" of financially strong foreign banks as well as non-financial "super-apps" into the German home-market. These participants are capturing the customer interface with innovative platform solutions. This fundamentally intensifies the competition for market share and revenue potential and weakens the resources available to compete globally.

Question 24. To what extent do the rules on internal governance and remuneration policies of financial institutions create a competitive disadvantage for EU financial institutions vis-à-vis non-EU financial institutions?

- (●) To a very large extent
- ( ) To a large extent
- ( ) Neutral
- ( ) To a small extent
- ( ) Not at all

Don’t know / no opinion / not applicable

Please explain your answer to question 24:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The rules on internal governance and remuneration policies of the EU are generally the strictest and most extensive compared to the UK, U.S., Switzerland and Asia. This creates a great competitive disadvantage for financial institutions in the EU. The disadvantage applies not only to financial institutions from third countries, but also to EU companies in other economic sectors that are not subject to comparable far-reaching requirements regarding the remuneration policies or internal governance.

Internal governance frameworks in the EU impose extensive requirements on control, risk management and compliance functions. Detailed organisational rules, comprehensive documentation obligations and complex fit-and-proper assessments generate significant administrative effort and costs. In jurisdictions with less granular governance frameworks, financial institutions can operate more flexibly and allocate a greater share of resources to business activities rather than regulatory implementation.

Specific governance provisions further increase this burden.
Current governance regulations regarding mapping the duties of members of management bodies entail significant administrative burdens and costs. In our view, the level of detail goes beyond what is necessary and results in unnecessary duplication of effort (see EBA Consultation Paper on Draft revised Guidelines on internal governance, EBA/CP/2025/20). Credit institutions already generally maintain comprehensive internal documentation on tasks and duties, covering various mechanisms such as strategies, organisational structures, role descriptions and frameworks for responsibilities. A summary of key elements should in any case suffice, rather than potentially duplicating existing governance documentation in new formats.
Independence of supervisory board members has no legal basis at Level 1, does not take into account the special governance structures of public-law institutions and makes it difficult to appoint suitable candidates, while any potential conflict of interest could be managed without this requirement.

We would like to dismantle requirements which can necessitate the duplication of specialised staff across different lines of defence, even where potential conflicts of interest could be addressed through alternative and more proportionate approaches.

Remuneration regulation illustrates a similar pattern. The bonus cap for control and non-control functions forms part of an increasingly complex framework that has evolved over more than a decade through directives, regulations, delegated acts, technical standards and supervisory guidelines. The continuous expansion and revision of these rules create significant implementation and monitoring costs for institutions.

For small institutions with low-complexity remuneration systems and a small share of variable compensation in particular, these regulations have only a limited steering effect while requiring a disproportionate effort; see also questions 88 et seq.

Such regulatory complexity not only absorbs resources within firms but can also reduce the attractiveness of the EU financial sector for institutions and skilled professionals who may instead choose to work in jurisdictions such as the United States, the United Kingdom or Switzerland. In light of this, the EU could take the opportunity to reassess the accumulated remuneration framework and streamline it to the level necessary to achieve its core policy objectives—for example in light of the UK’s remuneration policy reforms as announced in October 2025.

Particular attention should be drawn in this context to competitive disadvantages for banks organised within institutional networks. These disadvantages arise from requirements related to mandatory statutory functions and the associated restrictions on outsourcing, which limit the ability to rely on network service providers. A current example is the extended outsourcing restrictions in the Anti-Money Laundering Regulation (Regulation (EU) 2024/1624), applicable from July 2027, which call into question the ability to fully outsource the anti-money laundering officer function to a professional network service provider—a model widely used by many smaller banks. For smaller institutions, particularly in structurally weaker regions, greater flexibility regarding statutory mandatory functions—especially the possibility to consolidate or outsource them—is crucial in order to remain competitive with larger institutions.

Question 25. Do EU-headquartered banks and investment firms face regulatory constraints that hinder their competitiveness vis-à-vis non-EU financial firms?

- (●) Yes
- ( ) No
- ( ) Don’t know / no opinion / not applicable

Please explain what are the key constraints EU-headquartered banks and investment firms face:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Yes, much stricter EU and national remuneration requirements compared to other financial centres across the world (including but not limited to UK and Switzerland) create a competitive disadvantage vis-à-vis non-EU financial firms. This is because a geographically mobile talent in the financial services industry can choose whether to work for U.S., UK or Swiss banks in locations that are not subject to the much stricter EU rules. This disadvantage does not arise from a single regulatory element but from the cumulative interaction of several factors: the early and often more stringent implementation of Basel III beyond the level agreed upon internationally, the additional layering of EU-specific capital and liquidity requirements, restrictive remuneration rules, extensive reporting and disclosure obligations, a highly process-driven supervisory approach and an increasingly dense layer of supervisory expectations that in practice operate as binding regulation.

According to a simulation conducted by the European Central Bank in 2023, in which the significant institutions (SIs) of the Single Supervisory Mechanism (SSM) were hypothetically subjected to the prevailing U.S. supervisory framework, CET1 requirements under U.S. rules would have been significantly higher only for the very largest European banking groups (G-SIBs). For medium-sized and smaller institutions, however, the ECB analysis found the EU capital regime to be considerably more stringent.

This applies even more strongly to the less significant institutions (LSIs) within the SSM, which in the EU are subject to a more formalistic and stricter regime than U.S. community banks, to which key Basel III requirements do not apply at all. The results of the ECB simulation demonstrate that the EU urgently needs greater proportionality in its prudential framework in order to improve the competitiveness of medium-sized and smaller institutions in particular.

The EU brought the CRR3/CRD6 package into force on 1 January 2025, thereby becoming the first major jurisdiction to implement the final Basel III reforms. By contrast, the United States has postponed the publication of its final Basel III framework until at least 2026, followed by a three-year implementation period. The United Kingdom has already delayed implementation until 1 January 2027.
This timing asymmetry has direct implications for the competitiveness of European banks, particularly in trading activities. Although the European Commission has postponed the application of the Fundamental Review of the Trading Book (FRTB) first by one year to 1 January 2026 and subsequently by another year to 1 January 2027, the underlying issue remains. EU banks have already spent several years investing in the parallel calculation under both the old and the new regimes, while competitors in the United States and the United Kingdom have not yet had to bear these costs. In some areas, the transposition also diverges—for example with regard to the netting rule in the service component of the operational risk Standardised Measurement Approach (Article 314 (5) CRR).

The EU's capital requirements framework results in higher effective capital requirements for European banks compared with international peers due to the cumulative layering of multiple regulatory elements. Equally correct would be to say: at the same time, other regions and banks are more actively supported through political and economic measures that explicitly consider competitiveness, whereas in the EU such coordinated support is less pronounced. For example, U.S. banks benefit from a competitive advantage because the U.S. politically supports competitiveness by e.g. applying Basel IV only selectively and through extensive tailoring, thereby shielding most U.S. institutions from the capital-intensive effects that fully burden European banks. This also creates a complex capital stack without an equivalent in other major jurisdictions, while U.S. banks benefit from a less fragmented buffer structure and the absence of similarly intrusive institution-specific Pillar 2 guidance.

EU banks are also subject to extensive ESG related disclosure, reporting and risk management requirements under frameworks such as the CSRD, EU Taxonomy, SFDR and EBA guidelines—rules that are less binding or largely absent in jurisdictions such as the U.S., Switzerland and the UK. While integrating ESG risks into risk management is important, the EU's unilateral regulatory leadership may create competitive disadvantages, particularly as ESG regulation is being scaled back in the United States.

Lastly, the ECB has created an additional quasi-regulatory layer through guides, recommendations, Dear-CEO letters and thematic reviews. Compared with other major supervisors, the density, level of detail and de facto binding nature of these supervisory expectations are unparalleled internationally.

Question 26. What factors are constraining the ability of EU banks to finance large-scale projects, including in the areas of digitalisation, climate transition and defence, compared to their international peers?

In particular, to what extent do differences in profitability, cost structures, balance-sheet capacity, risk-appetite, scale, or regulatory and market conditions explain any observed gaps?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

CRR III links the Infrastructure Supporting Factor (ISF) to EU Taxonomy compliance, requiring post-2025 exposures to meet environmental criteria. This departs from the traditional risk-based prudential approach,

despite a lack of evidence that non-taxonomy-aligned infrastructure carries higher credit risk. As a result, a prudential capital tool is being used to pursue sustainability objectives rather than to reflect actual risk.

The new framework increases regulatory capital requirements for economically sound and socially essential infrastructure projects that are not taxonomy-aligned or not fully covered by the Taxonomy.

This affects, in particular:
- transport infrastructure
- social infrastructure and
- energy infrastructure supporting security of supply

Higher capital requirements translate into higher financing costs, potentially delaying or discouraging urgently needed investments and creating distortions in capital allocation, as regulatory benefits become less closely linked to actual credit risk.

We recommend aligning the English version of the CRR with the wording of the German version.
Under this approach, debtors would assess whether a financed project significantly harms environmental objectives, but the outcome of this assessment would not determine eligibility for the ISF. This would restore the risk-sensitive nature of the prudential framework while maintaining transparency on sustainability aspects. Such an adjustment would preserve the effectiveness of the ISF as a prudential tool and help avoid unintended barriers to financing essential infrastructure across the EU.

A key difference between the EU and other major economic areas lies in the structure of corporate financing: while long-term investments in the U.S. are largely funded through deep and liquid capital markets, bank financing plays a much greater role in Europe. European banks therefore carry a significant share of the financing—and associated risks—for long-term infrastructure and transformation projects, often acting as structuring partners and anchor investors that crowd in additional private capital.

These projects are typically characterised by long maturities (15–30 years), high upfront investment and stable but moderate returns, which tie up regulatory capital over extended periods and constrain balance sheet capacity. As a result, their attractiveness is highly sensitive to regulatory capital requirements. Securitisation could serve as an effective complementary financing tool attracting investors with different risk appetites.

The regulatory framework plays an important role in this context. In recent years, targeted adjustments have been made to facilitate infrastructure financing. For example, the infrastructure privilege under Art. 501a CRR provides for reduced risk weights for certain infrastructure financing. In practice, however, it has become apparent that the conditions for applying this rule are complex and therefore apply to a limited number of projects only.

Similar issues arise in the regulatory treatment of equity positions in the context of strategic investment programs. CRR created an exemption in Art. 133(5) CRR that allows a 100% risk weight to be maintained for equity positions in legislative programmes under certain conditions. In principle, this provision can help to facilitate long-term investments in strategically important areas. In practice, however, its use is associated with considerable uncertainty, as it is subject to extensive criteria and approval by the competent supervisory authorities.

In light of this, it seems sensible to examine how existing regulations—for example, in connection with infrastructure financing under Art. 501a CRR or investments under legislative programs under Art. 133(5) CRR—can be clarified and made more practicable. The aim should be to facilitate the mobilisation of private capital for long-term infrastructure and transformation projects, thereby strengthening the investment capacity of the European economy without compromising financial stability objectives.

Leveraged transactions: The ECB's Guidance imposes constraints on financing large-scale and high-growth projects due to an overly broad definition of leverage that goes beyond market practice—for example by including ancillary facilities, disregarding cash netting and not differentiating between types of debt. As a result, capital-intensive and fast-growing firms, particularly in sectors such as green technologies or AI, face disproportionately high capital charges.

At the same time, due diligence requirements are often misaligned with the realities of mid-sized and growth companies, creating information demands that are difficult to meet. Overall, the Guidance effectively introduces additional constraints beyond Level 1 requirements, highlighting the need for a harmonised definition of "leveraged entity" in the CRR.

1.6. Digitalisation

The widespread use of the online banking and the increase in banks' adoption of new technologies, such as artificial intelligence, the inroads in tokenisation and use of distributed ledger technologies, the emergence of central bank digital currencies and stablecoins, present challenges and opportunities for banks.

This section seeks stakeholders' feedback on the effects of digitalisation on the EU banking sector, as well as the opportunities and challenges it may bring for EU banks.

Question 27. What are, in your view, the effects of digitalisation on the activities and business model of EU banks in the single market?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Digitalisation brings significant benefits, particularly through efficiency gains and automation. By replacing manual processes and increasing speed and automation, digitalisation often helps to remove risks (operational and counterparty) from the market. In terms of competitiveness, digitalisation should therefore be seen primarily as a catalyst for modernising European banking infrastructure, enhancing resilience and delivering benefits to customers, rather than as a justification for a consolidation strategy driven purely by scale.

However, there are also notable downsides: digitalisation promotes disintermediation in payments and securities markets and accelerates the shift towards a platform economy. This is especially critical: the growing reliance on U.S.-dominated platform providers for essential infrastructure and data management raises profound geopolitical concerns. It risks ceding control over core banking functions to a few non-European players, thus undermining Europe's strategic autonomy, data sovereignty and the long-term resilience of its financial sector. Additionally, digitalisation increases cyber and ICT risks, while driving up IT and compliance costs.

To address these challenges, we propose the following measures
(i) Regulatory recognition of technology investments, such as incorporating resilient IT architectures into the SREP and offering capital relief for digital investments that reduce risk.
(ii) Promoting cloud usage through harmonised outsourcing requirements and clear European cloud standards.
(iii) Fostering supervisory innovation dialogues, including structured "supervisory sandboxes" at the EU level, which means giving banking institutions the freedom to experiment—even though limited in scope—with only limited regulatory requirements.

Digitalisation is reshaping EU banks across all dimensions of their business models. It accelerates the move toward digital only and hybrid delivery, raises competitive pressure and forces institutions to redesign products, distribution channels and cost structures. Customer interaction is becoming digital first, with growing expectations for seamless onboarding, real time access, frictionless payments and fully integrated omnichannel experiences. At the same time, digitalisation is transforming internal functions—including payments, compliance, credit processes, reporting, operations and treasury—through automation, cloud enabled infrastructure and data driven decision making. Most banks pursue “symbiotic” modernisation strategies, layering digital components onto legacy cores to reduce risk while speeding up innovation.

Market structure is also evolving. New digital entrants can scale rapidly across borders, intensifying competition in payments, consumer and SME finance, wealth services and transaction banking. Reliance on AI, APIs, cloud services and DLT enhances operational efficiency but increases exposure to cyber and third-party risks, creates integration challenges and raises supervisory expectations regarding governance, outsourcing, resilience and digital risk management. Digital channels also enable faster deposit outflows in stress situations, requiring enhanced operational and liquidity preparedness.

Digitalisation is becoming a strategic enabler for long term competitiveness and sustainability, yet it requires disciplined risk management to prevent resilience gaps, uncontrolled transformation and loss of trust. Interoperability and harmonisation of digital capabilities across member states are key to strengthening the Single Market. Uneven adoption, fragmented data standards or dominance by large digital ecosystems risk undermining cross border operability—even within a shared legal framework.

Global standard setters (BIS, FSB, IOSCO, WEF) warn that technological fragmentation, divergent AI adoption and inconsistent safeguards could threaten market integrity, financial stability and operational readiness. Ensuring interoperability across diverse systems—and across different speeds of technological progress—is therefore essential to preserve a resilient, competitive and innovation friendly European financial ecosystem. Overall, digitalisation is pushing EU banks toward more platform based, data driven and operationally lean models while increasing the complexity, competition and resilience requirements that define their future in the Single Market.

Question 28. In the context of the increasing digitalisation of financial services, what do you consider could enhance confidence of clients in digitally provided investment products and services, thereby influencing the dynamic of new business models?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In capital markets and the distribution of investment products, many market participants observe a noticeable shift towards neobrokers. This development is not primarily driven by a broader offering but rather by a more limited one. Neobrokers typically provide a restricted product range, simplified interfaces and minimal guidance. Clients face fewer decisions and are not confronted with lengthy consultations or extensive documentation. By contrast, traditional advisory models often present clients with a multitude of options accompanied by detailed disclosure documents, complex regulatory procedures and extensive suitability processes. What was originally intended to protect investors can therefore feel overwhelming and obstructive. This reflects the well-known “paradox of choice”: when clients are confronted with too many options and complex explanations, decision-making becomes more difficult, whereas a simpler and more focused offering can be more attractive.

Despite this trend toward simplified digital investment services, trust remains the central prerequisite for client adoption. Confidence in digital financial services depends on several key factors, including transparency, security, accountability and reliability. Clients expect clear and understandable information about costs, risks and product characteristics, as well as transparency regarding how digital recommendations or automated investment decisions are generated. This becomes particularly important when algorithms, robo-advisory tools or artificial intelligence are involved.

Transparency alone, however, is not sufficient. Trust also depends on robust operational resilience and a secure technological infrastructure. Strong cybersecurity standards, effective fraud prevention and resilient digital systems are essential for maintaining confidence in digital investment services. Incidents such as data breaches, cyberattacks or system outages can quickly undermine trust and discourage clients from using digital financial tools.

Accountability and clear governance frameworks are another fundamental element of trust. Digital investment services increasingly rely on automated processes and complex algorithms, making clearly defined responsibilities essential. Clients must know who is accountable if automated advice proves incorrect or unsuitable. Clear liability rules, transparent complaint mechanisms and accessible dispute resolution channels are therefore necessary to ensure that clients have effective recourse when problems occur.

We believe that there are several particularly important measures for strengthening client confidence in digital investment products and services. First, transparency should be improved through standardised disclosure formats. Uniform approaches to presenting risk indicators, cost structures and the underlying logic of robo-advisory tools can make digital investment services easier to understand and compare. Standardisation would reduce complexity for clients while ensuring that essential information is communicated in a clear and consistent manner.

Second, policymakers and regulators should establish clear accountability frameworks for digital investment services. Even when automated systems or artificial intelligence are involved, it must be clear who is responsible for the outcomes of investment advice. Transparent liability regimes ensure that clients are protected in cases of incorrect advice provided by an algorithm and that service providers maintain high standards of governance and oversight.

Third, cyber resilience should become a recognised hallmark of quality in digital financial services. Certified IT security standards, strong operational safeguards and continuous monitoring of technological risks can strengthen confidence in digital investment platforms. Demonstrating that digital services are secure, resilient and reliable is essential for encouraging broader adoption.

Different client groups may also have distinct expectations regarding digital investment services. Small and medium-sized enterprises often rely on seamless integration between investment tools, liquidity management and accounting systems. For them, interoperability of data standards and clearly defined responsibilities among service providers are crucial. Large corporates, on the other hand, typically prioritise governance, auditability and reliability across jurisdictions. They require transparent oversight of models, consistent reporting standards and strong internal control mechanisms.

At the same time, policymakers play an important role in shaping a regulatory environment that fosters both trust and innovation. Harmonised supervisory standards, consistent rules across the Single Market and clear regulatory expectations help ensure that digital investment services remain reliable and interoperable throughout the European Union.

Question 29. Are EU banks investing enough in digitalisation of their operations and services, including in comparison with their international peers and with other EU business sectors?

- ○ Yes
- ◉ No
- ○ Don’t know / no opinion / not applicable

Please explain your answer to question 29, in particular if your answer was "no":

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

EU banks are, overall, making significant investments into digitalisation, in particular into cyber resilience, cloud and data capabilities, process automation and the modernisation of core banking systems. However, the effectiveness of these investments is often limited in practice by structural factors. IT and process landscapes developed over long periods of time require a great deal of work in terms of integration and transformation, while shortages of skilled professionals constrain both the speed and cost efficiency of implementation. In international comparison, the challenge lies less in a lack of willingness to invest than in framework conditions that slow implementation and tie up resources. These include, in particular, high levels of complexity and extensive documentation and compliance requirements.

Yet EU banks face structural disadvantages: lower profitability compared to their U.S. counterparts and high fixed regulatory costs.

To address these challenges, regulatory burden and complexity must be radically reduced, e.g. by eliminating redundant reporting requirements, abolishing information requirements with regard to professional clients and introducing digital supervisory interfaces, such as a “Supervisory API.” In addition, European refinancing sources should be strengthened.

The gap in digital competitiveness persists due to clear factors that work to reinforce one another:

- Investment levels are rising but from a low starting point: although banks have increased their digital investment efforts, a history of underinvestment means that current spending is still insufficient to close the accumulated technology gap.
- Regulatory complexity diverts budgets away from strategic transformation: a significant share of IT budgets is absorbed by compliance obligations and reporting requirements. As a result, fewer resources remain available for genuine modernisation or innovation.
- Legacy infrastructure slows down innovation: many institutions continue to rely on complex, ageing core systems that are costly to maintain and difficult to modernise. This limits agility, hinders EU wide interoperability and slows down the adoption of new technologies.
- International peers benefit from stronger digital ecosystems: competitors in non-EU markets often operate within more homogeneous, digitally advanced ecosystems with clearer regulatory frameworks and larger scalable markets. This allows them to innovate faster and more efficiently.

Result: the gap persists and, without deeper modernisation investments and EU wide interoperability, the competitiveness divide will widen. This reflects the fact that many of the efficiency and innovation gains expected from a more integrated banking market can only materialise if systems, data standards and digital infrastructures are interoperable across the EU. Without such interoperability, banks must continue to operate parallel national solutions, which limits scalability, raises costs and slows down the adoption of modern technologies. As a result, the benefits of digital transformation remain unevenly distributed—allowing the competitiveness gap to grow.

Independent of these factors, European banks face a significant competitive disadvantage due to the EU’s continued requirement to deduct software assets from regulatory capital, unlike other major jurisdictions where software is treated as an ordinary asset and not subject to capital deductions. This gold-plating—reflected in Article 36(1)(b) CRR and Delegated Regulation 2020/2176—reduces European banks’ financing capacity and innovation potential by an estimated EUR 220 billion and creates a structural disincentive for investments in modern IT systems.
Such investments are essential not only for digital transformation and the adoption of new technologies but also for strengthening cyber resilience. The limited relief provided under the EBA RTS (2020/07) does not sufficiently address these obstacles. To ensure global consistency, support technological development and remove barriers that make necessary software investments uneconomical, software assets should be excluded from regulatory deduction requirements and treated as regular assets for capital purposes.

Question 30. Do you expect in the near future the emergence of significant new players in the provision of financial services within the EU, such as non-financial conglomerates, FinTechs, or BigTech companies?

- (●) Yes
- ( ) No
- ( ) Don't know / no opinion / not applicable

What would this mean for traditional banks?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Yes—significant new players will emerge and scale across EU financial services in the near future.

Consequences for traditional banks:

- Erosion of customer ownership and margins,
- Pressure to accelerate digital transformation,
- Need for partnerships with FinTechs and
- Increased operational, regulatory and strategic risk.

What would be the impact on households and businesses?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Consequences for households and businesses:

- More convenient, lower-cost, innovative financial services,
- But also higher exposure to digital risks, data concentration and BigTech dominance.

New issuers could emerge on the evolving EUR stablecoin market and the planned introduction of the DLT notary or DLT account keeper may evolve into new infrastructural elements. We also expect the emergence of smaller and more specialised players, e.g. in the context of embedded finance, payment transactions, consumer credit and asset management.

Following the entry of such players, European banks risk losing direct customer relationships, while non-bank and non-European platforms gain systemic importance. This shift risks further market concentration.

To mitigate these trends, it is essential that the principle “same risk—same rules” is also applied to non-financial conglomerates, FinTechs or BigTech companies, including macroprudential supervision for systemic non-banks. Also, a functional separation between platform operation and financial services should be required—to limit contagion risk. In addition, equal access for all market participants must be guaranteed by introducing interoperability obligations for dominant platforms.

Overall, the impact will depend on ensuring a level playing field, proportionate regulation and effective oversight, so that innovation enhances competition and efficiency without undermining trust, financial stability or long-term access to finance in the EU.

Question 31. How should the bank regulatory framework and supervisory practice adapt to the changes in the banking sector triggered by digitalisation?

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including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

From the perspective of capital markets supervision, German supervisory practice is already well adapted to overseeing emerging business models. It follows the core principle of “same risk, same rules”, meaning that regulatory requirements are determined by the nature and scale of risks rather than by the legal form, size or origin of an institution. Where risks are functionally equivalent, supervisory treatment should be equivalent as well, ensuring a level playing field between traditional institutions and new market entrants such as FinTechs, neobrokers and digital asset platforms, as well as preventing regulatory arbitrage.

Going forward, regulation and supervision should remain technology-neutral and firmly risk-based, with digital supervision fully integrated across financial, competition and data-protection authorities. Operational and ICT resilience should be achieved through proportionate, risk-based implementation of DORA, while data regulation requires close coordination with broader EU frameworks such as the Data Act and the Digital Markets Act. At the same time, European digital sovereignty calls for a strategic approach to financial infrastructure, including payments, cloud services and digital identity.
Digital transformation requires substantial investment, particularly in software and increasingly in AI. In this context, European banks face a structural competitive disadvantage due to the continued deduction of software assets from regulatory capital under EU rules. Unlike in other major jurisdictions, this treatment reduces banks’ lending capacity and innovation potential and creates a disincentive to invest in modern IT and cyber-resilient infrastructure. Limited relief under existing EBA standards does not sufficiently address this issue; software assets should therefore be treated as ordinary assets for capital purposes to support innovation, resilience and international consistency.

To ensure the effectiveness of the prudential framework in an increasingly digital financial system, regulatory and supervisory practice must evolve in a coherent manner which also promotes competition. This includes avoiding duplicate or inconsistent obligations arising from the cumulative layering of new sector-specific digital legislation on top of an already comprehensive prudential rulebook. Where substantively equivalent requirements already exist, additional rules should be avoided or explicitly coordinated, as unnecessary compliance costs ultimately burden clients and the real economy.
Supervisory practice should also become more agile, data-driven and interoperable, relying increasingly on real-time data, advanced analytics and harmonised EU-level methodologies, combined with streamlined, proportionate reporting. Such an approach would reduce complexity, improve supervisory focus on material risks and strengthen the coherence of the Single Market.

Overall, a coherent regulatory architecture and a modern, technology-enabled supervisory model can enhance financial stability while simultaneously supporting competitiveness, innovation and digital transformation. Proportionality must translate into tangible relief and practical implementation paths, particularly for non-complex, regionally focused institutions. At the same time, a robust level playing field is essential: where non-banks or platforms provide bank-like services or dominate customer access, comparable standards for consumer protection, transparency and operational resilience should apply, alongside effective oversight of critical third-party and concentration risks.

2.The single market and the banking union

In response to the global financial crisis, the EU took decisive action to enhance the single market, including by creating the banking union and developing a single rulebook for banking. These initiatives were intended to support the objective of achieving a resilient, genuinely integrated banking market, where banks could operate across borders without barriers, achieve greater scale and interconnection, and more effectively channel financing across the EU.

The single rulebook and the banking union have delivered on the resilience objective, significantly contributing to the stability of the sector through enhanced prudential requirements, improved protection of depositors and better rules to manage failing banks. The current level of cross-border activities in the EU banking sector however shows that the objective of further integration and increased financing across the EU have not been sufficiently met. The lack of progress on structural features of the banking union, despite the successful setting up of the single supervisory mechanism (SSM) and the single resolution mechanism (SRM), is regularly identified as one of the main factors holding back banks' competitiveness and further integration of the single market.

This section seeks stakeholders' feedback on the drivers and barriers to market integration in the banking sector, and on the current design and potential outstanding features of the banking union.

2.1. The impact of prudential requirements on market integration

The allocation of funds in cross-border groups is subject to prudential requirements, which determine at which level of the group capital and liquidity should be prepositioned. These prudential requirements influence the structures and organisational models of banking groups, as well as the degree of market integration and consolidation in the banking sector.

As a rule, these requirements apply at individual level for group entities, but can be waived in specific circumstances within a Member State or, for liquidity requirements, also on a cross-border basis.

This section seeks stakeholders' feedback on the adequacy of prudential requirements on banking groups and their impact on market integration in the banking sector.

Question 32. What are the benefits and the limitations of the current regulatory framework in terms of capital and liquidity requirements allocation within a banking group?

What are the main concerns with the possibility to manage capital and liquidity at group level?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The CRR II (in effect as of 2021) formally allowed for the option of cross-border waivers and specified several coordination processes. The goal was to better reflect banking union principles – that is unified supervision within the euro area. However, in practice, hardly anything has changed: decisions continue to be based on supervisory discretion, and the restrictive ECB requirements (see also ECB Guide on Options and Discretions) have not been altered. For example (see CRR), cross-border waiver applications require a joint decision from all competent authorities (Art. 21 CRR process): all competent authorities within the relevant member states must make a joint decision on the distribution of liquidity requirements, any local minimum amounts and information requirements. In short, even after CRR II, liquidity waivers remain a matter of supervisory discretion with many formal barriers to entry. The ECB, as the consolidating supervisor, can only grant a waiver if all competent national supervisors agree – a level of coordination that is practically impossible to reach within the banking union. The ECB even confirmed, in 2025, that there is little to no use of cross-border liquidity waivers.

Question 33. What are your views regarding the most efficient way of applying prudential requirements within EU cross-border banking groups?

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
Continue the current approach where prudential requirements are applied, as a rule, at both the consolidated level and at the level of every legal entity	○	○	○	◉	○	○
Prudential requirements should only be applied at highest EU consolidated level of the banking group	○	◉	○	○	○	○
Ensure adequate prudential requirements at the level of legal entities, while ensuring more flexibility in centrally managing resources at group level, with commensurate safeguards for financial stability risks	○	○	○	○	○	◉
Other	○	○	○	○	○	○

Please explain your answers to question 33, and, if possible, indicate if the most efficient way of applying prudential requirements differs per requirement (e.g. liquidity coverage ratio, net stable funding ratio, capital, minimum requirement for own funds and eligible liabilities (MREL)):

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In light of a Single Market, a harmonised rulebook, and - partial - supranational supervision (banking union), it appears unjustified to retain certain requirements at the national or entity-specific level. Instead, prudential requirements should only be applied at the highest EU consolidated level of the banking group, as governance takes place on a group/consolidated level. Capital requirements within the banking union should be handled more flexibly - for example, by extending CRR waivers to cross-border constellations - provided that robust guarantees and supervisory frameworks are in place. For MREL, options should be explored to limit internal MREL requirements to those that are strictly necessary and to rely more on group support, especially when pursuing a Single Point of Entry resolution strategy. Politically, the German banking industry committee advocates for ring-fencing barriers to be dismantled. Crucially, home and host supervisors must develop more trust in one another - for example via enforceable group support agreements. This will be essential to overcoming remaining reservations.

Question 34. What regulatory measures could facilitate or improve efficiency for cross-border EU banking groups?

What safeguards would be necessary to preserve resilience and resolvability, and provide reassurance to all relevant Member States in case of distress/failure?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

2.2. Market consolidation

Recent analyses, including the Draghi report on EU competitiveness, underline that the EU banking sector remains structurally fragmented, with limited progress on cross-border consolidation. Despite the existence of a single rulebook for banking and passporting rights, banks' operations remain predominantly domestic, and cross-border mergers have been rare, while branch-based expansion across Member States has not developed at scale.

Some of these analyses argue that a greater degree of consolidation and the wider use of branch-based cross-border expansion could enable EU banks to achieve greater scale and allocate capital and liquidity more efficiently across the EU.

Such developments could also facilitate the effective cross-border provision of banking and other financial services, potentially strengthen competition and improve the capacity of the EU banking sector to meet the financing needs of the EU economy. This section seeks stakeholders' feedback on the factors behind the lack of market consolidation in the EU banking sector and the potential remedies to increase the provision of cross-border banking services in the EU.

Question 35. Do you consider that the EU economy benefits from the presence of large, cross-border banks active across the single market?

- ○ Yes
- ○ No
- ◉ Don't know / no opinion / not applicable

Please explain your answer to question 35:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

A diverse banking system tailored to suit individual needs includes both large banks that operate across borders and smaller, regional institutions. The decisive factor for the European economy will be maintaining the existing diversity on the European banking market.

Question 36. The Draghi report argues that banks need scale to be competitive. Is market consolidation a good way forward to achieve scale in the banking industry?

Which actions should be taken at EU level to facilitate EU banking groups wishing to operate cross-border to do so?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

See answer to question 35. Market consolidation can be a good way forward for improving, as an example, the ability of large, internationally active European banks to compete on the global stage. However, this does not mean that consolidation is required in order to promote competition within the single market. We would therefore dispute the assumption within the Draghi report that banks need scale in order to be competitive. The banking markets in Germany and Austria, which feature many small and mid-sized institutions, are excellent examples of quite the opposite effect.

2.3. Non-prudential barriers to market integration

EU banks face obstacles to leverage the benefits of operating in a single market, which are not directly related to the prudential requirements. These non-prudential barriers may be very diverse in nature (insolvency law, company law, labour law, consumer law, taxation) and often result from traditional and historical factors (language, culture and domestic

preferences). These barriers may be hard to navigate for new entrants and require significant investments to overcome, which may disincentivise cross-border activities.

This section seeks stakeholders' feedback on the impact of non-prudential requirements on banking groups and on market integration in the EU.

Question 37. What are the main non-prudential barriers that impede cross-border activities?

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
Divergent national tax treatment attached to certain banking products (mortgages, savings accounts, deposits) or banking operations (Value Added Tax, corporate and personal income taxation)	○	○	○	○	○	○
More generally, lack of unified banking product offering across EU or sub-regions, forcing product adaptation to each national market	○	○	○	○	○	○
Labour laws and contract laws hindering the servicing of EU bank clients in a Member State by a branch/entity located in another Member State.	○	○	○	○	○	○
Preference by local customers of local bank brands	○	○	○	○	○	○
Divergent insolvency laws and collateral foreclosure rules	○	○	○	○	○	○
Consumer protection laws and client specific documentation	○	○	○	○	○	○
Divergent (non-prudential) reporting requirements	○	○	○	○	○	○
Language barriers	○	○	○	○	○	○

Other	○	○	○	○	○	○

Please explain your answers to question 37, and explain which actions should be taken to overcome these non-prudential barriers and improve the integration of banking markets in the EU:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

2.4. Protection of depositors

Finding a way forward on a new approach to establish a common deposit insurance system in the banking union would improve the resilience of the banking sector to asymmetric shocks and help address certain concerns by host Member States regarding further market integration of banking services across the EU. Since the 2015 Commission proposal on a European deposit insurance scheme, there have been significant developments in the EU banking sector: the implementation of the regulatory framework has led to a much more resilient banking sector – as illustrated by improved capital and liquidity positions, reduced amount of non-performing loans (NPLs), improved asset and funding portfolios, as well as strong minimum requirement for own funds and eligible liabilities (MREL) buffers and improved overall resolvability. The SSM and the SRM are fully functioning and the single resolution fund (SRF) and national deposit guarantee schemes (DGSs) have reached their target levels. Furthermore, following the establishment and operationalisation of the resolution framework, covered deposits are protected not only via DGS payout but also by ensuring uninterrupted access in resolution. These structural improvements could lead to a fundamental rethinking of the necessary design features of the deposit insurance system in Europe.

This section seeks stakeholders' feedback on the perceived effectiveness and credibility of protection of deposits in the EU and the potential improvements to deposit insurance in the banking union as supporting factors of further market integration.

Question 38. To what extent would further strengthening the protection of depositors provide reassurance on the stability and effectiveness of the EU crisis management framework and its ability to shield EU taxpayer money and therefore support the competitiveness and integration of banking markets?

- To a very large extent
- To a large extent
- Neutral
- To a small extent
- Not at all

Don’t know / no opinion / not applicable

Please explain your answer to question 38:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Further strengthening depositor protection is always welcome in principle. However, it is important to consider current needs and options. The 2014 DGSD and its further development within the framework of CMDI (2025 /26) have harmonised deposit protection in Europe, adequately taken existing (positive) national characteristics into account and created a very stable base for European deposit protection. In addition, a variety of cases in recent years have proven that the existing system of deposit protection functions effectively, protects taxpayers' money and promotes customer confidence.

Furthermore, depositor protection within the European Union is already highly developed in terms of both scope and coverage. Depositors are generally aware that eligible deposits are protected up to 100,000 euro per depositor and per institution. Not only that, the EBA has stated, in its report on deposit coverage in 2023, that there is no need to change the current coverage level of 100,000 euros. This conclusion is based on the findings that any of the potential increases in coverage assessed would be very costly, yet would have a positive but only limited impact on financial stability and consumer protection, as well as a somewhat negative impact on moral hazard (compare EBA Report on deposit coverage in response to EC CfA).

With regard to CMDI in general, it should be added that this reform has already introduced substantial changes to the crisis management framework and to the role of deposit guarantee schemes. The effects of the revised framework have not yet been tested in practice and therefore do not currently provide a suitable basis for assessing either its effectiveness or its complexity. Prematurely reopening the architecture risks regulatory instability and reform fatigue.

Furthermore, the impact assessment of the Commission's original 2015 EDIS proposal has already shown that the effects of a European system would be very limited. Indeed, any European system such as a EDIS could have spillover effects, with the risk of significantly weakening deposit protection and, as a result, customer confidence.

Importantly, there is no direct link between deposit insurance architecture and overall banking competitiveness. Competitiveness is primarily driven by regulatory clarity, supervisory consistency, the ability to use capital and liquidity across borders, proportionality and the reduction of operational complexity. Structural redesign of deposit insurance would not automatically improve these factors.

Last but not least: any additional strengthening of depositor protection should be based on a demonstrated need and evidence derived from implementation, rather than on the assumption that deeper institutional integration is in and of itself a tool for improving competitiveness.

Question 39. Today, when a bank is in distress, deposit protection in the European Union is provided by:

- **safeguarding depositors' access to their money if a bank is resolved with the use of banks own loss absorbing capacity, a resolution fund and/or a deposit guarantee fund, or**
- **paying customers back with the use of deposit guarantee funds if a bank closes and is liquidated, or**
- **safeguarding depositors' access to their money through financing of preventive and/or alternative measures by a DGS, where available**

In your view, could the system be simplified and made more effective by combining the deposit insurance and resolution functions within existing funds?

Would there be any unintended consequences?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

While simplification of the crisis management framework is a legitimate objective, we do not support merging deposit insurance and resolution functions into a single European authority.

Funds from the resolution fund and from the deposit protection fund are structured differently and designed to achieve completely different goals. Resolution primarily seeks to ensure the continuity of an institution's critical functions and therefore prevent market disruption. Deposit guarantee schemes, in contrast, are designed to protect (small and medium-sized) deposits and to prevent bank runs (consumer protection).

A fully integrated "European FDIC-style" model would raise serious institutional questions. Unlike the United States, the EU does not operate within a fiscal union. Combining supervision, resolution and deposit insurance would entail significant institutional restructuring, with no clear evidence that doing so would materially improve crisis outcomes.

Recent experience in other jurisdictions also illustrates that even highly centralised systems require extraordinary measures in times of systemic stress. Centralisation alone does not necessarily reduce the complexity of crises.

Simplification efforts should therefore prioritise clearer allocation of responsibilities, consistent implementation and supervisory convergence rather than institutional consolidation of distinct mandates.

Moreover, the current framework has recently been revised through CMDI, which clarified the interaction between DGS and resolution authorities while also expanding the tool kit available in crisis situations. The effectiveness of these changes should be evaluated in practice before proposing amendments to the existing proven and functioning system.

Question 40. In your view, when considering the scope of banks to be included in a possible new banking union-wide deposit insurance system, should this scope include...

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
...all banks	○	○	○	○	○	◉
...all banks which are active cross-border	○	○	○	○	○	◉
...all banks under direct SSM/SRB remit	○	○	○	○	○	◉
...only banks that wish to be included	○	○	○	○	○	◉
...other	○	○	○	○	○	○

Please explain your answers to question 40:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Given that no additional banking union wide deposit protection system is currently considered necessary, questions of scope are hypothetical.

The existing framework - comprising national DGS operating under harmonised EU rules - has recently been strengthened through the CMDI reform and does not currently demonstrate structural deficiencies that would require redesign.

Any union wide deposit insurance system will not be functional unless the necessary environment for financial stability is addressed (e.g. progress on sovereign-bank-nexus/home-bias) and as long as it lacks the credibility provided by a backstop. Absent a clearly established backstop anchored in primary law, the credibility of a European deposit insurance scheme will be called into question and depositor confidence could be adversely affected, potentially amplifying cross-border contagion effects during times of financial stress.

From a political standpoint, further concerns will undoubtedly arise given that a European scheme could result in asymmetrically distributed net burdens among the banking sectors of the member states. If risk exposures in certain national banking markets were effectively mutualised on the Union level, this would result in de facto transfers among national banking markets.

Question 41. In your view, a possible new banking union-wide deposit protection fund should...

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
...be used to provide only liquidity support to national DGS	○	○	○	○	○	◉
...replace national DGSs	○	○	○	○	◉	○
...replace national DGSs for						

deposits in a subset of banks as identified in the previous question	○	○	○	○	◉	○
...other	○	○	○	○	○	○

Please explain your answers to question 41:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

There is no demonstrated need for the establishment of a fully-fledged deposit protection fund that applies across the banking union and would replace national schemes.

Furthermore, any possible further reform should be evidence-based, proportionate and sequenced after full implementation and assessment of the CMDI framework. Of course, any development of a new banking union wide deposit protection fund must take into account the existing and proven national deposit guarantee schemes. DGSs that have already proven successful, and their potential risk-minimising effect for their respective members, must not be impaired or weakened by a European system. Indeed, functional national structures that have been tried and tested are the basis for trust and market stability. Diversity - including in the financial system - is a hallmark of Europe and must not be weakened by further centralisation.

2.5. Liquidity in resolution

Ensuring a credible and robust mechanism to provide liquidity in resolution is key to strengthen the resilience of the crisis management framework, and promote a stable, less uncertain environment supporting EU's banks in becoming more competitive in the EU and internationally. A credible liquidity in resolution framework would be a very important form of financial stability backstop encouraging market confidence in EU's cross-border banks and the increasing role they could have in financing the economy, including its critical sectors for strategic autonomy.

This section seeks stakeholders' views on an EU mechanism for the provision of liquidity in resolution to banks in distressed scenarios and its potential design features.

Question 42. In your view, would a more transparent and predictable European mechanism ensuring the provision of liquidity in resolution to large banks in distressed scenarios strengthen the effectiveness and credibility of the European crisis management framework?

- ○ Yes
- ○ No
- ○ Don't know / no opinion / not applicable

Please explain your answer to question 42, including how such a mechanism could affect the bank-sovereign nexus and the reliance on national taxpayer-funded resources in a crisis:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 43. Do you consider that introducing a formal transparent mechanism to provide liquidity in resolution can provide reassurance on the stability and effectiveness of the crisis management framework and therefore support the integration of banking markets?

- Yes
- No
- Don't know / no opinion / not applicable

2.6. Sovereign exposures and risk reduction

One of the objectives of the post financial crisis reforms, and namely of the banking union, has been to address the bank-sovereign nexus. This is often defined as the 'doom-loop' where bank failures can trigger sovereign debt crises, and vice versa. One of the avenues to tackle the issue is to reduce the so called 'home-bias', whereby banks are exclusively or very highly exposed to their 'home' sovereign. In recent years, discussions on the regulatory treatment of sovereign exposures in relation to the banking union were held together with other elements of relevance for the completion of the banking union, such as the crisis management and deposit insurance framework, a European system for deposit insurance and cross-border financial integration. Sovereign debt continues to be treated favourably, consistent with international standards and no regulatory measures have been introduced to reduce the home-bias.

This section seeks stakeholders' feedback on the regulatory treatment of sovereign bank exposures and potential drivers behind the 'home-bias'.

Question 44. To what extent do you consider the following factors as significant drivers for the 'home-bias' (i.e. banks' disproportionate exposures to their home sovereign)?

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
Application of prudential requirements at solo level	○	○	○	○	○	○
Other (prudential) rules	○	○	○	○	○	○
Limited cross-border financial integration	○	○	○	○	○	○
Role in market-making for home sovereign debt	○	○	○	○	○	○
Business model considerations (aligning assets with domestic activity)	○	○	○	○	○	○
Government pressures to invest in the local sovereign bond market	○	○	○	○	○	○
Expectations of public support	○	○	○	○	○	○
Investment in home sovereign debt perceived as safe and highly liquid asset	○	○	○	○	○	○
Insufficient access or supply of other governments' debt fitting the risk-appetite of the bank.	○	○	○	○	○	○

Other						

Please explain your answers to question 44:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In our opinion, this issue has nothing to do with the current discussion on competition. Furthermore, as long-standing discussions in the past have shown, there will be no quick solution to this issue, and it should therefore not be part of the current debate on increasing competitiveness. Nevertheless, we believe that a home bias in government bond portfolios is mainly driven by a wide range of various factors, for example market structure, business models, liquidity characteristics and operational requirements for liquidity management.

Question 45. Do you consider that the EU framework on the regulatory treatment of sovereign exposure should be improved?

- ○ Yes
- ◉ No
- ○ Don’t know / no opinion / not applicable

Please explain your answer to question 45:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In our opinion, this issue has nothing to do with the current discussion on competition. Furthermore, as long-standing discussions in the past have shown, there will be no quick solution to this issue, and it should therefore not be part of the current debate on increasing competitiveness.

Question 46. Exposures to Member States' central governments, or third country jurisdictions assessed as equivalent, when denominated and funded in domestic currency, receive a 0% risk weight under the Capital Requirements Regulation, as provided for by the international standards. Such 0% risk weight applies regardless of credit rating, exempts the sovereign bonds from large exposure requirements, and classifies them as high-quality liquid assets. However, this treatment does not apply to sovereign exposures denominated in Euro issued by non-Euro Area Member States.

Should that treatment be expanded to sovereign exposures issued by non-Euro Area Member States and denominated in Euro and how would this affect the holdings of sovereign debt by banks?

Please elaborate:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In our opinion, this issue has nothing to do with the current discussion on competition. Furthermore, as long-standing discussions in the past have shown, there will be no quick solution to this issue, and it should therefore not be part of the current debate on increasing competitiveness.

3.Complexity and effectiveness of the regulatory framework

The regulatory framework is complex for many reasons. Banks require strict regulation and careful supervision, because they are the backbone of financing for the EU economy and inherently vulnerable to runs on their primary funding source which may create financial instability. The need to ensure financial stability justifies public safety nets, but in turn also creates moral hazard that needs to be limited by regulation.

Complexity can also arise because banking regulation reflects a multitude of considerations: risk sensitivity, robustness, cost efficiency, comparability, inconsistencies and overlaps when setting up standards, as well as the diverse nature of banks operating in the EU (cooperatives, universal banks, etc.).

From a process perspective, complexity also arises from the multitude of legislative layers, as well as from the guidelines and implementation expectations issued by supervisory authorities. Further complexity results from the involvement of multiple authorities responsible for different elements of the framework (including prudential, macroprudential, crisis

management, and other areas). While guidance-often requested by regulated entities-should support and promote clarity, consistency, and a level playing field in the implementation of the framework, an excessive level of detail and prescriptiveness may itself add complexity.

In addition, complexity is also introduced through the political negotiation process. On top of adopting internationally agreed standards, numerous EU-specificities (e.g. exemptions, derogations) in the single rulebook to cater for specific situations in Member States have been introduced to achieve a consensus among the EU co-legislators.

This section seeks stakeholders' views regarding the level of complexity in the EU banking regulatory and supervisory framework and its effectiveness.

3.1. General assessment

Question 47. How would you evaluate the current regulatory framework for banking in terms of:

	Low	Somewhat low	Medium	Somewhat high	High disagree	Don't know - No opinion - Not applicable
effectiveness (the extent to which the framework achieved its objectives)	○	○	◉	○	○	○
proportionality (the extent to which the objectives of the framework are chieved at minimal cost)	◉	○	○	○	○	○
EU added value (extent to which EU intervention provides benefits that coud not be achieved by Membr States acting alone)	○	◉	○	○	○	○
relevance (extent to which EU intervention provides benefits that could not be achieved by Member States acting alone)	○	◉	○	○	○	○
coherence (extent to which a policy/intervention is internally consistent and externally consistent with other EU policies)	◉	○	○	○	○	○

Please explain your answers to question 47:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The approaches taken in the current European regulatory framework are not fundamentally flawed, but in their current form they are only of limited merit.

This framework has contributed to the stability of the banking sector and established a common minimum standard within the single market. However, it has become increasingly comprehensive and complex since the GFC, with ever-increasing capital requirements. In many areas, the regulatory framework is too complex, too detailed and inconsistent.
As a result, resources are increasingly tied up in implementation, documentation, reporting, corrective action and rising capital requirements, rather than being made available to finance small and medium-sized enterprises, local authorities, housing construction, infrastructure and the transition.

We consider the proportionality to be too low. Capital requirements are characterised by multiple layers and redundancies. EU institutions' capitalisation is already sufficient today. Yet, the framework still foresees further increases in the coming years. If the EU stays on its current path, it will not strike the right balance between financial stability and competitiveness. In additon, the current framework places a disproportionate administrative burden on institutions with business models that are primarily geared towards retail and SME customers.

This has become particularly evident since CRR III/CRD VI, even in standard approaches typically used by smaller institutions. The burden stems not only from individual Level 1 requirements, but above all from the interplay between Level 2 and Level 3 measures, regulatory expectations, frequent adjustments and parallel processes. Added to this are the large number of detailed EBA requirements, without sufficient flexibility clauses or exemption options for smaller or lower-risk institutions (see Section 3.6, questions 84 and 85).
We also consider the coherence of the framework to be low. Main burdens are not the result of individual regulations, but from regulatory overlaps, inconsistencies and duplications. Additional parallel formats and overlapping requirements increase costs and uncertainty without any corresponding additional stability benefits being apparent, for example in the case of differing definitions of SMEs across various regulatory frameworks (see Section 3.8), backstops, or the extended coverage of ancillary services undertakings (see question 49). Such situations shift the focus from effective regulation to excessive administrative intervention. Furthermore, the ongoing proliferation of legislation at Levels 2 and 3 runs counter to the general aim of simplification and reducing bureaucracy.

'EU added value' and relevance stem from the fact that uniform European minimum standards can promote stability, trust and reliability. However, this added value is undermined if the Single Rulebook becomes a complex web of regulations and guidance that is difficult to navigate. Europe does not need further blanket centralisation, but rather a robust, tiered regulatory model (see question 85).

The diversity of the European banking sector is not a disadvantage to be remedied through further standardisation, but rather a positive factor for stability and competitiveness.

Diversity is not the same as fragmentation. Different business models, institution sizes and network structures increase the resilience of the system, strengthen competition and secure the financing of the real economy across the board.
Regulation should not seek to standardise this diversity but, rather, take it into account appropriately within a

common European framework. What is needed, therefore, is a greater focus on principles, more stable regulatory cycles, less focus on details, less duplication of regulation and notable reductions in the administrative burden, such as in relation to reporting.

Question 48. A certain degree of complexity is necessary to achieve the desired regulatory objectives, while recognising the degree of sophistication and diversity of the EU banking sector.

How do you rank the comparative level of undue complexity in the following parts of the framework?

	Low	Somewhat low	Medium	Somewhat high	High disagree	Don't know - No opinion - Not applicable
The overall framework	○	○	○	○	◉	○
The minimum capital requirements (Pillar 1)	○	○	○	○	◉	○
The supervisory measures (Pillar 2)	○	○	○	○	◉	○
The macroprudential requirements	○	○	○	○	◉	○
The resolution requirements	○	○	○	○	◉	○
Other	○	○	○	○	○	◉

Please explain your answers to question 48:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The overall framework: The current level of complexity is a result of years of legislative density, management of technical details, supervisory expectations and parallel processes. Complexity arises from the accumulation of different levels of regulation and procedures (see q. 49). This impairs EU banks' international competitiveness. The benefits of this excessive level of detail are questionable. Complex regulations also place excessive structural demands on smaller market participants and lending is shifting to the less regulated non-banking sector. Please consider a shift from rules-based legislation toward principles-based guidance.

Pillar 1: The minimum capital requirements are unduly complex due to the high level of detail, significant technical complexity and an interconnection with other implementation, reporting and disclosure requirements. An example is the increased complexity of the credit risk standardised approach (CRSA) introduced by CRR III, particularly in standardised areas. As a one-size-fits-all solution, the new CRSA is inevitably a compromise. Many smaller banks are burdened by the increased complexity without added value. For them, the old CRSA was more appropriate. For model banks using it primarily for output floor purposes, greater risk sensitivity is needed.

The output floor, property value adjustments and the NPE backstop are examples imposing considerable demands in terms of implementation and ongoing monitoring without benefit. For the 'market risk' category, the minimum capital requirements become too complex under the future FRTB capital requirements from 2027 onwards, mostly due to the new trading book boundary. The shift from a principle-based 'trading intent' framework to a list-based classification framework results in unnecessary application and approval procedures for reclassifications between the trading book and the banking book.

Pillar 2: The complexity of regulatory measures is disproportionately high. Limited transparency regarding the calibration of institution-specific capital requirements, overlaps with Pillar 1 requirements and buffers, and the high procedural intensity undermine predictability, the ability to plan and proportionality (see q. 63 and 64). Pillar 2 is susceptible to misdirected incentives due to the eroding responsibility for internal risk management lying with the institutions (ICAAP). Statements by the SSM indicate that it considers the ICAAP to be insufficient for many institutions, despite these institutions having been subject to years of audits and increasing requirements. Maintaining and developing the ICAAP is too complicated and complex; its methods and results are no longer reasonable and realistic.

The ICAAP is designed as a holistic process covering all material risks. Still, the current regime features an additional, comprehensive framework for IRRBB and CSRBB with detailed guidance, generalised supervisory outlier tests, standardised approaches and highly granular reporting. The outlier tests create operative burden with limited informative value or counterproductive signals to banks and supervisors.

Regulatory stress tests are generally stress testing programmes with a wide range of costly stress test scenarios. For LSIs, current supervisory stress tests should be replaced by top-down stress tests with standardised scenarios and simplified data inputs. Internal stress tests should be reduced to the essentials. For SIs, supervisory stress tests should be conducted on a bottom-up basis using the institutions' internal models and parameters. The frequency should be extended to every three years.

The complexity of macroprudential requirements arises from multiple different buffers, an inconsistent application of individual instruments and interactions with microprudential and resolution-related requirements. Embedding them in the broader capital stack reduces transparency and predictability (see sec. 3.3 and 3.5).

Resolution requirements: The extensive complexity of the requirements under the resolution regime (BRRD, SRMR, Level 2 and 3 measures) is well-known and was not reduced by the CMDI review. The resolution regime is complicated by extensive, frequently changing expectations by the resolution authorities, esp. the SRB, which are effectively regulatory in nature. Despite repeated criticism, the trend is towards further complicating the rules. Specific examples include the SRB's "Expectations on Valuation Capabilities", "Operational Guidance on Banks' Communication" and "Operational Guidance on Business Reorganisation Plan Analysis Report". They intend to ensure that the banks' proven documents and processes are adapted in line with the SRB's expectations and within unreasonable deadlines – without any discernible added value and without regard for significant IT costs. Another challenge stems from the SRB's multi-annual testing programme, parts of which have no legal basis.

Question 49. Which type of instrument adds the most undue complexity to these parts of the frameworks?

	Low	Somewhat low	Medium	Somewhat high	High disagree	Don't know - No opinion - Not applicable
International standards (Basel, FSB)	○	○	◉	○	○	○
Level 1 EU legislation (i.e. regulations/directives)	○	○	○	◉	○	○
Level 2 EU legislation (i.e. technical standards)	○	○	○	○	◉	○
Level 3 EU measures (i.e. EBA guidelines, Q&As, etc.)	○	○	○	○	◉	○
Supervisory guidance/practices	○	○	○	○	◉	○
Implementation differences of EU legislation at national level	○	○	○	○	◉	○
Interaction with other national legislation	○	○	◉	○	○	○
Interaction with other EU legislation	○	○	○	○	◉	○
Other	○	○	○	○	○	○

Please explain your answers to question 49:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The main drivers of undue complexity are not primarily the international standards themselves, but rather the European authorities' further tightening of the framework through Level 2 and Level 3 measures, additional supervisory guidance and supervisory practice, as well as overlaps with other EU legislation.

If complexity is equated with a loss of clarity, each additional layer inevitably adds further complexity to the framework. While international standards are necessary – and already highly complex – Europe should critically reassess and recalibrate the way the Lamfalussy process is applied. Recent academic analysis points to a gradual erosion of the original Lamfalussy hierarchy, as highly technical provisions are already increasingly appearing at Level 1, while Level 2 measures and Level 3 guidance expand the scope and practical impact, blurring the distinction between legislation, technical implementation and supervisory convergence. The instruments that add the most undue complexity are RTS and ITS at Level 2 and, even more so, the extensive use of soft-law instruments at Level 3.
At Level 2, a high level of detail coupled with conservative implementation practices leads to de facto gold-plating. Level 2 standards frequently go beyond mere technical specifications and introduce detailed, prescriptive requirements that effectively expand Level 1 legislation. Level 2 and Level 3 requirements are particularly significant in cases where additional levels of detail lead to disproportionate implementation efforts and a lack of proportionality. This is evident, for example, in the EBA guidelines on loan origination and monitoring, which, particularly for smaller institutions, entail a significant additional burden without any tangible benefit to credit quality or risk assessment. In addition, there are inconsistencies between different regulatory frameworks, such as the different definitions of SMEs and their application across CRR III, liquidity requirements, FINREP and EBA guidelines.

Level 3 instruments, although formally non-binding, have a de facto normative effect and significantly increase regulatory density without clear legal accountability or effective judicial review. EBA Q&As raise particular concerns as they are not subject to any consultation and it is not known how the response is being developed. Nevertheless, supervisors regularly treat Q&As as binding. Q&As effectively create mandatory requirements while bypassing the standard safeguards of EU rulemaking.
While calls for additional Level 3 guidance are often driven by a desire for clarity, this approach is short-sighted. The accumulation of de facto binding interpretations contributes to rigidity, legal uncertainty and structural complexity. In consequence, it means high implementation and adaptation costs for large institutions and places excessive structural demands on smaller institutions. This complicated structure also poses challenges for the EU authorities and requires a considerable amount of coordination. In practice, significant burdens also arise from additional testing, validation and reporting processes, on top of the standard legal framework.
Examples of this include parallel testing and validation procedures in reporting, short-term exercises running alongside regular reporting, deep dives, OSI and ad hoc data collection, which effectively take precedent over the requirements and necessitate multiple adjustments to implementation processes. This ever increasing procedural density is a key driver of undue complexity.
Interfaces with other EU legislation are another factor driving complexity. Particularly problematic are the duplicate regulations and overlapping obligations, for example at the interface between DORA and outsourcing requirements, or in the context of sustainability reporting (see question 95).
If the same or very similar information has to be provided multiple times across different channels, formats and platforms, this significantly increases the workload without adding any new information.
The main cause of undue complexity is the cumulative overlapping of several technical, interpretative and procedural levels. Efforts to simplify regulation should focus on reducing the number of additional layers of detail, minimising parallel processes, avoiding duplication of regulation and introducing targeted exemption clauses and waivers for institutions with less complex business models. We must reduce the number and scope

of Level 2 mandates to genuine technical specifications and conduct a thorough review of existing Level 2 and Level 3 products with regard to necessity, consistency and proportionality. Proportionality and competitiveness should be guiding principles anchored in the mandates of the ESAs. At Level 3, the role of supervisory convergence tools should be clearly limited within a well-defined legal framework and accountability mechanisms must be strengthened.

Question 50. Would you support less complexity in the bank regulatory framework even if this means...

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
...less risk sensitivity within risk-weighted requirements	○	○	○	○	○	◉
...increase in capital requirements	○	○	○	○	◉	○
...less consideration for EU specificities	○	○	○	○	○	◉
...less consideration for national specificities	○	○	○	○	○	◉
...higher contributions to safety nets (DGS and resolution funds)	○	○	○	○	◉	○
...less resilience / financial stability	○	○	○	○	◉	○

Please explain your answers to question 50:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The causal relationships implied in this question do not exist at all or only to a very limited extent. The aim of reducing unnecessary complexity is to boost competitiveness and must not be seen as a trade-off for reduced resilience, reduced financial stability, across-the-board higher capital requirements or higher contributions to guarantee schemes. The real problem with the current framework lies not in a lack of stability and capital requirements, but in unnecessary overlap, excessive technical detail, parallel processes and double regulation. Simplification should begin here.

A key concern is that capital requirements and contributions to safety nets must not be increased further. However, some of the suggested balancing decisions would need to be made on a case-by-case basis instead of establishing fixed, universally applicable priority rules for policymaking.

Risk sensitivity: Less complexity may in some areas go hand in hand with lower granularity and thus with some reduction in risk sensitivity, in particular where this reflects the lower risk profile and lower complexity of the relevant business model. What matters is an appropriate and proportionate calibration (cf. Sec. 3.6). Simplification should, however, generally not lead to overly crude or overly broad solutions, but should make the framework more coherent, consistent and more workable in practice. However, in other areas, less complexity would result in more risk-sensitivity. Especially around internal models, less detailed and prescriptive regulatory requirements would enable institutions to adopt more risk-sensitive practices. The central trade-off is between risk-sensitivity and standardisation, where standardisation goes hand in hand with regulatory complexity.

Capital requirements: Less complexity does not necessarily imply higher capital requirements. On the contrary, overall, there is a positive correlation between the complexity of the regulatory framework and the level of capital requirements. This is evident in the case of Level 2 and 3 regulations which add complexity and often increase capital requirements (e.g. EBA IRB repair program and ECB TRIM/ guide to internal models). In any case, the capital requirements within the risk-based regime must not increase by any means. Regarding a small bank regime we refer to Sec. 3.6.

Less consideration for EU specificities: The implied negative correlation only occurs to a very limited extent. There are certain cases where EU specificities require a slight increase in regulatory complexity, e.g. regarding the treatment of real estate financing. However, this additional complexity is insignificant in view of the already complex framework and is outweighed by the positive effect on financing capacities and conditions. EU-specific rules mostly have no relevant impact on complexity at all, e.g. where certain parameter values like risk weights are changed or specific requirements are dropped. In any case, EU-specific arrangements are essential to ensure the competitiveness and sovereignty of the European financial sector and the real economy. They should not, therefore, be questioned based on their non-existent or minimal impact on the complexity of the regulatory framework.

Higher contributions to safety nets: There is no discernible causal link here. The price for less complexity should not be higher contributions to the DGS and the resolution fund.

Less resilience / financial stability: A less complex framework will have a positive net effect on financial stability because institutions could devote more resources to monitoring and managing actual risks instead of monitoring and ensuring compliance with regulatory requirements. Less complexity would also support risk-sensitivity in certain areas and in turn strengthen disciplinary incentives for institutions' risk-taking behavior.

The relief measures outlined in response to question 49 demonstrate that complexity can be reduced without

trade-offs: for example, by avoiding double regulation at the interface between DORA and outsourcing requirements, eliminating parallel reporting and publication processes, limiting ad hoc data collection that effectively takes precedence over legal requirements and by adopting more principles-based rather than overly detailed technical requirements.
Duplicate disclosures, for example in sustainability reporting, should be scrapped, as they increase the operational burden without adding value to the information provided.

We are striving to reduce unnecessary complexity without increasing capital requirements. We consider higher contributions to safety nets or a blanket disregard for appropriate specific requirements to be unjustified. In essence, this would support banks' ability to finance the real economy and support the economy's digital and green transitions, as well as address growing defence-related financing needs and strengthen Europe's competitiveness.

Question 51. The single rulebook for banking is based on both directives and regulations. Unlike regulations, directives must be transposed into national law, which can lead to different applicable legal framework applicable across Member States.

In your view, which provisions currently set out in directives, such as the Capital Requirements Directive (CRD), the Bank Recovery and Resolution Directive (BRRD) or the Deposit Guarantee Scheme Directive (DGSD), would be more effectively established through directly applicable regulations, and for what reasons, if any?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In general, we would support more principles-based regulation, which should lead to less complexity and less Level 2 and 3 regulation.

There is no simple answer to this question. Whether a directive or a regulation should be chosen depends on the individual case, i.e. the subject matter concerned. What matters is not the legal form as such, but whether the framework is clear, coherent, proportionate and workable in practice.

The DGSD is a good example of how a directive can achieve a high degree of harmonisation: It successfully performs its tasks while respecting national specificities. Rather than constantly revising the existing regulatory regime – as was recently the case with the BRRD and the SRMR – the Commission should focus more on its implementation and effective application. In consequence, we consider the existing balance between regulations and directives to be appropriate.

The aforementioned example of the DGSD contains national options and discretions in several areas, including, for example, preventive and alternative measures. This reflects differing market structures and approaches to safeguarding financial stability. National options enable individual Member States to continue applying such instruments where appropriate, while at the same time avoiding unnecessary administrative implementation costs in those Member States which, for structural or traditional reasons, do not intend to make use of these

instruments.

Having said that, we believe that in certain cases, options or Member State discretions under Art. 493(3) CRR should be fully merged into generally applicable exemptions as is the case with Art. 400(1) CRR. In this specific case, the design as an option or discretion prevents uniform application across the EU and thus leads to different competitive conditions within the EU, fragmentation of the European single market and unnecessary complexity. Generally speaking, the priority should therefore be better implementation, consolidation and de-overlapping of the existing framework. This is particularly important where complexity stems from detailed technical layering, parallel supervisory processes or duplicated requirements across different EU regimes rather than from national transposition as such.

Gold-plating, government interventions and enforcement

Question 52. Do you have concrete examples of gold-plating of EU rules via transposition of EU directives, national options and discretions?

- ○ Yes
- ○ No
- ◉ Don't know / no opinion / not applicable

Please explain your answer to question 52:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 53. Do you have concrete examples of excessive government intervention in business decisions of banks?

- ◉ Yes
- ○ No
- ○ Don't know / no opinion / not applicable

Please list these examples of excessive government intervention:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Concerning Germany, there is no government intervention in business decisions of banks. But we see interference by the SSM. One example is Leveraged Lending and the ECB's guide to leveraged transactions which are not based on a CRR regulation.

The ECB guide at times classifies medium-sized and young, fast-growing companies as leveraged lending solely on the basis of their financing volume. This affects, in particular, strategically relevant areas such as defence, green tech and infrastructure (e.g., data centres). The consequence: European banks are prevented from engaging in such financing by ECB guidance. Additionally, lending is increasingly shifting to less regulated non-bank financial intermediaries. At the same time, US banks are further expanding their dominant position in M&A and private equity business, thanks in part to this direct competitive advantage. This has a direct impact on value creation, jobs and corporate control in Europe.

Question 54. How would you assess the level of enforcement of EU banking rules?

How can this be improved?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The overall level of enforcement of EU banking rules can be considered high.

EU banks operate in a highly regulated and closely supervised environment, with extensive prudential, reporting, governance and compliance requirements. In that sense, the issue is generally not insufficient enforcement, but rather the consistency, coherence, proportionality and predictability of enforcement across the Union.

From our perspective, enforcement could be improved in these main respects:

1) Enforcement should be more proportionate and risk-based.
The current framework often lays detailed requirements, supervisory expectations and reporting obligations on top of each other. In practice, this can result in burdens that are not always sufficiently aligned with the actual risk profile, size and business model of institutions. Effective enforcement should remain robust, but also avoid a mechanical or one-size-fits-all approach. Greater proportionality would make enforcement more efficient and would allow institutions to focus more resources on financing the real economy, innovation and customer service.

2) Overlaps between prudential, macroprudential, resolution and conduct-related requirements should be reduced.
Banks are frequently subject to multiple supervisory interfaces (with differences in supervisory cultures, interpretations and prioritisation among Member States) and partially overlapping expectations. Many authorities tend to apply rules up to the strictest interpretation within its remit. This results in no holistic supervisory perspective and can create unnecessary complexity, duplication and uncertainty as to priorities. Better coordination between authorities, more streamlined processes and clearer delineation of supervisory objectives would improve effectiveness without weakening resilience.

The often unharmonised nature of requirements is particularly relevant, as their implementation frequently incurs unnecessary duplicate costs. One example is the DORA regulation and resolution regulation, which, despite being treated by regulators as having the same scope, possess distinct implications.

One step in the right direction is the Better Data Sharing Regulation.

Enforcement can be improved by:

- reducing unnecessary overlaps and duplication as well as a materiality principle in supervisory and reporting requirements;
- strengthening proportionality, in particular for lower-risk and locally rooted business models;
- ensuring that supervisory expectations and data requests (or at least their granularity) are transparent, stable and predictable;
- focusing supervisory resources on material risks and genuinely prudentially relevant issues.

The key challenge is not to increase enforcement intensity as such, but to make enforcement more coherent, proportionate and efficient across the EU. This would support both financial stability and the competitiveness of the European banking sector.

Relevant authorities

Question 55. How would you evaluate the various authorities responsible for banks in terms of:

a) effectiveness (the extent to which authorities identify weaknesses and address them)

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
Supervisory authority	○	◉	○	○	○	○
Macroprudential authority	○	○	○	◉	○	○
Resolution authority	○	○	○	◉	○	○

Please explain your answers to question 55 a):

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Supervisory authorities are generally effective in identifying weaknesses and ensuring that banks address prudential concerns. In recent years, supervision in the EU has become more intrusive, more data-driven and more comprehensive. This has contributed to the resilience of the banking sector. At the same time, effectiveness should not be measured only by the volume of findings, interventions or supervisory expectations. In this context it has to be noted that supervisory authorities often issue a large number of findings and enforce their expectations with tough measures such as capital surcharges and penalty payments. However, this is not always proportionate as the supervisory approach has so far not been characterised by a clear focus on most material risks. In contrast, it often appears formulaic and process oriented. This often leads to disproportionately bureaucratic and lengthy (approval) processes. It should also be assessed by whether supervisory action is sufficiently clear, consistent and focused on issues that are genuinely material from a prudential perspective. In practice, there are still cases where supervisory expectations appear overly detailed, insufficiently prioritised or subject to differing interpretations across authorities. This can reduce legal certainty and dilute focus on the most important risks. A core prerequisite, from our point of view, is a change in the overall supervisory culture.

Macroprudential authorities play an important role in safeguarding financial stability and addressing systemic risks. However, the effectiveness of macroprudential action heavily depends on transparency, calibration and interaction with the microprudential framework. From the banks' perspective, it is not always sufficiently clear how specific macroprudential measures are assessed in terms of their actual economic effects, especially regarding lending capacity, investment and the financing of the real economy. The lack of effectiveness can be illustrated by the example of the systemic risk buffer (SRB). Since the SyRB, which is specific to Europe, can be calibrated for all potential risks – general or sector-specific – that are not covered by other capital requirements or capital buffers, it often acts as a 'safety net'. When the banking package was implemented, it extended the SyRB's scope of application to include environmental risks. This meant that applying the SyRB became arbitrary. It is now practically impossible to draw a clear distinction. We believe there is a danger that risks are covered twice.

Resolution authorities have made significant progress in developing the crisis management and resolution framework, increasing preparedness and strengthening resilience in the banking sector. This has improved the credibility of the overall framework. At the same time, effectiveness should also be assessed by whether resolution planning remains realistic, proportionate and operationally feasible for different categories of institutions. For many banks, not only those with traditional or regionally rooted business models, the relevance and practical implications of certain resolution expectations are not sufficiently aligned with their actual risk profile, structure or systemic relevance.

b) risk-based (the extent to which authorities focus on the most material risks in a proportional way)

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
Supervisory authority	○	○	○	○	◉	○
Macroprudential authority	○	○	○	○	◉	○
Resolution authority	○	○	○	○	○	◉

Please explain your answers to question 55 b):

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The overall framework is intended to be risk-based, but its practical application does not always appear proportionate enough. In some instances, supervisory attention extends beyond the most material risks and gives significant weight to issues of limited prudential relevance or to highly detailed process expectations. This can be particularly challenging for smaller institutions with lower-risk, regionally focused business models with limited personnel. A more consistently risk-based approach and focus on this would be preferred. This would require sharper prioritisation, stronger proportionality and greater recognition of differences in size, complexity and business model.

Macroprudential policy is by nature risk-oriented, but in practice it can sometimes be applied in a broad or insufficiently differentiated manner. Measures aimed at resilience should be carefully calibrated to actual systemic risk and should take account of the diversity of banking models and national market structures. A risk-based macroprudential framework should avoid overly general or persistent measures where the underlying risks are not equally distributed across institutions or business models. Greater sensitivity to unintended side effects on low-risk, institutions focusing on retail and SMEs would improve proportionality.

The resolution framework is intended to reflect differences in bank size, complexity and resolvability, but in practice there is often a tendency towards standardised expectations and increasing layers of requirements. A more genuinely risk-based approach would better distinguish between globally or nationally systemic institutions and smaller, domestically oriented institutions with less complexity and stable funding structures. Resolution planning and MREL-related expectations should remain robust, but also proportionate and tailored to realistic resolution strategies.

c) efficiency (extent to which authorities are reacting timely and are outcome focused)

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
Supervisory authority	○	○	○	○	◉	○
Macroprudential authority	○	○	○	○	◉	○
Resolution authority	○	○	○	○	◉	○

Please explain your answers to question 55 c):

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The efficiency of the supervisory authorities has improved in many areas, but there is still considerable potential for further progress.

Banks often face multiple information requests, iterative follow-up processes and overlapping expectations that may not always be sufficiently coordinated. Timelines can be demanding, while outcomes are not always as predictable or streamlined as they could be. Efficiency would benefit from more stable supervisory expectations, better coordination among authorities, reduced duplication and a stronger focus on outcomes rather than process intensity alone.

The efficiency of macroprudential authorities is debatable. On the one hand, they can act as an important stabilising force. On the other hand, the interaction of macroprudential measures with microprudential, supervisory and resolution requirements can create cumulative complexity and uncertainty. This may reduce the transparency and operational manageability of the overall framework. For example, the systemic risk buffer (SyRB) has been applied broadly and in addition to other capital buffers, contributing to an increasingly complex stack of requirements. Where the calibration and justification of such measures are not sufficiently transparent or differentiated, this may reduce the clarity and efficiency of the overall framework. Efficiency would improve if macroprudential measures were more clearly communicated, better coordinated with other layers of regulation and supervision and subject to regular review regarding necessity, calibration and side effects.

Efficiency remains a concern in the area of resolution. Banks are often confronted with extensive data requests, planning requirements and iterative processes that can be resource-intensive. In some cases, there is overlap between resolution-related expectations and prudential or supervisory workstreams. This can create duplication and additional burden without always producing clear additional benefits. Efficiency could be enhanced through more targeted requirements, improved coordination with supervisory authorities, clearer prioritisation and greater attention to operational feasibility and actual outcomes.

In general terms, we see a lack of efficiency in terms of the supervisory costs incurred by the authorities. These costs are also rising year on year (for the ECB by more than 300% between 2014 and 2024, see our remarks in relation to question 56).

d) Other

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
Supervisory authority	○	○	○	○	○	◉
Macroprudential authority	○	○	○	○	○	◉
Resolution authority	○	○	○	○	○	◉

Please specify to what other aspect(s) you refer in your answers to question 55 d) and explain your answers:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 56. How would you rate the degree of accountability of various authorities responsible for banks?

	Low	Somewhat low	Medium	Somewhat high	High disagree	Don't know - No opinion - Not applicable
Supervisory authority	○	◉	○	○	○	○
Macroprudential authority	○	◉	○	○	○	○
Resolution authority	○	◉	○	○	○	○

Please explain your answers to question 56:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

From the perspective of the supervised institutions, there could be more accountability for the authorities responsible for banks in Europe. While formal mechanisms of accountability – e.g. hearings before the European Parliament, annual reports and institutional reporting arrangements – exist on paper, they do not always adequately capture the expanding scope and real-world impact of supervisory, macroprudential and resolution activities.

Supervisory authorities
The centralisation of supervision within the Single Supervisory Mechanism (SSM) has improved supervisory consistency across the euro area. At the same time, the current framework raises several accountability and transparency questions. Supervisory methodologies, expectations and interpretative guidance increasingly shape regulatory outcomes, even though they are not adopted through the legislative process. The ECB has developed a substantial body of guides, recommendations, thematic reviews and supervisory expectations which, while formally non-binding, set uniform expectations and can have material consequences for institutions through the Supervisory Review and Evaluation Process (SREP). From the perspective of the banks, this blurs the line between supervision and rule-making and can create legal uncertainty regarding the effective prudential requirements that apply. Supervisory approaches that materially affect institutions are often developed without the procedural safeguards that apply to legislative or regulatory acts under EU law, such as structured consultations or impact assessments. Hence, the accountability framework surrounding ECB supervision could be strengthened in several respects. Greater transparency of core supervisory methodologies would help ensure that institutions and markets can better understand how supervisory assessments translate into concrete supervisory measures. Supervisory expectations and similar instruments should remain clearly anchored in existing legislation and should not evolve into de facto regulatory requirements. Supervisory instruments of general application should be accompanied by appropriate cost-benefit and proportionality assessments.
Another issue is that between 2014 and 2024 the costs of the ECB's banking supervision rose by around 334% (2014: €156.9 million; 2024: €680.6 million, i.e. 16% increase p.a.). The expectation that transferring central supervisory tasks to the ECB would reduce costs for national authorities has not been confirmed to date. Against this background, the ECB's accountability to the EU Parliament and the Council should be further strengthened, particularly with regard to the principle of economic efficiency. In relation to the costs of the ECB's banking supervision, consideration could also be given, for example, to a cost cap linked to the supervised balance sheet volume.

Macroprudential authorities
Macroprudential policy is important role for safeguarding financial stability and addressing systemic risks. However, from the perspective of market participants, the calibration of and justification for certain macroprudential measures are not always fully transparent. Decisions often depend on complex systemic risk assessments that are not always clearly communicated or consistently explained. It may be difficult for institutions to understand the analytical basis for specific measures or to assess their expected economic impact. Accountability could therefore be strengthened through clearer communication of the analytical basis for macroprudential decisions, greater transparency regarding their expected impact and regular reviews of their necessity and calibration.

Resolution authorities
Considerable progress has been made in building a credible resolution framework and strengthening preparedness for crisis situations. However, the resolution framework remains complex and the underlying decision-making processes are not always easily transparent from the perspective of the institutions. Resolution

planning and the calibration of related requirements are often developed through iterative and highly technical processes with limited external visibility. For many institutions, it is not always clear how certain requirements relate to their specific risk profile or resolution strategy. Greater transparency regarding resolution methodologies and clearer communication of the rationale for key requirements would go a long way to improving accountability.

Overall assessment
Overall, while accountability arrangements in the EU banking framework are generally established, they could be made more workable in practice. Increasing transparency around supervisory, macroprudential and resolution methodologies, strengthening scrutiny of authorities' practices and ensuring that measures with significant practical implications for institutions are accompanied by appropriate impact assessments would help improve accountability and predictability in the EU banking framework.

Question 57. Has your institution granted loans where intellectual property (IP) rights (patents, trademarks, designs) were accepted as: stand-alone collateral or collateral only in addition to tangible assets?

- Yes
- No
- Don't know / no opinion / not applicable

Question 58. Which of the following EU-level measures would materially increase your institution's willingness to lend against intellectual property assets?

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
Public guarantees covering part of IP-backed loans	○	○	○	○	○	○
IP collateral protection insurance supported by public schemes	○	○	○	○	○	○
EU-level standardised IP valuation methodologies	○	○	○	○	○	○
Securitisation frameworks for IP-backed loan portfolios	○	○	○	○	○	○
No measure would materially change our current approach	○	○	○	○	○	○

Please explain your answers to question 58:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

3.2. Prudential framework

Banks must comply with capital requirements set out in the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD). EU rules mostly derive from the Basel framework, which sets out minimum capital requirements for banks. These capital requirements are designed to ensure that banks are funded by sufficient capital to cover unexpected losses arising from these risks. EU law requires banks to always comply with several minimum Pillar 1 (CET1, Tier 1, total) capital ratios, set out as a percentage of the banks' total risk exposure amount. In addition, supervisory authorities may impose institution-specific Pillar 2 capital requirements and, where appropriate, Pillar 2 guidance, reflecting risks not adequately covered under Pillar 1, on the basis of the supervisory review and evaluation process. Apart from capital requirements, a bank must also meet leverage ratio requirements, liquidity requirements and large exposure requirements. The prudential framework is risk-based and risk sensitivity inevitably entails granularity and some complexity.

This section seeks stakeholders' feedback on the undue sources of complexity in the prudential framework and on potential measures to address them, while maintaining the resilience of the EU banking sector and the stability of the financial sector at large.

Question 59. What are the areas that create undue complexity in the prudential framework, if any?

What are the ways to reduce undue complexity in the prudential framework without leading to deregulation and undermining financial stability?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Excessive complexity stems less from the objectives of regulation and more from the way in which the framework has evolved through additional layers of regulation, detailed technical controls, supervisory expectations and parallel processes:

1) Interactions between the various levels of regulation. Level 1 requirements are increasingly being supplemented by comprehensive Level 2 standards, Level 3 guidelines, Q&As and supervisory practice. Taken together, this results in a complex web of rules and expectations that is difficult to manage in practice (see questions 48 and 49).

2) Pillar 1 requirements. The complexity here stems from the high level of technical detail, the large number of individual calculation rules and their integration with reporting and disclosure requirements. The problem lies

mainly in the scope of the technical details and the resulting effort involved in implementation and adaptation.

3) Pillar 2 requirements. In practice, complexity arises primarily from the application of SREP methodologies, supervisory expectations and recurring processes. For institutions, the calibration of institution-specific P2R requirements is often not sufficiently transparent; furthermore, there is a risk of double counting against Pillar 1 or buffer requirements (see questions 63 and 64).

4) Interaction between the various elements of the capital framework. Risk-weighted requirements, Pillar 2 measures, macroprudential buffers, resolution requirements and backstop instruments, such as the output floor or leverage ratio operate simultaneously and can reinforce one another. In practice, there are also unintended interactions between the requirements, which hinder the effectiveness of the regulations (see questions 66–68).

Regarding the large exposure regime, the exemptions to the large exposure limit in Art. 400(2) and 493(3) of the CRR should be consolidated into a fixed regulation, removing the option for competent authorities or EU Member States to grant or refuse these exemptions. The scope of these exemptions should remain as is. This would reduce the complexity and uncertainty surrounding the requirements and strengthen the framework. Banks could then decide individually whether to use one or more exemptions, thus determining the level of complexity themselves.

Other significant factors contributing to complexity are requirements that affect multiple areas such as reporting, disclosure, additional data collection or parallel supervisory processes. Repeated data requirements, short-term exercises in addition to regular reporting and multiple disclosures – for example, in the context of CRR/Pillar 3 disclosures, the CSRD and the Taxonomy Regulation – result in a significant operational burden (see answer to question 49).

5) Finally, undue complexity within the prudential framework also stems from the distribution of power across multiple authorities. This can easily lead to a fallacy: What appears reasonable and justified in individual cases leads to declining marginal utility and reduced controllability overall – while at the same time placing an ever-increasing burden on institutions and driving up their costs.

We observe that the “spectre of deregulation” is overstretched in the ongoing discussions surrounding simplification and competitiveness. Those parts of the current regulatory framework that are functioning well should be maintained. However, fragmentation across authorities and the resulting duplication, a lack of proportionality and excessive use of discretionary tools should be removed from the regulatory framework to simplify overly complex areas.

The aim should therefore be to improve regulation in the following aspects:
1. Stronger focus on reducing duplication of regulation and overlaps. Requirements that cover the same information multiple times across different tools should be systematically identified and consolidated.
2. Simple, principles-based rules rather than greater technical control of details. International standards are often translated into very detailed technical requirements within the EU. A simpler, more principles-based approach would reduce complexity without compromising stability objectives.
3. Consistent application of proportionality. Institutions with low-risk, regionally focused business models should not be required to comply with the same level of detailed technical regulation and procedural burdens as highly complex institutions. This would be acknowledged by a small bank regime, see our suggestions in relation to Questions 85 and 86.
4. A more stable regulatory framework and fewer parallel processes. Frequent changes to technical specifications and additional ad hoc data collection place a significant operational burden on the organisation.
5. Better coordination between supervisory, macroprudential and resolution authorities to avoid duplicate requirements and conflicting expectations.

Question 60. Does the prudential framework balance sufficiently risk sensitivity and complexity?

- ○ Yes
- ◉ No
- ○ Don’t know / no opinion / not applicable

How should this disequilibrium be addressed?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The current prudential framework does not strike the right balance between risk sensitivity, simplicity and comparability. The core issue is not the overall level of complexity as such, but rather that the complexity is often not aligned with actual economic risk.

In several areas, the framework combines high prescriptiveness with limited risk sensitivity, as detailed and formulaic rules do not adequately reflect underlying risk. This is particularly evident in the treatment of risk mitigants under the F-IRB approach, where highly detailed and restrictive collateral eligibility criteria (especially in object finance) limit appropriate risk recognition without improving prudence. Similarly, transaction-based tests, such as the 90% test under Article 199 of the CRR, can lead to disproportionate outcomes, as individual observations may invalidate otherwise sound portfolios. For physical collateral, this is the case because single low recoveries can invalidate otherwise strong portfolios. A more appropriate approach would be to assess average realised proceeds (e.g. on a volume-weighted basis), adjust the 70% threshold to reflect the current 40% haircut (i.e. 60%), and allow broader evidence including alternative recovery strategies.

At the same time, other parts of the framework remain overly conservative and fail to recognise important risk-reducing factors. For example, the standardised approach does not take physical collateral into account at all, and certain IPRE exposures do not benefit from collateral recognition in LGD. For IPRE exposures not meeting the hard test, the absence of any recognition of collateral effects in LGD leads to insufficient risk sensitivity and inconsistencies across approaches. A limited, standardised LGD differentiation based on exposure-to-value ratios could address this while preserving prudence and comparability.

Furthermore, the redesign of the standardised approach under CRR III has significantly increased the complexity of the requirements. However, sufficient risk sensitivity has not been achieved. The standardised approach should therefore be simplified for standardised approach institutions, while increasing risk sensitivity for IRB institutions. This could be achieved, for example, by fully implementing the hard test (maximum loss ratios) in all EU Member States and third countries that receive substantial financing from EU institutions.

Likewise, low-risk activities such as trade finance are subject to overly conservative assumptions, despite consistently low default rates.

In addition, several elements of the framework introduce unnecessary capital inflation without corresponding risk benefits. This includes, for example, the prudent valuation adjustment (PVA), which is more conservative than international practice, the continued deduction of software assets and the NPL backstop, which was originally designed to address legacy issues but now operates in an environment of structurally low NPL ratios.

Finally, certain methodologies fail to adequately reflect the characteristics of specific exposure classes. Rigid slotting approaches for specialised lending and conservative treatments of low-default portfolios – such as infrastructure or renewable energy projects – do not sufficiently account for stable, long-term cash flows. Similarly, overly prescriptive rules for the trading book boundary under FRTB add complexity without clear risk benefits.

Overall, complexity does not consistently translate into better risk differentiation. Instead, it is often concentrated in areas where it adds limited value, while important risk mitigants remain insufficiently captured.

The framework should therefore be recalibrated to ensure that:

- Complexity is reduced where it does not enhance or even reduces risk sensitivity,
- Risk differentiation is strengthened where it can be achieved in a proportionate and operationally feasible manner and
- The framework should also avoid unnecessary cumulative capital effects by eliminating rules that lead to capital inflation without risk justification.

This would improve both the effectiveness and the efficiency of the prudential framework without compromising financial stability.

Please see the attached document for additional remarks.

Question 61. Does the prudential framework strike the right balance between risk-weighted requirements and backstops (output floor, leverage ratio) or Pillar 2 requirements?

- ○ Yes
- ◉ No
- ○ Don’t know / no opinion / not applicable

Please explain your answer to question 61:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The current supervisory framework does not strike a balance between risk-weighted capital requirements and safety mechanisms that are not or not very risk-sensitive, such as the output floor or leverage ratio, as well as Pillar 2 requirements.

Risk-weighted capital requirements remain at the core of the regulatory framework. They ensure that capital requirements reflect the actual risks faced by institutions, thereby ensuring sufficient loss-absorption capacity and providing disciplinary incentives regarding the institutions’ risk-taking behaviour. Given that risk-weighted capital requirements are calibrated conservatively overall and that the internal models are subject to very stringent requirements and reviews, the need for additional backstops is fundamentally questionable.

In practice, the interaction of these instruments leads to unnecessary complexity, inconsistencies and unjustified increases in capital requirements.

This is particularly evident in the case of the output floor. Since this has a direct impact on risk-weighted assets, it not only increases minimum capital requirements but also automatically increases all capital buffers based on them. This results in instruments with different regulatory objectives being conflated: Whilst the output floor is intended to limit model variability, capital buffers serve to build up additional stability reserves (see answer to question 68).

Interaction with the leverage ratio may also lead to additional restrictions. As a blanket backstop, it should serve as a supplementary safeguard and not become a binding capital requirement in parallel.

We consider the current balance and separation of Pillar 1 and Pillar 2 risks to be fundamentally appropriate. However, the complexity and level of detail of both pillars have increased significantly in recent years. In our view, there need to be clear simplifications and a focussing on institutions with low-risk, simple business models – particularly SNCIs.

Furthermore, in their current form, Pillars 1 and 2 do not form a coherent and consistent overall framework.

Parallel or duplicate requirements should be avoided. For Pillar 2, the ICAAP should again be geared more closely to its original purpose as an institution-specific risk management tool. LSIs should be allowed to design their ICAAPs and stress tests independently and appropriately; detailed supervisory requirements and assessment standards should be scaled back accordingly. Additional complexity arises from Pillar 2 requirements and recommendations, the calibration of which is sometimes not very transparent and may overlap with other elements of the capital framework (see answers to questions 63 and 64).

Taken together, the interaction of these factors results in increasingly complex capital requirements, the overall impact of which is becoming increasingly difficult for institutions to grasp. A better balance could be achieved by:
• avoiding automatic interactions between the output floor and capital buffers
• more transparency and risk sensitivity with Pillar 2 requirements, in particular, moving away from the current 'risk-by-risk' approach, which leads to an unjustified accumulation of individual risks
• a regular review of the cumulative effect of the capital stack (see also questions 70 et seq.).

For further proposals regarding a regulatory framework for small banks, please refer to our answers to questions 85 and 86.

Leverage ratio

The leverage ratio requirement is intended as a non-risk-based 'backstop' measure. Its purpose is to constrain the build-up of excessive leverage. The leverage ratio measures the amount of equity an institution has as a share of its assets or investments. The prudential regulation includes several exemptions in the calculation of the exposure measure. Apart from the minimum leverage ratio requirement of 3%, the EU has also introduced an additional requirement for global systemically important institutions and Pillar 2 leverage ratio requirements.

Question 62. Do you think that the leverage ratio framework would need improvement?

- (●) Yes
- ( ) No
- ( ) Don't know / no opinion / not applicable

Do you have any suggestions as to how to improve the leverage ratio framework?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Please explain your answer to question 62:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

To comply with the leverage ratio as a regulatory indicator, an institution's Tier 1 capital must amount to at least 3% of its total claims (both on-balance-sheet and off-balance-sheet).

The risk exposure of individual positions is irrelevant; the ratio is not risk weighted. Institutions must also cover risk-free positions, such as central bank balances, with capital. The leverage ratio does not therefore provide an incentive to limit risk.

Conversely, it might even impair the functioning of the financial system. The leverage ratio limits the amount of customer deposits an institution can accept. This is because unless the institution's other liabilities decrease at the same time, the leverage ratio inevitably deteriorates when deposits are accepted.

This is irrespective of how the institution itself uses the funds – even if it parks them with the central bank at no risk whatsoever. However, keeping customers' deposits safe is a key task for financial institutions. Banks must be able to accomplish this task reliably at all times. Furthermore, customer deposits are a very stable refinancing source. Central bank deposits should therefore be excluded when calculating the leverage ratio.

Regarding proportionality and the regime for small banks, see our answer to question 85.

In addition to CRR requirements on leverage ratio, the reporting requirements generate an additional administrative burden. We see no legal basis for maintaining templates C 40.00 and C 43.00. These templates were introduced for the reporting of data required for the preparation of the report pursuant to Article 511 CRR. The EBA already submitted this report in 2016. As the retention of data reports that are no longer required for supervisory purposes is unduly burdensome for institutions, we advocate the removal of both templates.

Furthermore, the Pillar 2 requirements for assessing and, where applicable, determining an individual P2R-LR and P2G-LR appear unnecessary. These entail a disproportionate amount of effort. For exceptional cases (e.g. individual institutions with questionable business and accounting practices), there are sufficient alternative supervisory measures and powers in place. The provisions relating to P2R-LR and P2G-LR should therefore be deleted and not replaced (see our answer to question 63).

Pillar 2 capital components

Competent authorities shall impose an additional own funds requirement, a Pillar 2 Requirement (P2R) if a bank is exposed to risks or elements of risks that are not covered or not sufficiently covered by Pillar 1 requirements. In addition, competent authorities determine for each credit institution the overall level of own funds they consider appropriate to ensure that the institution's own funds can absorb potential losses resulting from stress scenarios, this is generally referred to as the Pillar 2 Guidance (P2G).

Question 63. Do you think the Pillar 2 Requirement needs to be improved?

- (●) Yes
- ( ) No
- ( ) Don't know / no opinion / not applicable

Please provide any suggestions as to how to improve the Pillar 2 Requirement:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

It must become supervisory practice to ensure that institutions have full transparency regarding the calculation of individual P2R and that double counting of individual risks or risk components is prevented. Care must also be taken to ensure that calibration is appropriate and risk-sensitive. We consider the requirements for assessing and, where necessary, determining individual P2R-LR and P2G-LR unnecessary. They should be deleted and not replaced.

The P2R requirements are largely determined by the EBA's SREP guidelines and supervisory practice. It is crucial, here, to ensure that institutions are given full transparency regarding the calculation of individual P2R and that double counting of individual risks or risk components is prevented. Calculations on a risk-by-risk basis, which set the Pillar 1 capital requirement as the minimum for each risk category but only aggregate the risk categories or components that result in a higher requirement, should be avoided.

The calibration of P2R add-ons should be appropriate and not overly conservative. In practice, ratios are sometimes set at well over 3 percentage points. However, increasing capital requirements is not a panacea for all potential weaknesses. Overall, the current risk-based capital stack is too complex (see our comments on buffers, questions 70 et seq.).

Furthermore, the requirements for assessing and, where applicable, setting an individual P2R-LR and P2G-LR seem unnecessary. These entail additional effort, but are already conceptually questionable, as the leverage ratio is designed as a blanket, non-risk-sensitive backstop. In exceptional cases (e.g. individual institutions with questionable business and accounting practices), there are sufficient alternative supervisory measures and powers in place. The provisions relating to P2R-LR and P2G-LR should therefore be deleted without being replaced (see our answer to question 62).

In particular, there is potential for optimisation with regard to Article 104(1)(a) of the CRD and the possibility of additional own funds requirements (P2R), especially for smaller institutions with a low risk profile. For institutions that qualify to opt in to a potential small bank regime, an individual P2R requirement would not be needed. We refer you to our answers to questions 85 and 86.

Question 64. Do you think the Pillar 2 Guidance needs to be improved?

- (●) Yes
- ( ) No
- ( ) Don’t know / no opinion / not applicable

Please provide any suggestions as to how to improve the Pillar 2 Guidance:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The P2G should be replaced by a Supervisory Management Buffer. This should be set by the competent supervisory authority but calculated without a stress test. An upper limit should be set. There should continue to be no requirements regarding publication of this buffer as a recommendation.

The P2G ratio is currently derived from the results of supervisory stress tests, which place an unreasonably high burden on both institutions and supervisors. We advocate the regulator establish a buffer that serves as a recommendation, without stress tests, based on available data.

At the very least, significant reductions in workload need to be achieved; this can be done, for example, with longer cycles and top-down solutions. The requirement in Article 100(1) of the CRD that supervisory stress tests be conducted ‘at least annually’ should be deleted. It is already inconsistent with the EBA Guidelines on the SREP (EBA/GL/2022/03 and EBA/CP/2025/21), which stipulate that institutions in categories 3 and 4 should carry out all SREP elements only once every three years (in some cases, this may be extended to five years).

Exemptions should be introduced in Article 104b of the CRD, at least for smaller banks with low-risk business models (waiver and a flat-rate P2G based exclusively on existing data using a top-down approach). However, with a flat-rate P2G or top-down solutions, an overly conservative approach should be avoided, as otherwise even smaller institutions with low risks would be unable to benefit from the simplifications. Even for larger institutions, top-down approaches and a longer cycle would generally be sufficient and would help reduce the workload.

We would also like to draw attention to the fact that, in practice, the recommendation often carries significant weight, as failure to meet the target may result in intensified supervision and ‘conversion’ into a P2R add-on (Article 104a(1)(e) of the CRD). This counteracts the flexibility that P2G was actually intended to provide, as well as to certain buffer requirements (such as the ability to release tied-up capital in times of crisis).

Management buffer

Most banks have excess capital over the capital requirements, often called a management buffer. Most banks set a specific target level, above capital requirements. Some banks also disclose this target level. Reasons to set a management buffer can include internal considerations such as managing unexpected risk and external considerations such as expectations from other stakeholders.

Question 65.1 What determines the level of the management buffer?

How much does the management buffer weigh in the overall capital set aside by banks?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In principle, a distinction should be made between whether a capital surplus exists and whether the institution's governing body has specifically stipulated that an additional ratio (on top of all existing regulatory requirements and recommendations) needs to be retained.

The expectation that institutions should establish such a management buffer stems largely from the ECB's supervisory practice regarding SIs. It is therefore not possible to provide a reliable estimate of the amount or proportion of the total capital.

The amount of a management buffer – where specified – depends on various factors, such as the management board's risk appetite. An important external factor is uncertainty regarding the level of future capital requirements, e.g., new buffers for systemic risks (real estate loans, ESG, etc.) or new definitions of P2R and P2G. It can, therefore, be assumed that banks with a management buffer regularly maintain substantial margins above the minimum requirement in order to ensure that future supervisory decisions do not erode the management buffer. Reducing these uncertainties surrounding increasing regulatory requirements would have a positive effect on the stability and predictability of capital requirements.

The approach of a small bank regime is also of great importance here. If individual P2R and P2G are eliminated, this leads to greater predictability.

Question 65.2. Do you think there are unwarranted pressures to set such a buffer?

- (●) Yes
- ( ) No
- ( ) Don't know / no opinion / not applicable

Please provide any suggestions that would help reduce undue external incentives to set management buffers:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The management buffer does not stem from any requirement under the CRD, but largely from the ECB's supervisory practice regarding SIs. This is an expectation set out in the ECB's 2018 ICAAP guidelines, although it has the characteristic of a 'soft law'. In this respect, there is certainly pressure on the SIs, at the very least, to set an appropriate ratio. However, this does not seem appropriate: With the capital conservation buffer and the P2G, capital stipulations are already in place to ensure compliance with the minimum requirements (Pillar 1 + P2R) in stress scenarios. That additional capital must be held in reserve to ensure that existing 'stress buffers' are not drawn upon even in times of stress, renders parts of the capital framework, with its varying levels of enforceability, somewhat pointless and runs counter to the intention of the capital stack (the

partial releasability of certain components, for example in response to a crisis). Here, too, contradictions and unintended interactions between various regulatory issues and actual supervisory practices exist, which undermine the overall effectiveness of the regulations and unnecessarily increase complexity, costs and the administrative burden for institutions (and for the supervisory authorities as well).

It should be entirely up to the institutions to decide whether and to what amount they set an additional management buffer for themselves.

Non-performing loans

In over a decade, the EU has adopted with success several measures to reduce the amount of NPLs in the economy to promote the stability of its banking system and free up capital for new lending, thereby restoring market confidence to the benefit of the real economy. Among these were

i. the 'NPL-backstop', which requires banks to book minimum levels of provisions for NPLs and to apply a deduction to their capital if provisions fall short

ii. the Credit Servicers (or NPL) Directive, which sets up a harmonised legal regime for credit purchasers and credit servicers

iii. the framework for Specialised Debt Restructurers, which further promotes NPL secondary markets by exempting institutions that are specialised in the acquisition and management of non-performing exposures from the NPL backstop

Question 66. Are, in your view, the various elements of the framework aimed at reducing NPLs working as intended?

- ○ Yes
- ◉ No
- ○ Don't know / no opinion / not applicable

Please explain your answer to question 66 and, if deemed relevant, provide suggestions to improve the framework:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Firstly, the NPL backstop is a classic example of EU gold-plating as it does not exist under Basel. The EU is the only jurisdiction where such a backstop exists. The UK abolished the backstop in 2024. For EU banks, the backstop has significant competitive disadvantages, particularly in comparison with jurisdictions with structurally lower NPL ratios and more flexible supervisory approaches.

EU measures to reduce non-performing loans have contributed to stabilising the banking sector. Particularly after the European sovereign debt crisis, reducing high NPL portfolios was a key objective. Germany has for many years recorded a low NPL ratio. Existing supervisory frameworks and banks' internal risk management mechanisms for dealing with non-performing exposures are functioning effectively. Key elements are, therefore, moving in the right direction. Risk provisions are made at an early stage and losses are recognised promptly.

However, adjustments are needed to improve the balance between financial stability, risk provisioning and

lending capacity. A key aspect concerns the design of the ‘Pillar 1 NPL backstop’. This mechanism can lead to an overlap of different regulatory instruments. In addition to the minimum provisioning requirements under the CRR, other mechanisms already affect risk provisioning, in particular expected credit losses under IFRS 9 and supervisory measures under the SREP process. Some of these instruments pursue similar objectives leading to an unnecessary burden.

Seven years after its introduction, the NPL backstop therefore warrants review and possible adjustment. The mandatory deduction from own funds for non-performing exposures that are not resolved or sold within predefined time limits – in addition to the recognition of credit risk losses in financial statements – can create unintended consequences. Mechanical calendar provisioning may not adequately reflect the economic value of exposures, especially where high-quality collateral exists and recovery prospects remain strong. In particular, the current framework does not sufficiently recognise the risk-mitigating effect of eligible collateral, such as real estate collateral meeting the strict CRR criteria. This weakens the backstop’s risk sensitivity and may lead to disproportionate capital deductions.

Hence, the NPL backstop could be designed more as a last resort instrument and applied in a more risk-based manner. E.g., the backstop could be applied primarily to institutions whose NPL ratios exceed a certain threshold, such as 5%.

In addition, the further development of functioning secondary markets for non-performing loans is important. Despite the progress made by Directive (EU) 2021/2167, structural barriers remain in some Member States. Furthermore, existing requirements, particularly regarding data standards and servicing frameworks, are often designed for large-scale portfolio transactions and may be disproportionate for smaller institutions and smaller NPL portfolios. In Germany, the authorisation process for credit servicers has proven complex for some market participants, leading certain service providers to leave the market and contributing to a tightening of supply.

Measures to reduce non-performing loans are caught between the conflicting priorities of risk provisioning and lending capacity. Excessive capital commitment can exacerbate procyclical effects, particularly in economic downturns, and impair the financing of the real economy.

While the CRR’s NPL backstop applies to all institutions and there is no threshold, such a threshold does exist under Pillar 2 (5%). However, when calculating this ratio, write-downs and collateral are not taken into account. It would be more risk-appropriate to take account of the non-performing unsecured exposure, i.e. after risk adjustments and collaterals. Due to the restrictions they impose, the NPL requirements (Pillar 1 and Pillar 2) have a negative impact on the real economy and, consequently, on the competitive landscape as a whole, as they create a greater incentive for institutions to resolve customers facing financial difficulties as quickly as possible, rather than opting for a restructuring that makes more business sense.

Regulation measures should promote early risk provisioning while allowing sufficient flexibility for economically sensible loan restructuring. We recommend maintaining the existing European NPL framework but also call for targeted changes for a more risk-focused application of the NPL backstop, addressing overlaps with other instruments and promoting efficient secondary markets for non-performing loans.

Own funds instruments

Question 67. Do you see any issues with the current rules on own funds instruments (CET1, AT1, Tier 2)?

- ◯ Yes

- (●) No
- ( ) Don’t know / no opinion / not applicable

Please explain your answer to question 67:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The overarching goal is to strengthen the competitiveness of European banks. With regard to own funds instruments, we currently see no potential for changes in the requirements to contribute to this. On the contrary, changes in the area of own funds instruments would lead to years of high regulatory uncertainty and market distortions. This would significantly weaken the competitiveness of banks.

The quality of own funds has improved significantly under Basel III. Eligible instruments must meet strict requirements in terms of loss absorbency, subordination, permanence and the flexibility of distributions. From a prudential perspective, there is no justification for questioning the current capital structure, particularly the role of AT1 instruments. Following the market turmoil of 2023, the Basel Committee on Banking Supervision came to the same conclusion.

We strongly urge maintaining the existing capital structure (CET1, AT1 and T2) for going-concern purposes. Removing AT1 and T2 from going-concern capital would constitute significant gold-plating compared to the Basel framework. We therefore reject proposals such as those made by the ECB (cf. paper “Simplification of the European prudential regulatory, supervisory and reporting framework”, Recommendation #2), which would ultimately lead to significantly higher CET1 minimum requirements when replacing AT1 and T2 instruments by CET1 instruments. While the changes would mean deviations from international standards, thus weakening the competitiveness of European institutions we do not share concerns regarding the soundness or functionality of the instruments. AT1 instruments in particular strengthen loss absorption capacity and, due to their subordinated position, protect senior creditors and depositors. The approach taken by the Swiss supervisory authorities in a specific case in 2023 does not serve as a reason for changes in the EU since European supervisory authorities have clearly distanced themselves from the Swiss approach (https://www.srb.europa.eu/en/content/eu-regulators-distance-themselves-credit-suisse-bond-writedowns).

We also reject any tightening of the eligibility criteria for AT1 instruments, as this would constitute gold-plating, leading to higher capital costs and thus to competitive disadvantages for European institutions. Given the ownership structure of non-listed banks, the option to write down AT1 instruments instead of converting them into CET1 must be kept in place.

Overall, we consider the current level of CET1 requirements in the system to be sufficient to maintain financial stability. The current CET1 ratio of European banks is 16.2% for Q1 2025 (EBA RDB 2025 Q1). A complete replacement of AT1 and T2 instruments would mean that European banks would have to increase their CET1 by more than EUR 400 billion (cf. EBA RDB 2025 Q1). This would restrict lending capacity, significantly reduce returns on capital, reduce the investor base and reduce flexibility in capital management.

The main reason for the management buffers we are currently seeing lies not so much in the fundamental design of the AT1 instruments themselves, but primarily in the interplay between capital buffer requirements, distribution restrictions and the maximum distributable amount (MDA). Against this background, it seems sensible to review the MDA mechanism in order to reduce unintended incentives to build up additional management buffers and to improve the effectiveness of regulatory capital buffers.

Nevertheless, procedural simplifications at Level 1 can be achieved through the following proposals:

(1) An application in accordance with Article 26(2) CRR is currently required even if no profit is to be included in CET 1 in order to be permitted to recognise the current risk provisions as of the reporting date (Article 1(1) DR (EU) 183/2014). It should be possible to take current risk provisions into account without having to submit an application. The requirement to apply for the recognition of zero profits should be waived.

(2) Permanent permission for own funds reduction for the purpose of market making in own instruments (Article 78(1)(b) CRR)

(3) Waiver of request for non-material repurchases as long as CET1 significantly exceeds the MDA threshold

(4) Recognition of Tier 2 in amortisation based on the current book value multiplied by the number of remaining days.

Output floor

Implementing a key part of the final Basel III standards, the EU introduced the output floor as part of the banking package applying from January 2025. The output floor aims to limit the unwarranted variability in the own fund requirements produced by internal models relative to an institution using the standardised approaches. By setting a lower limit on the own funds requirements that are produced by institutions' internal models of 72,5% of the own funds requirements that would apply if standardised approaches were used by those institutions, the output floor limits the risk of excessive reductions in capital.

While the Basel III international standards suggest applying the output floor only at the highest level of consolidation of a banking group, in the EU the output floor applies at all levels of consolidation (consolidated level and individual level of each subsidiary). To avoid a disruptive impact on lending and to ensure its impact on own funds the application of the output floor is phased in over a sufficiently long period of time.

Question 68. What are your views on the following considerations regarding the EU implementation of the output floor?

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
The current rules introduced by CRR3 achieve the right balance – no need to revise the output floor framework	○	○	○	◉	○	○
Some or all of the transitional derogations related to the output floor should be prolonged	◉	○	○	○	○	○
Some or all of the transitional derogations related to the output floor should be made permanent	◉	○	○	○	○	○
The output floor should only apply at consolidated level	◉	○	○	○	○	○
The calibration of the output floor (72.5%) should be increased	○	○	○	○	◉	○
The calibration of the output floor (72.5%) should be made more risk-sensitive	○	○	○	○	◉	○
The calibration of the output floor (72.5%) should be reduced	◉	○	○	○	○	○
Other	○	○	○	○	○	○

Please explain your answer to question 68:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The impact of the new Basel regulations on banks' minimum capital requirements is mitigated in the EU by a series of transitional arrangements. Firstly, the higher capital requirements associated with certain Basel changes are to be introduced gradually. This applies, in particular, to capital requirements for unconditionally cancellable commitments. The phasing-in of the output floor and the capital requirements for equity exposures have been postponed for two years.

In addition, the effects of the output floor have been mitigated by transitional arrangements. These can be applied by banks that use internal models to calculate their minimum capital requirements, e.g. for exposures to creditworthy corporates, residential real estate or securitisations.

According to calculations by the EBA, both the phase-in of the output floor and the removal of transitional arrangements would increase capital requirements for banks in the EU. However, during the phase-in period up to 2030, the increase in capital requirements would, on average, remain moderate at around 1.4%. The removal of transitional arrangements would have a much stronger impact, leading to an average increase in capital requirements of around 4.3 percentage points by 2033. For the most affected institutions, the effect would be much greater.

To prevent this increase, the phase-in arrangements should be 'frozen' at their current level. The output floor should remain at 55% of the capital requirements under the supervisory standardised approaches. The transitional arrangements should be granted to institutions on a permanent basis beyond 2032. A further increase in capital requirements resulting from the rising output floor could translate into higher lending costs or reduced credit availability. This effect would be particularly pronounced for long-term investment financing, infrastructure projects, innovative firms and SMEs that rely heavily on bank financing in Europe's bank-based financial system.

It is important to maintain the transitional arrangement for exposures to corporates without an external credit rating. In many EU economies, a large share of companies – especially SMEs and mid-caps – do not have external ratings by structure. Removing the transitional relief would significantly raise capital requirements for lending to these firms, thereby worsening financing conditions for the segment most crucial for innovation, employment, and regional development.

Lower capital requirements for banks using internal models remain justified as these institutions invest substantial resources in risk measurement and management systems that capture portfolio risks more accurately than standardised approaches. Concerns that internal models might artificially reduce capital requirements have been addressed in recent years. The EBA's IRB repair programme introduced highly detailed and harmonised minimum standards for estimating PD and LGD parameters. Moreover, the ECB's Targeted Review of Internal Models (TRIM) and related supervisory guidance significantly tightened supervisory expectations regarding model validation, governance and data quality. These initiatives have reduced unwarranted model variability and strengthened comparability across banks. Evidence from the EBA's benchmarking exercises under Art. 78 CRD supports this conclusion: supervisory analyses indicate that dispersion in risk-weighted assets across model banks has declined over recent cycles and a growing share of remaining differences can be explained by underlying portfolio risk rather than modelling practices. While variability has not disappeared entirely, the reforms have demonstrably improved the consistency and reliability of internal models.

Given these developments, maintaining scope for risk-sensitive modelling is both economically efficient and

prudentially sound. An overly binding output floor would risk neutralising these improvements and undermine incentives for advanced risk management.

3.3. Macroprudential framework

The EU macroprudential framework and its implementation is multi-layered, involving both national and EU authorities. While macroprudential policies in the EU are largely national, their implementation at national level often requires the involvement of different EU bodies (European Commission, European Systemic Risk Board (ESRB), ECB) to preserve the integrity of the single market. However, in practices, the implementation of national measures leads to unwarranted heterogeneity and inconsistency across Member States.

The EU macroprudential framework for banks, which includes both capital-based measures and risk-weight tools, is perceived as being rather complex in international comparison. The capital buffers framework features five buffers, two of which are EU specific. The macroprudential framework also includes a risk-weight toolkit which allows national authorities to increase risk weights on bank exposures to tackle risks in specific sectors, particularly in the real estate sector. This toolkit is based on decentralised governance, which is unduly complex and creates inefficiencies such as potential overlaps, heterogeneous application and administrative burden.

Moreover, the interaction between macroprudential and micro-prudential requirements (which are often intertwined), and resolution requirements may hinder in certain cases buffer usability.

This section seeks stakeholders' feedback on the undue sources of complexity in the macroprudential framework and on potential measures to address them, while maintaining the resilience of the EU banking sector and the stability of the financial sector at large.

Question 69. In your view, which of the areas below create inefficiencies and undue complexity in the macroprudential framework?

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
The current number and scope of macroprudential buffers, some of which may potentially tackle similar risks	◉	○	○	○	○	○
The calibration of macroprudential buffers	◉	○	○	○	○	○
The calibration of other macroprudential tools	○	○	○	○	○	◉
The heterogeneous application of some tools like Other Systemically Important (O-SII) buffers across the EU	◉	○	○	○	○	○
The current reciprocity arrangements	○	○	○	◉	○	○
The decentralised macroprudential governance framework and prominent role of national macroprudential authorities in setting measures.	◉	○	○	○	○	○
Other	○	○	○	○	○	○

Please explain your answer to question 69:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The ECB (recommendation No. 1) has advocated adjustments to the capital stack as a whole. The European Commission, on the other hand, only addresses the macroprudential framework in its questions. We consider the focus on this aspect of capital requirements alone to be too narrow. Particularly given that the competitiveness of banks is to be strengthened, a limited perspective is not sufficient. Rather, the overall situation must be considered. We therefore take a broad view in our response to this question and also include the microprudential framework in our answer. That said, we refer to our statement in regard to question no 68. Where the output floor is concerned, its mechanism of action should not be viewed in isolation. Rather, an increase in the risk-weighted assets base has a direct impact on the overall capital architecture. This not only raises the minimum capital requirements but also automatically increases all capital buffer requirements.

The capital stack from a going concern perspective contains all the components of microprudential (Pillars 1 and 2) and macroprudential (capital buffers) capital requirements for institutions from a risk-based and non-risk-based perspective. In its paper ‘STACKING ORDERS AND CAPITAL BUFFERS’, the EBA has summarised the total capital requirements of the European framework and highlights how complex the regulatory framework is. The individual components of the capital stack are each subject to extensive and detailed regulations. Interactions between macroprudential requirements, microprudential capital requirements and resolution requirements (e.g. MREL) can create additional complexity. The current capital buffer framework comprises several buffers, some of which have similar objectives. This leads to overlaps and makes transparency of the capital stack more difficult. The wide range of instruments increases complexity without necessarily delivering a commensurate benefit in terms of stability.

The complexity is further increased by the distribution of responsibility for individual capital buffer requirements across different national and European supervisory authorities (SSM, NCAs, Financial Stability Board (in Germany), SRB, NRA, ESRB, EBA, JC ESAs). The interaction between several national and European authorities results in fragmented responsibilities and complex decision-making processes.

Total capital requirements are calculated as the sum of the various individual measures. There is no overall assessment (holistic perspective) of the individual measures with regard to the appropriateness of the total capital requirements of an individual institution. The calibration of individual buffers is sometimes not very transparent and difficult to compare across Member States. A more harmonised and transparent methodology could make it easier for institutions to plan ahead. The wide range of additional instruments (e.g. sectoral measures or risk-weighted instruments) may lead to overlaps with existing buffers. This makes it difficult to assess the overall impact of the macroprudential toolkit. The O-SII buffer is not applied uniformly across Member States. These differences can lead to distortions of competition and undermine the comparability of capital requirements within the single market. Greater harmonisation would be advisable.

The current regulations do not impose any limits on the amount of capital to be held by an institution. Furthermore, there is no guarantee that the requirements of the individual measures are consistent and do not overlap and that risks are not taken into account twice. The litmus test – especially for the macroprudential instrument of capital buffers – was the coronavirus pandemic. It became apparent that capital buffers are of limited use in practice, even when supervisory authorities partially released them. The institutions are also facing a steadily increasing procedural burden in order to meet these requirements.

The shortcomings identified are hampering the competitiveness of European institutions and their ability to take action, which in turn is causing uncertainty among investors. The capital stack and not only the macroprudential framework needs to be simplified, provided that the current capital requirements are not increased further.

Question 70. How can the macroprudential buffer framework be streamlined, while at the same time preserving resilience and the ability of responsible authorities to address systemic risks?

Which buffers could be merged and what should be their role?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Measures to adjust the capital stack should contribute to three main objectives: reducing complexity, optimising the usability of existing capital buffers and a holistic assessment of capital requirements for individual institutions.

The first important measure is the removal of the systemic risk buffer (SyRB), a form of European gold-plating not applied in jurisdictions outside the EU. Since the SyRB can be calibrated for all potential risks – general or sector-specific – that are not covered by other capital requirements or capital buffers, it often acts as a 'catch-all buffer'. When the banking package was implemented, it extended the SyRB's scope of application to include environmental risks, which renders its application largely arbitrary. It is now practically impossible to draw a clear distinction. There is a danger that risks are covered twice.

The second important measure is to design the buffer for other systemically important institutions (O-SII buffer) in such a way that it is harmonised with and proportionate to other capital requirements. The O-SII buffer has been implemented in European countries according to national methods and currently varies widely from Member State to Member State. The same institution may be subject to different buffers in different EU countries, which runs counter to the goal of a harmonised internal market. In addition, the O-SII buffer may be higher than the buffer for global systemically important institutions (G-SII buffer). With the current maximum limit rule, this leads to distortions in international comparison. The O-SII buffer should therefore be capped at 0,75% of risk-weighted assets.

Overall, the entire capital buffer concept should be simplified and replaced with a clear concept. In addition, an overall cap on the sum of required capital – including buffers, P2R and P2G – should be introduced. Exceptions should only be made for institution-specific cases.

Based on 'Total capital' on the 'going concern' side of the capital stack, a restructured capital framework could merge P2R and most of the existing capital buffer requirements into a Releasable Buffer (RB). The key points would be:

- Abolishing the systemic risk buffer (SyRB)
- Retaining the G-SII/harmonising the O-SII framework and cap it
- Retaining a materially unchanged threshold for the maximum distributable amount (MDA)
- Introducing a releasable capital buffer RB (merging additional capital requirements from Pillar 2 (P2R), the capital conservation buffer (CCB 2.5%) and the countercyclical capital buffer (CCyB))
- Introducing a Supervisory Management Buffer (SMaB, which is like the current capital recommendation (P2G) but without a stress test)

The releasable capital buffer would be determined by the competent supervisory authority. It would take into account institution-specific risks and adjustments to macroprudential requirements, including a positive neutral

capital buffer rate of 2.5%. The upper cap for the releasable capital buffer should not exceed 7.5%. Appropriate transparency must be ensured when determining the buffer, and any changes must be comprehensible. Optionally, the O-SII buffer could also be separated from the G-SII framework in terms of content and integrated into the RB.

The supervisory management buffer reflects today's capital recommendations. It should be calculated without a stress test and also set by the competent supervisory authority. It would not be published. An upper limit would have to be established here too.

By consolidating responsibility with the competent supervisory authority, communication is made significantly easier from the institutions' point of view: A single point of contact for all issues. The competent supervisor would be responsible for ensuring appropriate total capital adequacy and could thereby prevent double coverage, which is inherent in the current framework due to differing responsibilities.

We do not consider the ECB's proposal to combine only the systemic risk buffer and the countercyclical capital buffer into a releasable capital buffer to be sufficient. Limiting ourselves to these two buffers prevents us from making full use of the existing capital buffer capacity. In addition, it would be necessary to ensure that the ECB' s proposal is not just a new nameplate, with everything remaining unchanged behind it. This approach would not actually bring any simplification.

Furthermore, the industry rejects a positive neutral rate within the countercyclical capital buffer framework. Instead, existing capital components such as the capital conservation buffer must be used.

Question 71. What are your views regarding the need for a buffer for tackling sectoral risks?

Is there a need to maintain a sectoral buffer specifically for real-estate exposures to ensure a more targeted application?

- ○ Yes
- ◉ No
- ○ Don't know / no opinion / not applicable

Please explain your answer to question 71:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

From our point of view, there is no need for a buffer for tackling sectoral risks; the same applies to a buffer specifically for real-estate exposures to ensure a more targeted application. Currently, sector-specific macroprudential risks in the EU are taken into account as a whole within a systemic risk buffer. However, these capital buffer requirements are not covered by the Basel framework. The industry therefore rejects the systemic risk buffer as a form of European gold-plating. This also applies to a sectoral buffer specifically for real-estate exposures. The competent authorities already have sufficient instruments at their disposal to counter the risks arising from real-estate exposures. Furthermore, it overlaps with other macroprudential and microprudential tools. Sector-specific application makes the framework overly complex without making a relevant additional

contribution to financial stability. There are other backstops and requirements to be adhered to that may cover sectoral risks (P2R, P2G, LR, SREP). Banks must take all risks into account as a matter of principle, so an additional buffer can only be a duplication.

Furthermore – regarding the first question – it remains unclear to us how environmental risks, for example, can be converted into capital requirements. Overall, we consider the extension to ESG risks to be a theoretical exercise. That said, we also reject as unnecessary the recent inclusion of ESG risks in the systemic risk buffer under Article 133 CRD. ESG risks are adequately covered within the microprudential and risk management framework.

Question 72. What are your views on the identification of O-SIIs and the calibration of the buffer for systemically important banks?

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
The methodology for the identification of O-SIIs should be revised to ensure an enhanced cross-country consistency while considering national specificities.	○	○	○	○	◉	○
The O-SII buffer should be calibrated following a more harmonised methodology which ensures a better correlation of systemic importance with a defined range for the level of the buffer rate	◉	○	○	○	○	○
Maintain the current state of play regarding the O-SII buffer calibration while enhancing transparency and accountability (including through public disclosure) regarding the calibration methodology and its application.	○	○	○	○	◉	○
Other	○	○	○	○	○	○

Please explain your answer to question 72:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

An important measure would be to design the buffer for other systemically important institutions (O-SII buffer) in such a way that it is harmonised with and proportionate to other capital requirements, rather than triggering a race to the top. The O-SII buffer has been implemented in European countries according to national methods and currently varies widely from Member State to Member State. This results in an impermissible distortion of the level playing field in the internal market. Furthermore, the same institution may be subject to different buffers in different EU countries, which runs counter to the goal of a harmonised internal market. In addition, the O-SII buffer may be higher than the buffer for global systemically important institutions (G-SII buffer). The O-SII buffer should, therefore, be capped at 0,75% of risk-weighted assets.

A more consistent calibration would increase transparency and predictability and help create a level playing field in the single market.

Question 73. Is the current share of releasable buffers* (countercyclical buffer and the systemic risk buffer) in the total combined buffer requirement adequate, so as to ensure that sufficient resources can be released in a downturn to support lending to the economy?

* Releasable buffers are designed in a way to ensure that they can be built-up and released (countercyclical buffer) or discontinued (systemic risk buffer), upon agreed triggers and process by designated authorities and ensure that capital is made available to sustain lending to the economy in a downturn. Non-releasable buffers are not expected to be released in downturns and are designed to address risks related for instance to the systemic nature of banks, e.g. global systemically important institutions (G-SII)/O-SII buffers). Banks can dip into these non-releasable buffers but breaching buffers triggers consequences (e.g. restrictions to distributions) which banks may be unwilling to bear.

- ○ Yes
- ◉ No
- ○ Don’t know / no opinion / not applicable

Please explain your answer to question 73:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Firstly, a few notes on answering the questions:

• Saying ‘no’ to the question does not mean that we advocate higher capital buffers in order to increase the share of releasable buffers. Rather, we see a clear need to revise the capital stack as a whole, see our answer to questions 69-72.

• We would also like to point out that, given the current situation, the answer to this question could vary greatly depending on nationality because European countries currently have very different capital buffers in place.

As a result, we will answer the question conceptually, taking the following aspects into account:

• A recent study by the Global Association of Risk Professionals (GARP) shows that the discretionary requirements in the EU have increased significantly in the last years, including a substantial growth in macroprudential buffers. Consequently, EU banks' lending capacity is constrained at a time when it is mostly needed to finance the opportunities for EU industries to become more competitive.
• The macroprudential review should aim to simplify the framework without increasing the overall current level of requirements, as European banks are adequately capitalised.
• Reduce the number of buffers by eliminating the systemic risk buffer as it is a clear case of European gold-plating with a very broad definition and a heterogeneous application, creating an unlevel playing field for Europe
• Take a holistic approach when reviewing the macroprudential framework by reviewing the functioning of the whole capital stack to avoid any double counting of risks.
Based on the above and taking into account that every buffer serves to cover losses in times of crisis, as expressly stipulated in the Basel frameworks and CRD IV, we have developed the concept described in questions 69-72 in order, among other things, to increase the releasable portion while significantly simplifying the framework. To make buffers releasable some further aspects – also based on findings from the coronavirus pandemic – need to be improved:

Releasability
For buffers to be effectively releasable, it is essential banks have upfront clarity about the reinstatement of buffers. This clarity pertains to the conditions that need to be met before reinstatement and the pace at which buffers are to be replenished after reinstatement. Without either of these elements, banks' capital management functions will not be able to assess the buffers as effectively released and consequently there will be no benefit to the provision of credit. Here, the EU could and should do more to clarify and harmonise the buildup of capital buffers after their release.

Level playing field
On the countercyclical capital buffer, we note a buildup of this buffer over the past years in the EU, which has been implemented inconsistently across Member States. Against this backdrop and to achieve the level playing field, we reject a positive neutral rate being included within the countercyclical buffer concept. This would mean a blanket capital increase. Furthermore, there should be better methodological alignment in setting buffers. This can either be achieved by maintaining the national designated authorities, or by migrating to a European single designated authority. In both cases, we are of the opinion the authority/authorities should have a secondary mandate to assess the impact on competitiveness of the decisions made.

Temporary suspension of the backstop
For capital buffers to be effectively utilised, the Leverage Ratio as a backstop must be temporarily suspended as a restrictive requirement in times of exceptional circumstances (such as the coronavirus pandemic).

As a result, the portion of capital buffer requirements that can be released under the combined capital buffer requirement is insufficient to contribute effectively to stabilising lending during economic downturns. The current macroprudential framework comprises several buffers, each serving a different purpose. At times, their capital cannot always be utilised during periods of stress, even though the supervisory authorities release buffer requirements. In practice, it is also evident that some buffers only fulfil their intended countercyclical function to a limited extent. At the same time, there is uncertainty regarding the replenishment of capital buffers that have been drawn down.

Question 74.1. How could the risk-weight toolkit under Article 458 CRR be fine-tuned?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The introduction of a comprehensive releasable buffer concept means that the risk-weight toolkit under Article 458 of the CRR is no longer necessary. Removing this requirement would reduce the complexity of the regulation, eliminate overlaps with other micro and macroprudential tools, and reduce uncertainty over the future development of actual capital requirements. It would also reduce the amount of excess capital or voluntary management buffer held for precautionary reasons, which could then be used to finance the real economy, as well as private and public households.

Question 74.2. Would its role change in the context of a streamlined buffer framework?

- (•) Yes
- ( ) No
- ( ) Don’t know / no opinion / not applicable

Please explain your answer to question 74.2:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Yes, in a more streamlined and coherent buffer framework, the need for Article 458 measures would be eliminated.

Streamlining the macroprudential buffer framework, particularly by reducing overlapping instruments and clarifying the releasable buffer structure, would enable many systemic risks to be addressed more effectively through buffer-based measures rather than adjustments to risk weights.

3.4. Crisis management framework

The crisis management framework, governed by the BRRD, the Single Resolution Mechanism Regulation (SRMR) and the DGSD, which has recently been revised by the crisis management and deposit insurance (CMDI) package agreed in June 2025, aims to ensure financial stability, resilience, minimise reliance on public funds and protect depositors in case of bank failures. It is a multi-layered framework, involving both national and EU authorities, with dedicated rules to frame very different forms of public intervention, preventively or upon failure, and increase the preparedness of the banking sector.

The resilience of the framework is also ensured by the availability of tools and resources to deal with bank failures, such as resolution funds and deposit guarantee schemes. In this context, crisis management and prudential rules are intertwined, as the effectiveness of the crisis management tools at the disposal of the relevant authorities can directly affect the design of the prudential rules.

This section seeks stakeholders' feedback on potential undue sources of complexity in the crisis management framework and on potential measures to address them, while maintaining the resilience of the EU banking sector and the stability of the financial sector at large.

Question 75. Are there areas that create undue complexity in the crisis management framework?

- (●) Yes
- ( ) No
- ( ) Don't know / no opinion / not applicable

How could this undue complexity be reduced without undermining financial stability?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

It is somewhat surprising that the Commission is raising the issue of the CMDI's complexity at this stage. The CMDI review has not yet been finally adopted and still needs to be implemented. It is, therefore, too early to evaluate the new regulatory framework. On the other hand, the credit industry has repeatedly highlighted the complexity of the current legal framework and its associated problems, not only in the lead-up to the CMDI review. Unfortunately, the Commission has not taken advantage of the opportunity presented by the CMDI review to reduce complexity, for example in MREL.

The complexity of the current resolution framework seems disproportionate, particularly for non-systemic, regionally focused institutions. Greater proportionality – particularly when applying the public interest test – is required to ensure that effective preventative mechanisms are not undermined by an excessively complex resolution regime. The aim should be to establish a clear, workable distinction between resolution and national insolvency proceedings, without creating additional pressure to integrate them.

Minimum requirement for own funds and eligible liabilities (MREL)

MREL is a cornerstone of the crisis management framework, providing necessary loss-absorbing capacity to resolve banks and, where appropriate, recapitalise them to protect critical functions for the economy. Inspired from the total loss absorbing capacity (TLAC) concept introduced by the Financial Stability Board, MREL has developed over time into a particularly complex set of rules, without sufficient consideration of its impact on other parts of the framework. This may have important effects on buffer usability, compliance costs and the ability to implement, monitor and enforce the requirements by authorities, banks and market participants.

Question 76. Are the current rules related to the determination of MREL targets effective, efficient, clear and predictable?

- ( ) Yes
- (●) No
- ( ) Don't know / no opinion / not applicable

Please explain your answer to question 76:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The current rules for setting MREL requirements are designed to strengthen the resolvability of institutions and ensure that, in the event of a crisis, losses are borne primarily by owners and creditors, without the need to use public funds. In this sense, they make an important contribution to financial stability and to limiting the potential burden on taxpayers.

The methodology for calibrating MREL requirements is set out transparently in the Single Resolution Board's MREL Policy (SRB MREL Policy 2024). Nevertheless, from the institutions' perspective, challenges remain regarding the clarity, predictability and efficiency of the regulations.

Firstly, the MREL policy itself states that it is not legally binding and may be amended at any time. Furthermore, the methodology provides for a number of case-by-case provisions, for example when determining the loss absorption amount or the recapitalisation amount. From a regulatory perspective, this flexibility is understandable. However, this means that institutions are unable to adequately anticipate their MREL requirements. In addition to the MREL requirements, top-tier banks are also subject to TLAC regulations for large international banks due to their size. Insofar as these institutions are members of an institutional protection scheme, we recommend that the additional requirements are proportionate.

From a practical perspective, the current regulations could be improved, in particular, through two measures:

MREL requirements could be made more transparent by standardising the criteria for determining the capital amounts required for loss absorption and recapitalisation and by providing clear guidelines.

The application of MREL requirements should be proportionate for non-global resolution entities with traditional business models and limited international operations. This could reduce regulatory complexity without jeopardising the stability of the resolution mechanism

When determining the MREL, pass-through promotional loans are not exempted. This practice meets with considerable legal and promotional policy concerns. Promotional loans constitute an extremely important instrument for improving the long-term financing of the European Union's economy. They are granted for non-competitive purposes, on a non-profit basis, in support of public policy objectives of the EU or the central government or a regional or local authority of a Member State.

The special nature of promotional loans has therefore been enshrined at the European level in several key EU banking regulations (examples: ex-ante contributions according to point f of Article 5(1) of Delegated Regulation (EU) 2015/63 and leverage ratio according to point e of Article 429a(1) Regulation (EU) No 575/2013 (CRR)).

In this regard, we request legally anchoring an exclusion of passing-through promotional loans in the MREL – analogous to the ex-ante contributions and leverage ratio – so that the pass-through function of the promotional business is not further penalised by regulation. Otherwise, there is a risk of shortage and increase in the cost of funding politically important projects – especially with a view to the green and digital transition.

Question 76. How can the determination of MREL targets be rendered less complex, while preserving the resilience of the system?

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
Better align MREL to TLAC, by making the calibration more automatic, predictable and transparent, and subject to less discretions by resolution authorities	◉	○	○	○	○	○
Better align MREL to TLAC by allowing MREL to be complied with more subordinated instruments	○	○	○	○	◉	○
Make the MREL framework for medium-sized and smaller banks more proportionate	◉	○	○	○	○	○
Introduce a minimum debt requirement where MREL should be complied with non-CET1 instruments	○	○	○	○	◉	○
Other	○	○	○	○	○	○

Please explain your answer to question 76:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Against the backdrop of the CMDI review, there is also a need for an in-depth, separate discussion on the design of MREL. This is necessary in terms of both the international competitiveness of banks and the needs of small and medium-sized banks. Unfortunately, the Commission has not seized the opportunity presented by the CMDI review to simplify MREL.

The proposal entails a structural redesign of the EU gone-concern regime through the replacement of the Minimum Requirement for Own Funds and Eligible Liabilities (MREL) with a framework centred exclusively on the internationally agreed Total Loss-Absorbing Capacity (TLAC) standard, complemented by the existing 8% Total Liabilities and Own Funds (TLOF) subordination requirement. Under this approach, TLAC would become the sole risk-based loss-absorbing requirement applicable to all EU resolution entities, not only G-SIIs. The current MREL components – including the Loss Absorption Amount (LAA), Recapitalisation Amount (RCA) and the Market Confidence Charge (MCC) – would be removed. This would eliminate the parallel calibration of TLAC and MREL and end the automatic mechanical linkage whereby increases in going-concern capital requirements inflate the gone-concern stack through RCA adjustments. From a non-risk-based perspective, the leverage-based MREL requirement would be replaced by a TLOF-based subordinated requirement applicable to all relevant institutions. The 8% TLOF floor would continue to serve as the minimum subordination threshold, including as a condition for access to the Single Resolution Fund. Extending a TLAC regime to medium-sized institutions requires a functional transfer of the “TLAC senior allowance” to avoid disproportionate issuance requirements. In addition, the Maximum Distributable Amount (MDA) triggers embedded in the gone-concern stack would be removed entirely. Distribution constraints would apply solely within the going-concern capital framework. The objective of this model is to create a single, internationally aligned resolution capital regime, reduce structural over-calibration, eliminate duplicative stacking and improve transparency and predictability in resolution planning.

However, a concrete calibration is required for a final assessment. In addition, certain framework conditions would need to be clarified:

o Ensuring that the requirements do not exceed the current requirements for subordination (depending on the bank: TLAC / MREL).
o Ensuring that the current allowance can continue to be applied.
o The MDA should be abolished (this is already under Option A).
o The measures would only contribute to improving competitiveness if significant cost savings could be achieved on the issuer side.

The current methodology for determining MREL requirements features a wide range of components and adjustments for individual banks. This includes loss absorption and recapitalisation amounts, which are based on risk-weighted and debt-based factors. For ‘Pillar 1 banks’, the SRB has also introduced rules on subordination. This structure significantly increases the complexity of the MREL framework. As a result, capital planning for institutions is subject to stricter requirements.

We are also calling for the MREL framework to be simplified, by standardising capital requirements more closely. This is particularly justifiable for institutions whose systemic importance is limited. Greater standardisation could reduce the number of bank-specific adjustments of MREL requirements. This would make the requirements more comparable and predictable. A simplified MREL calibration should apply to less

systemically important institutions with traditional business models that are members of a recognised institutional protection scheme. In these systems, banking risks are regularly monitored. The eligibility of excess CET1 capital towards MREL requirements should be retained.

Prior permission regime

The MREL framework contains specific rules to require prior authorisation before a bank can redeem an eligible liability. Inspired by a similar mechanism in place for the redemption of own funds instruments, these rules are set in the CRR.

Question 78. Do you consider that the prior permission regimes for the redemption and replacement of MREL resources should be simplified?

- (●) Yes
- ( ) No
- ( ) Don't know / no opinion / not applicable

Please explain your answer to question 78:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The prior permission regime should be further simplified. Furthermore, it should only apply if there is a risk of falling below the MREL/TLAC requirement. This was also set out by the FSB in its TLAC recommendations (TLAC Term Sheet).

The current approval procedures may involve increased administrative burdens. This may also affect the management of banks' liabilities, particularly where refinancing decisions are subject to current market conditions. Removing the requirement for approval, or at least introducing a blanket prior approval system, could facilitate buybacks as institutions would be able to respond quickly to market conditions.

The legislator has already made selective amendments to the legal framework governing the approval of buybacks. If the requirement for authorisation is not completely waived as per our request above, consideration should be given as to whether the scope for simplification has already been fully exploited, for example through broader general prior permissions or more rule-based criteria for permissions. We believe that further simplifications are feasible for smaller and less systemically important institutions.

Use of safety nets

Resolution actions may require the use of external funding to support the effective implementation of the resolution scheme. The use of financing from resolution funds is subject to strict rules, in particular the need to bail-in shareholders and creditors for an amount at least equal to 8% of the total liabilities and own funds of the entity subject to resolution. This requirement is essential to address moral hazard and reduce the risk of using taxpayers' money. However, it creates rigidity and may not be suited in all circumstances, for example when this minimum bail-in condition would have led resolution authorities to impose losses on depositors and where such action would have been detrimental to financial stability. It should be noted that other jurisdictions have different systems where such condition either does not exist or can be lifted in exceptional circumstances.

Question 79. What is your view on the rules allowing to use resolution funds to support a resolution action, in particular the minimum bail-in of 8% of the total liabilities of own funds of the distressed bank?

a) Are they proportionate and give sufficient flexibility to handle bank failures adequately?

- (●) Yes
- ( ) No
- ( ) Don't know / no opinion / not applicable

b) Do they create level playing field issues vis-à-vis other jurisdictions?

- ( ) Yes
- ( ) No
- (●) Don't know / no opinion / not applicable

Please complement and explain your answers to question 79:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We expressly oppose calls, particularly with regard to medium-sized, deposit-funded banks, to lower the 8% threshold for accessing SRF funds. The principle enshrined by the Member States in the Intergovernmental Agreement of 21 May 2014, whereby owners/shareholders and creditors must contribute at least 8% of an institution's total liabilities before SRF funds can be used to cover losses and recapitalise, should continue to apply. The principle of 'same business and same risk' must be upheld and the current resolution financing system should not be fundamentally called into question. 'Restructuring' one banking sector at the expense of other national banking sectors should not be encouraged. Furthermore, there is no discernible competitive disadvantage compared to other jurisdictions, such as the US, which does not provide for a resolution fund financed by the financial sector, although the Commission does not specify this in detail.

The minimum bail-in requirement of 8% of total liabilities is premised on the principle that shareholders and subordinated creditors should absorb an institution's losses in the first instance. Only thereafter should the banking sector as a whole – via the Single Resolution Fund (SRF) or Deposit Guarantee Schemes (DGSs) – and, if necessary, ultimately the state, provide financial support. The rationale underlying this logic is that shareholders and subordinated creditors benefit from profits and interest payments in economically favourable periods and should therefore bear primary responsibility for losses in economically adverse periods.

The minimum bail-in requirement of 8% of total liabilities should be unequivocally maintained. Any reduction or abolition of this threshold would likely result in more frequent use of the SRF, entailing additional contributions from other credit institutions. This would not only distort competition but also create incentives detrimental to financial stability in the form of moral hazard. Shareholders, aware of the possibility of getting support from the SRF, might be encouraged to induce the institution to engage in excessive risk-taking, the consequences of which would ultimately be borne collectively by the wider banking sector.

Regrettably, the CMDI Review has already diluted the principle of the 8% minimum bail-in requirement by allowing expenditures from DGSs for the bank in resolution to count towards this threshold. This has introduced

a distortion whereby an industry-financed safety net (namely DGS), rather than shareholders and creditors, may assume liability. As a result, the burden is shifted from the owners of the affected institution to the banking community as a whole.

3.5. Interactions across parts of the framework

The prudential, macroprudential and crisis management parts of the framework are closely interlinked. The complexity of these interactions also stems from the coexistence of requirements that may seek to address similar challenges or the coordination, or lack thereof, among relevant authorities in setting, monitoring and enforcing these rules. One particularly relevant topic is the capital stacks created by the various prudential, resolution and macroprudential capital requirements.

This section seeks stakeholders' feedback on the undue sources of complexity in the interaction across the three parts of the framework and on potential measures to address them, while maintaining the resilience of the EU banking sector and the stability of the financial sector at large.

Question 80. In your view, which of the areas below create inefficiencies and undue complexity in the interactions across the prudential, macroprudential and crisis management parts of the framework?

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
Overlapping requirements addressing the same or similar risks (P2R /P2G/certain macroprudential buffers);	◉	○	○	○	○	○
Limited buffer usability resulting from double counting CET1 both in macroprudential buffers and in other minimum requirements (leverage ratio, MREL)	◉	○	○	○	○	○
Multiplicity of MDA restrictions with varying triggers stemming from prudential and resolution frameworks	◉	○	○	○	○	○
Cross-framework governance and coordination issues and data sharing.	○	○	○	◉	○	○
Other	○	○	○	○	○	○

Please explain your answer to question 80:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

There are clear interactions between supervision, macroprudential supervision and crisis management, which in practice give rise to a significant need for coordination between the relevant authorities. Since the total capital requirement cannot be determined in a 'one-size-fits-all' process, but is influenced by several bodies with differing objectives, this makes it difficult for institutions to comprehend and plan for. This applies to all elements above Pillar 1 requirements.

Furthermore, additional data requirements are often imposed on nearly every element of the capital stack – including MREL – even though much of the required information has already been provided by the institutions. Making better use of existing data would, in principle, significantly reduce the workload.

Question 81. How could the governance in the macroprudential framework be improved to achieve a more consistent application of macroprudential tools across the EU?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In our view, it is important that responsibility for the capital requirements as a whole imposed on an individual bank is concentrated in one place. This body would be responsible for ensuring that the capital requirements under the macroprudential and microprudential frameworks do not overlap and that capital requirements as a whole do not exceed an appropriate level (see our response to question 70).

Question 82. What ways could be envisaged to reduce undue complexity in the interactions across the three parts of the framework, including in relation to the capital stack and governance arrangements between the authorities in charge of the prudential, macroprudential and crisis management rules, without undermining financial stability?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Define clear and transparent calibration mechanisms, reduce interconnectedness and overlaps, merge redundant capital buffers and hurdles, foster a holistic and coordinated approach among authorities, define maximum requirements instead of a sum of individual components.

Question 83. How could the governance arrangements across the three parts of the frameworks be improved, having in mind the objective of ensuring the adequacy of requirements applying to individual banks and avoiding overlaps?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

3.6. Proportionality

The EU Single Rulebook for banks addresses the need for proportionality throughout the current bank regulatory framework. Certain banks meeting a set of size and risk-based criteria can apply a lighter regime compared to the regime applicable, by default, to all banks. Notably, small and non-complex institutions in the CRR (defined in Article 4(1), point (145) of CRR) benefit from lighter reporting and disclosure requirements, while the bulk of capital, liquidity, corporate governance requirements apply across the board. In the crisis management domain, banks under simplified obligations are subject to lighter resolvability expectations, etc.

This section seeks stakeholders' feedback on the current levels of proportionality in the banking regulatory framework and how to further improve it.

Question 84. Would you consider that the current bank regulatory framework is sufficiently proportionate for smaller banks?

- Fully agree
- Somewhat agree
- Neutral
- Somewhat disagree
- (●) Fully disagree
- Don't know / no opinion / not applicable

Please explain your answer to question 84:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In the opinion of the German Banking Industry Committee, the regulatory framework (in particular the CRR /CRD), including associated Level 2 and 3 requirements (EBA/ESMA standards and guidelines, as well as related regulations, including the ITS on supervisory reporting), is not sufficiently proportionate. In particular, the changes introduced by Basel III and IV, through to their implementation at European level via CRR III and CRD VI, have significantly complicated all three Basel pillars (capital requirements, supervisory review processes

and disclosure). Examples include additional, inconsistent and overly granular reporting requirements (COREP /FINREP), complex Pillar 2 processes and the significant implementation burden resulting from a multitude of detailed EBA guidelines. Most recently, as a result of CRR III, the Credit Risk Standardised Approach (CRSA) has also been expanded to include detailed provisions. The CRSA is primarily applied by smaller institutions – however, larger institutions with internal models must also take it into account in order to comply with the output floor. In particular, the need for greater differentiation to increase risk sensitivity within a standardised approach – based on highly complex criteria, such as those relating to real estate finance, but also institutional and specialised finance (including infrastructure finance) as well as investments – results in a significant increase in the effort required for implementation. This is also accompanied by reporting and disclosure requirements that are significantly more extensive and complex.

In the area of internal risk management and supervisory review (Pillar 2), there has been a steady and marked increase in complexity for many years. Requirements relating to risk-bearing capacity frameworks, stress tests, validation guidelines and supervisory assessment processes have been significantly expanded in recent years. As a result, institutions are forced to devote a significant proportion of their resources to meeting regulatory requirements, whilst actual risk management is increasingly overshadowed by regulatory processes.

The vast number of EBA guidelines that have been published also illustrate the complexity involved. Since 2011, around 400 EBA guidelines, 330 EBA RTS/ITS and more than 6,000 EBA Q&As have been published. Even though some guidelines attempt, in part, to be proportionate, the sheer number of them and the fact that they remain highly detailed leads to excessive complexity. This needs to be remedied urgently. For example, in many cases there are no specific exemption clauses or opt-out provisions for small or low-risk institutions. The commercial benefits of structures based on the division of labour are significantly diminished by excessive regulation (e.g. with regard to issues such as validation or outsourcing).

Additional problem: The national regulator has largely adopted the ESA guidelines verbatim – this ‘one-size-fits-all’ approach is reaching its limits. Banks that are the local providers of finance for small and medium-sized enterprises, are being ‘regulated out of business’. The competitiveness of these institutions is hampered by regulation that is not sufficiently proportionate.

However, many institutions – particularly smaller ones – generally follow a relatively simple and low-risk business model: they primarily provide loans to private individuals and small and medium-sized business customers in their regions, and offer their customers investment products. The highly fragmented regional structure of the banking market thus reflects the small and medium-sized enterprise structure that prevails in the real economy. The current regulatory framework comes largely from international guidelines (Basel Committee) designed for large, internationally active (systemically important) institutions. While some EU-specific features are taken into account in the implementation of these rules at European level, they are by no means sufficiently proportionate. Greater account should be taken of these institutions’ low-risk business models, in line with the European principle of subsidiarity.

If the aim of strengthening the competitiveness of the European financial sector is to be achieved, it is essential that the regulatory framework is systematically and thoroughly reviewed and streamlined. Greater proportionality for small institutions reduces compliance costs and thus strengthens their competitiveness. A genuine small bank regime could provide a solution here (see details in answer to question 86).

Question 85. Do you consider that the introduction of a dedicated regulatory and supervisory regime for small banks would be warranted in the EU?

- (●) Yes
- ( ) No
- ( ) Don’t know / no opinion / not applicable

Please explain your answer to question 85, assessing in particular how such a regime could meaningfully improve proportionality and efficiency, without undermining financial stability, depositor protection, or the level playing field within the EU:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Small, regionally anchored institutions make an important contribution to financing SMEs and supporting the local economy. Their business models are typically characterised by low risk profiles, close customer relationships and reliable lending practices. Yet, the EU regulatory framework – designed for internationally active banks – often imposes disproportionate requirements on such institutions. A regime tailored to small and low risk institutions can offer a viable alternative. International examples, such as the UK, Switzerland or the US, show that this approach is workable. We therefore welcome the proposal put forward by the German supervisory authority in 2025 to establish a regime for small banks, considering the framework conditions set out below.

The aim must be to introduce administrative simplifications (particularly in relation to Pillar 2) for smaller institutions with low-risk business models, whilst maintaining stability. The eligibility criteria for a small bank regime must be set out so that these institutions can qualify for it. A regulatory framework for small banks should focus on the risks that are material to these institutions and be designed as a voluntary ‘opt-in’ regime. Compliance with a low-risk profile should be monitored as part of ongoing supervisory activities.

Eligibility criteria: A proposed balance sheet total of €10 billion. Provision should be made for regular adjustments to account for inflation. An alternative to a total-assets threshold would be a relative threshold (based on the national banking market or GDP) or eligibility based on the business model.

Regarding the interest rate risk, small, regionally based institutions have, for decades, been working with maturity transformations between short-term deposits and longer-term lending. Consequently, existing interest rate risks are managed by these institutions. A criterion is therefore needed that considers the practices of these institutions. Under no account should the ‘outlier definition’ used in the context of IRRBB be taken as the benchmark. Rather, only those institutions with interest rate risks threatening their viability should be excluded from the small bank regime.

Another possible entry criterion could be the leverage ratio (LR), which currently requires a Tier 1 capital level of 3% relative to total business volume, regardless of risk. A higher minimum leverage ratio is being discussed as an admission criterion for a small bank regime. However, when setting a higher ratio, it must be ensured that the specific circumstances of the EU financial hub are taken into account. The aim must be to give small institutions in Europe some breathing space by granting them access to the small bank regime, and to preserve their scope for lending. Risk-free or low-risk assets (in particular central bank deposits and municipal loans) should be excluded when calculating the LR. Furthermore, the basic calculation of the LR should be based on the criteria set out in the CRR (including exceptions such as Art. 429a(1), first sentence, point (c) CRR).

Reasoning: The LR limits the amount of customer deposits an institution can accept.

Unless the institution's other liabilities decrease at the same time, its capital adequacy ratio will inevitably deteriorate when it accepts deposits – regardless of how the institution uses those funds, and even if it parks them risk-free with the central bank. Safeguarding client funds is a key responsibility of financial institutions, which they must be able to always fulfil. In addition, customer deposits are a stable refinancing source. Consequently, risk-free assets (in particular central bank deposits) and low-risk transactions such as municipal loans should be excluded when calculating the LR. If the LR is too high, this could restrict many institutions, hinder investment in Europe's competitiveness and lead to competitive disadvantages in pricing over other institutions.

In return for the higher minimum requirement of the LR, the calculation of risk-weighted assets and reporting requirements (COREP) could be waived. The calculation of individual SREP capital add-ons (P2R, P2G) and capital buffer requirements should also be omitted; see our response to question 86.

If the existing derivatives criterion for SNCIs (Art. 273a(3) CRR) is retained, client-induced derivatives business without open positions should be excluded for the bank. These are derivatives concluded on behalf of a client, as well as those concluded by the bank to hedge the client's position. They are not concluded for speculative purposes and do not indicate high-risk business practices (e.g. because customer-related derivatives can be netted rather than treated at gross value). Institutions also use corresponding interest rate swaps for other transactions to reduce and manage interest rate risk. Such transactions aimed at actively reducing risk should also be exempt.

Question 86. Should there be, in your view, a more consistent and proportionate set of requirements across the prudential, macroprudential and crisis management rules for smaller banks?

- (●) Yes
- ( ) No
- ( ) Don't know / no opinion / not applicable

Please explain how such set of requirements should be framed:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We are calling for a fundamentally simplified regulatory framework for small banks as outlined below. Relating to the macroprudential framework and the crisis framework, a nuanced response is required:

1. Supervisory requirements (proposal for a small bank regime)

For details of the eligibility criteria for the small bank regime, please refer to our comments on q. 85. In addition to total assets, a leverage ratio of >3% could be used (in which case there would be no need to calculate risk-weighted assets as per COREP reporting, nor would there be any additional Pillar 2 capital requirements /SREP).

Switching to a leverage ratio-based regime and discontinuing the Pillar 1 RWA calculation represents a fundamental change for institutions. Given that a short or medium-term return is no longer possible after a certain period, it is vital, for planning purposes, that any simplifications once introduced are not withdrawn in the short to medium term following a change (due to amendments to the regulatory framework). Regardless of this, we are calling for appropriate transition periods to avoid 'cliff-edge effects' resulting from a one-off or temporary

breach of a threshold. Furthermore, it should be designed as an opt-in regime.

To make the regulatory framework significantly more proportionate for small, non-complex institutions, the following adjustments and simplifications are required:

Liquidity requirements
- Institutions may choose between the NSFR and the new loan-to-deposit ratio (LDR)
- LDR should be based on existing reporting data; it should take covered bonds into account as a source of refinancing
- Calibrating the LDR to make it easier for small institutions to access the small bank regime

Pillar 2
- Considerable simplifications needed for small institutions (e.g. removal of individual P2R/P2G requirements, waiver of complex remuneration rules)
- Risk-bearing capacity (ICAAP) to be simplified significantly and implemented largely without detailed regulatory requirements
- Capital planning and stress tests: greater flexibility in choice of methodology for institutions
- Regulatory stress tests: simplified top-down approaches without additional data requirements
- The SREP process is largely obsolete; focus of supervision is on a qualitative assessment of the business organisation.

IT and regulatory topics
- DORA: greater proportionality is required for small institutions (e.g. reduced documentation requirements)
- ESG risks: treat them like other risk drivers; current focus on climate change makes sense; take gaps in data into account
- ESG regulation must not place a disproportionate burden on smaller institutions.

Corporate governance
- Requirements for senior managers and supervisory bodies should be more pragmatic and less formulaic
- Remove the fit-and-proper regime for key functions
- Reduce diversity, reporting and organisational requirements for small institutions.

Outsourcing/third-party risks
- Apply proportionality principle more rigorously, like Switzerland’s small-bank model
- Simplified rules for selecting and monitoring of service providers
- Strict outsourcing and AML requirements currently reduce benefits of outsourcing for small banks.

Reporting and disclosure (Pillar 3)
- Reduction in reporting requirements and a half-yearly reporting cycle
- Scrapping of entire COREP reporting areas and other miscellaneous reports; focus on key parameters
- Scrap separate Pillar 3 disclosure (little added value); see sec. 3.8.

Level 2 and Level 3 regulation
- Guidelines should distinguish between all institutions, institutions subject to the small bank regime and institutions not subject to the small bank regime
- Streamline/simplify existing EBA guidelines
- Significantly reduce the number of mandates, detailed rules and FAQs placing an excessive burden on small institutions
- Introduce more proportionate requirements for small institutions in areas such as IT security and AML.

2. Macro supervision

We are in favour of a regulatory framework for small banks that includes the introduction of a leverage ratio, which would result in the removal of existing capital buffer requirements for these institutions. If the existing buffers are to be retained, we propose the following: The capital buffer framework should be revised in its entirety, and, specifically, the systemic risk buffer should be abolished; see comments on q. 69 et seq. Regarding the capital buffers, see our response to q. 70ff and 85.

3. Crisis management
The rules on crisis management should (continue to) be designed so that only those institutions which, in the event of a failure, would have a systemic impact or where there is a public interest in their resolution, are required to meet the relevant requirements. The resolution rules (e.g. resolution reporting and MREL) do not apply to the other institutions – this must be retained.

Question 87. Should the definition of small and non-complex institutions be amended?

- (●) Yes
- ( ) No
- ( ) Don't know / no opinion / not applicable

Question 87.1. Should the EUR 5 billion total assets size threshold be increased?

- (●) Yes
- ( ) No
- ( ) Don't know / no opinion / not applicable

By how much should the EUR 5 billion total assets size threshold be increased?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The aim must be to significantly reduce the administrative burden, particularly for small institutions (especially in relation to Pillar 2), whilst maintaining stability. The eligibility criteria must therefore be set out in such a way that these institutions are generally able to qualify for the small bank regime. We are proposing a balance sheet total of at least €10 billion. This seems generally appropriate. However, provision should be made for regular adjustments to account for inflation.

An alternative to a total-assets threshold might be a relative threshold (based on the national banking market or GDP) or a criterion based on the business model could be considered.

Question 87.2. Should size be the only relevant factor or which additional elements could be introduced to better tailor requirements to their risk profiles and operational realities?

- ○ Yes
- ◉ No
- ○ Don’t know / no opinion / not applicable

Please explain your answer to question 87:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Rigid size-class criteria lead to ‘cliff-edge effects’ – we therefore propose a dynamic approach (see the answer to question 87.1).

If a risk-weighted approach (as currently required under the CRR) is to be retained, a business model-based criterion that reflects the low-risk business profile of institutions operating under the small bank regime could be helpful. The business activities of institutions eligible for the small bank regime are typically characterised by lending in their respective regions and deposit-taking (primarily within domestic markets or the EEA). Any further criteria should therefore be based on an institution’s business and risk profile.

3.7. Corporate governance

The CRD and CRR aim at ensuring the sound and prudent management of financial institutions. To that end, they contain specific provisions on corporate governance of financial institutions.

This section seeks stakeholders’ feedback on the effectiveness of current corporate governance rules and their impact on the EU banking sector.

Question 88. Taking into account the need to put in place sound remuneration policies that do not provide incentives for excessive risk-taking behaviour, but also the need to remain competitive and reduce financial and administrative burden, how would you evaluate the following provisions on the pay of directors and other material risk takers?

	Very positive	Somewhat positive	Neutral	Somewhat negative	Very negative disagree	Don't know - No opinion - Not applicable
Requirement that the variable component shall not exceed 100 % of the fixed component of the total remuneration for each individual ('bonus cap')	○	○	○	○	◉	○
Requirement that the variable remuneration shall consist of different types of instruments ('balancing requirement')	○	○	○	◉	○	○
Requirement that a significant part of the remuneration is deferred and vest on a pro-rata basis ('deferral')	○	○	○	◉	○	○
Requirement that up to 100 % of the total variable remuneration shall be subject to malus or clawback arrangements ('malus /clawback')	○	○	○	◉	○	○
Other	○	○	○	○	○	○

Please explain your answer to question 88:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Remuneration policies should be more closely geared to institutions' business models and risk profiles. The requirements for small, non-complex institutions should be streamlined considerably. The regulatory utility of these rules is therefore very limited when it comes to smaller institutions.

Smaller, non-complex institutions generally have less complex remuneration systems with only a low proportion of variable remuneration as compared to the overall remuneration. As such, the remuneration requirements named have, in practice, only a limited effect on risk-taking behaviour.

The requirements were developed primarily for large and complex institutions with highly variable remuneration components. As a result, applying them to smaller institutions often leads to disproportionately high administrative and operative burdens that have no equivalent additional effect on financial stability.

In light of this, remuneration regulations should be better oriented to match the business models and risk profiles of smaller, less complex institutions (see also our answers to questions 89 and 90). In addition, when designing remuneration rules for larger institutions, more attention should be paid to ensuring that regulatory regimes do not lead to competitive disadvantages or to problems for the EU as a financial centre (see also our answer to question 91).

Question 89. Where do you see potential for simplification of the EU rules on internal governance and remuneration policies of financial institutions without undermining the institutions' sound and prudent management?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Implementation of the CRD and CRR rules on internal governance and remuneration shows that the existing framework is structurally and procedurally complex in a manner that is not always proportional to the stability it is designed to promote.
There is potential for simplification where detailed formal requirements hardly generate additional value in terms of insights or governance. This applies, e.g., to the detailed requirements for identifying risk takers, comprehensive documentation and disclosure requirements as well as too formalised requirements for remuneration structures and retention mechanisms. These create a significant administrative burden for smaller and regional institutions with low-risk business models and predominantly fixed remuneration structures, without substantially improving risk management. A clearer, practical application of the proportionality principle – for example via a standardised simplification regime for institutions falling below a defined threshold for size or complexity – would reduce burdens without impeding sound management.
Complexity also arises in internal governance due to multiple technical standards, guidelines and prudential expectations. Overlaps between EU requirements, EBA guidelines, ECB guides and national requirements lead to multiple audits, parallel reporting requirements and strict formalisation of processes. A greater focus on principles and consolidation of existing guidelines increases coherence and improves feasibility. The goal should be a framework that guarantees clear responsibilities, effective control mechanisms and appropriate risk cultures without limiting flexibility and corporate governance options via excessive specificity.
Key function holders should be removed from the fit-and-proper regime as they are usually not members of the management body but employees of the institutions. Art. 91 CRD VI should be deleted. The requirements and

profiles established by the institutions for filling such positions are sufficient. We do not believe an assessment beyond the reliability check required under AML legislation is necessary. The notification requirement and supervisory assessment for large institutions regarding the heads of internal control functions and the CFO create a significant administrative burden. The responsibility for the assessment should remain with the institutions. Institutions already ensure, in their own interests, that key positions are filled by high-calibre and suitable employees. The effectiveness of internal governance, risk management and control mechanisms is a key component of stable business operations and is therefore directly critical to the business. Institutions already set high standards of technical expertise, personal integrity and professional experience for these employees – independent of a formal prudential suitability test.
In terms of remuneration, institutions with a lower proportion of variable remuneration as compared to the overall remuneration should be granted a more extensive exception to the considerable requirements set out in Art. 92 and 94 CRD. Institutions with a proportion of variable remuneration that is below a clear threshold as compared to overall remuneration should be exempted from particularly complex remuneration requirements. Complex remuneration requirements are not appropriate for smaller institutions, as variable remuneration requirements are usually less important and do not create any relevant incentive to take risks or have any effect on governance.
There is a need to simplify the EBA guidelines on remuneration. They refer to proportionality, but in practice often set standards based on larger institutions. This creates a disproportionate burden for smaller institutions. The bureaucratic and administrative effort required to comply with the supervisory remuneration rules is disproportionate to the purpose of the rules. The increasing restriction of the flexibility of institutions within the framework of their remuneration policy leads to competitive disadvantages in attracting and retaining qualified executives and specialists compared to non-regulated or less regulated industries. There is considerable potential for simplification in the regulation of remuneration systems, including a consistent application of the principle of proportionality.
The EU provisions on internal governance and remuneration policies should better take diversity in the European banking sector into account. Different business models, ownership structures and risk profiles require different requirements. Applying the principle of proportionality consistently would, when combined with a reduction in unnecessary specificity and documentation requirements as well as regulatory coherence, increase administrative efficiency and improve the ability of European institutions to compete globally without jeopardising sound and prudent management.

For additional remarks see the attached document.

Question 90. In your view, which regulatory measures regarding the EU rules on internal governance and remuneration policies of financial institution could lead to improvements?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We are explicitly in favour of a greater focus on governance in the design of Level 1 regulatory measures. Significant political goals, basic material decisions and key requirements should be enshrined clearly, definitively and with legal certainty in the basic legislative act (Level 1). Delegated acts and implementing regulations at Level 2, as well as guidelines and technical standards at Level 3 should be used only where they are strictly necessary and are objectively appropriate for the purpose of providing technical clarification, ensuring uniform application or adapting to clearly defined, technically justified developments.

We believe there are a variety of approaches that would lead to relief for smaller institutions: for example, excessive requirements for managers and supervisory board members that greatly limit the number of suitable

candidates (for example, requirements in regard to formal independence), in particular on a regional or communal level, should be waived. Notification requirements and requirements for organisational structures should also be reduced pragmatically and in light of actual risk to only material requirements.
Key function holders are not members of the management body, but rather employees of the institutions, and should therefore not be subject to the fit and proper regime. The quality and reliability of key function holders is, in addition, already adequately guaranteed via internal governance mechanisms, regulatory professional requirements and audit processes. Formal inclusion in the fit and proper regime, in contrast, creates additional bureaucracy without contributing a similar degree of risk minimisation.

Every diversity requirement should take into account that while the issue of diversity is very important, some institutions have no influence over who is a member of the supervisory body and cannot therefore influence diversity. Additional requirements on guidelines, monitoring and notification obligations for institutions with a small number of staff are, in addition, hardly able to be implemented, or rather the effort associated with these requirements is simply not proportional to the expediency gained. The principle of proportionality should be applied more consistently to remuneration regulations.

The principle of proportionality should be applied more consistently to remuneration regulations. Improvements within the framework of the remuneration rules could be achieved by greater differentiation according to the size of the institution, business model and risk profile (see principle of proportionality above). The aim should be to create a framework that effectively limits disincentives while providing sufficient flexibility not to undermine the competitiveness, especially of small and non-complex institutions.

Significant relief could be achieved, for example, by exempting institutions from the regulation of their variable remuneration if the total amount of variable remuneration in the institution does not exceed a certain threshold. If the variable remuneration cost is not of vital importance to the cost side of the institution, it cannot be relevant for the stability of the institution either. In addition, low variable remuneration and incentive levels do not provide an incentive to take disproportionate risks. Alternatively, in these cases, the deletion of the required distinction between fixed remuneration and variable remuneration would also entail a great deal of bureaucratic simplification, without giving rise to additional risks. See comments under no. (89).

In addition, we suggest reducing the complexity of current rules and frequency of new/updated rules to increase competitiveness. Remuneration rules should be less prescriptive, more principles-based. Additionally, they should be harmonised for banks, asset managers and investment firms across the financial services industry in the EU and made more competitive compared to other financial centres (UK, US, Switzerland, for instance)

3.8. Reporting and disclosures

Public disclosure by banks is important to ensure transparency and market discipline. Supervisory reporting is about giving the supervisor the necessary data to monitor banks and if necessary, intervene. Supervisory reporting and public disclosure requirements related to prudential, macroprudential and crisis management have evolved over time and are sometimes split across different Implementing Technical Standards developed by the EBA.

Co-legislators have recently amended the provisions empowering EBA to draw up reporting templates moving from a tabular way of reporting, whereby banks fill in templates and send them to supervisors, to a data element focused reporting, whereby banks produce data that are then sent digitally to supervisors. A number of initiatives have been developed in relation to disclosures of information to the public, in particular through a centralisation of disclosures and a greater role for EBA in line with the Pillar 3 data hub and ESAP rules. In addition, in 2025 the Commission has put forward a series of simplification initiatives aimed to boost competitiveness and reduce administrative burdens for businesses. Key proposals in the 'Omnibus I' package on substainability reporting have been agreed upon by co-legislators, and work is

ongoing to finalise the implementing measures of the revised Corporate Sustainability Reporting Directive (CSRD) on which a political agreement was reached in December 2025. Technical work is also ongoing in relation to the European Sustainability Reporting Standards (ESRS) as well as the Climate and Environmental Delegated Acts implementing the Taxonomy Regulation. Lastly, the Commission proposed in 2025 a reform of the Sustainable Finance Disclosure Regulation, which is being negotiated by the co-legislators.

This section seeks stakeholders' feedback on the ongoing and upcoming initiatives to improve the efficiency of reporting and disclosure requirements for EU banks and potential further improvements in this area.

See also the work on nature risks by the Network for Greening the Financial System, such as the supervisory work related to nature related risks and a proposed risk assessment framework, or the ECB, such as *Nature at risk: Implications for the euro area economy and financial stability*, ECB Occasional Paper Series No 380, and *The impact of the euro area economy and banks on biodiversity*, ECB Occasional paper Series No 335.

Question 91. Which of the implemented or planned EU or national measures have in your opinion the most impact on reducing undue complexity and burden as regards bank reporting requirements?

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including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The complexity and burden on institutions – and thus the impact on their competitiveness – stems largely from the multitude of overlapping supervisory, statistical and resolution-related reporting requirements. The EU should streamline overlapping reporting and disclosure requirements across financial legislation. The Better Data Sharing Regulation (Regulation (EU) 2025/2088) marks a further step towards simplification. We welcome this regulation which must be implemented consistently now.

Only a consistent approach to 'define once – report once', which is binding on the stakeholders concerned and takes proportionality into account, will limit the burdens on institutions and authorities. The focus on an integrated reporting system (IRS) is the right approach. The EBA's data strategy, 'Strengthen collaboration with and among EU reporting agents to lower reporting costs for industry and authorities', and the work of the JBRC contribute to this.

However, the ECB's approach via the IReF project risks incurring high IT and implementation costs. This will not result in any relief for institutions in the short to medium term. The introduction of IReF will lead to high costs and a greater strain on human resources, particularly during the phase when both current and new reports must be produced simultaneously. We see a significant risk that our experiences with AnaCredit will be repeated with IReF and beyond. A greater reporting scope due to additional data points to be reported, increased reporting complexity and a higher reporting frequency result in higher ongoing costs for report preparation and possibly corrective resubmissions. We therefore consider an immediate moratorium on new and significantly amended reporting requirements of at least two years to be necessary. This would pave the way for the consistent development of an integrated reporting system and offer possible genuine relief.

The development of the granular reporting framework aims to harmonise regulatory, statistical and resolution-related reporting systems and to develop a European IRS. A first dialogue with the financial sector takes place via the Reporting Contact Group (RCG). A key component are national and European initiatives, which aim to derive supervisory and statistical reports, as well as ad hoc and resolution requirements, consistently from a common database, thereby also improving data quality and efficiency in reporting. This work should receive strong support from all stakeholders, as it will contribute significantly to future simplification and increased efficiency in the reporting system.

Regarding costs, the EBA Cost of Compliance Study of 2021 highlighted recurring challenges arising from complex reporting templates, overlaps between reporting systems, a lack of proportionality, high reporting frequencies, insufficient harmonisation, and an increasing number of ad hoc enquiries. Added to this are frequent regulatory changes, short implementation deadlines, resubmission requirements and differing technical reporting platforms, which increase the reporting burden. Although the European Commission has announced a 25% reduction in reporting obligations, bank-specific reporting largely remains unaffected and should be prioritised in simplification initiatives.

To date, apart from measures related to sector-agnostic sustainability disclosure, no concrete steps have reduced the excessive complexity and burden on banks. Measures concerning changes to the DPM and the Pillar 3 Data Hub do not provide relief for the institutions, only for other stakeholders. Apart from certain considerations of proportionality, we do not perceive any fundamental intent to significantly reduce bureaucracy, reporting, or disclosure requirements for credit institutions in the EU.

In 2025, the ECB's High-Level Task Force on Simplification formulated six guiding principles for simplifying the reporting framework: 'request once', 'report once' (based on a push transmission), 'resubmit less', 'enhance transparency', 'review regularly' and 'reform public disclosure'. These should be consistently implemented to address complexities in the reporting framework. Furthermore, the ECB formulated 17 recommendations that should be implemented promptly.

The EBA advocated for streamlining the European reporting system in its Report on the Efficiency of the Regulatory and Supervisory Framework (EBA/REP/2025/26). As part of the ECB's 'SSM Next Level Supervision' project, a key focus was placed on simplifying reporting and disclosure requirements. The financial sector submitted around 1,200 proposals, including some specifically for LSIs and SNCIs (see attached ECB Industry Questionnaire WS5 Reporting). Implementing these proposals (see also Q 92) should noticeably reduce the reporting burden and enable the development of an IRS, avoiding additional double burdens.

Question 92. What factors linked to reporting obligations in the regulatory framework contribute most to the compliance costs?

	Low impact	Medium impact	High impact	Don't know - No opinion - Not applicable
Number of data points	○	○	◉	○
Frequency of changes of the reporting obligations	○	○	◉	○
The difficulty of using regulatory reporting for internal risk management purpose	◉	○	○	○
Ad hoc reporting requests from supervisory authorities	○	○	◉	○

Frequency of submission of reporting obligations	○	○	◉	○
Other	○	○	◉	○

Please specify to what other factor(s) you refer in your answer to question 92:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Significant other factors that contribute to compliance costs and could lead to a reduction in reporting burdens in the short term are:

1. Lack of appropriate materiality thresholds for resubmissions
Introduction of appropriate materiality thresholds for resubmissions, i.e. specifically, at least an amendment to the EBA Guidelines on resubmission of historical data under the EBA reporting framework (EBA/GL/2024/04) is necessary. Furthermore, we believe that Article 3(4) and (5) of the ITS on supervisory reporting should be amended by incorporating the word “material” with respect to deviations between audited figures and submitted unaudited figures, as well as other corrections (resubmissions), to give the EBA the necessary scope to develop such thresholds. The supervisory expectations and requirements on validating and resubmitting reports should be merged and standardised by the ECB and the EBA. We would like to point out that, for supervisory reporting by insurance and reinsurance undertakings, the concept of materiality for the resubmission of information is enshrined in Article 3 of the Commission Implementing Regulation (EU) 2023/894 (or, previously, in Implementing Regulation (EU) 2015/2450). “They shall resubmit as soon as practicable the information reported using the templates referred to in this Implementing Regulation where:

(a) the information originally reported has materially changed in relation to the same reporting period after the submission of that information to the supervisory authorities or to the group supervisor; or
(b) the supervisory authorities or the group supervisor request is due to material data quality issues.”

The current requirements on resubmissions are neither harmonized nor efficient. Moreover, there are national obligations which require ensuring the capability to resubmit statistical data for several periods / several years. This results in huge volume of data from past periods which may not be deleted.

A meaningful materiality principle and/or thresholds – both for supervisory and statistical reporting - would reduce resubmission and data storage costs and efforts. Therefore, we suggest consistent coordination with the ECB. Limiting the resubmission periods in general to one financial year and reducing the storage requirements would lower these costs significantly.

2. Lack of existing common definitions, particularly for SMEs and breakdowns:
With the entry into force of CRR III, the SME definition in Article 5(9) CRR—based solely on an annual turnover of up to EUR 50 million—provides a clear and uniform criterion. We therefore propose replacing all remaining references to Commission Recommendation 2003/361/EC with a reference to Article 5(9) CRR.
In liquidity regulation (Delegated Regulation (EU) 2015/61, Art. 3(6)) and in FINREP (Implementing Regulation (EU) 2024/3117, Annex V), the Recommendation continues to apply, resulting in additional criteria such as total assets and number of employees. Its Annex also contains complex rules for determining turnover, particularly for public sector participation and linked enterprises. To ensure consistency across Level II legislation, we recommend deleting the wording “within the meaning of Commission Recommendation 2003/361/EC”.

For EBA/GL/2020/06 (point 14), the reference should be changed to “"and the Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises in relation to the values for annual turnover referred to in Article 2(2) and (3) of Title 1 of the Annex for determining small enterprises and micro-enterprises”. Finally, the SME definition in Article 5(9) CRR should be moved to Article 4 to reflect its general applicability throughout the CRR.

Another example of differing definitions is the counterparty breakdown: different approaches to the counterparty breakdown in COREP (by exposure class in accordance with the CRR) and FINREP (by institutional sector) lead to inconsistencies and unnecessary double reporting: in COREP: ‘Exposures secured by mortgages on residential immovable property’ compared to FINREP: ‘Household loans collateralised by residential immovable property’.

Please explain your answer to question 92:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Re: Number of data points/frequency of submission
A reduction of data points does not automatically result in a cost reduction and might even increase the costs due to the required changes. A reduction in data points need to go along with a reduction of complete templates.

The gain in knowledge from monthly submissions is comparatively small (at least in the event of significant overfulfillment of supervisory ratios), as only minor changes in the ratios can be observed, while the expenditure increases significantly.
Reporting requirements should be aligned much more closely with institutions’ risk profiles and business models. For low-risk, regionally active institutions in particular, greatly simplified and significantly more proportionate reporting requirements can substantially reduce the administrative burden. Removal of data points for information purposes in the ITS on supervisory reporting; in principle, only those data points for which supervisory use has been demonstrated through specific use tests should be required to be reported.

Removal of zero value reporting and disclosure for a number of data points, e.g. for COREP template C32.01 (Prudential valuation/PRUVAL): Zero reporting for unfilled position CA1_290: the fact that position 290 in CA1 has not been filled already indicates that no valuation deduction is required – for institutions without a trading book or valuation positions, the reporting obligation should be waived.

Re: Frequency of changes to reporting requirements
Changing reporting requirements and resubmissions not only entail significant additional costs but also tie up additional staff resources. Changes to the reporting software are subject to strict IT requirements. In this respect, every change - no matter how minimal - is made with nearly the same full effort (documentation, testing) for commissioning a release or hotfix.

We would like to remind you that one of the 25 recommendations in the EBA’s 2021 cost of compliance study was that a new version of the reporting framework should not be applied more than once a year and that all materials and documents required for implementation should be available in their final form at least 12 months before the date of application – the first reference date for reporting.

Re: Ad hoc reporting requests
Ad hoc requests often go much deeper and are more detailed than the standard reports, so the capacity required to prepare the response is very high. Due to the low predictability, resources must be reserved to explicitly deal with the flood of inquiries within the framework of the SREP or JST dialogue. The intensity is

comparable to an OSI or an audit. Ad hoc requests generally require not only other evaluation or selection of already existing data but often the collection and delivery of new information as well as their linking with already existing data. Ad hoc reporting requests incl. data requests by the JSTs for the preparation of OSIs should be compared with the information available from the reporting data already submitted by the banks before new breakdowns etc. are introduced, preferably after cost-benefit-considerations.

The European integrated reporting system should in future cover the full spectrum of European bank reporting: prudential, statistical, resolution, incl. recurring standardized requests like the SSM loan tape or the SRB Valuation Data Set.

Question 93. What other policy measures, legislative or non-legislative, could be considered to further modernise reporting and reduce the reporting burden?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Proportionality and materiality should be given even greater consideration in supervisory reporting requirements and should also be enshrined as an 'overarching principle' in the ITS. Too little attention is being paid to the discretion granted to the EBA under Article 430(6) of the CRR. To illustrate this point: for example, all institutions face the prospect of having to report their aggregate exposure to shadow banking entities, even if these exposures are so small in total that the institutions apply the so-called fallback approach to limit the aggregate exposure to shadow banking entities in the internal risk management according to the EBA guidelines "Limits on exposures to shadow banking entities which carry out banking activities outside a regulated framework under Article 395(2) of Regulation (EU) No 575/2013 (EBA/GL/2015/20)".

Omitting complete reports and implement a regular review of requirements
In order to follow to fulfil the Commissions objective of reducing the reporting cost for banks by approximately 25%, reporting requirements should, if risk sensitivity allows, be omitted completely instead of simply deleting certain rows or columns (for example Asset Encumbrance, CVA risk or market risk – see also Question 86). The latter requires changing IT solutions and hence creates additional costs.

Reporting requirements should also generally include a review clause (e.g. every five years).

The coordination and publication process for the ITS on supervisory reporting between the EBA and the EU (publication in the Official Journal of the EU) needs to be better managed, and the provision of the relevant documents to institutions in their respective languages needs to be reconsidered. Due to changes in the legislative process, only the main text of the ITS on supervisory reporting and the reporting templates are now published in the Official Journal of the EU. The explanatory notes, on the other hand, are published on the EBA' s website as part of the IT solutions referred to in Article 430(7) of the CRR. We do not consider the separation or the observed time lag in publication during Phase 1 of the CRR III reporting requirements to be helpful.

Disclosure:
As this part of the consultation addresses the modernisation of reporting and the reduction of reporting burden, disclosure requirements should also be considered here. Banks provide transparency on their risk profile by publishing key information in their disclosure reports. While the objective of Pillar 3 – to enhance market discipline through transparency – is understandable, it is not being achieved in practice. Disclosure reports have grown excessively long and complex, often exceeding 300 pages, while their actual use by market participants remains very limited, including for large institutions, as reflected, for example, in low click rates on

institutions' webpages. At the same time, the effort involved in producing them is considerable and has increased significantly. Furthermore, the institutions receive hardly any queries relating to the disclosure reports, which suggests a lack of interest. Stakeholders can obtain all relevant key metrics from annual financial statements or annual reports. Much of the content serves supervisory purposes, duplicating information already available through regulatory reporting. Since supervisory authorities already receive the relevant information through those channels, an additional Pillar 3 report seems to be obsolete. As a conclusion, separate Pillar 3 disclosures should be waived.

Next to supervisory reporting, there is considerable potential for simplification and greater proportionality in accounting and auditing. One way to achieve this would be to stop classifying all credit institutions as 'public-interest entities' (PIE, Accounting Directive). At least SNCIs should not be considered PIE. Meaningful relief would come from focusing more on whether the audited and reporting company is 'listed' (exempting non-listed / non-capital-market-oriented companies). Both concepts, SNCI and non-listed, were also included in the original CSRD, to reduce the burden on credit institutions. We consider a single definition of the 'public-interest entities' (PIE) to be sufficient. Therefore, the Audit Directive should only contain a reference to the PIE definition in the Accounting Directive to avoid any potential discrepancies.

Question 94. Do you identify any instances where the reporting requirements for banks also lead to an undue burden for bank's clients?

- (●) Yes
- ( ) No
- ( ) Don't know / no opinion / not applicable

Please explain where this is the case and how this could be improved:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

An impact on bank clients arises when new/additional credit counterparty data is introduced and queried. Examples of this are AnaCredit and, in Germany, statistics on residential property financing (WIFSta). New credit counterparty data must usually be requested from the customer or obtained with the help of external data service providers. Requesting this information from the customer can have a negative impact on the business relationship. Obtaining it from data service providers is often associated with high costs.

As far as the supervisory reporting requirements under the current ITS on supervisory reporting are concerned, we see only indirect undue burdens on the institutions' customers. This is because these burdens do not stem primarily from the ITS itself, but from overarching concepts to which the reporting requirements are linked. If reporting includes information on small exposures or exposures of SME it results in the need to evaluate these exposures, even if they are not material / significant; sometimes there is a need to reach out to clients to get information.

One further example is the requirement to form groups of connected clients. This overarching concept is fundamentally linked to the regulation of institutions' assets (capital adequacy requirements and the large exposure regime). However, it also formally applies to customers with whom the institution has liabilities on the liabilities side only. Notwithstanding KYC requirements in the context of anti-money laundering and the prevention of terrorist financing, economic dependencies would in principle also need to be assessed for such customers in order to meet, for example, the current reporting requirements regarding the concentration of

financing by counterparty (C 67.00) or concentration of liquidity coverage potential by issuer/counterparty (C 71.00). In our view, collecting such information on economic dependencies for customers without a credit relationship is difficult or impossible without placing an unreasonable burden on and adversely affecting the customer relationship. For customers without a credit relationship (purely deposit-holding customers), a review of control relationships based on readily available information to identify any grouping necessity should therefore be sufficient.

Furthermore, an expansion of reporting is foreseeable because of the reporting requirements on ESG risks set out in CRR III. The simplifications introduced by the Sustainability Omnibus for sustainability reporting in the management report [under the Accounting Directive] have significantly reduced – and rightfully so - the number of companies subject to the CSRD. Consequently, significantly less ESG-related information will be publicly available on the market in future. The interplay between prudential regulatory requirements, disclosure and reporting obligations for banks and savings banks, and the information bases required for these purposes may give rise to trickle-down effects for customers. In addition, we would like to reiterate that ESG factors do not constitute a risk in and of themselves but rather serve as a driver of other risks. If publicly available data, external information sources, proxies or internal models prove insufficient for future reporting and disclosure requirements, as well as the requirements for ESG risk management developed by the EBA, institutions may, in practice, require additional information from companies. Considering this, we advocate for the removal of the requirement to report ESG risks (Art. 430 CRR). We also refer to our response to Question 95.

Question 95. In light of the ongoing revision of a number of pieces of EU legislation on sustainability (CSRD delegated acts, Taxonomy delegated acts, SFDR), do you see the need for amending any provision of the banking regulatory framework with a view to ensure achieving the objective of properly managing sustainability-related risks faced by banks?

- (●) Yes
- ( ) No
- ( ) Don’t know / no opinion / not applicable

Please explain your answer to question 95:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The Omnibus Initiative streamlines CSRD reporting for general corporate disclosure under the Accounting Directive, by adjusting the scope of application, but the supervisory reporting and disclosure requirements on sustainability for the financial sector were not reduced in parallel. Moreover, a new supervisory ESG-reporting is about to be introduced. Banks continue to face extensive ESG related obligations under the CRR, EBA guidelines and Pillar3 disclosures, yet the underlying availability of corporate ESG data diminishes as fewer companies fall within the CSRD scope. Hence, we suggest the full abolition of the ESG risks reporting and disclosure to reduce burden while the non-prudential sustainability reports of banks in the CSRD scope is published in the management report.

If in any case the CRR disclosure and reporting requirement on ESG risks under Pillar 3 should be retained, its scope should be aligned with the CSRD, so that Institutions that are not subject to the CSRD should be

explicitly excluded from the scope of Article 449a CRR and ESG reporting, Article 430(1)(h) CRR. Also, EBA guidelines on ESG risks and on loan origination and monitoring should be aligned accordingly.

To address the imbalance of scope and data availability, supervisory expectations should continue to allow the use of sector averages and proxies, while environmental risks should remain the primary focus. We consider the consideration of relevant ESG risks drivers within the framework of Pillar 2 to be sufficient. Redundant disclosure should be avoided through cross-referencing, taxonomy templates should be removed where information is already disclosed elsewhere or if the entity is out of the taxonomy scope, and small, non complex institutions should be exempted from transition plan requirements to prevent unnecessary data burdens on banks and their SME clients.

To significantly reduce reporting costs and avoid duplicate reporting, we propose mutual and formal recognition of the ESRS and ISSB standards as follows:

- Recognition of the ESRS as being aligned with the ISSB standards, allowing EU companies to report exclusively under ESRS – including for their non-EU subsidiaries.
- Recognition of the ISSB standards so that non-EU companies can use IFRS as a baseline and supplement any missing disclosures, for example beyond climate related information (social and governance aspects) as well as impact related datapoints ("insideout").

Additional information

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) below. **Please make sure you do not include any personal data in the file you upload if you want to remain anonymous**.

The maximum file size is 1 MB.
You can upload several files.
Only files of the type pdf,txt,doc,docx,odt,rtf are allowed

1ef902dc-8195-4156-9bae-43b6d432fb44/20260324_ECB_Industry_questionnaire_-_WS5_Reporting_GBIC_modified_Clean.pdf
4fdd2688-eb41-4994-ba39-5480f9f51656/260417_GBIC_additional_comments.pdf

Useful links

More on this consultation (https://finance.ec.europa.eu/regulation-and-supervision/consultations-0/targeted-consultation-competitiveness-eu-banking-sector-2026_en)

Consultation document (https://finance.ec.europa.eu/document/download/85228e21-7a48-4110-ba6a-dd11d0e7b5af_en?filename=2026-banking-sector-competitiveness-consultation-document_en.pdf)

Related call for evidence (https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/16795-Competitiveness-in-the-single-banking-market_en)

Savings and investments union (https://finance.ec.europa.eu/regulation-and-supervision/savings-and-investments-union_en)

Macroprudential policy (https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/financial-markets/macroprudential-policy_en)

Banking regulation (https://finance.ec.europa.eu/banking/banking-regulation_en)

Specific privacy statement (https://ec.europa.eu/info/files/2022-XXXX-specific-privacy-statement_en)

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