Supervisory Reform for Resilience, Efficiency and Competitiveness

Progress and priorities

Joint analysis and recommendations from the Association of German Banks and KPMG, based on the results of our 2026 SSM Supervision survey.

November 2026

1. Introduction

The Single Supervisory Mechanism has made a major contribution to consistent and credible banking supervision in the Euro area. The question today is not whether Europe needs strong supervision, but how strong supervision can become more focused, more efficient and more accountable.

The ECB has placed this question on its own agenda. Its reform programme aims to simplify and streamline supervisory processes, accelerate decisions, improve communication and concentrate supervisory attention on material risks. This is the right direction. Effective supervision is not synonymous with maximum supervisory activity. It requires judgement, prioritisation and a willingness to deprioritise issues that are not material to a bank's risk profile.

The issue also has a wider competitiveness dimension. Supervisory requirements absorb scarce management attention, specialist staff time and financial resources. Where these demands are not proportionate to risk, they can reduce banks' capacity to support customers, invest in transformation and finance the European economy. Improving supervisory efficiency is therefore not deregulation. It is part of ensuring that financial stability and competitiveness reinforce one another.

Against this background, the Association of German Banks, the Center for Financial Studies (CFS) at the Goethe University Frankfurt and KPMG conducted a survey of ECB-supervised banks in 2026. The survey examined supervisory cost and intensity, the targeting of activities, experiences of the ECB reform agenda, and the quality of supervisory dialogue. This paper presents the principal findings and translates them into three practical recommendations.

2. Survey overview

Over 100 ECB-supervised 'Significant Institutions' (SIs) were invited to participate on a voluntary basis in the BdB-KPMG-CFS SSM Supervision survey.

23 banks from 10 (out of 21) SSM countries participated. Survey respondents include banks across the full range of business models, including universal, corporate / wholesale and retail lenders. In terms of size, the sample broadly mirrors the population of significant institutions: 56% of participants had assets of up to EUR 100 billion, compared with 57% of all significant institutions. And 44% of participants had assets over EUR 100 billion, compared with 43% of all significant institutions (including G-SIBs).

Due to the voluntary nature of banks' participation, the survey sample could not be fully controlled. In particular the sample skews geographically in favour of banks located or headquartered in Germany (making up 48% (11) of all respondents, against 23% of all SIs and 21-24% of Euro area GDP).

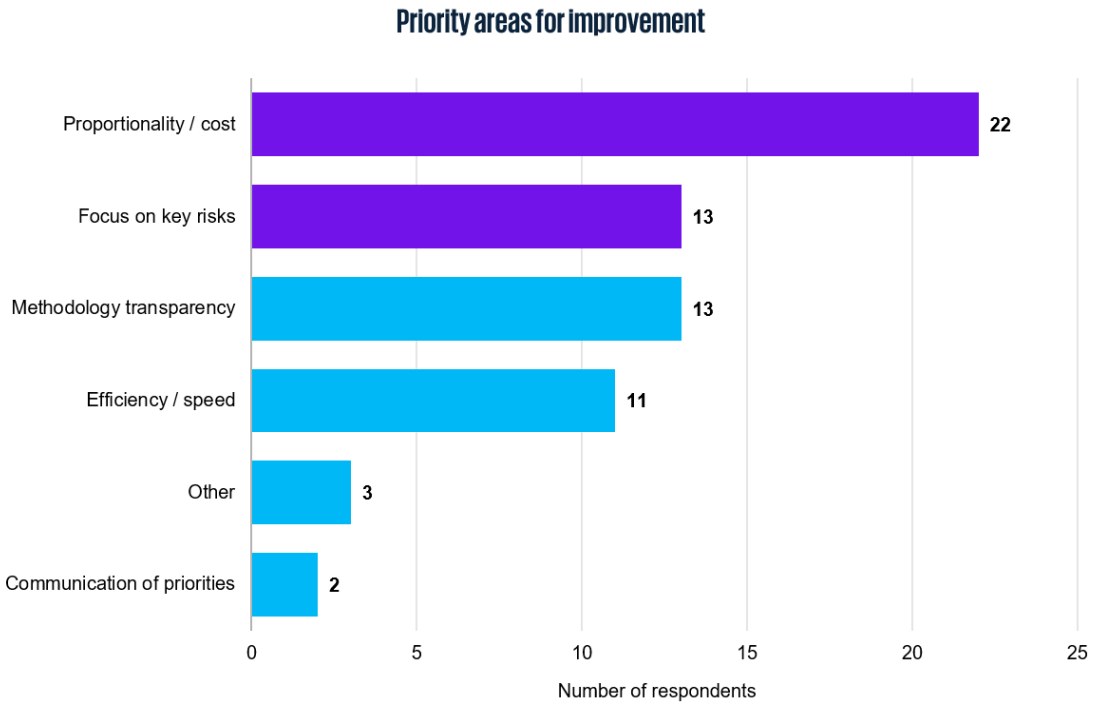
Nevertheless, at least one bank took part in the survey from each of the largest banking union countries. Therefore, the survey results provide a useful 'pulse check' of banks' assessment of SSM supervision and point to some general conclusions and lessons for the future.

© 2026 KPMG AG Wirtschaftsprüfungsgesellschaft, eine Aktiengesellschaft nach deutschem Recht und ein Mitglied der globalen KPMG-Organisation unabhängiger Mitgliedsfirmen, die KPMG International Limited, einer Private English Company Limited by Guarantee, angeschlossen sind. Alle Rechte vorbehalten.

3. Overall evaluation of ECB banking supervision: Broad support, but a clear demand for more proportionality

Overall satisfaction with ECB banking supervision is mostly, but not uniformly, positive: Sixteen of 22 responding banks reported satisfaction with current ECB supervision, including one that was very satisfied (one bank did not respond). Six were quite unsatisfied. No respondent selected “very unsatisfied”.

Banks were asked to point out the areas in which they see the greatest need for further improvement:



Source: This and all subsequent charts are based on the results of the 2026 BdB-KPMG-CFS SSM Supervision survey.

The ranking of improvement priorities is unambiguous. Every bank answering the question selected proportionality and cost. Focus on key risks and transparency of assessment methodologies were the second most frequently highlighted area for improvement, each selected by thirteen banks. The result suggests that the reform debate should concentrate not only on speed and efficiency of supervisory processes, but on the substance, targeting and explainability of supervision.

4. Overall supervisory cost: Clearly material, but consistent measurement remains challenging

Supervision imposes a cost on banks, in addition to the cost of regulation (such as the cost of maintaining capital and liquidity to meet regulatory minimum requirements). The cost of supervision includes the staff time that banks must devote to providing information requested by supervisors and to accommodating supervisory teams during on-site inspections, and the investment in systems and other changes required by supervisory findings – as well as supervisory fees.

The survey sought to quantify these costs of supervision that banks typically have to bear. It found that supervisory cost is significant, but there is no common and consistent approach among banks to measuring it. Fewer than half of participating banks were able to estimate the cost of supervisory engagement, and those that did relied on differing methodologies. Only eleven of 23 banks could estimate their off-site supervisory cost, and only ten could estimate the cost of on-site inspections.

© 2026 KPMG AG Wirtschaftsprüfungsgesellschaft, eine Aktiengesellschaft nach deutschem Recht und ein Mitglied der globalen KPMG-Organisation unabhängiger Mitgliedsfirmen, die KPMG International Limited, einer Private English Company Limited by Guarantee, angeschlossen sind. Alle Rechte vorbehalten.

EUR 3.5m
median annual off-site cost, *n=9*

EUR 1.75m
median annual OSI cost, *n=8*

For the banks able to provide usable estimates, the median annual cost was EUR 3.5 million for off-site supervision and EUR 1.75 million for on-site inspections. That implies a median total cost of supervision of around EUR 5 million per bank per year. The wide dispersion and differing methodologies mean these figures should not be interpreted as exact measurements. They nevertheless demonstrate that the operational footprint of supervision is large enough to warrant systematic attention. As an illustration of economic magnitude, at an assumed cost of equity of 10%, annual supervisory costs of EUR 5 million would correspond to the annual cost associated with approximately EUR 50 million of additional equity per bank. While the two forms of burden are not economically equivalent, the comparison nonetheless illustrates that the operational cost of supervision can be material.

Banks' difficulties with measuring costs have two consequences. First, banks cannot reliably demonstrate which supervisory activities consume the most resources or manage those costs over time. Second, discussions about proportionality and efficiency rely on a limited evidence base. Developing a more robust approach to tracking supervisory costs could help banks better understand the operational impact of supervision and support more evidence-based dialogue with supervisors and policymakers.

5. Major cost drivers: Data requests and inspections generate substantial bespoke work

Euro area banks have repeatedly highlighted supervisory requests for information as a major source of supervisory cost.[1] In our latest survey, reported Request for Information (RFI) volumes range from around 30 to more than 2,000 per year. Seven of twenty banks providing an answer received more than 250 RFIs in 2025, equivalent to more than one per working day, and five respondents received more than 750.

17 of 23
prepare more than half of RFI information specifically

~370
median person-days per OSI

~1,250
median annual off-site person-days

7 of 20
OSI hosts unable to estimate total effort

Seventeen of 23 banks said that more than half of the information requested in RFIs had to be collected or prepared specifically for the supervisor. This suggests that many requests create bespoke production work rather than drawing on information already used for internal management purposes. This implies that much of the effort and cost involved serves only to the benefit of the supervisor, rather than generating value for banks themselves. A mature risk-based approach should challenge whether the marginal benefit of each request justifies that additional production cost.

A similar pattern is visible in inspections. Among the thirteen banks able to estimate the effort, one OSI absorbed a median of roughly 370 person-days. For off-site activities, the eleven usable estimates indicated a median of approximately 1,250 person-days per year. This represents a substantial commitment of resources, diverting staff time that could otherwise be devoted to providing services to customers, growing banks' business activities, or managing risks and thus strengthening resilience. These figures underline the need for supervisors to coordinate requests, improve plannability, avoid duplication and take better account of materiality considerations.

As with the overall cost of supervision (section 4), banks found it challenging to quantify the effort required to respond to supervisory information requests. Common and consistent measurement approaches are currently lacking, and the range of estimates was wide.

[1] See for example, *Improving Supervisory Effectiveness – Addressing Concerning Trends in Bank Supervision*, Institute of International Finance, September 2025 https://www.iif.com/Publications/ID/6273/Improving-Supervisory-Effectiveness-Addressing-Concerning-Trends-in-Bank-Supervision; *Stepping Boldly into a new Decade: European Banking Supervision at Ten*, Bundesverband deutscher Banken (BdB) & KPMG, November 2024: https://assets.kpmg.com/content/dam/kpmgsites/xx/pdf/2024/11/ssm-10-years-report.pdf.coredownload.inline.pdf

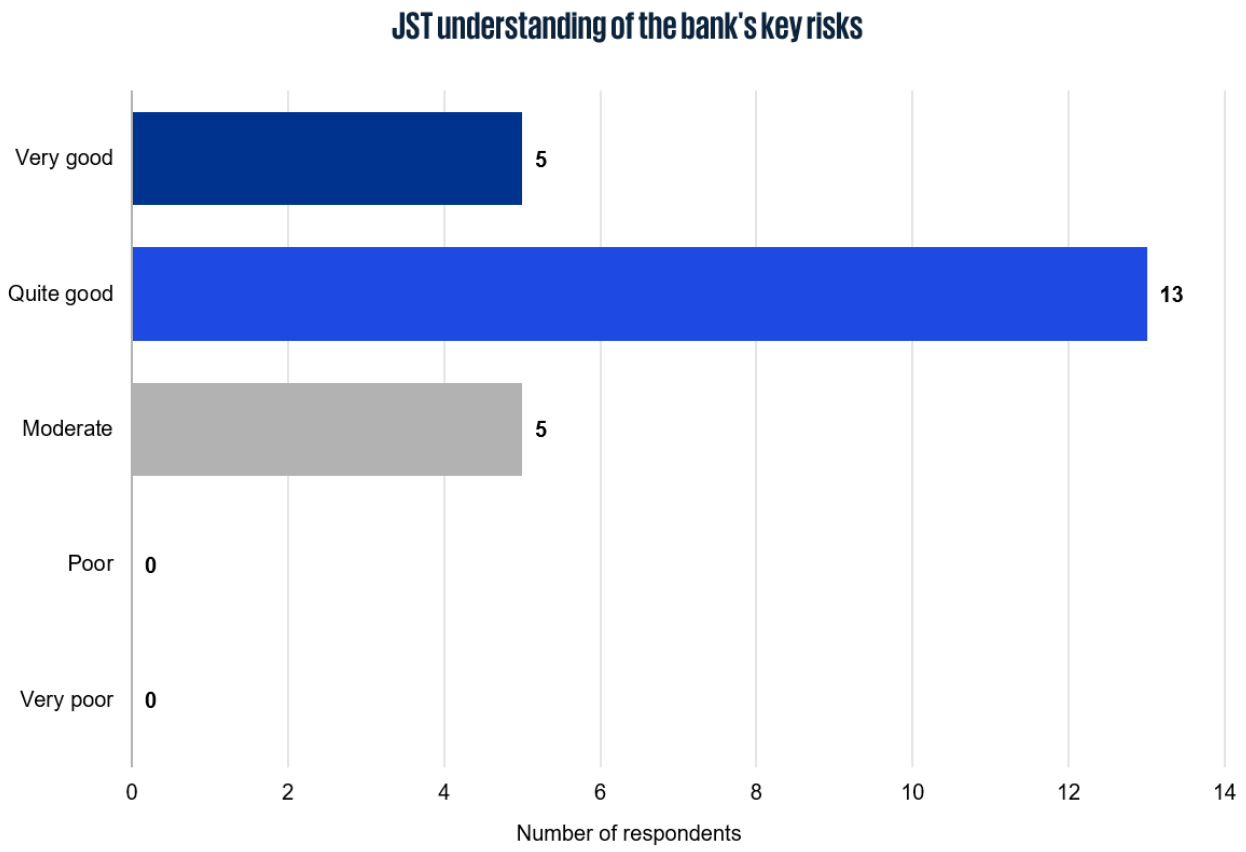
© 2026 KPMG AG Wirtschaftsprüfungsgesellschaft, eine Aktiengesellschaft nach deutschem Recht und ein Mitglied der globalen KPMG-Organisation unabhängiger Mitgliedsfirmen, die KPMG International Limited, einer Private English Company Limited by Guarantee, angeschlossen sind. Alle Rechte vorbehalten.

Nonetheless, survey responses suggested that the burden of responding to off-site data requests and hosting on-site inspections is material. Supervisors should rigorously interrogate whether the benefits in terms of increased financial stability are sufficient to justify these costs.

6. Risk focus: Banks acknowledge supervisors' sound understanding of risks, but would like to see more targeted activities

A central plank of the ECB's recent supervisory reforms is a drive to focus more on the key risks facing each bank. This requires first a thorough understanding of what those risks are, and then the targeting of supervisory activities in accordance with a bank's risk profile. Our survey returned a mixed picture of supervisors' understanding. Positively for the ECB, no bank rated their Joint Supervisory Team (JST)'s understanding of their key risks as 'poor' or 'very poor'.

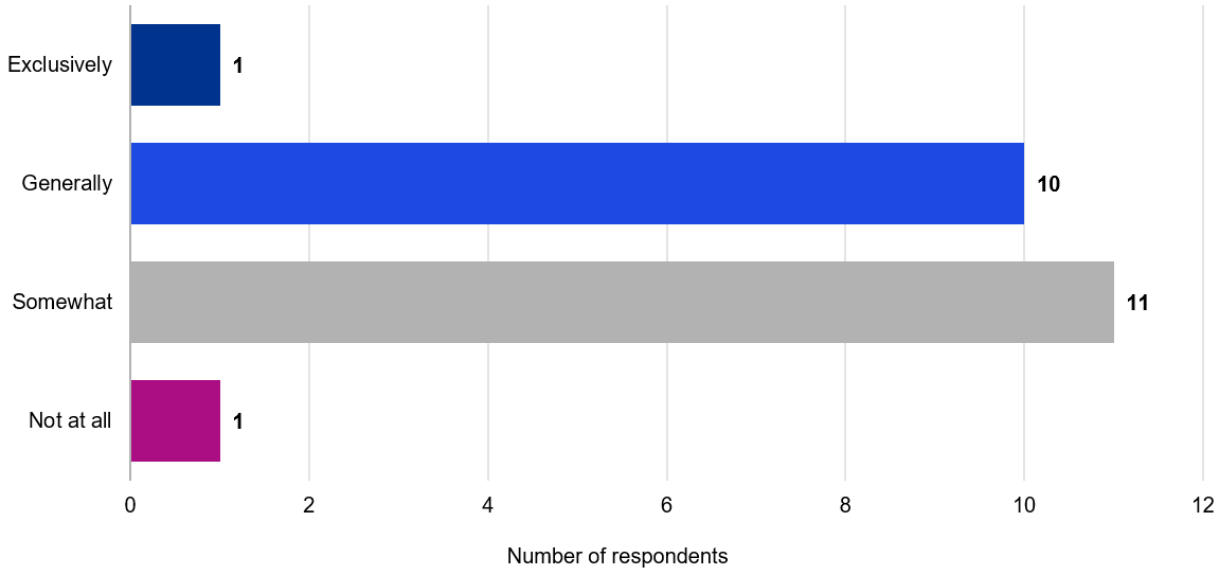
The majority (13 out of 23 banks) rated their JST's understanding as 'quite good'. This is encouraging, but shows significant room for improvement: only 5 banks thought their JST had a 'very good' understanding. Given the intensity of supervisory scrutiny, and the significant amount of information collected from banks each year, the ECB should aspire to a high level of understanding among JSTs of the banks under their supervision and their individual risk profiles.



The assessment of targeting is notably weaker. Only eleven banks considered OSIs generally or exclusively focused on key risks; eleven selected "somewhat" and one "not at all". This suggests that even where supervisors do understand the risks facing banks very well, this is not consistently translating into the more focused supervisory activity that the ECB has championed in its reform efforts.

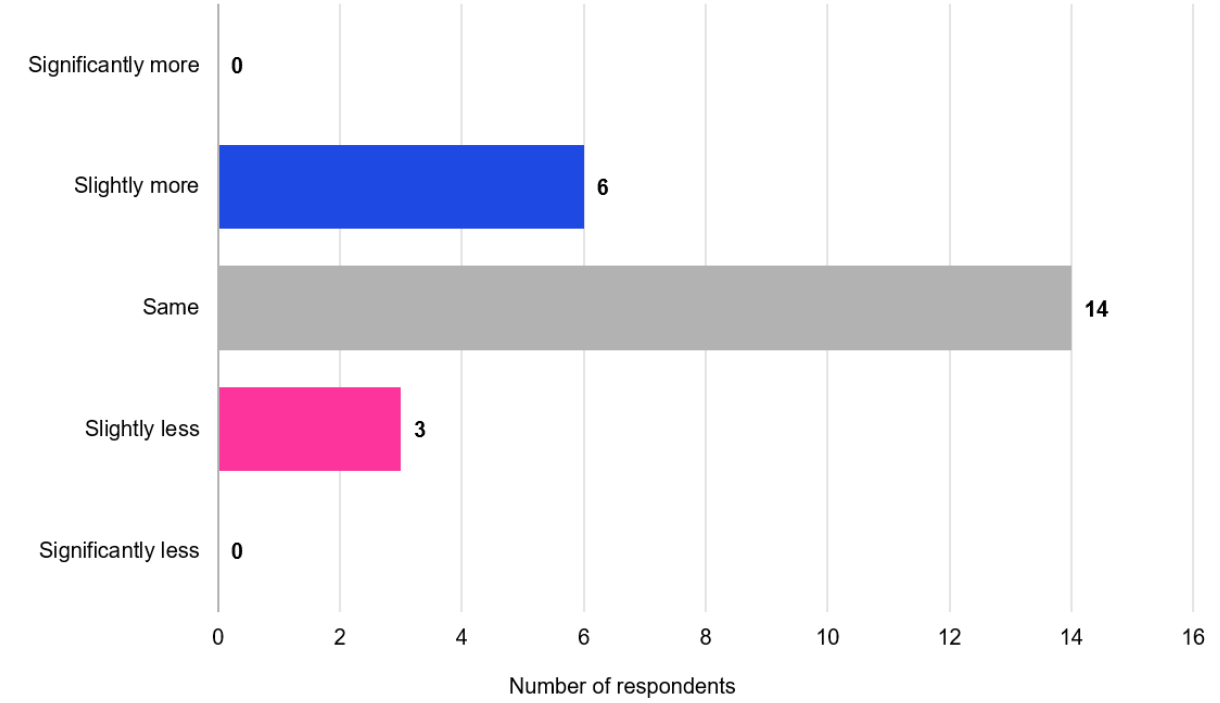
© 2026 KPMG AG Wirtschaftsprüfungsgesellschaft, eine Aktiengesellschaft nach deutschem Recht und ein Mitglied der globalen KPMG-Organisation unabhängiger Mitgliedsfirmen, die KPMG International Limited, einer Private English Company Limited by Guarantee, angeschlossen sind. Alle Rechte vorbehalten.

How far OSIs are targeted on key risks



Indeed, banks reported little progress towards more risk-focused supervision since the ECB reforms were unveiled. No bank reported that supervision has become ‘significantly more’ risk-focused, and only six said it had become ‘slightly more’ risk-focused as a result of the reforms, while fourteen saw no change and three even saw a decrease in risk focus.

Change in risk focus since ECB reforms



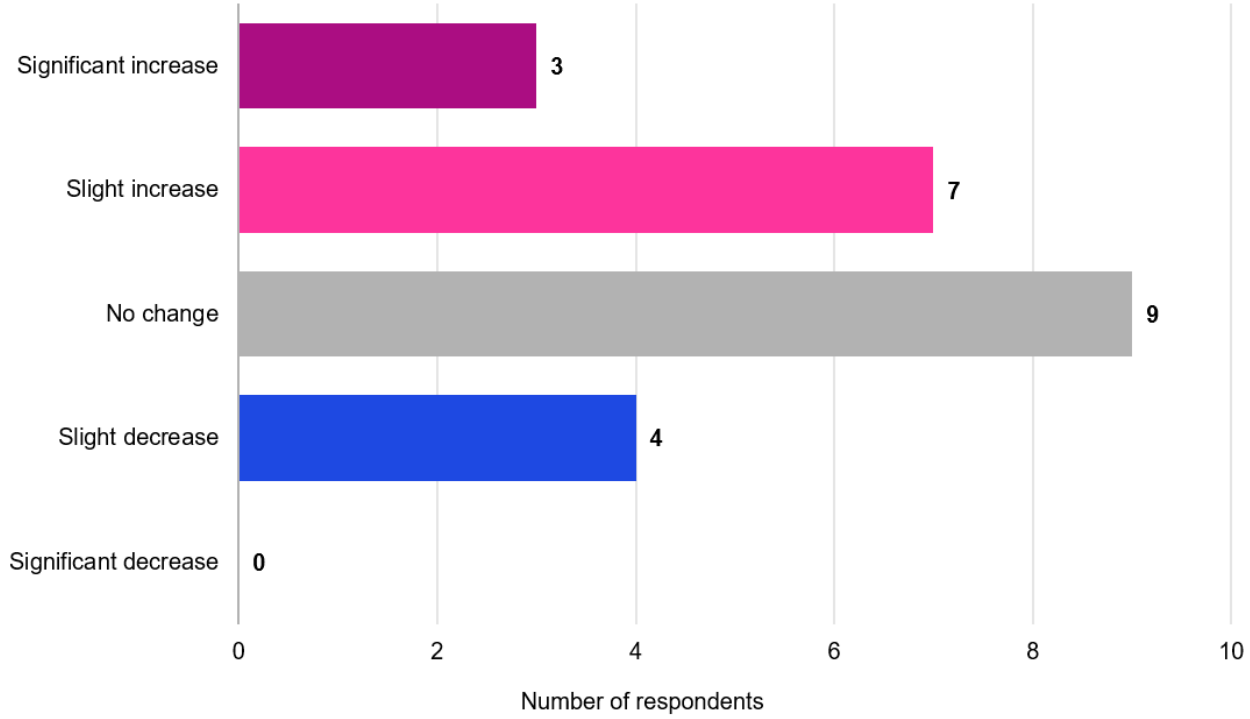
This suggests that the ECB needs to do more to make risk-based supervision a reality. This should include changing the allocation of supervisory resources, not only the language used to describe supervision. It should produce fewer low-value requests, more differentiated work programmes and a clearer link between identified material risks and the intensity of supervisory activity.

© 2026 KPMG AG Wirtschaftsprüfungsgesellschaft, eine Aktiengesellschaft nach deutschem Recht und ein Mitglied der globalen KPMG-Organisation unabhängiger Mitgliedsfirmen, die KPMG International Limited, einer Private English Company Limited by Guarantee, angeschlossen sind. Alle Rechte vorbehalten.

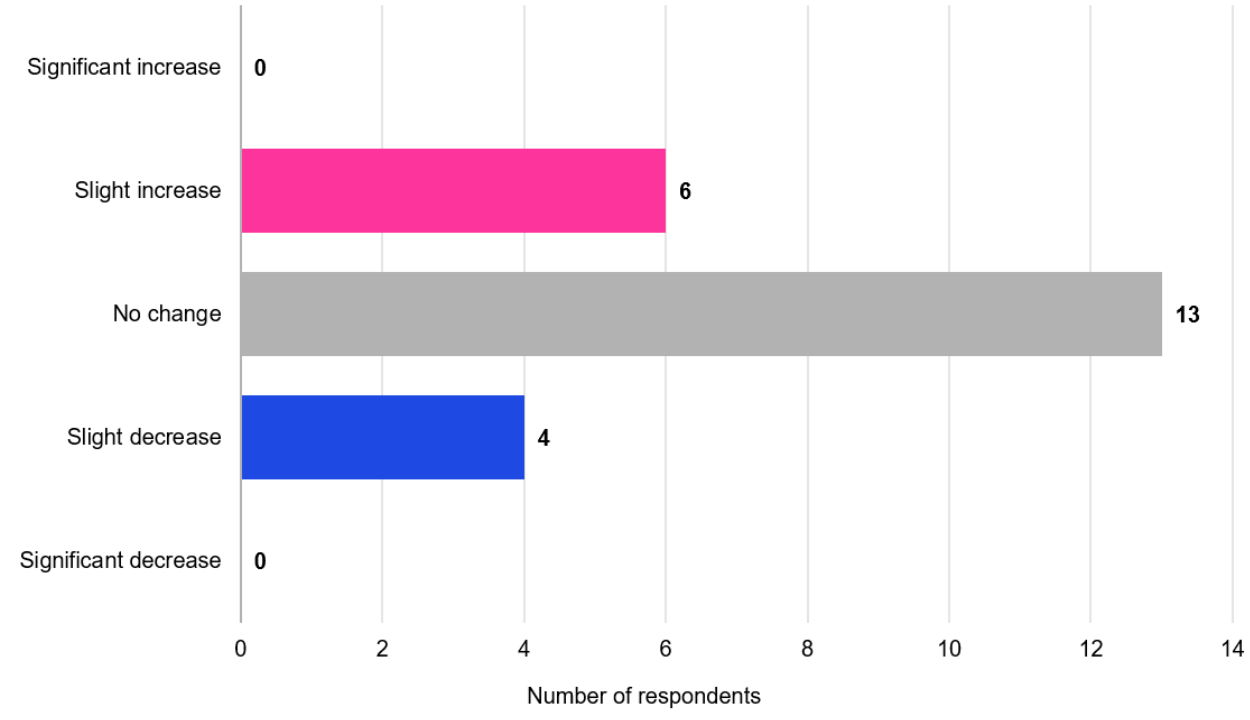
7. Reform impact: Directionally positive, not yet tangible

The ECB has argued that its work to streamline supervision will benefit banks by reducing unnecessary burdens. In our survey, however, banks do not yet report material relief from the reform agenda. Since the reforms were announced, four of 23 respondents experienced a slight reduction in supervisory scale and intensity, nine saw no change, and ten saw an increase. Looking ahead, four expect a reduction, thirteen expect no change and six expect an increase.

Experienced change in supervisory intensity



Expected change in supervisory intensity



© 2026 KPMG AG Wirtschaftsprüfungsgesellschaft, eine Aktiengesellschaft nach deutschem Recht und ein Mitglied der globalen KPMG-Organisation unabhängiger Mitgliedsfirmen, die KPMG International Limited, einer Private English Company Limited by Guarantee, angeschlossen sind. Alle Rechte vorbehalten.

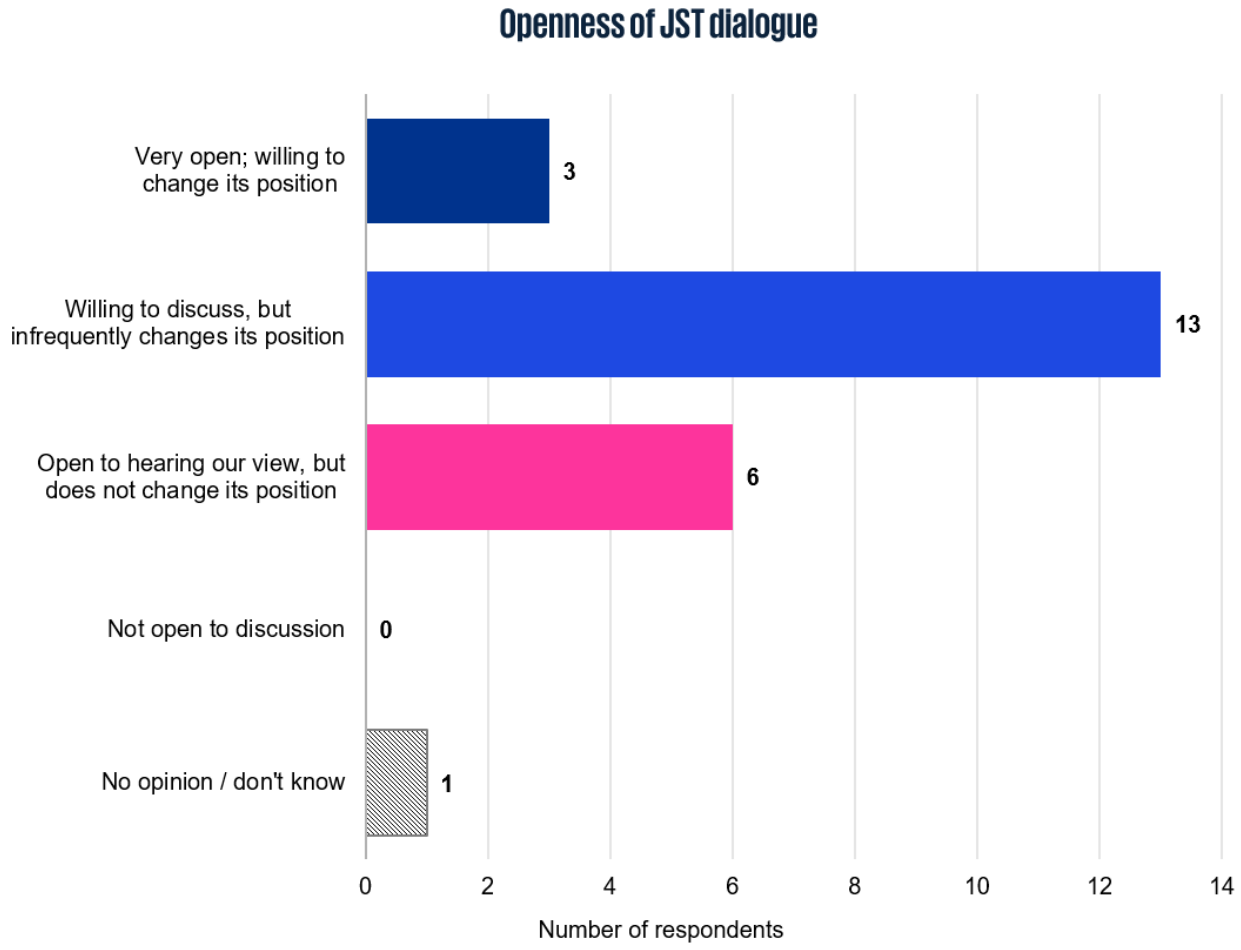
Open-text responses point in the same direction. Only one bank expected a clearly positive overall impact. Several respondents recognised incremental improvements in internal ECB processes or communication, but others warned that simplification can shift work from the supervisor to institutions without reducing the total burden – for example by requiring banks to continue documenting the closure of lower-impact supervisory findings, but without submitting that documentation to the supervisor.

Reform should therefore be judged by its end-to-end effect on both supervisors and banks.

For the time being, banks appear to have only little confidence that the ECB's reforms will lead to actual relief. This should encourage the ECB to move forward more boldly with the planned reforms and further strengthen its credibility, efficiency and risk-focus through tangible improvements.

8. Communication between banks and supervisors: Dialogue is open, but does not often change outcomes

Enhancing communication with banks was one of the ECB's core objectives for its supervisory reforms. Our survey asked banks to assess their communication with JSTs. Positively for the ECB, no bank responded that its JST was not open to discussion. However, nineteen of 23 banks said that their JST rarely or never changes its view. This calls into question how far JSTs really consider the input and representations they receive from the banks under their supervision.



Effective supervisory dialogue does not require supervisors to accept banks' arguments. But it does require a transparent process in which material evidence is considered, decisions are reasoned, and banks can understand why a position was maintained or changed. This is central to both supervisory quality and accountability.

© 2026 KPMG AG Wirtschaftsprüfungsgesellschaft, eine Aktiengesellschaft nach deutschem Recht und ein Mitglied der globalen KPMG-Organisation unabhängiger Mitgliedsfirmen, die KPMG International Limited, einer Private English Company Limited by Guarantee, angeschlossen sind. Alle Rechte vorbehalten.

9. Recommendations

Recommendation 1: The SSM should focus more sharply on key risks

The SSM should translate risk orientation into visible prioritisation. Supervisory planning should start from a limited set of bank-specific material risks and establish a clear line of sight between those risks and requests for information, OSIs and other supervisory activities. Activities with low expected benefit to financial stability should be reduced or discontinued. From the industry's perspective, this should result in an overall burden reduction: the burden should not simply be shifted from supervisors to banks or from certain areas to others.

Recommendation 2: Banks should improve how they measure supervisory costs

Banks also have a responsibility to create a stronger evidence base. The survey shows that many institutions cannot yet quantify the full cost of supervision consistently. Without that information, it is difficult to manage resources, compare experience over time or engage with supervisors and policymakers in a fact-based cost-benefit dialogue.

Recommendation 3: The SSM should pursue the cultural change initiative with high priority and ambition

The essential foundation for all improvements is a shift in the supervisory mindset at all levels – from the top all the way down to the working level. The supervisory approach should shift its focus from formal compliance and completeness to better coordination and more open dialogue with banks. This should go hand in hand with clearer accountability for the outcomes of the ECB's reform programme. Accountability does not weaken supervisory independence. It strengthens legitimacy by sharpening objectives and rebalancing trade-offs.

10. Conclusion

The 2026 survey shows a supervisory system that is broadly respected, but not yet operating at its full potential. Banks recognise the quality and importance of ECB supervision.

Their responses nevertheless point to persistent problems of cost, bespoke data production, weak measurability, uneven risk targeting and limited tangible relief from the ECB's reform agenda.

The next phase should therefore move from reform design to demonstrable outcomes. A sharper focus on key risks would allow the SSM to deploy expertise where it matters most. Better cost measurement by banks would create the evidence needed for credible cost-benefit analysis. Stronger accountability and a change in supervisory culture would ensure that commitments to efficiency, proportionality and improved dialogue are translated into visible results.

kpmg.com/socialmedia



© 2026 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

KPMG refers to the global organization or to one or more of the member firms of KPMG International Limited ("KPMG International"), each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. For more detail about our structure please visit https://kpmg.com/governance.

Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.