Contribution ID: 3c668f66-b5a0-4ed7-a33f-ab1878b8114a
Date: 17/04/2026 12:20:04

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
- (selected) 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
- (selected) Business association
- Company/business
- Consumer organisation
- EU citizen
- Environmental organisation
- Non-EU citizen

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

*First name

*Surname

*Email (this won't be published)

*Organisation name

255 character(s) maximum

Association of German Banks

*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.

*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 (selected)
- 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.

- [x] 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 competitiv eness 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.

Banks are a primary transmission channel from savings to investment in the EU economy. They support growth first and foremost through credit intermediation and core financial services. This includes;
- lending to households for housing,
- to SMEs and corporates for investment and working capital,
- and the provision of payment, cash-management, hedging, trade finance and account services that enable firms to operate, invest and compete.
Banks also help channel savings into capital markets through underwriting, debt and equity issuance, private placements, securitisations and retail investment products.

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.

This role remains critical in a bank-based European economy. In Germany and across much of the EU, banks continue to meet the traditional financing needs of businesses and households and have repeatedly demonstrated their stabilising role in times of crisis. However, the investment needs (decarbonisation, digitalisation, defence, infrastructure and productivity-enhancing innovation) in the near future are possibly larger than what company balance sheets alone can absorb. The investment will have to be financed through a combination of corporate balance sheets, bank balance sheets and deeper capital markets. In order for banks to be able to facilitate and even push these objectives Europe must ensure a framework that allows them to do so as efficiently as possible (while ensuring financial stability). The framework requires rebalancing, while some challenges remain;

1. Priority should be given to a simpler, more risk-based and more predictable prudential and supervisory framework. In a bank-based financial system, excessive complexity feeds directly into higher financing costs for the real economy. This is particularly relevant for long-term, high-volume and transformation-related financing. Caution linked to further capital increases (i.e the phase-in of the output floor/transitionals/ capital deductions/ european goldplating etc.), may become a greater constraint over time.

2. Further gains would come from removing Single Market frictions, including barriers to cross-border banking through the elimination of national barriers, not only on prudential matters (e.g. liquidity and capital requirements at entity level) but on capital markets, retail and payments, e.g. the cross-border recognition of IBAN.

3. A genuine Savings and Investment Union would improve the channelling of savings into productive investment across the EU. In retail markets, the cumulative burden of advice, documentation and disclosure rules should also be reduced where this can be done without weakening investor protection, as current requirements significantly raise costs and limit efficient access to capital market products.

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.

We do not currently see a general supply-side shortage of bank credit. In Germany, banks are willing to lend more. The weak credit dynamics observed recently reflect above all weak growth, subdued investment appetite, higher interest rates and elevated uncertainty. The EU remains heavily bank-based and will stay so in the medium term, even if the Savings and Investments Union succeeds in deepening capital markets.

But this current must not be extrapolated mechanically. Investment needs of the near future (decarbonisation, digitalisation, defence, infrastructure and productivity-enhancing innovation) are likely much larger than in the recent past: ECB calculations point to additional investment needs of around EUR 5.4 trillion for 2025-2031 (Source: https://www.ecb.europa.eu/press/blog/date/2024/html/ecb.blog240627~2e939aa430.en.html). A large share will have to be financed by private firms, investors and households, with banks remaining the main financing channel.

The EU must ensure that banks balance sheets are able to absorb this growth and that banks a re capable to intermediate additional credit at an economically viable cost. Estimates of our members illustrate the scale of the issue. Even under a moderate credit growth scenario of 2% annually for 2026-2030, EU banks' loan books could expand by around EUR 1.3 trillion, implying a substantial increase in RWAs and around EUR 65 billion of additional CET1 if current average capital ratios are maintained. Under stronger growth scenarios, the required capital would be significantly higher.

The pressure is particularly visible in lending to large corporates, mid-caps and SMEs. The treatment of unrated corporates increases capital consumption and may further worsen if transitional arrangements expire. This concern goes beyond the output floor and affects all banks using the standardised approach. In parallel, EU regulation and supervisory practice can disincentivise leveraged lending, thereby constraining financing for sectors of strategic relevance, including defence and industries relevant to the Savings and Investments Union.

Similar concerns arise for low-risk mortgages, where the expiry of transitional treatment could materially increase the cost of capital. Specialised lending, especially project finance, is also affected, despite its importance for infrastructure, defence, the green transition and technological innovation. Trade finance is burdened by conservative credit conversion factors, the treatment of unconditionally cancellable commitments, and aspects of the FRTB framework that do not sufficiently recognise diversification and hedging. In addition, the CRR3 treatment of credit colateral can unduly penalise insured exposures, despite very strong historical loss performance.

There are also targeted barriers affecting credit provision. In Germany, macroprudential buffers, notably the countercyclical buffer and sectoral measures for real estate exposures, have increased lending costs and contributed to procyclical tightening. More broadly, regulatory complexity, limited risk sensitivity and supervisory conservatism raise costs for the real economy.

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 19, 199, and 210 CRR to ensure consistent and risk-sensitive capital treatment.

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.

For retail clients, access to basic banking services, mortgages, consumer credit and personal loans is generally good. Competition is strong and digital channels have improved accessibility and speed. At the same time, cross-border retail banking remains constrained by fragmented national frameworks. Divergent consumer protection rules, insolvency regimes and creditworthiness assessments limit the portability of products, including mortgages. IBAN discrimination still occurs. Heterogeneous data and API standards hinder digital onboarding and service provision across borders. Non-harmonised AML/KYC requirements make account opening lengthy and operationally burdensome. Macroprudential measures such as LTV, LTI or DSR caps may also restrict access, although they can be justified from a financial stability perspective. In retail investment, the cumulative burden of advice, disclosure and documentation requirements has materially increased costs and reduced efficient access to capital market products.

b) an SME

5000 character(s) maximum

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

For SMEs, banks remain by far the dominant external financing source. Access is generally adequate for established firms with solid financials and collateral, but more difficult for young firms, innovative SMEs, micro-enterprises and businesses in weaker regions. Key obstacles include limited collateral, short credit histories, insufficient financial information, and fragmented national guarantee and insolvency regimes, which affect recovery values, pricing and the feasibility of long-term lending.

A major structural obstacle is that most EU corporates are unrated by design, especially SMEs and mid-caps. If the transitional CRR treatment for unrated corporates under Article 465(3) expires, risk weights on these exposures would increase from 65% to 100%. This would mechanically raise capital requirements without any commensurate change in underlying credit risk. The consequences would be clear: bank financing for unrated corporates would become more expensive, SMEs and mid-caps would face reduced access to affordable credit, and more borrowers could be pushed towards less regulated and more expensive private credit providers. That would shift risk outside the prudential perimeter and directly undermine EU objectives in industrial transformation, digitalisation, green investment and defence. The current transitional treatment should therefore be maintained beyond 2032.

c) a corporate (non-SME)

5000 character(s) maximum

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

For corporates, financing options are broader and include bilateral and syndicated loans, bond issuance, private placements and equity financing. Access is therefore generally good. Constraints arise mainly for highly leveraged firms, sectors exposed to transition or technology risk, and cross-border projects affected by divergent insolvency, tax, collateral and reporting rules. Unclear supervisory expectations can also restrict financing in some sectors. More predictable prudential treatment, lower fragmentation and a stronger capital market ecosystem would improve financing conditions, especially for large capital-intensive and cross-border projects.

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.

Market fragmentation still materially impairs cross-border access to banking products and services for both consumers and businesses. There is no general market failure in bank account opening or lending. These markets are competitive and follow economic logic. The problem lies elsewhere: the Single Market for banking remains incomplete because banks and customers still face a wide range of national legal, operational and supervisory frictions.

Persistence of national legal fragmentation: Divergent consumer protection rules, insolvency frameworks, foreclosure procedures, tax treatment and documentation requirements make it difficult to offer standardised cross-border products at scale. This is particularly relevant for lending, where recovery values, enforceability and servicing models depend heavily on national law. Different languages and local market practices add further operational cost.

Fragmentation in supervisory and compliance implementation: Divergent AML and KYC requirements lead to lengthy onboarding processes, higher compliance costs and, in some cases, de-risking. For SMEs and start-ups, opening accounts across borders can take weeks or even months. In lending, the lack of efficient access to reliable borrower credit data, including positive and negative credit information where available, also makes cross-border credit assessments more difficult and more expensive.

Capital and liquidity remain trapped in national subsidiaries because cross-border waivers remain limited in practice. This reduces the efficiency of group-wide resource allocation and reinforces national silos.

In payments, fragmentation persists despite SEPA. IBAN discrimination remains a real issue, often driven not by banks but by merchants, employers, utilities or public institutions whose systems are still hard-coded to domestic IBAN formats. This undermines consumer mobility and creates unnecessary friction for firms operating across borders.

Digital fragmentation: Divergent data-sharing frameworks, including the risk of multiple non-interoperable schemes under FIDA, would further hinder cross-border scale. If banks and third parties must build country-specific interfaces, taxonomies and consent flows, the result will be higher costs, slower roll-out and less competition. Consumers would face inconsistent user journeys. SMEs would struggle to use harmonised treasury, accounting and cash-flow tools across 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 sector is a fundamental asset for the EU economy. It strengthens resilience, improves capital allocation and supports innovation. Diversity is about preserving different business models, ownership structures, operational setups and geographic focuses. This reduces concentration risk and avoids single points of failure in financing and market infrastructure.

- Diversity matters across business lines. In lending, different banking models serve different economic needs. Large universal banks provide large-scale syndicated loans, bridge financing and capital markets access for major corporates, infrastructure and transformation projects. Smaller and regional banks play a distinct role in SME and mid-cap financing through relationship lending and the use of qualitative borrower information that cannot easily be captured in standardised models. Digital lenders and fintechs can widen access for underserved segments through new data, faster processes and lower distribution costs.

- The same applies in trade finance. Large international banks support complex multi-jurisdictional structures and commodity finance. Regional and local banks are often essential for SME exporters that would otherwise struggle to access letters of credit, guarantees and international trade services. Development and policy banks can complement commercial capacity through political risk coverage or targeted risk sharing where private appetite is limited. A diverse provider base also supports geographic reach beyond major financial centres.

- In capital markets and trust and security services, diversity of banking models is equally important. Debt issuance and post-issuance servicing rely on a mix of lenders, arrangers, trustees, paying agents, registrars, security agents, custodians and account banks. Different operational models and technology stacks increase market depth, reduce dependency on a small group of institutions and create redundancy in critical functions. This strengthens resilience and can lower the cost of capital for issuers.In cash management and payments, the mix of universal banks, clearing banks and digital providers creates alternative settlement paths and reduces vulnerability to operational disruption. Competitive pressure from new entrants has also accelerated real-time services, cross-border functionality and improved client-facing tools.

To preserve this diversity, EU policy should avoid prescriptive, one-size-fits-all regulation and push for Proportionality and appropriateness in supervision in terms of reporting, governance, operational resilience, data standards and capital treatment. Otherwise, smaller or specialised institutions will be pushed out of viable market segments, leaving activity concentrated in a few large firms. Access to financial market infrastructures, payment rails, CSDs and clearing systems should also be fair and based on objective criteria rather than business model or size.

The EU should also lower structural barriers that prevent different banking models from scaling across the Single Market. This includes more consistent supervisory implementation, more harmonised settlement and issuance processes, better digital interoperability, and the removal of unnecessary national frictions. In specific areas, practical measures such as digitalisation of trade documents, proportionate treatment of trade finance exposures and standardised bank-to-bank connectivity would help smaller and specialised institutions remain active.

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.

Yes. National promotional banks and public guarantee institutions can make a clearly complementary contribution to commercial bank financing in the EU. But their role should remain targeted and subsidiary.

Corporate financing should primarily be ensured by a sound and resilient banking system operating in a market-based framework. Their contribution is particularly valuable where market failures, policy priorities or temporary risk aversion limit private financing capacity. In particular, they can:

- share risk with commercial banks through guarantees and co-financing, thereby enabling lending to SMEs, start-ups, innovative firms and transition-related projects that would otherwise be difficult to finance on a purely commercial basis;
- crowd in private capital rather than replace it, by improving the risk-return profile of projects and making commercially viable transactions possible;
- support long-term investment by extending maturities and improving financing conditions for infrastructure, digitalisation, energy transition and other projects with long payback periods;
- provide countercyclical support during downturns, helping to stabilise credit flows when private risk appetite declines;
- help implement EU and national policy objectives where targeted public intervention is justified, including regional development, innovation and transformation investment;
- leverage local market expertise, including as intermediaries for EIB-group instruments, to ensure that funding reaches firms and projects efficiently.

Public guarantee schemes are particularly useful because they reduce expected loss and capital absorption for commercial banks. This can make financing economically viable where it would otherwise not be, especially for borrowers with limited collateral or higher initial risk.

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		X				

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.

Domestic bank consolidation may generate efficiency gains, for example through the rationalisation of branch networks, head-office functions and IT systems. In some markets, it can also sharpen management discipline. But its overall benefits depend heavily on national market structures and competition conditions. It should not lead to excessive concentration or weaker customer outcomes. In Germany, domestic consolidation across the different banking pillars is structurally limited in practice.

Cross-border bank consolidation can also bring benefits, but these are more conditional. In principle, it can help EU banks achieve greater scale, improve allocation of capital and liquidity across the EU, and make banking groups more resilient to local shocks. It may also help reduce the bank-sovereign nexus by creating more geographically diversified institutions. But the economic gains depend on the right framework conditions.

However, a genuine Single Market for banking services and further digitalisation of banking services would be more relevant most directly linked to higher productivity, better client outcomes and stronger competitiveness;

- Banking services offered across the Single Market would improve competition, widen customer choice and allow banks to serve clients more efficiently across borders. It would reduce duplication, lower compliance and operating costs and make it easier to scale products and services across the EU. This is the most direct route to better financing conditions for households and firms. It also addresses the fragmentation costs described in response to Question 4.

- Digitalised banking services would also benefit the EU economy to a very large extent. Digitalisation lowers transaction costs, improves speed and accessibility, strengthens financial inclusion and supports innovation in payments, lending and cash management. This is particularly relevant for SMEs and smaller businesses, which make up the vast majority of firms in the EU. Open Banking and modern digital payments can materially improve access to finance and operational efficiency. Digital transformation can also generate substantial efficiency gains within banks by automating processes and reducing legacy cost structures.

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.

The main risks currently faced by EU banks can be grouped into four areas:

(1) Geopolitical and macro-financial risk. Trade tensions, sanctions, economic fragmentation and weaker growth prospects can quickly affect asset quality, especially in trade-sensitive and export-oriented sectors. Geopolitical shocks can also disrupt payment flows, supply chains and client activity across jurisdictions.
(2) Operational and technological risk. Cyber risk remains one of the most serious threats, including ransomware, DDoS attacks and increasingly sophisticated fraud. Generative AI is making fraud patterns more convincing and harder to detect. At the same time, banks are becoming more dependent on a small number of critical third-party technology and cloud providers, creating concentration risk and increasing vulnerability to outages or incidents.
(3) Profitability and competitiveness risk. EU banks are generally well positioned in terms of capital, liquidity and asset quality. The more structural challenge lies in long-term profitability and competitiveness. Banks operate in a highly regulated and still fragmented market. Regulatory complexity, overlapping requirements and limited economies of scale weigh on costs and constrain internal capital generation. This reduces banks' ability to invest in technology, data, cybersecurity and skilled staff.
(4) Disintermediation and market structure risk. Competitive pressure from non-bank financial intermediaries, private credit, fintechs and large global players is increasing. Where regulatory burdens are not proportionate or risks are treated inconsistently across sectors, activities may migrate in the banking sector, with implications for competitiveness and for the financing capacity of EU banks.

In payments and trade finance, these risks are especially visible. Real-time payments can increase liquidity volatility in stress situations. In trade finance, sanctions compliance, fraud risk and protectionist measures have all become more relevant. Overall, the key challenge is that these risks increasingly reinforce each other. Geopolitical shocks, cyber threats, operational dependencies and profitability pressures can no longer be assessed in isolation.

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.

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 assessed only on the asset side. EU banks compete for investors and funding. Lower profitability and structurally weaker valuations raise funding costs and reduce the sector's ability to finance the economy.

EU banks are competitive in many customer-facing areas, notably payments, digital onboarding, regtech, risk management and data analytics. But innovation does not scale as it should. The main constraints are fragmented markets, heavy compliance and reporting demands, and supervisory processes that make product development and roll-out slow, resource-intensive and risk-averse. Importantly, EU intervention must not result in price control of bank services.

Innovation, speed and internationally competitive capital requirements are essential. One issue that presents an obstacle to all three dimensions is the european prudential tretament of software compared to the US. Software is a core productive asset for modern banking innovation. Yet under the EU prudential framework, software is subject to a near-full deduction from CET1, whereas in the US it is treated as an ordinary asset with a 100% risk weight. As further explained in Q29, this means that software investment by EU banks requires more than ten times as much capital as comparable investment in the US. This is a concrete and material competitive disadvantage. It directly discourages digital investment and weakens the capacity of EU banks to modernise, innovate and compete at scale.

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.

The main factors differ by business line, but the overall pattern is clear: EU banks operate under a heavier and more complex framework than key international peers, while also facing structural disadvantages in fragmented markets and lower profitability.

In investment banking, regulation is a central competitiveness factor. Trading is global, margin-sensitive and highly mobile. Excessive capital charges therefore translate quickly into lost market share. This is particularly visible in market risk and valuation rules. FRTB must not be implemented in a way that further weakens EU banks against US and UK competitors. The current calibration risks doing exactly that. The Commission's temporary adjustments are therefore the right direction and should lead to permanent CRR changes. The EU prudent valuation framework is another clear distortion. It creates excessive capital deductions, overlaps with other prudential requirements and leads to double-counting, notably in combination with FRTB and in the treatment of Day One Profit deferrals. That framework should be removed or at least materially corrected.

In corporate banking, the decisive factor is the cumulative capital impact of CRR III, especially the output floor and the expiry of transitional arrangements. This will materially increase capital needs for corporate lending, derivatives used for hedging and other core client business. For unrated corporates, this creates a strong incentive either to seek external ratings at significant cost or to move business to non-EU banks. That is not a theoretical risk. It is a direct competitiveness issue for EU banks and for EU corporates' access to financing and risk management.

In payments, competitiveness is weakened by fragmentation, dependence on non-EU card schemes and wallets, and regulatory initiatives that consume resources without clear competitive gain. The digital euro project risks diverting investment away from market-driven solutions already being developed on SEPA instant rails. PSD3, PSR and Open Finance should not impose disproportionate implementation costs or unjustified restrictions on data-based business models. At the same time, the international role of the euro in digital payments matters strategically.

Non-regulatory factors are also important: legacy IT, fragmented national markets, strong BigTech and non-bank competitors, lower scale, and a less developed capital market ecosystem than in the US. These factors reinforce the effect of regulation.

The priority should therefore be clear: reduce unnecessary complexity, avoid gold-plating, preserve a level playing field with major jurisdictions, and remove rules that impair banks' capacity to finance the economy, innovate and compete across the Single Market.

Question 12. How would you assess the current level of competition in the banking sector within the single market?

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
EU banks face high levels of competition within their Member State of establishment	X					
EU banks face high levels of competition in the EU market		X				
EU banks face high levels of competition in global markets/ markets outside of the EU	X					
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.)	X					
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 is strong in all three dimensions, but it differs in nature.

Within Member States, competition is very intense, particularly in retail, payments and corporate banking. In Germany, the three-pillar structure creates persistent price and service pressure. Similar dynamics exist in other national markets.

Across the EU, competition is also strong, but cross-border expansion remains harder than it should be. Fragmentation, national gold-plating and supervisory inconsistencies still prevent banks from scaling efficiently across the Single Market.

Globally, EU banks face particularly strong pressure from institutions operating out of larger, more integrated home markets and often under less burdensome frameworks. This is especially visible in investment banking, capital markets and internationally active corporate banking.

Competition from fintechs, digital banks and new technologies is clearly increasing, especially in payments, FX, wallets and basic banking services. However, many fintechs are also technology providers and partners rather than direct competitors. The real competitive pressure comes from agile digital models, AI-driven services and customer interfaces that are reshaping expectations and disintermediating banks in key parts of the value chain.

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.)		X				
Macro-economic environment (economic growth, inflation, fiscal situation, interest rates, demographics)	X					
Limited growth and scaling up prospects due to market fragmentation and different national rules		X				
Underinvestment in new technologies				X		
Supervisory practices (e.g. potentially impacting the level of dividend distribution and share buybacks)	X					
EU regulatory/ resolution frameworks (including international level playing field)	X					

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.

The valuation discount of EU banks is primarily a profitability and framework issue, not a simple function of equity market size.

- EU banks have suffered from a long period of subdued profitability. This reflects weak macroeconomic growth, low investment activity and, for many years, an exceptionally adverse rate environment, including prolonged negative policy rates in the euro area. That legacy still weighs on investor perceptions and on the sector's cost of equity.

- The EU regulatory, supervisory and resolution framework has materially affected profitability, flexibility and valuation. The cumulative burden is high and often more restrictive than in other major jurisdictions. Investors price this in. One concrete example is Article 314(5) CRR under the SMA for operational risk, which does not allow netting of service-related income and expenses. This mechanically inflates capital requirements for fee-based activities irrespective of the actual risk profile and puts EU banks at a disadvantage in capital markets-related businesses.

- Fragmentation remains a structural drag. The incomplete Banking Union and the absence of a genuine Capital Markets Union limit cross-border scale, synergies and efficient capital allocation. This constrains growth, reduces market depth and leaves EU banks at a disadvantage relative to peers operating in larger and more integrated home markets.

- Past supervisory interventions have also affected market confidence, including restrictions on distributions during the pandemic. In general, the regulatory regime and the supervision in the U.S. being perceived as more pro-business, transparent and less complex than in the EU.

In short, the discount reflects structurally lower profitability, market fragmentation and the cumulative effect of EU regulation and supervision. Narrowing it requires a more proportionate framework, a credible international level playing field, and real progress on Banking Union and Capital Markets Union.

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
- [x] Don't know / no opinion / not applicable

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

- Yes
- No
- (selected) 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.

Unlevel playing field: There is a growing imbalance between banks and non-bank financial intermediaries, as the latter are often subject to a much lighter and more fragmented regulatory regime, despite engaging in activities that can generate similar risks.

Regulatory perimeter not fit for purpose: The current approach to defining what should be regulated needs to be reconsidered and potentially expanded. The core logic of traditional banking regulation is based on the existence of deposits, which require strong safeguards and justify stringent prudential requirements.
Non-bank intermediaries do not take deposits, meaning the classic banking-centric regulatory rationale may no longer be sufficient to address the risks they pose. Governing principle: ""Same service, same risk, same rules""

Need for activity-based supervision: As non-banks increasingly perform bank-like functions, it becomes essential to reassess who should be regulated and based on which risks, rather than relying solely on institutional classifications rooted in the deposit-taking model.

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 from non-bank financial institutions, FinTechs, investment firms and, in some segments, BigTech can improve innovation, customer choice and operational efficiency in EU capital markets. But this benefit depends on a genuine level playing field.

Today, comparable activities are often subject to materially different regulatory, supervisory and resolution frameworks. Banks remain subject to comprehensive prudential, conduct, AML, operational resilience and resolution requirements, while non-bank actors can perform economically similar functions under lighter or more fragmented regimes. This creates competitive distortions, encourages regulatory arbitrage and allows risks to migrate outside the traditional banking perimeter. The guiding principle must therefore be clear: same activity, same risk, same rules.

This matters increasingly because competition is no longer limited to products. In payments, FX, treasury and credit intermediation, customer flows are moving into embedded finance environments, digital platforms and automated workflows. Banks may continue to provide liquidity and balance sheet capacity, but risk losing control over the customer interface, pricing logic and flow origination. AI will accelerate this shift further. If access, interoperability and transparency obligations do not apply consistently across bank and non-bank channels, competition will become structurally distorted and market transparency may weaken.

The same logic applies to market infrastructure. Effective competition among FMIs, market data providers, connectivity providers and CSDs remains important, especially where providers combine core infrastructural roles with commercial activities. Here, stronger transparency, enforceable fair access and effective application of reasonable commercial basis principles are necessary to prevent cross-subsidisation, restrictive practices and entrenched market power.

More broadly, competition can enhance price discovery, but it can also fragment liquidity and reduce transparency at market level if activity is increasingly routed through opaque platforms, private markets or layered intermediary models. The EU should therefore support open, interoperable market structures, including an effective consolidated tape, while ensuring that emerging models such as DLT-based infrastructures remain proportionate, scalable and business-model neutral.

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.

For retail banking, we agree that fragmentation remains high. Retail markets are still predominantly national. Consumers and micro-enterprises face divergent onboarding requirements, KYC practices, creditworthiness assessments, product standards and consumer-protection rules. Technical fragmentation adds to this, including different eID and eKYC solutions, authentication processes, data formats and, in practice, continued frictions such as IBAN discrimination. Cross-border retail offers therefore remain limited and costly to scale.

For wholesale and investment banking, the picture is more mixed. Cross-border activity is clearly more developed, especially in capital markets, advisory, structuring and services for internationally active corporates. However, this should not be overstated. Fragmentation remains material because banks still have to navigate divergent insolvency and tax regimes, collateral frameworks, market infrastructures, national reporting, conduct rules and supervisory expectations. In investment banking in particular, advisory work may be cross-border by nature, but execution often remains constrained by fragmented market structures.

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.

Today’s structure supports local knowledge, relationship-based lending and client proximity, especially in retail, SME and parts of trade finance. In stress, more domestic structures can also act as partial firewalls. Cross-border banking already provides benefits in wholesale, private banking and for internationally active corporates through broader product choice, diversification and access to financing across jurisdictions.

However, the current set-up carries costs. Banks still have to operate through fragmented legal, tax, consumer protection, insolvency and supervisory regimes. National "ring-fencing" limits banks from moving liquidity to where corporate demand is highest, raising borrowing costs for firms in "fragmented" jurisdictions. In trade finance, differing rules on security, documentation and paper-based processes make cross-border business unnecessarily complex. In cash management, corporates often need multiple local accounts, which leads to trapped liquidity. In post-trade and asset servicing, divergent withholding tax procedures and settlement frameworks remain a major friction.

Further integration could target the following benefits:

- Harmonised insolvency and tax frameworks would enable “trust” structures to scale more effectively, thereby supporting larger pan-European bond issuances.
- Centralised treasury structures: Real-time cross-border settlement via SEPA Instant would allow firms to manage EU-wide liquidity from a single treasury hub.
- More standardised implementation of ECB policy, combined with a reduction in national regulatory fragmentation, would lower barriers to entry. This would strengthen EU banks’ ability to compete efficiently across both domestic and cross-border markets, improving overall market structure efficiency.
- Banks with EU-wide exposure profiles would be less vulnerable to country-specific recessions due to greater earnings diversification. At the same time, an enhanced ability to compete on a cross-border basis would increase competitive pressure, helping to reduce transaction and financing costs.

There would be transition costs. Integration requires investment in harmonisation, systems adaptation and supervisory coordination. Greater integration can also transmit shocks more quickly across borders and may increase pressure on smaller domestic players (that also serve distinct roles and provide resielience for the system)..

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		X				
Supervisory divergence/gold-plating by Member States/national supervisors	X					
Requirements for allocation of capital and liquidity at local level	X					
Non-harmonised macroprudential buffers	X					
National discretion in intragroup large exposure limits		X				
Incomplete banking union (lack of a European deposit insurance scheme, liquidity in resolution, etc.)			X			
Non-prudential barriers (insolvency, investor protection, company law, taxation)		X				
Political barriers (government direct or indirect interference)			X			

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

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.

The main barriers are cumulative and, in several cases, embedded in the legal framework itself.

(1) Divergent transposition of directives, extensive national options and discretions, gold-plating, and differing supervisory expectations materially increase the cost of cross-border activity. A bank expanding across the EU still cannot scale one operating model across one market. Examples for diverging local requirements;

a. Systemic buffers applied at national levels: Systemic Risk Buffer (SyRB), Countercyclical Capital Buffer (CCyB), OSII subsidiary level capital buffers.

b. Add ons for national 'risks' such as overheated mortgage market introducing a RWA add on.

c. National divergences over intragroup large exposure limits: Different countries impose different large exposure limits, restricting free flow of capital between different locations.

d. The output floor can be constraining on local level even though it's not binding on Group level. This effectively binds capital at local level to meet local requirements, even when the output floor is not a binding constraint on a consolidated Group level.

(2) The prudential framework still traps capital and liquidity at local level. This is a core obstacle and should be addressed directly in the CRR. In particular, the conditions for waiving individual requirements under Articles 7 and 8 CRR should be amended so that cross-border capital and liquidity waivers within the Banking Union become genuinely workable, not merely theoretical. Today, these waivers are either too restrictive in law or too difficult in practice because of host-authority resistance and supervisory uncertainty. In parallel, the interaction with Article 11 CRR should be revisited to ensure that prudential management at consolidated level is not undermined by excessive solo-level constraints. For liquidity, the framework around Part Six CRR, including the operation of Article 412 CRR and related waiver conditions, should be clarified and simplified so that group-wide liquidity management within the Banking Union is actually possible. Without this, capital and HQLA remain trapped in subsidiaries, reducing lending capacity and making cross-border banking structurally inefficient.

(3) A common denominator of many barriers to cross-border expansion is the tightening CET1 constraint. Excess CET1 is what enables banks to fund acquisitions, invest in new markets and products, absorb start-up losses and sustain distributions that support valuation and deal economics; yet for a sample of 15 Banking Union banks, aggregate CET1 requirements increased by 67% between 2021 and 2024 due to supervisory discretion alone. This pressure will intensify as CRR III is phased in: with the output floor rising and key transitional arrangements expiring from 2030 to 2033, CET1 needs could increase by up to 30% for some banks, forcing RWA reduction and business retrenchment instead of the scale-up Europe needs.

Other barriers include;

- non-harmonised macroprudential measures remain a material barrier. Different national buffer settings, methodologies and activation practices create planning uncertainty and directly constrain cross-border lending.

- Non prudential issues such as differences in insolvency law, tax regimes, collateral enforcement, company law, consumer rules and national reporting requirements still raise legal and operational costs, especially in corporate banking, trade finance and cash management.

- fragmentation also comes from national bank taxes, including windfall taxes and bank-specific levies. These measures go beyond the harmonised EU framework, distort competition within the Single Market and reduce incentives for cross-border expansion.

- Another aspect that should not be overlooked is that the complexity and length of regulatory approval procedures for mergers and acquisitions pose obstacles to cross-border activities. Extensive documentation requirements, differing national supervisory practices, and lengthy approval times increase uncertainty and reduce the feasibility of cross-border consolidation projects.

- Mandatory profit retention & dividend restrictions: Regulatory approval for Own Funds reductions is needed. Local regulators can restrict dividend payments, upstream capital transfers, or intra group funding, effectively trapping excess capital within the subsidiary.

The policy response should therefore be concrete: amend Articles 7 and 8 CRR to make cross-border capital and liquidity waivers within the Banking Union genuinely usable; revisit the interaction with Article 11 CRR and the liquidity framework under Article 412 CRR; reduce national discretion and gold-plating; streamline M&A approvals; and remove non-prudential and tax barriers that undermine the economics of cross-border banking.

Question 19. Why have EU banks generally relied more on subsidiaries ra provision of services for their cross-border activities within the banking union

	Fully agree	Somewhat agree	Neutı
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.

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.

The level playing field is not fully balanced. While EU rules formally apply to all institutions operating in the Union, EU banks face structural and regulatory disadvantages vis-à-vis significant non-EU competitors, most notably in wholesale and investment banking.

The asymmetry is particularly clear where non-EU groups can leverage larger, deeper and more profitable home markets, stronger scale effects and, in some cases, less burdensome home-country frameworks. This gives them a funding, technology and capital deployment advantage that EU banks struggle to match. In addition, there are concerns around booking models and back-to-back structures that shift risk and capital outside the EU entity while maintaining client access in the EU market.

A concrete example is the EU Prudent Valuation framework. Comparable requirements do not apply locally in several major jurisdictions, including the US. As a result, EU banks face structurally higher capital intensity for the same trading and market-making activities. This weakens their ability to provide hedging, liquidity and risk intermediation services to European corporates, pension funds and insurers on competitive terms. The procyclical design of PruVal also means that capital deductions can increase sharply in volatile markets, precisely when clients need liquidity most. That makes European markets more dependent on non-EU institutions, not less.

The framework should therefore be adjusted. At minimum, AVAs should be allowed to offset deferred Day One Profit, i.e. EBA Q&A 2019_4458 should be disapplied. More fundamentally, given the overlap with other prudential requirements, the case for retaining the current PruVal framework should be reassessed.

By contrast, in retail and commercial banking the playing field is generally more balanced, as domestic EU institutions benefit from strong local client relationships, brand recognition and distribution networks. The main level-playing-field concerns arise in internationally contestable segments where regulation, scale and market structure matter most. However, structurally stronger profitability gives non-European banks, on average, a greater competitive advantage than vice versa.

Article 21c of CRD VI imposes requirements on non-EU banks that undermine a level playing field by introducing disproportionate capital and liquidity obligations, raising the cost of operating in the EU and limiting the scope of permissible activities. Moreover, the provisions defining the scope are ambiguous and create uncertainty about whether related services (e.g. treasury services, which require a deposit account) are brought into scope indirectly. These requirements could reduce the presence and activity of non-EU banks on the European market, eventually narrowing client choice, reducing liquidity, and increasing costs for EU corporates, SMEs, and investors.

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?

- (x) 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 assessment is correct. Some reasons for this decline would be in control of financial regulation authorities as elaborated in the following and elsewhere.

EU banks have been losing market share in profitable investment banking primarily due to higher regulatory burdens, limited economies of scale, and a structurally fragmented European financial market. They face technology and cost disadvantages, more restrictive supervisory approaches, and a generally weaker revenue environment than their international peers. An example for higher regulatory burdens: Article 314(5) CRR does not allow netting of service-related income and expenses under the SMA. This mechanically inflates operational risk capital requirements with gross income, irrespective of actual risk, and disproportionately penalises fee-based capital markets activities. As the United States will not implement this element under its reform agenda, EU banks are placed at a competitive disadvantage in areas such as issuance, trading, clearing, asset management, custody and FX. Article 314(5) should therefore be amended to permit netting and better align capital with risk.

In contrast, U.S. institutions benefit from larger and deeper capital markets, a homogeneous domestic market, and faster innovation cycles, enabling them to outcompete European banks in most high margin investment banking segments.

The "patchwork of national jurisdictions" challenges many EU firms from achieving the scale necessary to compete with US "bulge-bracket" peers in high-value services. The large number of supervisory authorities (NCAs, SSM, SRB, macroprudential authorities) (i.e. involved in determining the final capital stack) proofs this point well as uncoordinated capital requirements often lead to excess capital requirements and reduce predictability, much to the dislike of international investors, for whom banks compete with each other globally. As consequence the relatively high level and complexity of the European capital buffer framework is an important factor, with buffers in the EU being approximately, 1,3% higher than in the US. With the new US reformagenda this gap is going to widen even more.

Cost efficiency has been weaker. Legacy IT, fragmented operating models and duplicated infrastructure raise the cost base of EU investment banking, e.g. the prudential treatment of software investment further limits the ability of EU banks to modernise at the pace of key international peers. New EU regulations, such as the AI Act, impose extensive compliance obligations that can slow down or hinder the deployment of AI use cases within EU banks, while competitors outside the EU often face fewer constraints and can adopt new technologies more quickly.

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		X				
Supply side factors (e.g. cost competitiveness, innovation, depth of home market).		X				
EU supervisory practices affect expansion in other jurisdictions		X				
Other		X				

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.

Other: The EU framework on data protection, banking secrecy and operational resilience is materially more demanding than the regimes applicable to US banks. In addition, the emerging EU set-up for compliance with AMLA requirements is likely to create significant implementation and coordination challenges, especially when compared with the more homogeneous regulatory frameworks in the US and the UK.

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 rules have a direct and significant impact on the profitability and feasibility of the affected businesses. For example, the obligation to deduct software assets from own funds makes it much more costly and difficult for EU banks to invest in proprietary technology and innovation to compete on global markets than for US banks. The same is the case the NPL prudential backstop (CRR Art. 47a–47c), irrevocable payment commitments to the SRF assessed by the ECB via the annual SREP. As beforementioned (cf. question 21), the European rules regarding Prudent Valuation weakens the competitive position of EU banks in providing trading, hedging and liquidity services to European clients, including corporates, pension funds and insurers.

In addition to that, where the same overarching prudential rules apply to EU banks and non-EU banks, the numerous authorities in the EU usually tighten these further in the form of Level 2 and Level 3 regulation—to an extent and in a level of detail that is unmatched anywhere else in the world.

So far, the EU's supervisory approach, especially that of the ECB, has been characterised by formalism, disproportionate attention to detail and the dogmatic belief that capital is the panacea for anything. For example, the EU supervisors impose capital surcharges (P2R) not only for risks, but also for alleged qualitative deficiencies in banks' risk management and/ or governance. It is, however, unclear how capital is supposed to remedy governance issues. On the contrary, higher capital requirements create costs for banks and therefore even reduce the funds that can be invested in a highly skilled workforce and sound risk management. US authorities, on the other hand, impose additional capital for quantitative aspects only. Also, EU supervisors have shown a certain tendency to interfere with bank business models. For example, this was particularly relevant in the case of banks' exposures to leveraged entities.

In some cases we observe an "intense" competition from new, technologically leading players like Fintechs and Neobanks/"Super apps" 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.

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, US, Switzerland and Asia. This creates a great competitive advantage for financial institutions in the EU. This applies not only to final 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.

- The ´bonus-cap´ (Article 94 CRD), the limitation of the relationship between variable and fixed remuneration to 1:1 (or 1:2 with shareholder approval) for non-control and control functions, is one example of this. This puts EU banks at a competitive disadvantage compared to non-EU banks when it comes to attracting and retaining talent, particularly in international financial centers. It also reduces the flexibility of compensation structures and increases fixed costs, making it more difficult for EU banks to manage their costs.

- Other limitations include the mandatory deferral of variable compensation and payout in instruments, as well as malus and clawback. Another point worth mentioning is the identification of Material Risk Takers at both consolidated (group) and individual (entity) level based on prescriptive criteria. This significantly broadens the scope of individuals classified as MRTs, including employees at lower hierarchical levels, and consequently extends the application of regulatory restrictions to a wide group of staff. This issue is particularly acute for "small institutions" as defined in Article 4(1)(145) CRR, where the identification exercise is purely administrative, burdensome, and does not serve the underlying regulatory objective. Moreover, it has no practical impact on remuneration, as key requirements such as deferral do not apply regardless of the level of variable compensation. As it creates unnecessary administrative costs without regulatory benefit, the requirement to identify MRTs for small institutions should therefore be limited or removed.

Rather than assessing whether the extensive body of rules introduced and repeatedly updated over the past 16 years through Directives, Regulations, Delegated Regulations, Implementing Technical Standards and EBA /ESMA Guidelines has actually delivered the intended outcomes, policymakers continue to add new requirements. This creates significant implementation costs for firms, which must continuously adapt to new and revised rules. Such complexity makes the EU framework less attractive, both for institutions and for highly qualified talent that may instead choose to work for banks in the US, UK or Switzerland. In other jurisdictions, remuneration frameworks rely more strongly on principles than on rigid caps.

The EU should therefore use this opportunity to simplify the framework decisively and reduce rules to what is truly necessary. The UK Prudential Regulation Authority's Policy Statement PS9/23, which removed the cap on the ratio between variable and fixed remuneration, is one example of a more flexible approach.

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

- (x) 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.

A first constraint is the cumulative prudential burden, in particular EU-specific CET1 deductions and overlays. Examples include Prudent Valuation under Article 105 CRR, the NPL prudential backstop under Articles 47a–47c CRR, the prudential treatment of software under Article 36 CRR, and the treatment of certain exposures under Article 48 CRR. These rules increase effective capital needs for EU banks beyond what applies in several other major jurisdictions and weaken their ability to provide lending, trading, hedging and market-making services on competitive terms.
A second constraint is the Single Resolution Fund framework. The SRF is an EU-specific, pre-funded mechanism, yet its target level is treated as dynamic and requires continued contributions even though the fund has already accumulated around EUR 80 billion. This ties up industry resources without a comparable burden in other jurisdictions. The problem is aggravated where irrevocable payment commitments are effectively neutralised through prudential treatment, which undermines the intended relief.
A third major issue remains the output floor. Ultimately, a fully phased in output floor as foreseen in the current framework by 2033, would significantly increase the cost of capital for EU banks, decreasing competitiveness internationally.

There are other constraints worth mentioning, such as;
- the extraterritorial and sometimes conflicting application of EU rules. EU banks operating outside the Union, especially through branches, are often required in practice to apply EU requirements to non-EU clients, venues and infrastructures. This is particularly visible in post-trade transparency and derivatives trading rules. Divergence between EU and UK transparency regimes has led to duplicative reporting, while the post-Brexit application of the EU DTO restricted EU banks' access to parts of the EUR derivatives market. Other major jurisdictions generally apply a more territorial and pragmatic approach.

- access to third-country infrastructure. EU banks' use of third-country CCPs, exchanges and indices depends on slow, opaque and sometimes outdated equivalence or recognition decisions. Where recognition is missing, the prudential consequences can be prohibitive, including a 1250% risk weight or own-funds deduction. This directly limits EU banks' ability to compete in international markets.

- EU banks face materially heavier requirements in areas such as data protection, banking secrecy, operational resilience and digital regulation. DORA, AI-related obligations, PSD3, MiCA and parallel AML reforms create a cumulative compliance burden that diverts resources from innovation and growth. The emerging AMLA framework is likely to add further implementation and coordination complexity compared with more homogeneous systems in the US or UK. Finally, the EU remuneration regime remains more restrictive than in other financial centres. Rules such as the bonus cap and retention requirements reduce flexibility in attracting and retaining internationally mobile talent, particularly in globally contested activities such as investment banking.

- Trade finance definition, CRR Article 4(1)(80): Trade finance is essential for the real economy and for supporting EU industry, trade and competitiveness. It facilitates the movement of goods and services in an increasingly uncertain global environment. Although CRR3 retained a 20% CCF for trade finance products, the current CRR definition is outdated. Because it does not reflect market practice and legal requirements, some trade finance instruments with maturities above one year may fall into higher CCF buckets. This increases funding costs, weakens the competitive position of EU banks and reduces access to export and import finance, especially for SMEs and corporates. The current framework also insufficiently recognises risk mitigation features in trade finance.
Other jurisdictions take a more practical approach. In the UK, the PRA assigns a 20% conversion factor to other transaction-related contingent items that are not credit substitutes, including trade letters of credit. In the US, banks may continue to model CCFs, which can result in factors of 20% or lower.

We propose to revise the definition as follows: “Trade finance” means a financial service facilitating the real economy, enabling businesses to finance, monetise, mitigate risks and settle trade flows, thereby supporting the movement of goods and/or the performance of services, both internationally and domestically, regardless of maturity.

- Off-balance sheet items conversion factors – CRR Article 111(8): The EBA’s final draft RTS on the allocation of off-balance sheet items and unconditionally cancellable commitments introduces additional criteria that may limit the recognition of UCCs as cancellable, even where

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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.

A central constraint is CET1 scarcity. Large, long-dated and complex financings are RWA-intensive. Their capacity is therefore directly affected by rising capital requirements, including the output floor, and by the broader upward drift in CET1 demands through supervisory discretion at national and Banking Union level. This materially reduces underwriting capacity for infrastructure, digital, defence and transition projects and makes EU banks more selective than US or Asian peers.

Another acute obstacle is the ECB Guidance on leveraged transactions. While formally non-binding, it materially raises the supervisory and capital cost of financing a broad range of transactions. Its definition is too wide and goes beyond market practice. It captures many conservatively financed companies because it includes reserve and guarantee lines, does not allow proper cash netting, disregards whether indebtedness sits only at subsidiary level, and ignores the nature of undrawn revolving facilities. It also captures fast-growing companies with negative EBITDA and sponsor-backed businesses, including many firms in green technologies and AI, even where fundamentals are sound. The operational impact is equally problematic. The due diligence and documentation expectations are often miscalibrated for mid-sized and growth companies, which typically rely on bilateral collateralised structures and covenant-based financing rather than fully modelled sponsor-style packages. In practice, this acts as a horizontal constraint on credit supply imposed through Level 3 expectations that the co-legislators did not establish at Level 1. This should be corrected. The CRR should include a clear and proportionate definition of leveraged transactions. That definition should align more closely with market reality, use a higher leverage threshold, and exclude categories that are not appropriately captured, notably SMEs, specialised lending, trade finance, small exposures and investment-grade borrowers.

Further constraints are;

- The weak EU securitisation market. Compared with other jurisdictions, EU banks have fewer effective balance-sheet distribution tools. That limits capital recycling and reduces their ability to scale long-term project finance. Securitisation reform should therefore improve capital treatment in line with actual risk and avoid adding new layers of complexity.
- Capital and liquidity remain trapped in subsidiaries, cross-border consolidation is limited, and the Banking Union is incomplete.
- Underdeveloped equity and exit markets matter. Large-scale projects often require a pathway from bank debt to capital markets. In Europe, fragmented listing and equity markets make that transition harder. This discourages banks from taking early-stage or scale-up financing risk.

For transition projects, policy and regulatory uncertainty is a further constraint. The interaction of CSRD, ESRS, the Taxonomy and other sustainable finance rules creates heavy compliance burdens, data gaps and execution delays. At the same time, uncertainty around ETS1, ETS2, CBAM and national implementation choices weakens long-term cash-flow visibility. That reduces bankability. Banks need stable transition pathways, predictable price signals and scalable public risk-sharing tools. Without them, many economically relevant projects remain outside ordinary risk appetite.

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 is fundamentally reshaping the activities and business models of EU banks in the single market. It is accelerating the shift toward digital-only and hybrid models, increasing competitive pressure on traditional banks and forcing them to redesign products, distribution channels, and cost structures. Banks are moving away from vertically integrated models toward more modular, platform-based approaches, enabled by APIs, open banking, and AI, with greater reliance on partnerships with FinTechs and technology providers.

Customer interaction is becoming digital-first, with rising expectations for seamless onboarding, real-time account access, frictionless payments, and fully integrated omnichannel experiences. This is driving major changes in front-office processes and service design.

At the same time, digitalisation is transforming back-office operations through automation of payments, compliance, credit processes, and reporting. Rather than fully replacing legacy systems, many banks are adopting "symbiotic" modernisation strategies, adding new digital components alongside existing cores to reduce risk and speed up innovation.

Market structure is also changing. Digital entrants can scale rapidly across borders, intensifying competition in payments, consumer lending, SME finance, and wealth services. Greater price transparency is compressing mar-gins, while innovation and compliance costs are rising, pushing banks to focus more on efficiency and scale.

These shifts come with new risk profiles. Operational, cyber, and third-party risks are growing, and digital channels enable much faster deposit outflows during periods of stress. Supervisory frameworks are adapting accordingly, with increased focus on governance, outsourcing, resilience, and digital risk management.

Digitalisation is also influencing the future of money and payments, prompting banks to reassess their role in payment ecosystems and prepare for potential changes in deposit funding dynamics. Finally, data and AI capabilities are becoming strategic assets, shaping credit decisions, fraud detection, personalisation, and risk management. Banks that fail to modernise their data infrastructure risk falling behind more agile competitors.

Overall, digitalisation is pushing EU banks toward more platform-based, data-driven, and operationally lean models - while simultaneously raising competition, complexity, and the importance of technological and operational resilience.

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.

Client confidence in digital investment products and services depends on robust governance, strong operational resilience, and a coherent and predictable legal framework. Trust is anchored in transparency, accountability, and the safe deployment of technology, supported by clear recourse mechanisms and consistent supervisory standards across the Single Market.
Confidence increases when clients receive clear, comparable disclosures and intuitive explanations of risks, costs, and automated decisions, complemented by easy access to human support - particularly for complex products. Thorough testing, appropriate safeguards, and transparent communication of both benefits and risks are essential for the acceptance of tokenised products, AI-enabled services, and other innovative tools.
Cybersecurity, data protection , and reliable service continuity are critical, as outages or breaches quickly undermine trust. Clients expect predictable, stable digital tools, strong privacy and data-sovereignty safeguards, and dependable incident handling. Robust governance of algorithms and AI - including explainable models, mitigation of bias, and auditable decision-making - reinforces trust and aligns digital services with prudential and conduct requirements.
Different client segments have distinct needs:
- SMEs rely on seamless integration of digital investment products with accounting and liquidity tools, requiring stable, interoperable data standards and clear provider responsibilities.
- Large corporates prioritise governance, auditability, and process reliability across jurisdictions, demanding transparent oversight of models, consistent reporting, and stringent internal controls.
Policymakers play a key role in ensuring that digital investment services remain consistent, interoperable, and operationally resilient across the EU. Clear accountability regimes, harmonised supervisory practices, and safeguards for explainable AI foster trust without stifling innovation. Enhancing digital and financial literacy further empowers users and supports confident uptake of digital investment solutions.

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.

It depends.
Even though EU banks are increasing digital spending, they are probably not investing enough to remain competitive - neither globally nor relative to leading EU industries.

There are clear and mutually reinforcing reasons why the gap in digital competitiveness persists:
• Investment levels are rising but from a low base: Although banks have increased their digital investment efforts, the historic underinvestment means that current spending is still insufficient to close the accumulated technology gap.
• Structural fragmentation depresses efficiency and scale: Divergent national rules, product requirements and market structures force banks to maintain parallel systems and processes. This reduces efficiency, prevents economies of scale and limits the impact of digital investments.
• Regulatory complexity diverts budgets away from strategic transformation: A significant share of IT budgets is absorbed by compliance obligations, reporting requirements and national specificities. 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.

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 like ordinary assets 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?

- (selected) 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.

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 BigTechs,
- 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.

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

5000 character(s) maximum

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

To ensure that the prudential framework remains effective in a rapidly digitalising financial system, both regulatory and supervisory practice must evolve in a coherent, technologically neutral and competition-enabling manner. This requires avoiding duplicative or inconsistent obligations arising from cumulative layering of new sector-specific digital legislation, such as Regulation (EU) 2022/2554 (DORA), Regulation (EU) 2023/1114 (MiCAR), Regulation (EU) 2024/1689 (AI Act) and the PSD3/PSR package, on top of an already comprehensive prudential rulebook. Where substantively equivalent requirements already exist under the prudential framework, additional sector-specific rules should be avoided or, where unavoidable, expressly coordinated. Compliance costs arising from duplicative obligations are ultimately borne by clients and the broader economy and are therefore neither proportionate nor conducive to the objectives of the digital single market.

A level-playing-field approach is essential to ensure that all providers of functionally equivalent services are subject to equivalent regulatory and supervisory requirements, thereby preventing regulatory arbitrage and preserving fair competition.

At the same time, supervisory practice must evolve towards a more agile, data-driven, interoperable and technology-friendly model. This requires ensuring that supervisory systems, reporting data and digital infrastructures across the Union can interact seamlessly, thereby reducing complexity and strengthening the coherence of the Single Market. Supervision should increasingly rely on real-time or near-real-time data, advanced analytics and harmonised EU-level methodologies, combined with streamlined, risk-based and proportionate reporting requirements. Such an approach would alleviate unnecessary compliance burdens and allow supervisory resources to be focused on areas of highest or emerging risk.

Crucially, regulation should not concentrate exclusively on risk control but must also take due account of its impact on competitiveness, innovation capacity and technological modernisation within the banking sector.

Taken together, a coherent regulatory architecture and a modernised, technology-enabled supervisory model can strengthen financial stability, reduce undue costs and actively support the ability of EU institutions to innovate, modernise and compete effectively in an integrated digital single market.

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.

Although the framework is formally based on consolidated supervision and group-wide planning, in practice regulatory and supervisory discretions still produce de facto ring-fencing. This is a material constraint on the ability of EU banks to finance large-scale projects efficiently across borders.

The problem is particularly visible in the treatment of capital and liquidity within Banking Union groups. CRR and CRD introduced mechanisms intended to facilitate internal fungibility, notably cross-border liquidity waivers, capital waivers and exemptions for intragroup exposures. These tools were meant to reflect the logic of the Banking Union: uniform supervision should allow more efficient management of resources within a supervised group. In practice, that objective has not been achieved.

Cross-border liquidity waivers remain effectively unusable. Their grant is still subject to supervisory discretion and to complex coordination among all relevant authorities. In addition, the ECB's restrictive approach under its framework on options and discretions makes approval highly unlikely. Applications require alignment among supervisors on the allocation of liquidity reserves, local minimum ratios, disclosure and related safeguards. The result is clear: no institution is currently making use of a cross-border liquidity waiver. This forces subsidiaries to maintain excess local buffers, traps liquidity within national entities and undermines the economic rationale of operating as an integrated cross-border group.

The same logic extends to capital waivers and intragroup exposure treatment. Conditions under Articles 7 and 8 CRR are applied too restrictively, including requirements that are difficult or impossible to demonstrate in practice, such as the absence of future legal impediments. Likewise, the exemption for intragroup exposures under Article 113(6) CRR remains too narrow, notably because it requires the counterparty to be established in the same Member State. The exemption under Article 400 CRR from the large exposure limit for intragroup exposures is also still subject to national discretion, which allows Member States to maintain divergent or additional constraints on flows within the same banking group.

This fragmented treatment reduces balance-sheet efficiency, prevents capital and liquidity from being deployed where they are most needed, and weakens the capacity of EU banking groups to support large projects at scale.

Targeted regulatory changes are needed:

- streamline Article 21 CRR so that cross-border liquidity waivers within the Banking Union can be granted by the ECB/SSM without requiring each host authority’s assent;
- amend Articles 7 and 8 CRR to remove conditions that are unworkable in practice and introduce greater automaticity where objective safeguards are met;
- make the Article 113(6) CRR intragroup exposure exemption apply automatically under clear conditions and delete the same-Member-State requirement in point (d);
- make the Article 400 CRR exemption for intragroup exposures from the Article 395 large exposure limit automatic within the Banking Union, rather than dependent on national discretion.

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.

The most efficient approach is to apply prudential requirements at the highest EU level of consolidation and to allow genuine central management of capital and liquidity across the group. We do not see a principled case for maintaining entity-level application as the default.

As a matter of principle, this should apply consistently across requirements. In a framework based on the Single Market, the Single Rulebook and, within the Banking Union, supranational supervision, national or entity-level pre-positioning should be the exception, not the rule. The current model traps resources in legal entities, reduces balance-sheet efficiency, discourages cross-border consolidation and prevents EU banking groups from operating as genuinely integrated European groups.

This problem is visible across the framework:

- capital requirements remain heavily influenced by national discretions, notably through macroprudential buffers and other local add-ons;
- the EU implementation of the output floor at subsidiary level, rather than only at the highest level of consolidation, further fragments capital allocation;
- liquidity requirements still prevent effective cross-border fungibility and central treasury management;
- MREL is excessively complex, gold-plated beyond the international TLAC standard, and often calibrated at local level in a way that materially raises the cost of cross-border group structures.

The framework should therefore move to a model where capital, liquidity and loss-absorbing capacity are primarily assessed and managed at the highest EU consolidated level, with targeted safeguards only where objectively justified by financial stability concerns. For liquidity in particular, cross-border waivers within the Banking Union should be made workable in practice, or replaced by a default consolidated approach. For capital, the output floor should apply only at consolidated level. For resolution resources, the framework should become simpler, more predictable and less dependent on entity-level discretion.

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.

See response to question 18.
Liquidity in resolution should be addressed through a credible and operational liquidity backstop, as set out in our response to question 42. Beyond that, existing safeguards for resilience and resolvability are already sufficient.
The key issue is therefore not the absence of safeguards, but the need to give host Member States confidence that resources within a cross-border group would be allocated fairly in stress and resolution. That reassurance could be strengthened by requiring the Group Resolution Authority to allocate available resources across EU /Banking Union entities on the basis of objective and neutral criteria. Supervisors should also be empowered to trigger and enforce such arrangements in stress situations.

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.

In principle, this is correct; however, it crucially depends on the removal of market fragmentation and national barriers to the development of the Single Market

For this reason, the sequencing of measures is particularly important: first, barriers need to be dismantled; only then will economically viable cross-border banking offerings emerge.

For the reason of illustration, just consider the example of "safe assets":

For the European banking and capital markets, the availability of a common, large-scale European safe asset would be highly beneficial.

The notion that this objective could be addressed solely through the issuance of joint bonds by euro area

Member States is – quite apart from the legal framework – economically naïve. Common European debt requires an appropriate institutional framework for a more deeply integrated fiscal policy.

In particular, any move towards joint European borrowing must necessarily be accompanied by further steps towards stronger fiscal integration, including revenue responsibility and effective control and oversight mechanisms.

Absent such accompanying measures, joint European debt would entail severe fiscal and economic distortions and misaligned incentives.

Independent from the before mentioned points we would like to reiterate, that the EU economy benefits from a diversified banking sector (c.f. answer to question no. 5).

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.

Regarding the actions to be taken c.f. our answer to question no. 18.

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)	(selected)	( )	( )	( )	( )	( )
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.

As regards taxation, improving the integration of banking markets in the EU demands greater simplification of Europe's fiscal framework. This means reducing unnecessary complexity in tax procedures, aligning and streamlining tax rules, and removing persistent tax barriers that fragment capital flows and impede investment. We therefore strongly support the Commission's initiative to modernize the tax framework for financial institutions and financial services.

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 within the Banking Union could support integration by reinforcing confidence in cross-border banking groups and reducing host-level concerns in stress situations. Confidence effects can contribute indirectly to market integration.

However, the link between deposit insurance architecture and overall banking competitiveness is not direct. Competitiveness is primarily driven by regulatory clarity, supervisory consistency, capital and liquidity usability, proportionality, and the reduction of operational complexity. Structural redesign of deposit insurance would not automatically improve these factors.

Importantly, the recently adopted Crisis Management and Deposit Insurance (CMDI) reform has already introduced substantial changes to the crisis management framework and to the role of deposit guarantee schemes (DGS). These reforms are not yet fully implemented. It would therefore be appropriate to assess their practical impact before considering further structural reform. Furthermore, prematurely reopening the architecture risks regulatory instability and reform fatigue.

Any additional strengthening of depositor protection should be based on demonstrated need and evidence from implementation, rather than on the assumption that deeper institutional integration is in itself a competitiveness tool.

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, merging deposit insurance and resolution functions into a single European authority is not supported.
A fully integrated "European FDIC-style" model would raise important institutional questions. Unlike the United States, the EU does not operate within a fiscal union or a fully harmonised insolvency regime. Combining supervision, resolution and deposit insurance would therefore entail significant institutional restructuring without clear evidence that it would materially improve crisis outcomes.
Recent experience in other jurisdictions also illustrates that even highly centralised systems require extraordinary measures in systemic stress. Centralisation alone does not eliminate crisis complexity.
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 and expanded the toolkit available in crisis situations. The effectiveness of these changes should first 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 demonstrate structural deficiencies that would require immediate redesign.
If a Banking Union-wide deposit protection mechanism were ever to be introduced, consistent coverage across all banks within participating Member States would be important to ensure depositor confidence and a level playing field. Partial participation or exclusions could create distortions.
Comprehensive scope, however, would not necessarily imply centralisation of operational structures. Preserving effective national DGS while ensuring coherence at European level remains consistent with subsidiarity.

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.

At this stage, there is no demonstrated need for the establishment of a fully-fledged Banking Union-wide deposit protection fund replacing national schemes.
The primary operational vulnerability in crisis situations relates to potential temporary liquidity constraints rather than to structural inadequacy of loss-absorption mechanisms. Should future evidence suggest the need for additional safeguards, a European-level mechanism limited to providing temporary liquidity support to national DGS could be considered.
Such a liquidity-focused model would strengthen depositor confidence while preserving national responsibility for losses and maintaining risk discipline. Loss mutualisation would not be a necessary precondition to achieve the objective of timely payout of covered deposits.
Any further reform should be evidence-based, proportionate, and sequenced after full implementation and assessment of the CMDI framework.

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.

Banks in the SSM are expected to demonstrate their resolvability by having dedicated liquidity in resolution scenarios which are regularly tested and validated regarding their appropriateness and soundness. That said, recent crisis experience has shown that liquidity events are inherently difficult to predict and can escalate very quickly. Therefore, it is important to have a clear and reliable framework in place to tackle such liquidity shortfalls. Banks that have emerged from resolution are usually solvent, but are often temporarily illiquid due to having lost access to wholesale markets and facing deposit outflows. It is rarely realistic to expect private counterparties to rapidly resume lending to a recently resolved bank, particularly in an environment where confidence can deteriorate within hours. The relevant issues, the differences compared to other legal systems (in the UK, for instance, the Bank of England can provide liquidity directly to a resolved entity, while in the US the FDIC has a comparable role through its funding mechanisms) and possible solutions have been discussed for years. The general consensus is that the EU framework still lacks a credible, operational solution to ensure liquidity for banks undergoing resolution.

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?

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

What do you consider to be the desirable features of such mechanism?

5000 character(s) maximum

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

A liquidity backstop for institutions under resolution and for institutions whose resolution has just been completed would help to ensure market confidence and bring bank resolution to a successful conclusion. Given the role and the funds required, only the ECB can be considered for this purpose. Besides existing standard market operations provided by the ECB (e.g., MRO, LTRO etc.), greater clarity is needed on how additional liquidity support would be accessed in resolution, under which conditions, against which collateral, and with which operational testing requirements. It has to be assumed that all marketable assets have been deployed already as part of the recovery phase and hence further, non-marketable assets would need to be pledged with the ECB. These assets could be credit claims such as retail mortgage loans, corporate loans etc. which are not impaired and well performing but currently not qualifying for the direct loan pledges. This concept also exists and was successfully applied during COVID (e.g., Additional Credit Claims). In addition, further facilities could be made available to banks in resolution such as the Emergency Liquidity Assistance (ELA). The concept of ELA also exists already but the conditions to get access to the ELA are not sufficiently transparent and predictable. The requirements to successfully apply for ELA including appropriate testing of the infrastructure by posting non-marketable collateral are therefore critical for making such a framework operationally credible. Such a liquidity backstop would also send a strong signal to non-European markets and would further strengthen confidence in the effectiveness of the European resolution system and the banking union.

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.

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

- Yes
- (selected) 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.

We don’t see reason to change the current prudential treatment of sovereign exposures.

Despite the persistence of some home bias, there is no clear evidence that the current framework creates a financial stability concern that would justify regulatory change in the context of competitiveness. On the contrary, the framework has supported financial stability and sovereign market functioning, including during periods of elevated public financing needs and reduced central bank presence. Banks have continued to play an important stabilising role as long-term investors and market absorbers.

This is also reflected in the data. Banks have already made tangible progress in diversifying sovereign exposures within the existing framework. According to the EBA transparency exercise, the average domestic share declined from 53% in 2018 to 45% in 2025 (cf. page 88 full pdf report). At the same time, banks increased their holdings of other euro area and non-euro area sovereign debt. This shows that supervisory scrutiny, market discipline and internal risk management have already driven a gradual and market-based adjustment without the need for disruptive changes to the prudential treatment.

Abrupt revisions could disrupt sovereign debt markets, weaken banks’ capacity to absorb public issuance, and create unnecessary volatility in balance-sheet management at a time of high refinancing needs. Sovereign exposures are not only investment assets; they also serve core functions in liquidity management, collateral usage and monetary operations. These functions must be fully recognised.

For that reason, sovereign exposures should not be used as a proxy issue in the competitiveness debate. Structural changes in this area are complex by nature and are unlikely to provide any short-term competitiveness gain. If any improvement is considered at all, it should be limited to technical clarification and harmonisation, not a change in the core treatment. In particular, more clarity is needed on the treatment of entities considered equivalent to central governments under Articles 115 and 116 CRR. Divergent national

approaches to the EBA list, and insufficient clarity regarding certain supranational and EU multinational entities, create inconsistencies and competitive distortions within the Single Market. The list should therefore be expanded and the inclusion process made more transparent, efficient and consistent across Member States.

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.

A general extension of the 0% risk weight to euro-denominated sovereign exposures issued by non-euro area Member States should be approached with caution.
The current CRR draws a justified distinction based on monetary sovereignty, not only on currency denomination. Issuance in euro removes foreign-exchange risk, but it does not place non-euro area sovereigns within the euro area's monetary and institutional framework. These issuers do not benefit in the same way from access to euro area monetary policy instruments and backstops. That distinction remains relevant for sovereign credit risk and refinancing capacity.
A blanket extension of the 0% treatment based solely on denomination would therefore weaken risk sensitivity and dilute the link between capital requirements and the underlying risk profile of the exposure. It would also blur an important prudential distinction between issuers inside and outside the euro area framework.
If such an extension were nevertheless introduced, it would likely improve the capital efficiency of holdings of euro-denominated debt issued by non-euro area Member States and could encourage some portfolio reallocation towards higher-yielding issuers. It might marginally reduce domestic concentration in some cases. At the same time, however, it could create new concentration risks and increase exposures to sovereigns that do not have the same euro area monetary backing.

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.

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 main drivers for its somewhat high complexity are structural and cross-cutting: too many legislative and supervisory layers, too many authorities, repeated additions over time without sufficient consistency checks, and significant overlap across requirements that address similar risks through different tools. Complexity is further amplified by the interaction of binding rules with non-binding instruments, including guidelines, expectations, Q&As and ad hoc supervisory data requests. The result is a framework that is burdensome to read, difficult to interpret and costly to implement.

Pillar 2: Supervisory measures often go well beyond what is needed for a risk-based dialogue. Banks face repeated and incremental information requests, despite having already provided large volumes of data through regular reporting and SREP processes. The limited transparency and predictability of Pillar 2 methodologies contribute to insufficient clarity on how supervisory risk scores are derived and how those scores translate into P2R and related expectations.

- Complexity is also heightened by overlaps within Pillar 2 itself. The ICAAP framework is intended to provide a holistic and internally consistent view of risks and capital adequacy. In practice, however, this is increasingly overlaid by separate and highly prescriptive metrics, particularly for IRRBB and CSRBB. Banks are expected to manage and use an expanding set of partially overlapping indicators, including ICAAP metrics, dEVE, dNII, EaR and CSRBB-related measures. These metrics often isolate narrow risk components rather than supporting a coherent overall view. This creates conflicting management signals, weakens usability for business steering and dilutes the role of ICAAP as the primary internal framework.

- A particular source of redundancy and inconsistency is the treatment of IRRBB under pillar 2. Under the ICAAP, banks are required to identify, monitor, and manage all material risks to which they are exposed, and subsequently hold sufficient capital to cover those risks. In the absence of the current, disproportionately detailed and prescriptive supervisory interventions, the ICAAP would in principle enable a comprehensive, consistent and proportionate treatment of all risks. For IRRBB, however, an additional dedicated regulatory framework including management guidelines, mechanistic outlier tests and highly granular reporting has been established under pillar 2. That does not only differ from to the ICAAP's holistic approach from a conceptual point of view. In practice, the highly standardised and rigid supervisory outlier tests generate management impulses that run counter to banks' internal management frequently and may even have undesirable incentives on banks' hedging strategies. Therefore, necessity and appropriateness of the IRRBB framework, in particular the outlier tests, should be critically reviewed.

Macroprudential framework: The number of buffers, the absence of a sufficiently clear distinction between the risks they address, and divergent national calibration practices create overlap and inconsistency. This is particularly problematic where activation criteria, calibration methodologies, and release or reinstatement conditions are unclear, as is still the case for some tools, including the systemic risk buffer. That makes the framework difficult to predict and undermines buffer usability.

Resolution requirements :The requirements that institutions must comply with under the resolution regime are extensive and highly complex. First and foremost are the requirements of the BRRD and SRMR, which were most recently amended by the CMDI review. Unfortunately, the Commission did not take the opportunity offered by the CMDI review to reduce the well-known complexity that the banking industry has repeatedly pointed out, for example in relation to MREL. Added to this are the EBA's Level 2 and Level 3 measures. The resolution regime, which is already complex due to the aforementioned requirements, is further complicated by the extensive expectations of the resolution authorities, in particular the SRB, regarding the resolvability of

institutions. These expectations are effectively regulatory in nature. Unfortunately, despite repeated criticism from the banking industry and in the context of the CMDI review, the trend is towards further complicating the rules rather than reducing complexity. This also undermines the competitiveness of banks and the EU as a financial center.

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)		X				
Level 1 EU legislation (i.e. regulations/directives)				X		
Level 2 EU legislation (i.e. technical standards)				X		
Level 3 EU measures (i.e. EBA guidelines, Q&As, etc.)					X	
Supervisory guidance/practices					X	
Implementation differences of EU legislation at national level					X	
Interaction with other national legislation				X		
Interaction with other EU legislation		X				
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.

Please note, that the answer provided above, refer to the type of instrument on average. For the categories where we say in the answer above that their impact on complexity is "High" or "Somewhat high", it does not mean every instrument or the instrument as such does that.

Generally speaking, If complexity is equated with a los 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 increasingly appear already at Level 1, while Level 2 measures and Level 3 guidance expand in scope and practical impact, blurring the distinction between legislation, technical implementation and supervisory convergence (see i.e. "less is more report"). The instruments that add the most undue complexity are Regulatory and Implementing Technical Standards at Level II and, even more so, the extensive use of soft-law instruments at Level III. In this regard, EBA Q&As raise particular concerns. Unlike EBA Guidelines, Q&As are not based on a Level 1 mandate, are developed without public consultation, impact assessment or feedback, and are not subject to a "comply or explain" framework.

A few examples:
(1) In prudent valuation, EBA Q&A 2019_4458 prohibits offsetting deferred Day One Profit against AVAs, although both address valuation uncertainty for unobservable inputs. This leads to double counting in capital and results in a prudential valuation level above the 90% confidence standard embedded in the EBA RTS and Article 105 CRR. At a minimum, AVAs should be allowed to offset deferred Day One Profit.
(2) In credit risk, EBA Q&A 2025_7512 interprets the SME definition by referring to turnover at ultimate-parent level. That reading is inconsistent with the CRR text and with earlier EBA clarification pointing to sub-consolidated level. The result is to deny SME treatment in cases where it should apply, thereby increasing risk weights and constraining SME financing.
(3) Likewise, EBA Q&A 2019_4675 on the definition of short positions goes beyond the Level 1 text by requiring an additional credit risk RWA for the hedge counterparty where a hedge is used to reduce a financial sector entity exposure. This creates capital requirements that are not grounded in the CRR
Level II standards frequently go beyond mere technical specification and introduce detailed, prescriptive requirements that effectively expand Level I legislation. Level III instruments, although formally non-binding, have de facto normative effect and significantly increase regulatory density without clear legal accountability or effective judicial review. While calls for additional Level III guidance are often driven by a desire for clarity, this approach is short-sighted. Over time, the accumulation of de facto binding interpretations contributes to rigidity, legal uncertainty and structural complexity.
We should reduce the number and scope of Level II mandates to genuine technical specifications and conduct a thorough review of existing Level II and Level III products with regard to necessity, consistency and proportionality. For the future, both proportionality and competiveness should be guiding pricnciples, possible anchored in the mandates of the ESAS. At Level III, the role of supervisory convergence tools should be clearly limited within a well-defined legal framework, and accountability mechanisms must be strengthened.Please consider a shift from rules-based legislation toward principles-based guidance, following the example of the Basel framework. The benefits of the excessive level of detail in the European framework are questionable. The current framework generates high costs and frequently goes beyond Basel requirements ("European gold-plating"). A significantly streamlined, principles-based approach could therefore be applied when revising existing regulations as well as when drafting entirely new requirements (where strictly necessary and unavoidable).

To end with a practical suggestion: The EBA's Interactive Single Rulebook is useful, but it remains incomplete. Unlike the Basel framework, it does not include all relevant regulatory material, such as RTS, ITS, guidelines and Q&As. This limits its practical value. The Single Rulebook should be expanded into a comprehensive and regularly updated source covering all relevant rules. It should include RTS, ITS, guidelines, relevant Q&As, links to draft measures and consultation papers, as well as submitted Q&As that are still pending. This would improve transparency and significantly reduce operational burden for banks.

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.

There is no fundamentaly trade-off between simplicity and risk-sensitivity as the question implies. An optimal banking regulation should achive its goal (effectiveness) in the most efficient way, and this includes (i) risk sensitivity, (ii) proportioanality and the use of as few instruments and amount of capital as possible. Simplicity and risk sensitivity are not contradictory goals.

Hence, neither does reducing complexity mean that the objectives pursued by regulation are called into question or that financial market stability is reduced, nor does the 'price' for reducing complexity mean higher contributions to the DGS and the resolution fund. There is no discernible causal link here. Rather, the impression is that a threatening scenario is being constructed: we would like to reduce complexity, but this would mean for you "XYZ". An internationally competitive government approach should not follow these constructured "trade-offs" into consideration, but strice for optimal regulation.

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.

There is no simple answer to this question. Whether a directive or a regulation should be chosen depends on the individual case. 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 other areas, e.g. CRD, provisions would benefit from less national discretion in the transposition of Directives. For CRD, the most important provisions are those related to prudential capital requirements, i.e. provisions that, in the national implementation, result in unnecessary capital requirements (O-SII, CCyB, SyRB cf. section 3.3.)

This applies also to provisions governing the interaction between Pillar 1 and Pillar 2, notably Article 104a CRD. The purpose of that provision is clear: supervisors should not impose additional own funds requirements for risks already covered by Pillar 1, including by the output floor. In practice, however, the current framework does not provide sufficient assurance that this objective will be delivered consistently. The provision remains too

open-textured, supervisory methodologies remain insufficiently transparent, and the existing EBA guidance does not provide an adequately robust safeguard against overlap.

The key problem here is practical implementation. There is still no sufficiently clear methodology showing how supervisors, and in particular the ECB, will identify and eliminate overlaps between risks captured through Pillar 1 and risks addressed through Pillar 2. Without a rigorous risk-by-risk approach, there is a real danger that Pillar 2 will continue to add capital for risks already constrained by the output floor, resulting in double counting and excessive capital requirements without a commensurate prudential benefit.

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?

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

Please list these examples of gold-plating of EU rules:

5000 character(s) maximum

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

One of the concrete examples of gold-plating of EU rules via transposition of EU directives is the implementation of capital requirements for other systemically important institutions (O-SII buffer). Although there are general requirements in the CRD, the design of national calculation methodology differs considerably from country to country in Europe. The same institution with an O-SII buffer in Germany would – adapted to the conditions - receive a different O-SII buffer in another European country. We advocate for more binding EU rules and guidance on O-SII buffer calibration under CRD Art 131. The current methodology whereby NCAs determine the buffer requirement, gives way to wide divergences in the correlation between the O-SII scoring and the buffer requirement.

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

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

Please explain your answer to question 53:

5000 character(s) maximum

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

With regard to Germany, there is no direct government interference in banks' business decisions. However, we do observe intervention by the Single Supervisory Mechanism (SSM). One prominent example is the area of

leveraged lending, in particular the ECB Guide on leveraged transactions, which is not based on CRR legislation.

In practice, the ECB Guide at times classifies medium-sized companies and young, fast-growing firms as leveraged lending cases solely on the basis of their financing volume. This has a particularly strong impact on strategically important sectors such as defence, green technologies, and infrastructure, including areas like data centres.

As a consequence, European banks are effectively prevented from providing such financing due to the application of the ECB Guide. At the same time, lending activity is increasingly shifting towards less regulated non-bank financial intermediaries. In parallel, US banks continue to expand their already dominant position in M&A and private equity, benefiting in part from this direct competitive advantage. This development has direct implications for value creation, employment, 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.

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 effective, but supervision must become more proportionate, risk-based and consistent. It should focus on material prudential risks, not on volume of findings or process. Overly detailed expectations, divergent interpretations and excessive use of surcharges or penalties should be reduced. A broader change in supervisory culture is needed to strengthen legal certainty and avoid unnecessary bureaucracy.

Macroprudential action should be more transparent, better calibrated and better aligned with the microprudential framework. Its effects on lending, investment and the real economy should be assessed more clearly. The Systemic Risk Buffer should not serve as a catch-all tool. Its scope should be narrowed to avoid arbitrary use, overlap with other requirements and double counting of risks, including for environmental risks.

Resolution authorities have made important progress. But resolution planning must remain realistic, proportionate and operationally feasible. Expectations should be better aligned with the actual risk profile, structure and systemic relevance of different institutions, especially traditional and regionally focused banks.

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 framework should be applied more consistently on a risk-based and proportionate basis. Supervisory attention should focus on material prudential risks, not on low-relevance issues or highly detailed process expectations. Smaller, lower-risk and regionally focused institutions need more proportionate treatment that better reflects their size, complexity and staffing.

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	( )	( )	( )	(x)	( )	( )
Macroprudential authority	( )	( )	( )	( )	(x)	( )
Resolution authority	( )	( )	( )	(x)	( )	( )

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.

There are clear efficiency concerns, especially given the rising cost of supervision. ECB banking supervision costs increased by around 334% between 2014 and 2024, from EUR 156.9 million to EUR 680.6 million, or about 16% per year. The expected reduction in national supervisory costs has not materialised. ECB accountability to the European Parliament and the Council should therefore be strengthened, especially regarding economic efficiency.

Supervisory processes should become leaner and better coordinated. Banks still face overlapping information requests, repeated follow-ups and unclear expectations. Greater efficiency requires more stable expectations, less duplication, better coordination and a stronger focus on outcomes rather than process.

Macroprudential efficiency is also very mixed. Measures can support stability, but their interaction with supervisory and resolution requirements adds complexity and uncertainty. The Systemic Risk Buffer is one example. Its broad use alongside other buffers has increased the overall burden. Macroprudential measures should therefore be better justified, more transparent, better coordinated and regularly reviewed for necessity, calibration and side effects.

Efficiency is also a concern in resolution. Banks face extensive data requests, planning obligations and iterative processes. These often overlap with prudential and supervisory workstreams. Requirements should be more targeted, better coordinated and more closely aligned with operational feasibility and real added value.

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.

Supervisory authority: The centralisation of supervision within the SSM has clearly improved supervisory consistency across the euro area. At the same time, the current framework raises a number of accountability and transparency questions. In practice, supervisory methodologies, expectations and interpretative guidance increasingly shape regulatory outcomes, even though they are not adopted through the legislative process. This blurs the line between supervision and rule-making and can create legal uncertainty for supervised institutions.

A particular concern is the growing role of supervisory discretion in areas such as Pillar 2 requirements, risk scoring methodologies or supervisory expectations that are developed outside the legislative process. These tools play an important role in supervisory practice, but their cumulative impact on capital requirements and operational constraints is often difficult to anticipate from the legal framework alone. For institutions, this creates uncertainty regarding the effective prudential requirements that will ultimately apply.

Against this background, the accountability framework surrounding ECB supervision could be strengthened in several respects. First, greater transparency of core supervisory methodologies would help ensure that institutions and markets can better understand how supervisory assessments translate into concrete supervisory measures. Second, supervisory expectations and similar instruments should remain clearly anchored in existing legislation and should not evolve into de facto regulatory requirements. Third, reporting and scrutiny at EU level could focus more explicitly on the cumulative effects of supervisory practices, not only on individual supervisory decisions. Finally, review mechanisms within the SSM architecture could be strengthened in order to provide more effective procedural safeguards where supervisory interpretations materially affect institutions.
Such adjustments would not weaken supervision. On the contrary, strengthening transparency, accountability and legal certainty would reinforce the legitimacy and predictability of the European supervisory framework and help ensure that supervisory practice remains firmly anchored in the legislative framework established by the co-legislators.

Moreover, accountability should always be accompanied by responsibility, Competent authorities should not only disclose and justify their actions and expectation but also balance trade-offs between (Alleged)This requires solid ex ante impact assessments / cost-benefit-analyses of supervisory policies and measures. This includes, in particular, balancing trade-offs between (alleged) improvement to banks' resilience and negative effects on their performance and profitability. However, in our view, the ECB does rarely do so and has even explicitly denied the existence of such trade-offs repeatedly. In our opinion, this is not sufficiently responsible towards banks and, above all, their customers.
Such adjustments would not weaken supervision. On the contrary, strengthening transparency, accountability and legal certainty would reinforce the legitimacy and predictability of the European supervisory framework and help ensure that supervisory practice remains firmly anchored in the legislative framework established by the co-legislators.

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

- [x] No
- [ ] Don’t know / no opinion / not applicable

Question 57.1. If intellectual property rights are not used as stand-alone collateral, please indicate the main reasons:

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
Regulatory capital treatment	X					
Valuation uncertainty	X					
Legal enforceability concerns	X					
Internal risk policies				X		
Lack of risk-mitigation instruments	X					
Other						

Please explain your answers to question 57.1:

5000 character(s) maximum

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

Currently, banks in our membership accept intellectual property rights (IP) as collateral only to a very limited extent. This is primarily due to the difficulty of valuing IP and the absence of a liquid secondary market. However, this could change in the medium term, given that intellectual property is increasingly recognised as a key asset for high-growth companies.

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	X					
IP collateral protection insurance supported by public schemes	X					
EU-level standardised IP valuation methodologies	X					
Securitisation frameworks for IP-backed loan portfolios				X		
No measure would materially change our current approach	X					

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.

See our answer to question 57.

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.

Regulation is a key competitive factor for European banks, far more directly than in most other sectors, because it shapes not only compliance costs but also balance-sheet capacity, profitability and the ability to finance the economy. The post-crisis reforms have materially strengthened resilience. That achievement should be preserved. But the framework has also become excessively complex, layered and costly to operate.

The problem is not prudential ambition as such. The problem is cumulative complexity. Over time, new rules, buffers, reporting requirements, supervisory expectations and interpretative tools have been added without sufficient discipline as to overlap, interaction and operational burden. The result is a framework that is increasingly difficult to understand, implement and supervise efficiently. This weighs on competitiveness, especially in comparison with jurisdictions that apply fewer layers, less gold-plating and more streamlined supervisory processes.

Three structural drivers stand out. First, responsibilities are spread across too many authorities and layers of rulemaking, including Level 1, Level 2, Level 3 and supervisory practice. Second, different authorities often address similar risks through different instruments, leading to duplication and inconsistent signals. Third, insufficient coordination across prudential, resolution, statistical and disclosure regimes results in parallel reporting streams, repeated data requests and unnecessary implementation costs.

Some concrete cases of complexity;

- The SyRB should be removed. Its calculation and reciprocal application are unduly complex, its thresholds are very low, and its practical impact is often negligible. At the same time, it can overlap with risks already addressed through G-SII and O-SII buffers, including concentration, mortgage-related risks and interconnectedness.

- The output floor remains operationally burdensome because banks must run parallel IRB and standardised calculations despite extensive supervisory scrutiny of internal models. The framework should not rely on two parallel backstop mechanisms where one would suffice. The output floor and the leverage ratio both operate as backstops. Maintaining and reporting both significantly increases complexity and cost. A single backstop mechanism would be sufficient to address residual risks not captured by the risk-weighted framework.

- Property valuation, due diligence requirements and overlapping stacks across Pillar 1, Pillar 2 and macroprudential buffers add further complexity without commensurate prudential benefit.

- The NPE backstop should be removed or, at a minimum, made conditional on materially elevated NPE levels. It was introduced to address legacy asset-quality problems. That context has changed. With NPE ratios now around 1.5% at end-2025, the backstop has become an unnecessary capital burden. At the very least, it should apply only where an institution's NPE ratio exceeds 5%.

- Reporting is a major part of the problem and should be addressed explicitly. Banks must currently comply with prudential, statistical and resolution reporting that is still insufficiently aligned. The JBRC should therefore be developed into a genuine strategic and technical coordination body responsible for common data definitions, harmonised reporting rules, aligned submission calendars, revision policies, materiality thresholds and technical standards. Stronger alignment across reporting regimes is essential to make the "define once, report once" principle operational. Without that, banks will continue to maintain multiple parallel reporting infrastructures for different authorities.

Risk sensitivity

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

- ( ) Yes
- (x) 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.

In general, the framework does not strike the right balance between risk-sensitivity and complexity when taking into account risk mitigating factors. In our opinion, there is a lot of room for more risk-sensitivity without a significant increase in complexity or even accompanied by a reduction in complexity. For instance, the eligibility criteria for collateral in the IRB approach are very detailed, bureaucratic and, in parts, overly restrictive. We provide some exapmples below;

- Object finance. Less prescriptive and complex eligibility criteria would even increase risk-sensitivity in this area. The standardised approach does not take into account physical collateral at all. This is not risk-adequate and creates undesirable incentives for banks underwriting standards. A non-complex solution like a simple, fixed risk-weight reduction factor (e.g. calibrated based on the effect of such collateral in the foundation IRB approach) would improve the framework.

- The FRTB trading book boundary is very prescriptive, in parts inconsistent and involves bureaucratic supervisory approval processes. In our view, the current, principle-based rule (referring to the trading intent) is a much less complex solution that, at the same time, allows for more appropriate instrument classification and thus a more risk-adequate treatment.

- The Prudent Valuation Adjustment (PVA) is a clear case where complexity is not matched by risk relevance. The EU's PVA regime is significantly more conservative than international practice, generating large CET1 deductions across buffers and inflating capital requirements without meaningful gains in risk coverage. EBF recommends making the revised PVA capital neutral for all banks, or removing the EU PVA requirement to align with international practice. (CRR Art. 105 / EBA PVA standard).

- Trade finance exposures (including short-term instruments such as documentary credits, guarantees and unconditionally cancellable commitments) are subject to overly conservative maturity assumptions and conversion factors. Despite very low default rates (0.14% exposure-weighted), the EBF calls for making CRR Article 495d permanent so that the UCC CCF remains at 0%, postponing the EBA RTS, clarifying definitions to avoid misclassification by removing "generally less than one year" from CRR Article 4, extending the 20% CCF to all performance and technical guarantees, improving LGD calibration for insurers and factoring, and extending the infrastructure factor to trade transactions.

- Specilized lending and low-default portfolios (LDPs) (such as renewable energy projects, infrastructure, hospitals, digital assets, aircraft and defence-related infrastructure) are currently subject to rigid slotting approaches and conservative floors that do not reflect their stable, long-term contracted cash flows. These portfolios are disadvantaged by methodologies that are not suited to low-default risk, including uniform weighting floors and limited modelling guidance. The CRR should therefore provide updated modelling guidance, recalibrate slotting categories, and allow IRB approaches better adapted to LDPs, especially those supporting the EU's climate, digital and industrial transitions.

For other examples (e.g. capital deduction regarding software and NPL) see responses to question before.

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
- (x) 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.

While Pillar 2 was intended to address possible deficiencies of the risk weighted approach under Pillar 1 it doesn´t work like that in reality. Instead, NCAs make use of Pillar 2 as a tool for the per se stipulation of additional capital requirements grounded on the so-called risk-by-risk-approach and the ever-increasing introduction of new risk types and scenarios.

Besides the Output Floor offers limited added prudential value compared with the leverage ratio
Both the output floor and the leverage ratio serve as backstops. However, the output floor is far more complex to calculate and manage. In our view, it adds little prudential benefit beyond the leverage ratio. The output floor is also difficult to steer in practice because it applies only at the level of total capital requirements. This makes it hard to allocate incentives across individual exposures or portfolios. By contrast, the leverage ratio is simpler, more transparent and easier to apply across different portfolios.

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?

- (x) 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.

In our view the leverage ratio (LR) should be a simple backstop. This is also the initial view of the Basel Committee. In that light, the LR should not consists of multiple parts but be a simple requirement of a certain percentage that covers excessive risks not covered under the risk-weighted framework. The LR should not be overengineered by consisting of multiple stacks or difficult calculations. Only in case of unique business models (e.g. promotional banks), a more specific LR should be defined. Consistent with that we want to point out two

issues worth fixing;

- Permanent exclusion of Central Bank cash in denominator to avoid banks reducing activities directly due to monetary policy. 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. Consequently, the leverage ratio also conflicts with liquidity risk management and the corresponding regulatory requirements.

- The structural double-counting issue within the leverage ratio for both derivatives and Securities Financing Transactions (SFTs) needs to be adressed. For derivatives, the exposure calculation begins with the accounting value (replacement cost) and subsequently includes a Counterparty Credit Risk (CCR) add-on, without fully recognizing the mitigating effects of initial margin or compensation mechanisms. Even in client clearing activities where margins are recognized, the SACCR multiplier does not adequately reflect collateral that genuinely secures the exposure, leading to an overly conservative charge. A similar, though less significant, effect arises for SFTs due to the coexistence of accounting exposure.

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.

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?

- (x) 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.

Yes, the P2R needs improvements. Firstly, the calculation of the P2R needs to be fully transparent to the institution in question. Secondly, the risk-by-risk approach doesn´t lead to sensible outcomes. The P2R should instead of a risk type-wise approach focus on the higher SUM of capital needed under Pillar 1 and 2.

When it comes to the leverage P2R we propose either excluding or adjusting central bank reserves and specific high-quality sovereign exposures from the Leverage Ratio (LR) exposure measure. This approach aligns with relief offered in other major jurisdictions, such as the UK, which would help level the playing field and reduce disincentives for participation in sovereign bond and money markets.

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

- (x) 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.

Yes, the P2G needs improvements. Firstly, the mix of capital eligible for meeting the P2G requirement should be the same as for thew P2R. Secondly, the calculation of the P2G should not depend on a supervisory stress test as it has been performed by EBA and ECB in the last years, that is with highly questionable processes and methods. Instead, banks should be allowed to use their internal stress test models as used and supervised under the ICAAP.

What is more the P2G framework needs to be redesigned in the context of CRR III/Output Floor. For example for EBA ST at present the framework assumes a starting point under today’s regime and imposes a mandatory end-state under the future Output Floor. During this transition, banks move from internal models to the Output Floor, yet impacts, capital add-ons, and erosion effects are already calculated on the basis of the Output Floor — even though it will only apply in several years and is not relevant under the current internal-model regime. This effectively creates a synthetic supervisory framework that does not yet exist. From our perspective, P2G should therefore be calculated strictly on the basis of the regime currently in force.

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.

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

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

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.

The NPL backstop was introduced against the backdrop of high NPL ratios in Europe in the wake of the sovereign debt crisis 15 years ago.
The backstop forces banks to cover non-performing loans with equity within certain time limits (which were set arbitrarily). And, indeed, Europe had an issue with NPLs in the past: In 2012, the NPL ratio in Europe was around 7.5%. But now, we do not have anymore this high ratios: 2025, the NPL ratio was only around 1.9%.
This means that the regulatory rationale for the backstop has essentially ceased to apply.
The NPL backstop is problematic as the rigid requirements (high coverage ratio after a certain time) are not risk-sensitive and are not in line with accounting requirements.
That means, although risks from NPLs are adequately covered by accounting risk provisions (e.g. IFRS 9 with its Expected Loss philosophy which did not exist when the backstop was formed/introduced), banks often have to cover these loans with equity in addition.

The strict rules use up capital too early and restrict lending too soon, especially for the commercial sector, instead of supporting bank-led restructuring. This has negative economical effects for banks, its credit lending and the economy.

Furthermore, the backstop only exists in the European Union. The United Kingdom abolished the backstop 2 years ago. Hence, for EU banks, the backstop has significant competitive disadvantages.

For these reasons, the NPL backstop should only apply to banks whose NPL ratio exceeds 5%.

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 burden the competitiveness of banks.
We reject proposals such as those made by the ECB (Recommendation #2, Simplification of the European prudential regulatory, supervisory and reporting framework), which would ultimately lead to stricter requirements for AT1 instruments and Tier 2 instruments. On the one hand, the changes would mean

deviations from international standards. On the other hand, we do not share the 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 cannot be taken as a blueprint for European supervisory authorities, which have clearly distanced themselves from this approach (source: EU regulators distance themselves from Credit Suisse bond writedowns | Single Resolution Board).
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% (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, EBA RDB 2025 Q1. This would restrict lending capacity, significantly reduce returns on capital, reduce the investor base and reduce flexibility in capital management.

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					X	
Some or all of the transitional derogations related to the output floor should be prolonged	X					
Some or all of the transitional derogations related to the output floor should be made permanent	X					
The output floor should only apply at consolidated level	X					
The calibration of the output floor (72.5%) should be increased					X	
The calibration of the output floor (72.5%) should be made more risk-sensitive		X				
The calibration of the output floor (72.5%) should be reduced					X	
Other	X					

Please specify to what other view(s) you refer in your answer to question 68:

5000 character(s) maximum

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

Removal of Output Floor: Today, the output floor consitutes another backstop on top of a framework that already contains several backstops and conservative elements. The Leverage Ratio provides a first non-risk-based backstop. On the risk-based side Internal models are tightly constrained (and must be approved), standardised approaches are deliberately conservative, and supervisory add-ons under the SREP capture residual risks. Given all these new layers and regulatory developments in the last decade, the output floor has become obsolete. Removing it would effectely reduce complexity and strengthen European ways of financing and bank practices, that have historically relied more on internal models and lending via banks.

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 output floor constitutes an additional safeguard whose additional utility is questionable. It was designed against the backdrop of concerns identified more than a decade ago about unwarranted variability in internal models. Since then, the EU has already addressed those concerns through extensive regulatory and supervisory action, notably the EBA IRB repair programme, the ECB's comprehensive review (TRIM), annual benchmarking exercises, and tighter model restrictions under the final Basel standards themselves. The key point is this: if, after years of model repair, benchmarking and restrictions on internal models, model-based RWAs still fall materially below the floor, this strongly suggests that the standardised benchmark is overstated for important EU asset classes - not that internal models are unreliable. From a competitiveness standpoint, the output floor has a disproportionate effect on European banks because their business model is more balance-sheet and lending-intensive than that of peers in other jurisdictions. The US, which in Basel fought for the floor, will not implement it in the area where it would have had the most material impact for US banks. Hence we would encourage the policymaker to weigh the following options explained and under “other views”;

Second - Making Transitionals permanent: Otherwise, the EU implementation of the output floor must be revised in a targeted and pragmatic way. For reasons illsutrated above, a mechanically strict application of the output floor in the EU is no longer well justified.Itis well known that European banks and their customers are disproportioantely affeced, this is precisely why the EU introduced targeted transitional adjustments in CRR3. There is no indication at all that the current level of capital in the system is insufficient – in contrast: EU banks have proven in various stress tests and real-live crises that they are sufficiently capitalised and robust. Hence, we propose to make all current transitional arrangements permanent. We want to illustrate this with three important cases:

- exposures to unrated corporates meeting the relevant credit quality criteria;
- qualifying low-risk residential mortgages; and
- SA-CCR, including retention of the lower alpha calibration.

These adjustments are not a dilution of prudential standards. They correct clear distortions in the standardised framework and preserve risk sensitivity where the Basel calibration does not reflect EU market realities.

For unrated corporates, the issue is particularly acute. In the EU, he vast majority of corporates do not use external ratings. If the transitional treatment expires, those exposures will revert to a 100% risk weight under the output floor, regardless of underlying credit quality. That creates a perverse incentive: lending to unrated corporates with high creditworthiness becomes more capital-intensive than warranted, which directly penalises

the core financing channel of the European economy. It would raise the cost of credit, reduce lending capacity and weaken banks' ability to support investment and industrial transformation. Alternative fixes, such as pooled internal ratings, parent-rating extensions or central bank rating systems, are either legally problematic, too narrow in scope or not operationally realistic..

For mortgages, the case is similar. EU mortgage markets exhibit structural features that support lower risk, including strong underwriting, historically low loss performance and, in many jurisdictions, dual recourse to borrower and collateral. A cliff-edge reversion to higher standardised risk weights would therefore be poorly aligned with actual risk and run counter to the creation of affordable housing

For derivatives, the SA-CCR transitional treatment should also be made permanent. The alpha of 1.4 has long been criticised as overstating exposures. This has been acknowledged by the supervisory community and the Basel Committee had planned to revise it. Meanwhile, the UK and the US have both adjusted their implementation, reflecting broader concerns about Basel calibration. Allowing the EU transitional treatment to expire would create an avoidable competitiveness gap for EU banks in derivatives and hedging services, to the detriment of EU corporates managing FX, interest rate and commodity risks.

In that sceneario, the EU should:

maintain the 72.5% calibration rather than increase it;
apply the floor only with permanent targeted adjustments for asset classes where the standardised approach is demonstrably overstated;
make the transitional treatments for unrated corporates, low-risk mortgages and SA-CCR permanent; and
remove unnecessary national optionality, including for the low-risk mortgage treatment, to ensure a level playing field in the single market

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	X					
The calibration of macroprudential buffers	X					
The calibration of other macroprudential tools						X
The heterogeneous application of some tools like Other Systemically Important (O-SII) buffers across the EU	X					
The current reciprocity arrangements	X					
The decentralised macroprudential governance framework and prominent role of national macroprudential authorities in setting measures.	X					
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 in light of the fact 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 broader view in our response to this question and also include the microprudential framework in our answer;
Complexity/number of stacks: The capital stack from a going concern perspective contains all the components of micro-prudential (Pillars 1 and 2) and macroprudential (capital buffers) capital requirements for institutions from a risk-based and non-risk-based perspective. In its paper[1] 'STACKING ORDERS AND CAPITAL BUFFERS', the European Banking Authority (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. The complexity is further increased by the distribution of responsibility for individual capital buffer require-ments across different national and European supervisory authorities.[2]
Shortcomings (predictability, consistency): 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 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.
Interim conclusion: The shortcomings identified are hampering the competitiveness of European institutions and their ability to take action, which in turn is causing uncertainty among inves-tors. The capital stack and not only the macroprudential framework needs to be simplified, provided that the current capital requirements are not increased further.
From our analysis and the the ECB proposals so far we can draw
- 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 the capital requirements as a whole do not exceed an appropriate level.

- We do not consider the ECB's proposal (part of its task forces report from 2025) 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. the industry rejects a new positive neutral rate within the countercyclical capital buffer framework. Instead, existing capital components such as the capital conservation buffer must be used.Therefore, see our proposal described below.

- 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.

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:
(1) reducing complexity
(2) optimising the usability of existing capital buffers,
(3) holistic assessment of capital requirements for individual institutions.

- The first important measure is the removal of the systemic risk buffer (SyRB). 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 '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. We believe 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 a different buffer in one country than in another EU country – a situation that 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. Therefore, cap the O-SII buffer at 1% 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 buff-ers, Pillar 2 requirements and Pillar 2 guidance – should be introduced. Exceptions should only be made for cases in which institution-specific higher capital requirements are warranted.
Based on 'Total capital' on the 'going concern' side of the capital stack, a restructured capital framework could merge the Pillar 2 requirements (P2R) and most of the existing capital buffer requirements into a Releasable Buffer (RB):

The key points of this capital stack are as follows:
• Scrapping 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 mac-roprudential requirements, including a positive neutral

capital buffer rate of 2.5%. The upper cap for the releas-able 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 cap-ital recommendations. It should be calculated without a stress test and also set by the competent supervisory authority. The recommendation 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 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.

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.

The industry rejects the systemic risk buffer as a form of European gold plating.
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. 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.

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.	X					
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	X					
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.					X	
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. 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 a different buffer in one country than in another EU country – a situation that 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 institu-tions (G-SII buffer). With the current maximum limit rule, this leads to distortions in international comparison. Therefore, cap the O-SII buffer at 1% of risk-weighted assets.

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.

See answer to question 69 and 70.

First, a few notes on answering the questions:

- If we answer ‘no’ to the question, this does not mean that we need higher capital buffers for a higher share of releasable buffers. Rather, we see a clear need to revise the capital stack as a whole.
- 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.

Therefore, 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. As a result, 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 at simplifying the framework without any increase 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 ample 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 the fact 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 question 71 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 the 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 built up 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, the EBF notes a buildup of this buffer over the past years in the EU, which took place inconsistently across Member States. Against this backdrop and to achieve the level playing field the EBF rejects a positive neutral rate 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 realised by maintaining the national designated authorities, or by migrating to a European single designated authority. In both cases, the EBF is 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).

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.

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.

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 (selected)

Please explain your answer to question 75:

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. Therefore, it is 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. Repeated consultations do not reduce complexity.

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.

While the option to adjust the MREL targets in relation to resolvability achieved should be upheld, MREL allowances are subject to "satisfactory progress towards resolution" increases discretion for resolution authorities and higher unpredictability for banks. The mechanism what happens when allowances fall away unexcpectedly leading to higher funding requirements remains unclear and leads to a limited value of the allowance.

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	X					
Better align MREL to TLAC by allowing MREL to be complied with more subordinated instruments					X	
Make the MREL framework for medium-sized and smaller banks more proportionate		X				
Introduce a minimum debt requirement where MREL should be complied with non-CET1 instruments						X
Other		X				

Please specify to what other way(s) you refer in your answer to question 76:

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 76:

5000 character(s) maximum

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

Replace MREL with a TLAC + TLOF Framework:
The proposal entails a structural redesign of the EU gone-concern regime through the replacement of the MREL with a framework centred exclusively on the internationally agreed TLAC standard, complemented by the existing 8% optioj 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 LAA, RCA, and the 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 SRF. In addition, 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.

A concrete calibration is required for a final assessment. Any revision consider the following points:
• Ensuring that the new requirements do not exceed the current requirements for subordination (TLAC/MREL depending on the bank)
• Ensuring that the current allowance may continue to be applied
• Abolishing MDA, as explained above
• Ensuring that the new measures are achieved at significant cost savings, to truly contribute towards competitiveness.

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?

- [x] Yes
- [ ] No
- [ ] Don’t know / no opinion / not applicable

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

- Yes
- (selected) 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 the 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 credit economies should not be encouraged. Furthermore, there is no discernible competitive disadvantage in comparison to other jurisdictions, such as the United States, which does not provide for a resolution fund financed by the financial sector, although the Commission does not specify this in detail.

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.

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 the capital requirements as a whole do not exceed an appropriate level (see response 69 and 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.

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.

Define clear, centralised responsibilities; harmonize national rules; enhance transparancy; reduce numer of Level 2 and 3 legislation.

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.

Regulation in the European Union is based on the Basel framework, which is primarily designed for international banks. Implementing these rules places a disproportionate burden on small institutions with traditional business models. To address this situation, CRR II introduced the category of small and non-complex institutions (SNCIs). Institutions with total assets of up to EUR 5 billion, provided that other criteria are met, benefit from certain relief

measures, particularly in the areas of reporting and disclosure. This first real step towards greater proportionality for smaller institutions has, so far, not been followed up with any further steps at European level. Furthermore, the detailed regulation at Levels II and III places a disproportionate burden on smaller institutions. The current banking package alone gives the EBA almost 140 mandates to develop technical regulatory standards, implementing acts, guidelines, etc. In theory, the EBA takes into account the concept of proportionality in its work. Unfortunately, the reality is often very different, with only minor distinctions being made between institutions of different sizes and with varying risks.

Question 85. Do you consider that the introduction of a dedicated regulatory and supervisory regime for small banks would be warranted in the EU?

- (x) 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.

Experience shows that piecemeal adjustments to individual regulations are of no benefit. A comprehensive reform approach therefore appears to be the only viable option for proportionate regulation. It’s time for a Europeansmall bank regime. This has been shown to work in other
jurisdictions, such as the UK with its ‘Strong and Simple Framework’, the US with its ‘Community Bank Leverage Ratio Framework’ or Switzerland with its small bank regime.
The discussion paper on a small bank regime presented by BaFin and the Bundesbank proposes a paradigm shift in regulation and supervision, which we welcome in principle.
The small banks regime, which would be designed as an opt-in regime, would be largely based on the existing CRR criteria for SNCIs. We also believe this is appropriate.
In general, participating institutions should have a low risk profile, which could be ensured by ongoing supervisory activity.This would also safeguard financial stability.
In addition to balance sheet size as a key criterion,
other relevant characteristics might include a low volume of derivatives, a small trading book and predominantly regional involvement in the EEA. However, the current total balance sheet amount of EUR 5 billion is too low for European LSIs and needs to be increased significantly, not least due to inflation in recent years. BaFin and the Bundesbank are of the opinion that a
balance sheet total of EUR 10 billion is an appropriate size. We share this opinion.

The paper proposes a leverage ratio as an additional key criterion for an EU small bank regime, although the level has yet to be determined. A ratio that is appropriately higher than the current mandatory 3% would enable a sufficiently high level of security to be achieved, which

would justify substantial regulatory relief. In addition, the leverage ratio is transparent and relatively simple to calculate. However, when setting a higher ratio, the specific circumstances of the EU financial sector have to be taken into account. Risk-free assets (in particular central bank deposits) should be excluded when calculating the leverage ratio.

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?

- (x) 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 refer to question Q 85.

Question 87. Should the definition of small and non-complex institutions be amended?

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

Question 87.1. Should the EUR 5 billion total assets size threshold be increased?

- (x) 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.

We refer to Question 85.

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.

We refer to question Q 85.

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')					X	
Requirement that the variable remuneration shall consist of different types of instruments ('balancing requirement')			X			
Requirement that a significant part of the remuneration is deferred and vest on a pro-rata basis ('deferral')			X			
Requirement that up to 100 % of the total variable remuneration shall be subject to malus or clawback arrangements ('malus /clawback')				X		
Other				X		

Please specify to what other provision(s) you refer in your answer to question 88:

5000 character(s) maximum

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

Other considerations

- Individual de-minimis threshold of 50K€ (Article 94 (3) lit. (b) CRD V): exceeding it generates the application of 40% deferral on variable remuneration and 50% part in instrument The threshold of 50K€ appears too low due to the great disparity of remuneration levels within banking activities and financial centers both in and out of EU. Besides it has a negative impact on attractiveness vs other firms and vs internal positions that are not identified staff positions as the amount of immediate cash is reduced to 30% of variable remuneration. UK has recently increased this threshold from £44,000 variable remuneration to £660,000 total remuneration.
- One year retention period: The requirement on variable remuneration of one year retention (under recital 289 of EBA/GL/2021/04) in addition to 4 years minimum deferral period (5 years minimum for senior management) is a much higher constraint than market practice observed in other financial centers and other types of firms in EU. UK has just removed the retention period on deferred instruments and allows firms to decide on the appropriate retention period for the part of non-deferred variable remuneration in instrument (if any as the non-deferred part of bonus can be paid totally in cash). There should be more flexibility to apply the appropriate length of retention period for the financial institution. For instance, the overall requirement to apply a retention period on deferred equity remuneration should be removed in Article 94 (1) (l) CRD, as it is not competitive (see the most recent UK approach mentioned above), and perceived as an additional one-year deferral period, and it reduces the understanding of the remuneration systems at the employee level, and it does not create a substantial added value on top of the existing deferral period. As an alternative to the removal, at least the length of the retention period on deferred remuneration in equity should be reduced to a maximum of 3-6 months.
- Quantitative criteria for the identification of MRTs: These criteria have to be applied on staff members of any entities within the scope of consolidation. This creates distortion of competition: in US, Asia, and UK, where remuneration levels are higher and where non-EU peers practice is based on much more flexible and dynamic pay packages in EU where other sectors do not impose such constraints Exemption process through competent authority is too complex to be used. There should be more flexibility at the level of the institution to allow exemptions on quantitative criteria. UK has recently removed the obligation on quantitative thresholds except for firms to consider whether 0.3% highest earners should be identified as MRTs (if not already identified under qualitative criteria).

For further details, please refer to our response to Questions No. 25 and No. 89.

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.

(1) Bonus cap
Assessment: Very negative
While its objective of limiting excessive risk-taking is understandable, the fixed ratio between variable and fixed remuneration reduces flexibility compared to other major jurisdictions where no equivalent binding cap applies. In practice, this has contributed to structurally higher fixed remuneration in EU institutions, increasing cost rigidity and reducing the ability to adjust compensation in line with performance and market cycles. This structural constraint is particularly relevant in internationally competitive and revenue-driven activities such as

investment banking and capital markets, where remuneration structures are an important factor in attracting and retaining specialised talent.

(2) Requirement that the variable remuneration shall consist of different types of instruments
Assessment: neutral
Alinging long term incentives on shareholder interest is positive as long as it is applied above a significant threshold of variable remuneration. In principle, the obligation to deliver complex instrument mixes generates legal, tax and system costs that are too burdensome for lower levels of variable remuneration.
Non EU peers often use simpler deferred cash structures and reserve instruments for senior management /high earners.

(3) Deferral requirements
Assessment: neutral
Deferals helps align incentives on medium term risk and is useful particularly for senior management and highest earners. However, the 4-year minimum deferral for CRD MRTs (Material Risk Takers, also known as 'Identified Staff') is longer than the 3-year minimum period retained for other financial services and LTI in other types of firms. This makes banking less attractive for talents. Using a harmonized 3 to 5 years deferral rule for MRTs would allow more competitiveness and simplification of administrative and operational workload.

(4) Malus and claw-back
Assessment: neutral
These mechanisms are useful tools for risk management and conduct policy but their implementation in particular for clawback is legally and operationally complex in jurisdictions with restrictive labor laws. This creates operational uncertainty versus competitors with more straightforward legal frameworks.

For further details, please refer to our response to Questions No. 25 and No. 89.

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.

Although EU rules on internal governance and remuneration pursue legitimate prudential objectives, they place EU banks at a competitive disadvantage relative to their non-EU peers and other firms in the EU and beyond. The cumulative prescriptiveness, granularity and frequent revisions of these rules create structural complexity and heavy administrative burdens, resulting in slower decision-making. These factors reduce agility, increase structural costs, and limit EU banks' ability to innovate, attract talent, and expand internationally.
(1) Remove the bonus cap to ensure effective risk management and a sufficiently flexible cost base for financial institutions:
This would allow firms offering less fixed pay (which means lower fixed costs) and reward more for performance instead, ensuring a more flexible cost base for firms. Non EU banks or EU other firms can offer higher variable components and maintain more efficient cost structures and stronger performance incentives.The UK have removed the bonus cap in its entirety for the same reason several years ago. In its April 2024 report on banking stability, the Swiss Federal Council expressly opposed the limitation or prohibition of variable remuneration, stating that empirical evidence shows disadvantages in this regard, particularly in the form of higher fixed pay.
(2) Increase flexibility in the allocation of cash and equity across upfront and deferred variable remuneration:
The CRD requires at least 50% of variable remuneration to be paid in instruments. The EBA guidelines go

further, requiring that 50% of both upfront and deferred variable remuneration be delivered in instruments. This creates a significant competitiveness gap between remuneration at EU banks relative to other jurisdictions - they typically do not impose a minimum requirement that 50% of variable compensation should be delivered in instruments, nor do they stipulate that this minimum should be applied uniformly to upfront and deferred variable compensation - and to non-banks. The EBA guidelines' goldplating should be removed.
(3) Revise the stricter bonus cap for control functions (see recital 233 EBA/GL/2021/04):
While CRD does not specify a specific bonus cap for control functions at all, recital 233 of EBA/GL/2021/04 requires determining a stricter bonus cap for control functions compared to the business units they control. In practice, this results in:
(i) increased complexity in terms of employees' understanding of the remuneration rules given that there is more than one bonus cap across the same firm, and
(ii) a lack of competitiveness when trying to attract sufficiently qualified employees for the control functions. The latter does not only reduce internal mobility within EU headquartered banks, as internal staff are reluctant to transfer within the same bank from a non-control function unit to a control function unit due to the stricter bonus cap. In addition, a stricter bonus cap for control functions additionally includes a competitive disadvantage for EU headquartered banks when externally hiring highly qualified control function staff in their international locations where other firms are not subject to any bonus cap. To increase competitiveness for hiring top talent for control functions and reduce complexity, we, therefore, request amending the stricter bonus cap for control functions, e.g. in the course of the upcoming iteration of the EBA Remuneration Guidelines. For instance, this could be implemented by amending recital 233 of the aforementioned EBA Guidelines in a way that, going forward, it limits the ratio to 100 % (variable to fixed remuneration) for control functions, while the ratio of the business units they control could be increased up to a ratio of 200 %, as governed in the CRD, or more than 200 %.
(4) Remove the 12-month holding (retention) period on variable remuneration in instruments:
Article 94(1)(l) CRD requires variable remuneration in instruments to be subject to an appropriate retention policy aligned with the longer-term interests of the institution, but does not specify the length. This is set out in the EBA Remuneration Guidelines (EBA/GL/2021/04), which require a retention period of at least one year. As a result, not only the upfront equity portion, but also the deferred equity portion, which is already deferred over at least 4–5 years, is subject to an additional 12-month retention period, leading in practice to a perceived deferral period of 5–6 years in total. Since deferred instruments are already held over a significant period and thereby ensure alignment with the bank and its shareholders/investors, the additional retention period does not create a substantive policy benefit, but adds operational complexity and reduces employees' understanding of the rules. We therefore request that the retention period for deferred instruments be removed in the next CRD iteration. The next EBA Guideline should reduce the period to 3-6 months.

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.

In general, we support a remuneration framework that encourages sound risk management, the creation of long-term value and financial stability. However, certain elements of the current framework impact competitiveness and flexibility to varying degrees. Please see our comments on this matter under Nos. 25, 89 and 91, and especially our proposals presented under No. 99, which include the removal of the bonus cap. Furthermore, attention should be paid to the following:
- Reduce the complexity of current rules and the frequency of new or updated rules to boost competitiveness.
- Make remuneration rules less prescriptive and more principle-based.

- Harmonise remuneration requirements for banks, asset managers and investment firms across the financial services sector in the EU, ensuring they are competitive compared to other financial centres (such as the UK, the US and Switzerland).

This leads to the following options (continuing list in the answer to Q89) worth exploring:
(5) Revise the severance requirements in a very pragmatic manner:
While CRD does not go into specific details when it comes to severance pay, the EBA Remuneration Guidelines (EBA/GL/2021/04) outline in a very detailed and prescriptive manner how to treat severance pay in chapter 9.3. From an industry perspective, severance payments do not reward for performance so it is not really considered to be variable pay. Instead, severance pay compensates staff for the early termination of the employment contract, i.e. severance pay compensates staff for losing their job and not for rewarding the individual performance for a given year. However, according to the EBA Remuneration Guidelines severance payments are generally to be treated in the same way as the regular, annual variable remuneration. As a consequence, implementing the EBA's severance requirements into practice resulted in disproportionate complexities for firms in the EU without creating a meaningful positive effect. To reduce complexity and increase competitiveness of the EU banking industry, we, therefore, request making the severance requirements more pragmatic and competitive in the course of the upcoming iteration of the EBA Remuneration Guidelines. For instance, by default, severance payments should not be taken into account for the calculation of the bonus cap (i.e. the maximum ratio between variable and fixed remuneration) at all.

(6) Simplify the remuneration disclosure requirements:
The remuneration disclosure requirements under Article 450 CRR in conjunction with the tables REM 1-5 of the corresponding Commission Implementing Regulation (EU) 2021/637 are very extensive, prescriptive, complex to create on an annual basis, and the multiple data points to be disclosed are very difficult to understand for non-technical readers. Therefore, it is very unlikely that the extensive set of remuneration data to be disclosed creates a meaningful effect. To reduce complexity and increase the understanding of the reader, it is highly recommended to reduce the required data points to a minimum. At least, tables REM 1 to 3 should be removed in its entirety.
Reporting obligations for institutions consolidated within a group should be limited to the level of the top consolidated entity (e.g. EBA benchmarking; reporting on the gender pay gap and the 'higher ratio'; EBA reporting on top earners; and EBA benchmarking on the diversity of management and supervisory body members).
Small and non-interconnected institutions should be exempt from reporting requirements (e.g. EBA benchmarking and gender pay gap reporting) to reduce a disproportionately high administrative burden, whether or not they are part of a consolidated group.

(7) Revise the definition of fixed pay in the EBA Remuneration Guidelines:
The existing requirements regarding the definition of fixed pay in EBA/GL/2021/04 are very burdensome to implement without creating a meaningful effect. If the EU should have concerns that some banks may circumvent the bonus caps by classifying variable pay as fixed pay to have more headroom for the bonus caps, the national competent authority or relevant Joint Supervisory Teams of the ECB should rather make use of their supervisory powers by reviewing these few banks in the course of their ongoing supervisory process. However, for the sake of competitiveness and reduced complexity, the current strict and onerous definition of fixed remuneration in the EBA Guidelines should be significantly reduced in a pragmatic manner.

(8) Simplify the criteria for identifying Material Risk Takers
Simplify the criteria for identifying Material Risk Takers based on the British model. The remuneration-related criteria should be limited to the top 0.3% of the highest-paid employees (e.g., by eliminating rigid thresholds such as EUR 750,000 and the requirement that remuneration be at least equal to the average remuneration of the Management Board, Supervisory Board, and senior management).

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?

5000 character(s) maximum

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

With regard to reporting requirements, the ECB High-Level Task Force's initiative "Simplification of the European prudential regulatory, supervisory and reporting framework" contains initial meaningful proposals that should be implemented promptly. Nevertheless, additional key aspects should also be considered in this context:
 - Pause introduction of new reporting requirements and major revisions (moratorium) for at least 2 years with immediate effect (2026-2027)

 - Check all existing data points and disclosure requirements on neccessity and focus the reporting on the relevant content which provides significant added value for competent authorities considering the balance between stability and competitiveness for the industry

- Agree on a clear and accountable targets to reduce the number of reports and data points by minimum 50%

A basic reboot for regulatory reporting is required. Small adaptations to the requirements (e.g. removing

individual data points from the reporting) lead to additional implementation effort for the institutions. As proved by the EBA cost of compliance study, changes, extensions and new reporting requirements are the main cost driver. Hence, an immediate pause for new requiements and a 2 years moratorium could be easiely and quickly implemented and would result in immediate relief for banks.

Introduction of materiality thresholds for resubmissions and validation rules
Materiality thresholds should support the focus on critical data elements needed for internal steering, proper business decision making and supervisory control. The thresholds should be used in connecting with validation rules (accepted level of mismatch) and for identifying the need of resubmitting data. The thresholds should be derived from steering relevant supervisory ratios (e.g.>xx bp CET1-Ratio, LR, LCR, NSFR, LE-Limit) as relative parameter to adequately consider the size of a bank. When defining the thresholds, the impact of a change of a single data point on the final critical data point / ratio should be the leading question. Starting point for the development of thresholds could be the ECB approach to identify significant resubmissions (e.g. with adequately lower thresholds e.g. >xx bp CET1-Ratio). The lack of meaningful materiality thresholds leads to disproportionately high efforts/costs in the ongoing preparation of supervisory reporting. Instead of focussing on data quality issues which strong impact on client business and internal steering, resources are allocated to work on a large number of non-relevant issues and inconsistencies in the report.

Any change to the definitions, DPM and reporting requirements will result in additional implementation efforts /costs. Any adjustment to reduce minor overlaps will lead to additional costs for the banks rather than a relief.

Besides “semantic” integration of business concepts used in different reports and differ in their definition (e.g. example of SME flag), the reuse of existing business concepts should be focused on. Whenever new business concepts are created / used for new reporting requirements, an assessment should be done if the additional business value created by a new business concept is in balance with the associated costs of implementation (e. g. differentiation between trade-date / settlement-date in LCR-ITS).
§430c of the regulation (EU) No 575/2013 of the European Parliament and of the European Council aims on the establishment of a standardised and integrated reporting system for reporting requirements for prudential, resolution and statistical purposes. A key building block is the setup of a common data dictionary, that covers the use cases

1. Interpretation of reporting requirements
2. Verification if certain data is already being collected
3. Defining a new or amending an existing reporting requirement
4. Facilitating the integration of reporting
5. Understanding the reported data

General revision and streamling of disclosure requirements
The current disclosure requirements are far too extensive and complex. The content overwhelm the readers and is therefore very little noticed. The effort for the creation is from our perspective disproportionate to the benefit. A thorough revision and focus on the content of interest to the majority of readers should be carried out and limited to a maximum of 20 pages. Pillar 3 disclosure imposes a high operational burden on non-listed institutions while providing no discernible added value for the general public. The collection and preparation of data across numerous templates absorb significant resources and frequently duplicate information that, at least in substance, is already available, for example through the annual financial statements. The intended market discipline fails to materialise because these institutions have neither a broad investor base nor active access to capital markets; in practice, the reports are rarely read.

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			X	
Frequency of changes of the reporting obligations			X	
The difficulty of using regulatory reporting for internal risk management purpose	X			
Ad hoc reporting requests from supervisory authorities			X	
Frequency of submission of reporting obligations			X	
Other			X	

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.

Re e) The gain in knowledge from monthly submission 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. On the other hand, a semi-anual frequency compared to a quarterly frequency has not such a high impact.

As part of the preparation of the ECB’s High Level Task Force Report on Simplification as published in Dec 2025, the industry was invited to provide their view on measures to reduce the reporting burden.
Main points that have been raised were:

- A reduction on 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 frequency of changes has a high cost impact. To avoid unnecessary fixes and grant enough time to properly run the consultation and design the technical data requirements by the authorities and to implement them properly by the banks, we asked together for an overall implementation time of 24 months. We propose to make generally the first application date of a new or changed regulation dependent on its official final publication + 24 months.

- Ad reporting requests incl. data requests by the JSTs for the preparation of OSIs should preferable been taken from the reporting data already submitted by the banks. The European integrated reporting system should therefore 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.

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 a) The omission of a few granular data points in a template / topic has only little positive impact. The elimination of entire templates or reporting topics, on the other hand, leads to great relief.
Re b) 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 full effort (documentation, testing) for commissioning a release or hotfix.
Re d) Ad hoc requests generally require not only other evaluation or selection of already existing data, but often require the collection and delivery of new information as well as their linking with already existing data. To reduce ad-hoc requests, a formal governance mechanism for these requests with a mandatory “need-to-have" justification and a published rolling inventory could be helpful.

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.

Overall, more consideration of the materiality concept in the supervisory reporting of large institutions. For example: Reporting and disclosure in EUR millions; materiality thresholds for re-submission of supervisory reporting. The material concept is used throughout for accounting purposes as well as for the internal management and steering of large institutions. Deviation from this for the purposes of supervisory reporting leads to additional expenses, that can not be justified by a corresponding gain of knowledge.

The JBRC should be further developed to a strategic and technical coordination body responsible for aligning data definitions and requirements, reporting rules (e.g., submission dates, revision policies and materiality thresholds) as well as common technical standards. It should own the governance process for the integrated data dictionary. Early and continuous collaboration between authorities and industry must be a foundational pillar. Strong, structured, and shared governance is essential for the success of an integrated system.

The harmonisation of EU sustainability legislation would be helpful as well as a digital reporting tool and data platform that enables standardised, structured ESG data transfer. Finally the EU should go forward with the European Single Access Point.
The standardization of counterparty identifiers across the EU and the use of global identifiers (e.g. LEI) instead. Remove obligation to register counterparties across multiple national databases.

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 may arise if 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.
Another example ist the requirement stemming from the EBA GL on ESG risk management requests banks to collect ESG data from clients. The data points have been aligned with CSRD but the scope of clients from which data shall be collected is only aligned with the outdated larger CSRD scope. Thus, it might now be required to collect 'CSRD' data from clients which have activly been outscoped from CSRD reporting by the EU.

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.

Small, non-complex institutions (SNCI) should be fully exempted from the obligation to prepare transition plans as the outcome of such an exercise is limited and is disproportionate to the bureaucratic burden.

Institutions not subject to the CSRD should be explicitly excluded from the scope of Article 449a CRR.

Institutions that are not subject to taxonomy reporting requirements should likewise not be obliged to include such information in their Pillar 3 disclosures. Moreover, the taxonomy templates should be eliminated without substitution, as the relevant information is already disclosed in the CSRD report.

To significantly reduce reporting costs and avoid duplicate reporting, we propose mutual and formal recognition of ESRS and ISSB standards as follows:

- Recognition of ESRS as consistent with ISSB standards, so that EU companies can report exclusively in accordance with ESRS—including for their subsidiaries outside the EU.
- Recognition of ISSB standards so that non-EU companies can use IFRS as a “baseline” and supplement missing disclosures, such as disclosures beyond the climate sphere (social and governance) as well as impact-related data points (inside-out).

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

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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