

## Proposals for Regulatory Relief Measures

### VÖB Priorities:

- **MREL:** Legally anchor the exclusion of passing-through promotional loans in the EU framework, in line with the treatment under the ex-ante contributions and the leverage ratio, in order to strengthen the promotional infrastructure – particularly in a phase of high investment needs.
- **Level II/III regulation:** Reduce the number and extent of Level II mandates and clearly steer the use of Level III instruments in order to ensure the primacy of Level I legislation, prevent de facto gold-plating and strengthen accountability, proportionality and legal certainty in the prudential framework.
- **CRR III / Basel III finalisation:** Freeze the phase-in (output floor, credit conversion factors for commitments, equity exposures) and make permanent the relief in the calculation of the output floor (unrated corporates, residential real estate) in order to keep capital requirements at the current level.
- **Macroprudential regulation:** Remove the systemic risk buffer and streamline the capital buffer framework in order to eliminate gold-plating and to increase the predictability and usability of capital buffers in stress periods.
- **Own funds:** Maintain the existing capital structure (CET1, AT1, T2) for going-concern purposes in order to avoid significant competitive disadvantages compared to Basel, not to increase CET1 costs and to preserve flexibility in raising capital. This also applies with regard to the eligibility criteria for AT1 instruments.
- **Reporting and disclosure requirements:** Reduce reporting and disclosure requirements by at least 25%, introduce a clear materiality principle (in particular for resubmissions) and ensure a moratorium on additional requirements in order to lower operational burden, increase efficiency and provide regulatory stability.

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31.03.2026

**MREL: Legally anchor the exclusion of passing-through promotional loans in the EU framework, in line with the treatment under the ex-ante contributions and the leverage ratio.**

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

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

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

**Level II/III regulation: Reduce the number and extent of Level II mandates and clearly steer the use of Level III instruments.**

Level II and Level III regulation poses a unique challenge for the European banking sector. The political framework is set out in basic legal acts from both the European Council and European Parliament (Level I). For technical specification, the European Commission adopts – if empowered by the basic act – delegated and implementing acts. The European Supervisory Authorities (ESAs) are usually given the mandate to develop the content (Level II). Common standards are intended to promote uniform supervisory practices by the competent national authorities (Level III).

In case of Level II-regulation, Standard setting is increasingly being shifted to the European Commission and ESAs. Legislative amendments between 2019 and 2024 alone resulted in a total of 430 Level II mandates within the remit of DG FISMA. These often contain strategically or politically significant content, a level of complexity or a degree of conservatism that exceeds their mandate at Level I or the purpose of such legal acts (cf. Articles 290 and 291 TFEU). The Commission often performs its supervisory role only formally (we appreciate recent moves towards a more critical stance on EBA drafts), while the EU Parliament and Council are barely able to take countermeasures due to the lack of a practical means to intervene (especially with ITS). In effect, this shifts the setting of standards to the ESAs without these extensions to their mandate being offset by appropriate parliamentary consultation or control processes. At the same time, the regulatory framework is becoming increasingly cumbersome in both application and revision.

Additionally, on Level III, we see an inflation of de facto binding, non-justiciable soft law. In aiming to achieve supervisory convergence (Articles 16 and 29 of the EBA Regulation; Article 6(5) of the SSM Regulation), the EBA and SSM Regulation grants the EBA and the ECB considerable leeway in shaping soft law. In practice, this leads to a colourful array of soft law instruments and a rapidly growing jungle of regulations. Soft law instruments are not subject to the formal legislative process, yet they have de facto normative effect. This legal ambiguity makes effective judicial controls difficult.

Consequently, at Level II, a high level of detail coupled with conservative implementation practices leads to de facto gold plating. Whereas, at Level III, the abundance of de facto binding soft law creates regulatory instability and a lack of transparency. Excessive recourse to the Lamfalussy process creates a complexity specific to Europe, which means high implementation and adaptation costs for large institutions, and places excessive structural demands on smaller institutions. This complicated structure also poses challenges for the EU authorities and requires a considerable amount of coordination.

Possible solutions include:

- Stock-taking and assessment of existing Level II and Level III legal acts with regard to necessity, consistency and simplification potential. Only implement the outstanding EBA mandates that contain urgently needed clarifications or simplifications. Short-term adjustments could be made by means of ‘no action letters’.
- Return to the original purpose of the Lamfalussy process, i.e. reduce the number of Level II mandates (technical specifications) and more clearly define the Level III scope of action of the specialist authorities (supervisory convergence). The role and quality of public consultations should be strengthened in this context.
- Increase accountability and balance in prudential rule-making and application. This includes, in particular, anchoring proportionality and competitiveness in the SSM and the mandates of the ESAs, expanding justiciability (Level III), extending the scope for appealing against SSM decisions and strengthening the Commission's powers of control as the guardian of the Treaties.
- Limit to essential elements, strengthen parliamentary scrutiny and clearly delimit soft law in order to enhance accountability and balance and to return to clearly regulated Level I legislation.

**CRR III / Basel III finalisation: Freeze the phase-in (output floor, credit conversion factors for commitments, equity exposures) and make permanent the relief in the calculation of the output floor (unrated corporates, residential real estate).**

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

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

According to calculations by the European Banking Authority, both the phase-in of the output floor and the abolition of transitional arrangements would increase capital requirements for banks in the EU. However, during the phase-in period until 2030, the increase in capital requirements would remain relatively moderate at around 1.4 per cent. The abolition of transitional arrangements would have a much stronger impact, leading to a further increase in capital requirements of around 4.3 percentage points by 2033.

In order to prevent this increase in capital requirements, the phase-in arrangements should be "frozen" at their current level. Accordingly, the output floor should remain at 55% of the capital requirements under the supervisory standardised approaches. The transitional arrangements for the output floor should be granted to institutions on a permanent basis beyond 2032.

A further increase in capital requirements resulting from the rising output floor could translate into higher lending costs or reduced credit availability. This effect would be particularly pronounced for long-term investment financing, infrastructure projects, innovative firms, and SMEs that rely heavily on bank financing in Europe's bank-based financial system.

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

Furthermore, the EU banking sector must not be placed at a structural disadvantage in global competition. At present, there remains considerable uncertainty about how the Basel III output floor will ultimately be implemented in the United States and the United Kingdom. In the United States in particular, policy discussions indicate a possible recalibration or delay of capital rules, reflecting concerns about credit supply and competitiveness. If the EU were to implement the output floor more strictly or more rapidly than other major jurisdictions, European banks could face higher capital costs than their international peers. This would weaken their position in global capital markets, reduce their ability to finance large cross-border projects, and potentially shift financial intermediation toward less regulated sectors.

Lower capital requirements for banks using internal models remain justified because these institutions invest substantial resources in risk measurement and management systems that capture portfolio risks more accurately than standardised approaches. Concerns that internal models might artificially reduce capital requirements have been substantially addressed in recent years. In particular, the IRB repair programme of the European Banking Authority introduced highly detailed and harmonised minimum standards for estimating PD and LGD parameters. Moreover, the Targeted Review of Internal Models

(TRIM) and related supervisory guidance by the European Central Bank (EGIM) significantly tightened supervisory expectations regarding model validation, governance, and data quality. These initiatives have considerably reduced unwarranted model variability and strengthened comparability across banks.

Evidence from the EBA's benchmarking exercises under Article 78 CRD supports this conclusion: supervisory analyses indicate that dispersion in risk-weighted assets across model banks has declined over recent cycles, and a growing share of remaining differences can be explained by underlying portfolio risk rather than modelling practices. While variability has not disappeared entirely, the reforms have demonstrably improved consistency and reliability of internal models.

Given these developments, maintaining scope for risk-sensitive modelling is both economically efficient and prudentially sound. An overly binding output floor would risk neutralising these improvements and undermine incentives for advanced risk management.

### **Macroprudential regulation: Remove the systemic risk buffer and streamline the capital buffer framework.**

The macroprudential framework has contributed to financial stability. However, the current capital buffer scheme is overly complex with too many buffers and overlapping objectives that create a risk of double counting. This complexity is further amplified by gold-plating by the EU and divergent implementation practices across member states. With the systemic risk buffer (SyRB) and the buffer for other systemically important institutions (O-SII), the variety and intensity of macroprudential tools in the EU is much greater than in other jurisdictions. The O-SII buffer is discretionary in the Basel framework and is not explicitly applied in the United States. Canada and Japan apply the buffer to just four institutions each, whereas more than 150 banks in the EU are subject to O-SII buffers. On top of that, the EU has introduced an additional SyRB, a form of gold-plating not observed in other major jurisdictions. The wide discretion in applying and calibrating these tools also leads to fragmentation, creating an uneven playing field within the single market. This can result in two banks with a similar O-SII score being required to hold significantly different levels of O-SII buffer.

To avoid gold-plating and protect the single market, the SyRB should be removed and the requirements for setting O-SII buffers should be harmonised across member states. Furthermore, we advocate ensuring the proportionate application of O-SII buffers in international comparisons and capping them at 0,75% (i.e. lower than the G-SII buffer).

Overall, the capital buffer scheme should be simplified, with greater flexibility introduced in the use of buffers. The capital conservation buffer (CCoB), the countercyclical buffer (CCyB) and the Pillar 2 requirements (P2R) should be merged to form a single capital buffer that can be used in stress periods with an upper limit of 7.5%. This releasable buffer should take into account the institution-specific risks and adjustments to macroprudential requirements, including a positive neutral capital buffer rate of 2.5%. We oppose the idea of introducing a positive neutral CCyB, as this would imply a general increase in capital requirements.

**Own Funds: Maintain the existing capital structure (CET1, AT1 and T2) without tightening the eligibility criteria.**

The ECB proposes improving the going-concern loss-absorbing capacity of own funds by adjusting the design or the role of Additional Tier 1 (AT1) and Tier 2 (T2) instruments and advocates no longer recognising AT1 and T2 instruments for going-concern purposes, but only Common Equity Tier 1 (CET1), or alternatively tightening the eligibility criteria for AT1 instruments.

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

We strongly urge maintaining the existing capital structure. Removing AT1 and T2 from going-concern capital would constitute significant gold-plating compared to the Basel framework. In a worst-case scenario, the minimum CET1 requirements would rise from 4.5% to 8%. This would significantly weaken the competitiveness of European institutions, reduce their return on equity, and deter investors. The current minimum CET1 requirements are sufficient to preserve financial stability.

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

**Reporting and disclosure requirements: Reduce reporting and disclosure requirements by at least 25%, introduce a clear materiality principle (in particular for resubmissions) and ensure a moratorium on additional requirements.**

The extent and complexity of disclosure as well as supervisory and statistical reporting have increased significantly and have become a major cost driver for credit institutions. Current reporting frameworks are often inefficient, with requirements that in some cases demand reporting to the nearest cent or resubmissions for EUR 10,000. Moreover, the detailed implementation of Level II measures frequently translates very limited Level I provisions into multiple extensive reporting templates, adding considerable operational burden.

To address these issues, disclosure and reporting requirements should be reduced by at least 25%, with supervisory authorities identifying which data points could be waived. At the same time, no additional reporting requirements should be introduced in the coming years in order to provide regulatory stability. Reporting and disclosure frequencies should also be reduced. A clear and meaningful materiality principle should be introduced in supervisory and statistical reporting, particularly for resubmissions.

Although the European Commission has announced a 25% reduction in reporting obligations, simplification efforts have so far mainly focused on cross-sectoral external reporting. Bank-specific reporting has largely remained unaffected and should therefore be prioritised in future simplification initiatives.

*The Association of German Public Banks (Bundesverband Öffentlicher Banken Deutschlands, VÖB) is a leading association within the German banking sector. It represents the interests of 64 banks, including the Landesbanken (the head institutions of the German Savings Banks Finance Group), as well as the promotional and development banks owned by the Federal Republic of Germany or the individual German federal states. With total assets of some 3,200 billion euros, VÖB's member institutions cover approximately one quarter of the German banking market. Public-sector banks honour their responsibility towards SMEs, other enterprises, the public sector, and retail customers; they are deeply rooted in their respective home regions, all over Germany. With a 57 percent market share, ordinary VÖB member banks are market leaders in local authority financing; in addition, they provide some 22 percent of all corporate lending in Germany. In 2024, development and promotional banks at federal and state level provided 60 billion euros in new development and promotional loans. VÖB is the only German banking association exercising the functions of an employer association for its member institutions: the Public-Sector Banks' Employer Association (Tarifgemeinschaft Öffentlicher Banken), which comprises VÖB member institutions with a total of 65,000 employees (as at financial year 2024) and which performs collective bargaining duties.*

## Position paper

Transparency Register Number: 0767788931-41



### **Detailed proposals for reliefs:**

Structured by regulatory areas:

- Capital requirements and related provisions (pp. 9-25)
- Supervisory requirements and disclosure (pp. 26-31)
- Processes (p. 32)

## Capital requirements and related provisions (CRR & delegated acts)

### Credit risk:

Topic	Issue	Solution / VÖB proposal	Rationale	
Freeze the phase-in at the current level	<b>Output floor (Art. 465 (1) CRR)</b>	<ul style="list-style-type: none"> <li>Capital requirements resulting from the output floor increase continuously during the phase-in period (until 2030), up to 72.5% of the risk-weighted exposure amounts under the supervisory standardised approaches.</li> </ul>	<ul style="list-style-type: none"> <li>Freeze the output floor at the current level (55%).</li> </ul>	<ul style="list-style-type: none"> <li>EU banks have proven to be resilient.</li> <li>A further increase in capital requirements would have negative effects on the real economy.</li> <li>Uncertainties regarding the implementation of Basel III in the US and the UK.</li> </ul>
	<b>Equity exposures (Art. 495 Abs. 2 CRR; Art. 495a (1) and (2) CRR)</b>	<ul style="list-style-type: none"> <li>Risk weights for equity exposures increase continuously during the phase-in period (until 2030), up to 250% or 400% respectively.</li> </ul>	<ul style="list-style-type: none"> <li>Freeze the risk weights at the current level (130% or 160% respectively) and allow for the use of Art. 495 Abs. 2 CRR on a permanent basis.</li> </ul>	
	<b>Unconditionally cancellable commitments (Art. 495d (1) CRR)</b>	<ul style="list-style-type: none"> <li>Credit conversion factors (CCF) for unconditionally cancellable credit lines increase continuously during the phase-in period (2030 to 2033), up to 10%.</li> </ul>	<ul style="list-style-type: none"> <li>Freeze the CCF at the current level (0%).</li> </ul>	
Make the transitional arrangements for the output floor permanent	<b>Unrated corporate exposures (Art. 465(3) CRR)</b>	<ul style="list-style-type: none"> <li>Until the end of 2032, a risk weight of 65% may be applied in the calculation of the output floor for exposures to high-credit-quality corporates without an external rating.</li> <li>After the expiry of the transitional provision, capital requirements for these exposures would increase abruptly and significantly (risk weight: 100%).</li> </ul>	<ul style="list-style-type: none"> <li>The transitional arrangements should be granted on a permanent basis.</li> </ul>	<ul style="list-style-type: none"> <li>Higher capital requirements for lending to SMEs would worsen financing conditions for SMEs and would therefore have negative effects on investment and employment.</li> </ul>

Topic		Issue	Solution / VÖB proposal	Rationale
<b>Make the transitional arrangements for the output floor permanent (continued)</b>	<b>Residential real estate loans (Art. 465 (5) CRR)</b>	<ul style="list-style-type: none"> <li>○ Until the end of 2032, residential real estate exposures up to 55% of the property value may receive a risk weight of 10% in the calculation of the output floor, provided that the Member State (e.g. Germany) has exercised this option and loss rates are low.</li> <li>○ After the expiry of the transitional provision, capital requirements for these exposures would increase significantly (risk weight: 20%).</li> </ul>	<ul style="list-style-type: none"> <li>○ The transitional arrangements should be granted on a permanent basis.</li> </ul>	<ul style="list-style-type: none"> <li>○ Higher capital requirements for housing loans would worsen financing conditions for private home builders and the housing sector. This would have negative effects on residential construction and on energy-efficient renovation.</li> </ul>
	<b>Securitisations (Art. 465 (13) CRR)</b>	<ul style="list-style-type: none"> <li>○ Until the end of 2032, securitisations under the SEC-SA may be included in the calculation of the output floor with a p-factor of 0.25 (STS) or 0.5 (non-STs), respectively.</li> <li>○ After the expiry of the transitional provision, capital requirements for these exposures would increase significantly (p-factors: 0.5 or 1, respectively).</li> </ul>	<ul style="list-style-type: none"> <li>○ The transitional arrangements should be granted on a permanent basis.</li> </ul>	<ul style="list-style-type: none"> <li>○ Higher capital requirements for securitisations would have direct or indirect negative effects on the financing of the real economy. This would negatively affect the financing of the forthcoming digital and green transformation.</li> </ul>

Topic	Issue	Solution / VÖB proposal	Rationale
<b>Data requirements for movable physical collateral under the F-IRBA (Art. 199 (6) (d) CRR)</b>	<ul style="list-style-type: none"> <li>○ Under CRR III, the Advanced IRB Approach may no longer be applied to exposures to “large corporates”.</li> <li>○ The requirements of the Foundation IRB Approach therefore apply for the recognition of physical collateral.</li> <li>○ These include strict requirements regarding the proceeds from the sale of collateral, which may only deviate from publicly available market prices to a limited extent.</li> <li>○ This evidence cannot be provided due to the insufficient number of realisations of collateral.</li> </ul>	<ul style="list-style-type: none"> <li>○ Assess compliance based on average realised liquidation proceeds for a given collateral type.</li> <li>○ Require that average realised proceeds amount to at least 60% of the collateral’s market value as defined in Article 229 (3) CRR.</li> <li>○ Allowed to demonstrate the retention of collateral value based on a broader set of well-functioning post-default recovery strategies.</li> <li>○ Allowing institutions to provide alternative evidence of prudent valuation where appropriate.</li> </ul>	

Topic	Issue	Solution / VÖB proposal	Rationale
<b>Capital requirements for IPRE under the F-IRBA</b>	<ul style="list-style-type: none"> <li>○ Under the F-IRB framework, collateral from income-producing real estate cannot reduce supervisory LGD for IPRE exposures that do not meet the “hard test.”</li> <li>○ Yet the value of the pledged property – particularly at low exposure-to-value (ETV) ratios – can materially reduce loss severity and therefore the economic risk of the loan.</li> <li>○ In contrast to the Standardised Approach and the Advanced IRB Approach, this risk-reducing effect of collateral is not reflected in capital requirements under F-IRB.</li> <li>○ As a result, well-secured IPRE lending that fails the hard test may attract disproportionately high capital charges.</li> <li>○ The current treatment therefore reduces risk sensitivity, creates inconsistencies across approaches, and weakens proportionality within the prudential framework.</li> </ul>	<ul style="list-style-type: none"> <li>○ A targeted regulatory adjustment should allow for recognition of IPRE collateral under the F-IRB, thereby improving risk sensitivity and consistency with other approaches.</li> </ul>	

## Market risk:

Topic	Issue	Solution / VÖB proposal	Rationale
<b>Flexible implementation of the revised market risk framework</b>	<ul style="list-style-type: none"> <li>○ High implementation effort due to the FRTB, as well as high costs resulting from the repeated postponement of the market risk framework.</li> <li>○ Significant capital impact of the FRTB and prudent valuation (PruVal) for a number of institutions.</li> <li>○ Many institutions that currently do not have a trading book will be required to establish a trading book in the future despite only limited trading activity.</li> <li>○ Trading book boundary: see below.</li> </ul>	<ul style="list-style-type: none"> <li>○ Implement the RTS on prudent valuation in a capital-neutral manner (including a mitigation of Art. 10a of the currently revised draft RTS). Yet, we see merit in some of the proposed changes including the recalibrated fallback approach and the possibility of DOPD offset.</li> <li>○ Suspend the trading book boundary under CRR III (Art. 104 CRR).</li> <li>○ Do not apply the FRTB to institutions that currently do not have a trading book.</li> <li>○ Adjust the FRTB in line with the consultation under Art. 461a CRR and implement it flexibly in order to avoid undue burdens for institutions using the Alternative Standardised Approach (ASA) (optionality wherever possible).</li> </ul>	<ul style="list-style-type: none"> <li>○ The FRTB is not expected to be fully implemented in the United States.</li> <li>○ PruVal constitutes EU gold-plating compared with existing, established methodologies (as acknowledged by the EBA and the Commission).</li> <li>○ No significant benefits from including institutions with only limited trading activity in the trading book regime.</li> <li>○ High operational burden for both supervisors and institutions.</li> </ul>

Topic	Issue	Solution / VÖB proposal	Rationale
<b>Revision of the trading book boundary (Art. 104 CRR &amp; Art. 4(1)(85) CRR)</b>	<ul style="list-style-type: none"> <li>○ The provisions on the trading book boundary are too rigid in both directions and partially go beyond Basel standards. The following aspects provide non-exhaustive examples.</li> <li>○ Under the current regime, it remains unclear whether the intent to trade is the primary criterion for trading book assignment in the interplay between Art. 104 and Art. 4(1)(85) CRR.</li> <li>○ Furthermore, within Art. 4(1)(85) CRR the interaction between letters (a) to (c) remains unclear and would only be consistent with the Basel framework and established regulatory practice if trading intent applied only where positions fulfil the requirements of Art. 4(1)(85)(a) in combination with either letter (b) or (c). (contrary to the EBA FAQ 2015_2054).</li> <li>○ A strict application of the currently envisaged regime would require most banks to set up a trading book and to reassign numerous positions.</li> </ul>	<ul style="list-style-type: none"> <li>○ Return to an intention-based trading book allocation (in particular for own liabilities).</li> <li>○ Allow the allocation of CIUs to the trading book where the banking book exposure is immaterial.</li> <li>○ Simplified allocation of hedging derivatives to the banking book.</li> <li>○ Better reflect institutions in the framework whose activities are almost exclusively banking book in nature.</li> <li>○ Positions that stem from client servicing should not automatically be considered as positions held with trading intent.</li> <li>○ Trading intent should at least require positions to fulfil Art. 4(1)(85)(a) CRR in combination with either letters (b) or (c) of the same paragraph in accordance with the Basel framework.</li> </ul>	<ul style="list-style-type: none"> <li>○ The provisions partly go beyond the Basel framework (e.g. with regard to own liabilities and the implementation of the trading-intent definition in Art. 4(1)(85) CRR).</li> <li>○ Trading/banking book assignments closer to the actual business model of institutions will foster appropriate regulatory treatment.</li> </ul>

## Macroprudential regulation:

Topic	Issue	Solution / VÖB proposal	Rationale
<b>Streamline the macroprudential framework</b>	<ul style="list-style-type: none"> <li>○ Large number of capital buffers whose objectives and steering effects are not mutually exclusive, creating a risk of double counting.</li> <li>○ Gold-plating through the systemic risk buffer (SyRB) as a European add-on requirement that serves as a “catch-all buffer” for a wide range of risks.</li> <li>○ Disproportionate and fragmented application of the O-SII buffer across the EU and by international comparison.</li> <li>○ Lack of usability of capital buffers in stress periods.</li> </ul>	<ul style="list-style-type: none"> <li>○ Abolish the SyRB (Art. 133 CRD).</li> <li>○ Harmonise requirements for setting the O-SII buffer, ensure proportionate application in an international comparison, and cap O-SII buffer at 0,75% (Art. 131 CRD).</li> <li>○ Merge different capital buffers (CCoB, CCyB, P2R) into a single capital buffer that can be used in stress periods, with an upper limit of 7.5%.</li> <li>○ Do not introduce a positive neutral countercyclical capital buffer.</li> </ul>	<ul style="list-style-type: none"> <li>○ The SyRB constitutes gold-plating compared to the Basel framework.</li> <li>○ Divergent O-SII buffer requirements lead to fragmentation of the European single market and to different competitive conditions within the EU.</li> <li>○ A simplified and flexible capital buffer framework increases the predictability and usability of capital buffers in stress periods.</li> </ul>

## Own funds:

Topic	Issue	Solution / VÖB proposal	Rationale
<b>Definition of own funds</b>	<ul style="list-style-type: none"> <li>○ In its recommendations on regulatory simplification, the ECB advocates no longer recognising Additional Tier 1 (AT1) and Tier 2 (T2) instruments for going-concern purposes, but only Common Equity Tier 1 (CET1).</li> <li>○ Alternatively, it proposes to strengthen the loss-absorbing capacity of AT1 instruments and to tighten the eligibility criteria.</li> </ul>	<ul style="list-style-type: none"> <li>○ Maintain the existing own funds structure (CET1, AT1, T2) for going-concern purposes.</li> <li>○ No tightening of the eligibility criteria for AT1 instruments (including the option to write down AT1 instruments instead of converting them into CET1).</li> </ul>	<ul style="list-style-type: none"> <li>○ The removal of AT1 and T2 from going-concern capital would constitute significant gold-plating compared to the Basel framework.</li> <li>○ In a worst-case scenario, the minimum CET1 requirements could increase from 4.5% to 8%. This would significantly weaken the competitiveness of European institutions, reduce their return on equity and deter investors.</li> <li>○ The current minimum CET1 requirements are sufficient to preserve financial stability.</li> <li>○ Tightening the eligibility criteria for AT1 instruments would also constitute gold-plating compared to Basel and would lead to higher capital costs and thus to competitive disadvantages for European institutions.</li> <li>○ Given the ownership structure of non-listed banks, the option to write down AT1 instruments instead of converting them into CET1 must be maintained.</li> </ul>

<p><b>No deduction of software from CET1 (Art. 36 (1) (b) CRR)</b></p>	<ul style="list-style-type: none"> <li>○ Currently, software assets are deducted from Common Equity Tier 1 as intangible assets.</li> <li>○ This deduction makes necessary investments in software less attractive and hampers the required digitalisation.</li> </ul>	<ul style="list-style-type: none"> <li>○ Delete the deduction of software assets from CET1.</li> </ul>	<ul style="list-style-type: none"> <li>○ Capital deduction of software hampers digital transformation.</li> <li>○ In the United States, software is generally not deducted from CET1.</li> </ul>
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## Other topics:

Topic	Issue	Solution / VÖB proposal	Rationale
<b>Equal treatment of the Accounting Approach and the Prudential Boundary Approach (PBA) in operational risk</b> (EBA/RTS/2025/02 and EBA/ITS/2025/06)	<ul style="list-style-type: none"><li>○ The current standards on the Business Indicator set extensive conditions for the application of the PBA.</li><li>○ This includes the possibility for the competent authority to delay the application for a prolonged period due to missing documentation.</li></ul>	<ul style="list-style-type: none"><li>○ Equal treatment of both approaches in accordance with Level 1.</li><li>○ Reversal of the burden of proof where insufficient fulfilment of the requirements for the use of the PBA is identified.</li></ul>	<ul style="list-style-type: none"><li>○ Level 1 neither provides for extensive requirements for the use of the PBA nor for unequal treatment of the two approaches.</li></ul>

**Exclusion of on-lent promotional loans from MREL in line with the EU bank levy (Art. 5 (1) (f) of Delegated Regulation (EU) No 2015/63) and the leverage ratio (Art. 429a (1) (e) CRR)**

- In setting MREL, resolution authorities take into account on-lent promotional loans within the – so far not legally defined – denominator Total Liabilities and Own Funds (TLOF). This practice raises significant legal and promotional policy concerns.
- In line with the EU bank levy (Art. 5(1)(f) of Delegated Regulation (EU) No 2015/63) and the leverage ratio (Art. 429a(1)(e) CRR), on-lent promotional loans should be excluded.
- Two options are available:
  - Option A: Introduce a definition of the relevant MREL denominator (TLOF) in the definitions of the CRR, the BRRD or the SRM Regulation.
  - Option B: Introduce an exemption in the MREL framework in Art. 45 BRRD and Art. 12 SRM Regulation.
- On-lending liabilities from promotional loans are a purely technical pass-through item and, if included in the MREL determination, lead from a risk perspective to an unjustified inflation of the institution's size and thus to excessively high MREL.
- Promotional loans constitute an extremely important instrument for improving the long-term financing of the European Union's economy. They are granted for non-competitive purposes, on a non-profit basis, in support of public policy objectives of the EU or the central government or a regional or local authority of a Member State.
- The special nature of promotional loans has therefore been enshrined at the European level in several key EU banking regulations (examples: ex-ante contributions according to point f of Article 5(1) of Delegated Regulation (EU) 2015/63 and leverage ratio according to point e of Article 429a(1) Regulation (EU) No 575/2013 (CRR)).
- Without a corresponding exclusion, there is a risk of a reduction and increase in the cost of funding for politically important projects –

Topic	Issue	Solution / VÖB proposal	Rationale
			<p>particularly in view of the investment programmes that can only succeed with an effective promotional infrastructure. Without appropriate regulatory treatment in bank balance sheets, this promotional infrastructure would in practice become impossible.</p>

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<b>Regulatory guidance re- garding crypto regulation (Art. 501d CRR)</b>	<ul style="list-style-type: none"> <li>○ The provisions set out in Article 501d CRR constitute transitional arrangements pursuant to paragraph 1. It remains unclear whether, when and in what form the respective Basel standards will ultimately be implemented in the EU.</li> <li>○ The extensive classification criteria set out in SCO 60.7 et seq. give rise to considerable legal uncertainty.</li> <li>○ For example, when issuing securities under the German Electronic Securities Act (eWpG), it is unclear for creditors whether a regulatory change may occur during the term that would lead to a significantly adverse RWA treatment. This creates disincentives for issuances with longer maturities and may necessitate the inclusion of complex contractual clauses providing for regulatory triggers.</li> </ul>	<ul style="list-style-type: none"> <li>○ Regulatory guidance on the way forward with regard to crypto regulation.</li> <li>○ Long implementation periods for regulatory products to avoid adverse effects.</li> </ul>	<ul style="list-style-type: none"> <li>○ See “Issue”.</li> </ul>

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<b>Regulatory treatment of crypto exposures (Art. 501d CRR &amp; EBA/RTS/2025/04)</b>	<ul style="list-style-type: none"> <li>○ The crypto exposure limit of 1% of Tier 1 capital in Art. 501d CRR limits proprietary crypto trading and constitutes a significant barrier to offer crypto products to customers.</li> <li>○ Under the currently envisaged framework, even an elimination of risks through hedging would not allow for higher exposures.</li> <li>○ Moreover, the provision restricts intra-European competition vis-à-vis non-bank entities, which are able to conduct proprietary crypto trading without being subject to a comparable limit.</li> </ul>	<ul style="list-style-type: none"> <li>○ Under the Basel framework, SCO 60.117 sets the hard limit for crypto asset exposures at 2% of Tier 1 capital. A temporary breach of 1% is permitted, which constitutes a significant relief in particular for proprietary trading cases with next-day settlement.</li> <li>○ With regard to the wording of SCO 60.116, it seems appropriate to exclude pending spot transactions would from the exposure limit (“or any legal arrangements designed to provide exposures to crypto assets”).</li> </ul>	<ul style="list-style-type: none"> <li>○ A hard 1% exposure limit constitutes gold-plating vis-à-vis the Basel standards.</li> <li>○ In B2B hedging transactions with direct settlement, no actual exposure arises at any point in time.</li> </ul>

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<b>Crypto &amp; operational risk, Components of the Business Indicator (Art. 314 CRR &amp; EBA/RTS/2025/02 &amp; EBA/ITS/2025/06)</b>	<ul style="list-style-type: none"> <li>○ Crypto coins (e.g. BTC, ETH, etc.) are not financial instruments in the scope of IFRS9. Thus, for revenue recognition IFRS15 applies, which means that revenues from proprietary trading activities in crypto coins are recognised on a gross basis (i.e. the trading volume) under IFRS.</li> <li>○ Furthermore, the technical standards on Components of the Business Indicator set the Accounting Approach as a baseline (see our proposal above) such that income from proprietary trading activities in crypto coins is considered part of the service component / other operating income on a gross basis, leading to a leveraged OpRisk RWA treatment.</li> <li>○ At the same time financial instruments with a similar risk profile would be recognised on a net basis (IFRS 9).</li> </ul>	<ul style="list-style-type: none"> <li>○ Assignment of non-financial instruments to P&amp;L components should be adjusted.</li> <li>○ Trading activities with non-financial instruments that meet the criteria of Art. 104 CRR should explicitly be accounted for by the financial component of the BI.</li> </ul>	<ul style="list-style-type: none"> <li>○ An equal treatment of financial and non-financial instruments would be consistent with the “same risk – same rules”-principle.</li> <li>○ Furthermore, the Basel standard envisages a mapping of such instruments to the financial component based on trading book assignment (OPE 10.2).</li> </ul>

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<b>No “hard link” between the infrastructure supporting factor (Art. 501a (1) (o) CRR) and the EU Taxonomy Regulation</b>	<ul style="list-style-type: none"> <li>○ For infrastructure financings granted after the entry into force of the CRR, obligors must (at least according to the English version of the CRR) demonstrate that the financed assets make a substantial contribution to one or more of the environmental objectives set out in Art. 9 of the Taxonomy Regulation and do not significantly harm the other objectives, or that they do not significantly harm any of those objectives.</li> <li>○ The link to the Taxonomy Regulation increases the cost of urgently needed financing for transport infrastructure (roads, bridges, tunnels, ports, etc.), “social” infrastructure projects (schools, hospitals, etc.) and investments in infrastructure projects serving energy security (e.g. LNG terminals, gas pipelines, etc.).</li> </ul>	<ul style="list-style-type: none"> <li>○ Institutions/obligors should merely be required (as in the German language version) to assess whether the financed assets make a substantial contribution to one or more of the environmental objectives set out in Art. 9 of the Taxonomy Regulation and do not significantly harm the other objectives, or that they do not significantly harm any of those objectives.</li> </ul>	

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<b>Make Member State discretions in the large exposures regime permanent as general exemptions (Art. 493 (3) CRR)</b>	<ul style="list-style-type: none"> <li>○ The Member State discretions under Art. 493(3) CRR will expire by the end of 2028 at the latest.</li> <li>○ The exemptions provided for therein will then be continued as competent authority options (Art. 400(2) and (3) CRR).</li> <li>○ The design as an option or discretion prevents uniform application across the EU and thus leads to different competitive conditions.</li> </ul>	<ul style="list-style-type: none"> <li>○ Full conversion of the Member State discretions under Art. 493(3) CRR into general exemptions.</li> </ul>	<ul style="list-style-type: none"> <li>○ The design as an option or discretion leads to fragmentation of the European single market and to different competitive conditions within the EU.</li> </ul>
<b>Remove the substitution approach in the large exposures regime (Art. 401 (4), Art. 403 CRR)</b>	<ul style="list-style-type: none"> <li>○ The mandatory assignment of collaterals as an indirect exposure to the protection provider/collateral issuer large exposure purposes results in a disproportionate operational burden for institutions and restricts their lending capacity.</li> <li>○ This applies in particular to securities financing transactions, which represent an important source of refinancing for institutions.</li> </ul>	<ul style="list-style-type: none"> <li>○ Delete the mandatory substitution approach in the large exposures regime.</li> <li>○ At a minimum, securities financing transactions should be exempted from the substitution approach.</li> </ul>	<ul style="list-style-type: none"> <li>○ The mandatory substitution approach means a disproportionate operational burden for institutions and restricts lending capacity.</li> <li>○ From a prudential perspective, there is no justification for applying a substitution approach. The substitution approach contradicts the purpose of the large exposure regime, which is to prevent idiosyncratic risks. In particular securities financing transactions ensure risk diversification due to the underlying collateral. For a loss to occur at all, both the counterparty and the issuer of the securities received must default at the same time. This is extremely unlikely.</li> </ul>

## Supervisory requirements and disclosure (CRD and disclosures)

Topic	Issue	Solution / VÖB proposal	Rationale
<p><b>Key function holders should be removed from the fit-and-proper regime (Art. 91a CRD VI) again.</b></p>	<ul style="list-style-type: none"> <li>○ Key function holders are not members of the management body but employees of the institutions. The application of suitability requirements (including regular suitability assessments) comparable to those for members of the management body is disproportionate.</li> <li>○ For large institutions, the notification requirement for the heads of internal control functions and the chief financial officer and the supervisory assessment to be carried out cause a significant administrative burden.</li> </ul>	<ul style="list-style-type: none"> <li>○ Key function holders should be removed from the fit-and-proper regime. Art. 91 a CRD VI should be deleted again.</li> </ul>	<ul style="list-style-type: none"> <li>○ The requirements and profiles drawn up by institutions for recruitment to such positions are sufficient. We do not consider an assessment beyond the reliability check required under money laundering legislation to be necessary.</li> <li>○ Applying suitability standards comparable to those for members of the management body is disproportionate.</li> <li>○ The notification requirement a supervisory assessment for large institutions with regard to the heads of internal control functions and the chief financial officer create a significant administrative burden. The; responsibility for the assessment should remain with the institutions.</li> </ul>

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<b>Further streamlining of the SREP</b>	<ul style="list-style-type: none"> <li>○ Under Art. 97 CRD, the SREP requires competent authorities to regularly review the relevant strategies, processes and mechanisms of institutions, including an assessment of the risks to which they are exposed.</li> <li>○ Under Art. 99(1) CRD, the supervisory examination programme must be updated at least annually.</li> <li>○ In particular, the ECB has taken measures since 2024 to make the SREP more efficient.</li> <li>○ However, these measures do not go far enough.</li> <li>○ The SREP still entails a significant burden for institutions.</li> </ul>	<ul style="list-style-type: none"> <li>○ Reduce the frequency of the SREP (taking into account the SREP categorisation of institutions).</li> <li>○ Reduce the intensity of the SREP, i.e. not all areas need to be reviewed each time; focus on relevant areas.</li> <li>○ Increase transparency of the results vis-à-vis institutions.</li> <li>○ Streamline the process for the remediation of findings by institutions (in particular with regard to documentation towards supervisors).</li> </ul>	<ul style="list-style-type: none"> <li>○ The burden for both supervisors and institutions could be reduced without significantly affecting the outcome.</li> <li>○ Greater transparency of the results would help to address weaknesses in a more targeted and efficient manner.</li> </ul>

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<b>Simplifications in supervisory stress tests</b>	<ul style="list-style-type: none"> <li>○ Under Art. 100(1) CRD, stress tests must be carried out at least annually.</li> <li>○ Every two years a “regular” stress test is conducted; in the intervening years a thematic stress test.</li> <li>○ The stress test feeds into the SREP and forms the basis for the determination of the Pillar 2 Guidance (P2G).</li> <li>○ In particular, the EU-wide stress test entails a very high burden for both institutions and supervisors.</li> <li>○ The (German) LSI stress test also entails a significant burden for institutions, although simplifications are already being discussed; first major simplifications will be implemented with the 2026 LSI stress test. Further simplifications should be discussed as a lesson learnt of 2026.</li> </ul>	<ul style="list-style-type: none"> <li>○ Reduce complexity (e.g. in the templates).</li> <li>○ Reduce the (minimum) frequency, e.g. conduct stress tests every three years.</li> <li>○ Where appropriate, increase top-down elements in the stress test.</li> <li>○ Streamline processes, also with regard to data quality assurance (fewer DQ checks).</li> <li>○ Redesign P2G framework in the context of CRR III/Output Floor, since it creates a synthetic supervisory framework that does not yet exist.</li> </ul>	<ul style="list-style-type: none"> <li>○ The burden for institutions and supervisors could be significantly reduced without materially affecting the outcome.</li> <li>○ Institutions already carry out internal stress tests whose results are also reviewed by supervisors.</li> </ul>

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<b>Improvements to the ICAAP (Art. 73 CRD)</b>	<ul style="list-style-type: none"> <li>○ Due to supervisory requirements, the ICAAP is increasingly becoming a supervisory tool.</li> <li>○ In principle, the ICAAP should be an internal bank management tool, while supervisors should assess its adequacy within the SREP.</li> </ul>	<ul style="list-style-type: none"> <li>○ The ICAAP should be less prescriptive and remain under the responsibility of institutions so that it can be used as an internal management instrument.</li> <li>○ Within the SREP, supervisors should form their own view and transparently communicate any differences to institutions.</li> </ul>	<ul style="list-style-type: none"> <li>○ If the ICAAP is aligned only with supervisory expectations, institutions lose an effective instrument for generating management signals.</li> </ul>
<b>Appropriateness of disclosure and supervisory reporting</b>	<ul style="list-style-type: none"> <li>○ Quantitative disclosure requirements partly go beyond the supervisory reporting data points.</li> </ul>	<ul style="list-style-type: none"> <li>○ Quantitative disclosure should only cover data that fully correspond to supervisory reporting data points (full mapping, identical definitions and (dis-)aggregation).</li> <li>○ The extent of quantitative disclosure should not exceed the reporting extent.</li> </ul>	<ul style="list-style-type: none"> <li>○ Pillar 3 should follow Pillars 1 and 2. Information not required for supervisory purposes should be not a subject to disclosure.</li> <li>○ For institutions, the preparation of disclosure reports is a cost driver; only justified transparency needs from a risk perspective should be taken into account.</li> <li>○ The information provided to external stakeholders should be limited by data provided to the supervisors.</li> </ul>

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<b>Redundant/duplicate reporting and disclosure requirements</b>	<ul style="list-style-type: none"> <li>○ In some cases there are multiple reporting and disclosure requirements with the same content.</li> </ul>	<ul style="list-style-type: none"> <li>○ Continuous and strict introduction of the “reporting only once” principle for both disclosure and supervisory reporting.</li> </ul>	<ul style="list-style-type: none"> <li>○ Example: EU Taxonomy templates must be disclosed both in management reports (CSRD) and under Pillar 3 (requirements for supervisory reporting outstanding).</li> <li>○ Cross-references are sometimes only permitted under conditions that are not feasible in practice (simultaneous publication and identical audit depth).</li> </ul>
<b>ESG Pillar 3 disclosure and ESG supervisory reporting</b>	<ul style="list-style-type: none"> <li>○ Extent and complexity of ESG disclosure requirements.</li> <li>○ According to EBA indications, supervisory ESG reporting is expected to be even more comprehensive than disclosure (consultation pending).</li> </ul>	<ul style="list-style-type: none"> <li>○ Reduce the scope of ESG Pillar 3 disclosure and design ESG reporting appropriately in light of the reduced scope of the CSRD, including the value chain cap, and the resulting data gaps.</li> </ul>	<ul style="list-style-type: none"> <li>○ Lack of balance between ESG data requirements for corporates and for financial institutions; data gaps.</li> <li>○ No supervisory ESG reporting in the Basel framework → competitive disadvantage.</li> <li>○ Basel disclosure covers climate only, not the remaining ESG factors → competitive disadvantage.</li> </ul>

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<b>Efficient disclosure and supervisory / statistical reporting</b>	<ul style="list-style-type: none"> <li>○ Extent and complexity of disclosure and supervisory / statistical reporting.</li> <li>○ Low efficiency in supervisory / statistical reporting; in some cases reporting to the nearest cent or EUR 10,000 for resubmissions.</li> </ul>	<ul style="list-style-type: none"> <li>○ Reduce disclosure and reporting by at least 25% (supervisors should propose which data points can be waived).</li> <li>○ Refrain from introducing new requirements for the next few years.</li> <li>○ Lower reporting/disclosure frequency.</li> <li>○ Introduce a materiality principle in supervisory and statistical reporting, in particular for resubmissions (similar to IAS 1 / IFRS 18 for accounting and Art. 432 CRR for disclosure).</li> </ul>	<ul style="list-style-type: none"> <li>○ Disclosure and supervisory reporting are major cost drivers and therefore competitively relevant for institutions.</li> <li>○ Excessive Level 2 requirements for disclosure and supervisory reporting (multiple templates for a single sentence in Level 1).</li> <li>○ Although the Commission announced a 25% reduction in reporting obligations, simplification efforts so far mainly concern cross-sectoral external reporting; the additional bank disclosure and especially supervisory reporting have not yet been addressed.</li> </ul>
<b>Ad-hoc data requests</b>	<ul style="list-style-type: none"> <li>○ High manual effort.</li> <li>○ Very short deadlines for ad-hoc data requests.</li> </ul>	<ul style="list-style-type: none"> <li>○ As a rule, largely refrain from ad-hoc data requests, as they entail a high manual workload.</li> <li>○ Requests by the ESAs only after coordination with the European Commission.</li> <li>○ No early application of reporting requirements scheduled for later years through ad-hoc data requests.</li> </ul>	<ul style="list-style-type: none"> <li>○ Ad-hoc data requests must remain an exceptional tool and must not become the rule.</li> <li>○ High manual effort and relevance only for EU institutions create competitive disadvantages.</li> <li>○ Later application dates are set for valid policy reasons; bringing them forward through ad-hoc data requests undermines the political intention and leads to instability and inefficiency.</li> </ul>

## Processes

Topic	Issue	Solution / VÖB proposal	Rationale
<b>Reform of Level II/III rule-making</b>	<p>Level II legal acts (regulatory / implementing technical standards):</p> <ul style="list-style-type: none"> <li>○ Shift of rule-making to the European Supervisory Authorities.</li> <li>○ Often more conservative, more extensive and more cumbersome than the original Level I provisions; frequently with limited intervention by the European Commission.</li> <li>○ In some cases divergent or overlapping definitions.</li> </ul> <p>Level III measures / soft law (reports, guidelines, Q&amp;As and other instruments):</p> <ul style="list-style-type: none"> <li>○ Issued autonomously by the EBA and the SSM and usually de facto binding; this leads to a further shift in rule-making.</li> <li>○ Hardly subject to legal challenge and subject to limited political scrutiny.</li> </ul>	<ul style="list-style-type: none"> <li>○ Comprehensive stocktaking and assessment of Level II/III acts with regard to necessity, consistency and simplification potential; implementation only of urgent mandates, where appropriate withdrawal by means of a no-action letter.</li> <li>○ In future, Level II mandates only for purely technical specifications.</li> <li>○ Clearly limit the discretion of the authorities for Level III measures and make consultation procedures mandatory.</li> <li>○ Increase justiciability (Level III), extend the possibilities to challenge SSM decisions and strengthen the control powers of the European Commission.</li> <li>○ Anchor proportionality and competitiveness in the mandates of the authorities (in particular in the SSM).</li> </ul>	<ul style="list-style-type: none"> <li>○ See detailed explanation above.</li> </ul>