

General Comments on the European Commission's Targeted Consultation on the Competitiveness of the EU Banking Sector

Association of German Pfandbrief Banks (Verband deutscher Pfandbriefbanken, vdp)

We expressly welcome the European Commission's targeted consultation on the competitiveness of the European banking sector and, in particular, the evaluation of the effectiveness of the prudential regulatory framework. Regulation constitutes a key competitive factor in the banking sector – significantly more so than in other industries. In particular, the calibration of capital requirements has a decisive impact on the profitability, business activities, and international competitiveness of European banks, while simultaneously influencing financial stability.

In the aftermath of the financial crisis, the regulatory environment for banks in the European Union was significantly tightened. These extensive regulatory initiatives have substantially strengthened the resilience of European banks, as reflected in more robust capital and liquidity positions. Despite a challenging earnings environment and structural pressures, this stabilisation is widely recognised by the industry as necessary, appropriate, and fundamentally sound.

At the same time, however, this prolonged reform process has resulted in an extremely complex, partly fragmented, and internally inconsistent regulatory framework. The increasing complexity of regulation now exceeds what is necessary to safeguard financial stability and has itself become an impediment to competitiveness. The European Union does not operate in a regulatory vacuum: while other major jurisdictions such as the United States, the United Kingdom, or Canada implement Basel III standards in a more targeted manner and adapt them more closely to their domestic financing models, these standards are often implemented in the EU in a particularly granular, detailed, cumulative, and insufficiently EU-tailored manner.

This development is increasingly impairing the international competitiveness, profitability, and operational capacity of European institutions. High regulatory burdens, overlapping requirements, and a multitude of administrative obligations tie up significant human and financial resources and reduce the scope for core banking activities. At the same time, there is a growing shift of lending activities into less regulated segments of the non-bank or shadow banking sector, such as credit funds. This is, among other factors, a direct consequence of the one-sided focus on bank regulation, raises new questions for financial stability, and undermines the objective of risk-appropriate regulation.

Against this background, we consider a comprehensive review of the existing regulatory framework to be necessary. Such a review must, however, be carried out while fully preserving the current level of financial stability. The primary objective should be to reduce inconsistencies, overregulation, and excessive prescriptiveness, without calling into question core stability anchors.

From our perspective, adjustments to the implementation of the Basel III reforms, particularly within the framework of CRR 3, are of paramount importance. European banks are not only under considerable pressure in international competition but will also face increasing capital requirements with the expiry of the current transitional provisions under CRR 3. This could materially constrain their ability to extend new credit, particularly to corporates and households. This is especially problematic given that the European financing model for the real economy is significantly more bank-based than, for example, in the United States. Accordingly, EU-specific priorities must be reflected in adjustments to CRR 3.

While other jurisdictions implement the Basel III standards in a manner tailored to their banking sectors and financing practices, the current design in the EU, particularly due to the output floor, results in substantial additional burdens. By comparison, the implementation of Basel III reforms in the United States is expected to lead to a reduction in capital requirements of around 2%, whereas in the EU a significant increase is anticipated, notably due to the expiry of existing transitional arrangements.

In order to avoid competitive disadvantages and to ensure that EU banks remain able to finance the real economy, as well as private and public sector needs, even in a context of rising credit demand, we advocate the following adjustments to CRR 3:

- **Capping the output floor at 50% on a permanent basis** in order to prevent an excessive increase in capital requirements.
- **Making the transitional arrangements for the calculation of the output floor permanent** for low-risk residential real estate exposures and for low-risk corporate exposures without external ratings.
- **Recognising income-producing real estate (IPRE)** as eligible collateral under the foundation IRB approach when information on the hard test is unavailable or the hard test is not met. This is possible even under the standardised approach (exposure-to-value risk weight buckets).
- **Adjusting the definition of ADC** (Acquisition, Development and Construction) exposures and extending the reduced ADC risk weight to commercial real estate exposures.
- **Increasing the risk sensitivity of capital requirements for real estate exposures under the standardised approach** for IRB banks, for example by strengthening the role of the hard test for non-IPRE exposures and introducing additional exposure-to-value risk weight buckets.

In addition, we see a substantial need to streamline **macroprudential requirements**. The current multitude of macro- and microprudential capital buffers, combined with additional Pillar 2 requirements, leads to overlaps, a lack of transparency, and unnecessary complexity. In particular, we advocate:

- **Avoiding EU gold-plating**, in particular by abolishing the systemic risk buffer.
- **Consolidating existing capital buffers** into a single, clearly defined and releasable capital buffer, in order to prevent duplication of capital requirements stemming from both microprudential and macroprudential supervision.

Furthermore, the large exposure exemption for covered bonds, together with other existing large exposure exemptions, should be maintained beyond 2028. However, it should no longer be subject to the discretion of competent authorities or Member States, but rather be converted into an option at the level of the institution.

In the context of covered bonds, attention should also be paid to the ongoing review of the securitisation framework. Care must be taken to avoid diverging capital requirements between covered bonds and securitisations, which could create regulatory arbitrage and disadvantages for the crisis-resilient covered bond market and thereby impair the continuous refinancing of real estate lending.

The proposed adjustments appropriately reflect the specific characteristics of the European financial system, do not call into question the Basel III framework, and at the same time ensure a high level of stability. Moreover, they make an important contribution to achieving key EU policy objectives, in particular the provision of affordable housing and the sustainable renovation of the building stock. An increase in lending rates for residential real estate financing driven by higher capital costs would further hinder investment in housing construction. Public guarantees for a part of the loan amount could also contribute to reducing capital costs.

Finally, we emphasise that the relief measures adopted under the Omnibus package with regard to ESG reporting obligations for companies must be consistently reflected in regulatory and supervisory requirements for banks. Otherwise, there is a risk of a “trickle-down effect”, whereby credit institutions actually offset reduced obligations through additional information requirements, thereby undermining the intended relief for companies.

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

* Language of my contribution

- Bulgarian

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

* I am giving my contribution as

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

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

*** First name**

*** Surname**

*** Email (this won't be published)**

*** Organisation name**

255 character(s) maximum

*** 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
- 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

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| <input type="radio"/> Cocos (Keeling) Islands | <input type="radio"/> Japan | <input type="radio"/> Philippines | <input type="radio"/> United States Minor Outlying Islands |
| <input type="radio"/> Colombia | <input type="radio"/> Jersey | <input type="radio"/> Pitcairn Islands | <input type="radio"/> Uruguay |
| <input type="radio"/> Comoros | <input type="radio"/> Jordan | <input type="radio"/> Poland | <input type="radio"/> US Virgin Islands |
| <input type="radio"/> Congo | <input type="radio"/> Kazakhstan | <input type="radio"/> Portugal | <input type="radio"/> Uzbekistan |
| <input type="radio"/> Cook Islands | <input type="radio"/> Kenya | <input type="radio"/> Puerto Rico | <input type="radio"/> Vanuatu |
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Tristan da Cunha | <input type="radio"/> Zambia |
| <input type="radio"/> Democratic Republic of the Congo | <input type="radio"/> Lesotho | <input type="radio"/> Saint Kitts and Nevis | <input type="radio"/> Zimbabwe |
| <input type="radio"/> Denmark | <input type="radio"/> Liberia | <input type="radio"/> Saint Lucia | |

* Field of activity or sector (if applicable)

- Accounting
- Auditing
- Banking
- Credit rating agencies
- Insurance

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

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

* Contribution publication privacy settings

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

Anonymous

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

Public

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

I agree with the [personal data protection provisions](#)

1. Banking competitiveness in the EU and globally

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

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

1.1. Contribution of the banking sector to the EU economy

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

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

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

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

Please give concrete examples and evidence:

5000 character(s) maximum

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

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

Additionally, banks can refinance long-term lending, particularly in the housing sector, through covered bonds, which are backed by high-quality collateral and subject to strict regulatory safeguards. This makes covered bonds some of the safest investment products in Europe while enabling banks to provide stable, long-term financing to the real economy.

Banks also channel household savings into productive investment, thereby strengthening the link between bank-based financing and capital markets. They offer a wide range of savings and investment products, including capital-market instruments with a strong European focus, thereby supporting retail investor participation in long-term investment.

Banks finance investments in housing, including social and cooperative housing, as well as energy and transport infrastructure and projects in healthcare and education. These activities could be scaled up significantly by providing targeted public guarantees and risk-sharing instruments to reduce banks' capital burden and enable them to take on long-term, transformation-related risks.

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

Banks could support productivity and economic growth even more effectively if the right conditions were in place. In the context of the green transition, banks are already financing renewable energy projects, such as energy-efficient building renovations, photovoltaic and wind installations and company transformation investments. Further expansion of this financing would require a more practical EU taxonomy, especially for SMEs, as well as greater flexibility in regulatory capital requirements.

Overall, reducing regulatory complexity, easing capital constraints in a targeted manner and strengthening public guarantees and risk-sharing instruments would enable banks to contribute even more to productivity and economic growth. These measures would allow banks to increase financing in line with EU priorities, accelerating the green and digital transitions and improving resilience across Europe. This is particularly important in the context of systemic competition, such as with the United States. The key issue is to strengthen the position of European banks so that they can assume risks and finance the future once again. Against this background, regulatory relief, genuine implementation of an omnibus approach to financial services remain central challenges.

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.

See above

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.

Banks currently meet most of the EU's credit demand. However, it is expected to increase significantly in the medium and long term. There is an increasing need for financing across key sectors, particularly housing, energy, digital infrastructure, physical infrastructure and defence. These trends suggest that financing needs will be higher in the coming years.

From a microeconomic perspective, several factors limit banks' ability to support the economy in line with EU and Member State priorities. Capital requirements are often insufficiently risk-sensitive. Certain forms of lending that cover large segments of the European economy are at risk of higher financing costs and reduced credit availability over the coming decade.

In several cases, prudential rules do not align with the risk-sensitive pricing models applied by banks and required by well-functioning markets. This misalignment creates competitive distortions in global markets at a time when competitiveness is at the forefront of economic policy discussions. Consequently, a number of business sectors and asset classes are at a disadvantage.

In particular, low-risk mortgages will face a significant increase in capital requirements in the coming years. This has substantial implications for the EU economy, particularly when compared with the US, where a significant proportion of low-risk mortgages are transferred from banks to government-sponsored entities such as Fannie Mae and Freddie Mac.

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.

Thanks to the diverse banking sector in Germany, retail clients have access to a very wide range of financing options. However, given the long-term nature of property financing, interest rates already reflect the rising capital requirements expected to come into effect over the next few years due to the recent changes in CRR /CRD. Higher interest rates for lending transactions will have a negative impact on the lending volume in total.

b) an SME

5000 character(s) maximum

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

Thanks to the diverse banking sector in Germany, SMEs have access to a very wide range of financing options. However, given the long-term nature of property financing, interest rates already reflect the rising capital requirements expected to come into effect over the next few years. Higher interest rates for lending transactions will have a negative impact on the lending volume in total.

c) a corporate (non-SME)

5000 character(s) maximum

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

Thanks to the diverse banking sector in Germany, corporates have access to a very wide range of financing options. However, given the long-term nature of property financing, interest rates already reflect the rising capital requirements expected to come into effect over the next few years. Higher interest rates for lending transactions will have a negative impact on the lending volume in total.

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.

Overall, market fragmentation does not appear to significantly hinder consumers' or businesses' cross-border access to banking products and services. Although national differences in regulation, taxation or consumer protection can lead to variations in product design or distribution channels, these tend not to amount to structural barriers.

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.

The EU economy benefits substantially from a diverse banking sector. Diversity in business models, ownership structures and regional footprints enhances financial stability, ensuring that institutions do not react in the same way to economic shocks and increasing system-wide resilience. At the same time, a heterogeneous banking landscape ensures that the wide range of customer needs and preferences are met. Households, SMEs, corporations and public-sector clients all rely on different services, from relationship-based lending to highly standardised digital products. Overall, this diversity strengthens credit provision, supports stability, and offers consumers and businesses a wide range of suitable banking products.

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.

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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Domestic bank consolidation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Banking services offered across the single market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Digitalised banking services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.

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.

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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
International competitiveness: EU banks are able to maintain and increase their market shares in international markets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Innovation competitiveness: EU banks are able to supply qualitative or innovative, original financial products or services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.

EU banks face higher and more complex regulatory requirements, which increase costs, reduce profitability and restrict their ability to expand internationally. By contrast, non-EU banks often generate much higher profits in their home markets, providing them with the financial capacity to expand into the EU. They can also cross-subsidise their EU operations with earnings from abroad, enabling them to compete with lower margins or invest more heavily in market development.

EU banks likewise face structural disadvantages when it comes to innovation. The regulatory complexity in the EU slows down the development of products and increases compliance costs, reducing flexibility and the ability to experiment. Meanwhile, their more profitable non-EU competitors benefit from larger innovation budgets and fewer regulatory constraints, enabling them to bring new digital and data-driven products to market faster and sometimes at lower prices. Consequently, EU banks find it more challenging to keep up with the global pace of innovation and maintain strong international market shares.

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 are the high capital requirements and the complexity of EU regulations, both of which strongly limit competitiveness in retail and corporate banking. These rules increase costs, reduce profitability and restrict lending. While other influences exist, they are not the dominant factor.

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	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
EU banks face high levels of competition in the EU market	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
EU banks face high levels of competition in global markets/ markets outside of the EU	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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.)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please explain your answers to question 12:

5000 character(s) maximum

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

Competition in the EU banking sector is generally high. This fosters competitive pricing, innovation and customer proximity, resulting in a robust level of competition across the Single Market. Competition is strong both within the EU, where banks from different member states compete for retail and corporate clients, and globally, where EU banks face intense competition from US investment banks and major Asian institutions. Fintechs are increasingly adding competitive pressure, even though many of them act primarily as technology partners rather than full competitors. Nevertheless, neo-banks and large technology firms are challenging traditional revenue pools. Against this backdrop, further increases in regulatory or capital requirements could undermine banks' ability to compete effectively.

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

Internal factors (low risk appetite, bank governance/culture)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Uncertain or ineffective market exit for inefficient or distressed banks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.

European banks have experienced persistently low profitability for many years, resulting in relatively expensive equity capital compared with their international counterparts. This challenge is exacerbated by the cumulative effect of various regulatory requirements, including Pillar 1 and Pillar 2 rules, macroprudential buffers, MREL and the leverage ratio, as well as extensive reporting and disclosure obligations. These factors collectively create a significant capital and cost disadvantage, particularly in comparison to US banks. Investors therefore anticipate that these structural burdens will continue to impact the banking sector's return on equity. In order to restore competitiveness, it is essential to consistently reduce regulatory complexity and cumulative requirements. This includes avoiding regulatory gold-plating and ensuring more consistent supervisory expectations across the EU, since current discrepancies limit the ability of European banks to compete internationally.

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

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

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

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

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

Please explain your answer to questions 14.1 and 14.2:

5000 character(s) maximum

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

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.

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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Wholesale and investment banking	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please explain your answers to question 16:

5000 character(s) maximum

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

In retail banking, national market structures, a focus on domestic clients and the limited cross-border provision of services lead to a predominantly national orientation. This supports the assessment that fragmentation is high. However, this fragmentation is not problematic. For competition and growth, it is crucial that the banking system is tailored to the underlying economic structure.

In wholesale and investment banking, however, fragmentation is less pronounced. Institutions operate more frequently across borders, and certain market segments — such as capital markets activities, advisory services, and financing for corporates operating internationally — are more integrated.

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.

One important obstacle is that it is still not possible for liquidity to move freely within a banking group across Europe. The existing waivers under the CRR only apply to domestic institutions. This hinders the central management of liquidity and complicates cross-border mergers within Europe, thereby negatively impacting the competitiveness of European banks. The solution is to apply liquidity requirements at the consolidated group level rather than to each individual entity within a banking group separately.

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

Complexity and length of mergers and acquisition supervisory authorisation procedures	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Costs/risks of mergers and acquisitions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Absence of economies of scale from engaging in cross-border activities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.

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

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

Other operational benefits linked to the legal form of a branch vs. subsidiary	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.

In light of the presence of significant non-EU financial institutions, the level playing field in the European banking market is not fully balanced. Large US investment banks, for instance, benefit from substantially more profitable domestic operations. This gives them the financial strength and strategic flexibility that many EU banks, which are constrained by lower returns, cannot match. While the European subsidiaries of non-EU banks are fully subject to EU rules, their parent institutions operate under different — and, in some cases, less stringent — regulatory regimes. This enables them to generate higher group-level profitability and cross-subsidise EU operations.

Meanwhile, the EU's higher and more complex regulatory requirements — covering capital, liquidity, resolution, reporting and supervisory expectations — directly contribute to the lower profitability of EU banks. This structural gap means that EU banks face a comparatively higher capital and compliance burden, while non-EU competitors can deploy greater resources, accept lower local margins, and expand in the European market. Consequently, competitive conditions are not entirely equal, and EU banks operate at a structural disadvantage despite being subject to stricter regulatory standards.

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

Do you agree with this view?

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

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
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Divergent banking prudential rules applying to EU and non-EU banks impact international strategic choices by EU banks	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Supply side factors (e.g. cost competitiveness, innovation, depth of home market).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
EU supervisory practices affect expansion in other jurisdictions	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.

Regulatory requirements directly and substantially influence the profitability and viability of activities. Furthermore, even when overarching prudential rules apply equally to EU and non-EU banks, EU authorities often tighten these standards further through Level 2 and Level 3 measures. The resulting level of detail and additional requirements far exceeds that observed in other major jurisdictions.

The supervisory approach in the EU, particularly that of the ECB, has so far been characterised by a high degree of formalism and an extensive focus on detailed requirements, with a strong emphasis placed on capital as the primary tool for addressing supervisory concerns. For instance, EU supervisors may impose additional Pillar 2 capital requirements (P2R) for perceived qualitative shortcomings in banks’ risk management or governance frameworks, as well as for clearly identified risks. However, it remains unclear how higher capital levels can effectively address governance issues. Increased capital requirements entail additional costs for banks and may reduce the resources available for investment. By contrast, US authorities generally apply additional capital requirements mainly in relation to quantitative risk factors. Furthermore, EU supervisors have at times shown a tendency to intervene in banks’ business models.

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.

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

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

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

5000 character(s) maximum

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

The EU and national regulatory requirements are much stricter compared to those in other financial centers around the world (including the UK and Switzerland), creating a competitive disadvantage for EU financial firms. This disadvantage does not arise from a single regulatory element, but rather from the cumulative interaction of several factors, including the early and often more stringent implementation of Basel III beyond the internationally agreed level; the additional layering of EU-specific capital and liquidity requirements; extensive reporting and disclosure obligations; a highly process-driven supervisory approach; and an increasingly dense layer of supervisory expectations that, in practice, operate like binding regulation.

According to a 2023 simulation by the European Central Bank, in which significant institutions (SIs) of the Single Supervisory Mechanism (SSM) were subjected to the prevailing US supervisory framework, Common Equity Tier 1 (CET1) requirements would have been considerably less stringent for medium-sized and smaller institutions.

On 1 January 2025, the EU brought the CRR3/CRD6 package into force, thereby becoming the first major jurisdiction to implement the final Basel III reforms. In contrast, the United States has postponed publication of its final Basel III framework until at least 2026, with a subsequent implementation period of three years. The United Kingdom has delayed implementation until 1 January 2027. This timing asymmetry has direct implications for the competitiveness of European banks.

The EU's capital requirements framework results in higher effective capital requirements for European banks than for their international peers, due to the cumulative effect of multiple regulatory elements. This creates a complex capital structure that is not seen in other major jurisdictions, while US banks benefit from a less fragmented buffer and the absence of similarly intrusive, institution-specific Pillar 2 guidance.

Between 2019 and 2024, the EU adopted around 13,000 new regulatory acts, adding to an already extensive framework of prudential rules, EBA guidelines, technical standards and other financial regulations. This regulatory density, unmatched in other major jurisdictions, absorbs significant compliance resources that competitors elsewhere can devote to lending, innovation and business development instead.

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

EU banks are also subject to extensive Environmental, Social and Governance (ESG)-related disclosure, reporting and risk management requirements under frameworks such as the Corporate Sustainability Reporting Directive (CSRD), the EU Taxonomy, the Sustainable Finance Disclosure Regulation (SFDR) and the European Banking Authority (EBA) guidelines — rules that are less binding or largely absent in jurisdictions such as the US, Switzerland and the UK. While integrating ESG risks into risk management is important, the EU's unilateral regulatory leadership may create competitive disadvantages.

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.

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.

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.

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.

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

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

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.

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.

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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Prudential requirements should only be applied at highest EU consolidated level of the banking group	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.

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

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

5000 character(s) maximum

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

2.2. Market consolidation

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

Some of these analyses argue that a greater degree of consolidation and the wider use of branch-based cross-border expansion could enable EU banks to achieve greater scale and allocate capital and liquidity more efficiently across the EU. Such developments could also facilitate the effective cross-border provision of banking and other financial services, potentially strengthen competition and improve the capacity of the EU banking sector to meet the financing needs of the EU economy. This section seeks stakeholders' feedback on the factors behind the lack of market consolidation in the EU banking sector and the potential remedies to increase the provision of cross-border banking services in the EU.

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

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

Please explain your answer to question 35:

5000 character(s) maximum

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

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.

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)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
More generally, lack of unified banking product offering across EU or sub-regions, forcing product adaptation to each national market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Preference by local customers of local bank brands	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Divergent insolvency laws and collateral foreclosure rules	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Consumer protection laws and client specific documentation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Divergent (non-prudential) reporting requirements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Language barriers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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Please explain your answers to question 37, and explain which actions should be taken to overcome these non-prudential barriers and improve the integration of banking markets in the EU:

5000 character(s) maximum

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

2.4. Protection of depositors

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

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

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

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

- Don't know / no opinion / not applicable

Please explain your answer to question 38:

5000 character(s) maximum

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

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.

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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...all banks which are active cross-border	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...all banks under direct SSM/SRB remit	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...only banks that wish to be included	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.

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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...replace national DGSs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...replace national DGSs for deposits in a subset of banks as identified in the previous question	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.

2.5. Liquidity in resolution

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

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

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

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

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

5000 character(s) maximum

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

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

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

2.6. Sovereign exposures and risk reduction

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

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

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

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

Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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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
- No
- Don't know / no opinion / not applicable

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.



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)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
proportionality (the extent to which the objectives of the framework are achieved at minimal cost)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
EU added value (extent to which EU intervention provides benefits that could not be achieved by Member States acting alone)	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
relevance (extent to which EU intervention provides benefits that could not be achieved by Member States acting alone)	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
coherence (extent to which a policy/intervention is internally consistent and externally consistent with other EU policies)	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.

Overall, the current EU regulatory framework for banking has significantly strengthened the resilience of the European banking sector, particularly following the financial and sovereign debt crises. The introduction of the Banking Union, stronger capital requirements and enhanced supervisory cooperation have contributed to financial stability and more consistent supervision across the EU. In this respect, the framework can be considered moderately effective in achieving its core objective of safeguarding financial stability. It should be noted in this context that the current level of capital requirements is widely regarded as appropriate.

However, the framework performs less well in terms of proportionality, coherence and overall efficiency. Over time, the regulatory architecture has become increasingly complex due to the cumulative layering of Level 1 legislation, Level 2 technical standards, Level 3 guidance and supervisory practices, as well as the interaction between microprudential, macroprudential and resolution requirements. The resulting “capital stack” and reporting framework are difficult to manage operationally and can create overlapping requirements, double counting of risks and limited transparency regarding the overall impact on institutions.

In particular, the proportionality of the framework is limited, as institutions with simple and low-risk business models are often subject to the same detailed regulatory and reporting requirements as large and complex cross-border banks. While some progress has been made with the introduction of the small and non-complex institutions (SNCI) category, further steps—such as a dedicated European small bank regime—would be necessary to reduce unnecessary complexity and compliance costs.

The framework also faces challenges regarding coherence, particularly in the interaction between different capital requirements (Pillar 1, Pillar 2, buffers and backstops), between supervisory reporting and disclosure frameworks, and between banking regulation and other EU legislation such as sustainability reporting rules. In several areas this results in duplication of requirements, increased operational burden and limited additional prudential benefit.

Overall, while the EU banking framework has been effective in strengthening stability, its growing complexity, limited proportionality, and the planned increase in capital requirements reduce its efficiency and competitiveness. Future reforms should therefore focus on simplifying the framework, improving coherence between different regulatory layers, and strengthening proportionality, while maintaining the current level of prudential soundness.

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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
The minimum capital requirements (Pillar 1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
The supervisory measures (Pillar 2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
The macroprudential requirements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
The resolution requirements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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 current level of complexity in the overall framework is the result of years of legislative density, technical detail control, supervisory expectations and parallel processes. Complexity typically emerges not from individual regulations, but from the accumulation of various regulatory levels and procedures. This impairs the ability of European banks to compete internationally. Complex regulations and continuously increasing capital requirements also place excessive structural demands on smaller market participants, causing lending to shift to less regulated areas of the non-banking sector.

In pillar 1, the new standardised approach for credit risk (SA-CR) for example represents a one-size-fits-all solution that inevitably represents a compromise. Many smaller banks are burdened by its increased complexity without gaining any real added value from it. The former SA-CR was more appropriate for them. Banks using internal models only have to use the SA-CR for output floor calculation, and for these banks, even greater risk sensitivity would be necessary. This could be achieved for real estate financing, for example, by fully implementing the hard test (maximum loss rates) in all EU member states and third countries that receive extensive financing from EU institutions. Another possibility would be to use a finer gradation of risk weights depending on the loan-to-value ratio (LTV).

The current implementation of Pillar 2 is associated with significant costs and limited efficiency. Pillar 2 is intended to rely on the responsibility of institutions for their internal risk management frameworks, especially the Internal Capital Adequacy Assessment Process (ICAAP). In practice, however, this responsibility has been gradually weakened. Repeated statements by the SSM indicate scepticism regarding the adequacy of many institutions' ICAAP frameworks, despite years of supervisory review, audits and increasingly conservative requirements. Consequently, the development and maintenance of ICAAP frameworks has become highly complex and resource-intensive, while the methodologies and outcomes increasingly diverge from institutions' economically meaningful risk assessments. More broadly, the complexity of supervisory measures under Pillar 2 appears disproportionate. Limited transparency in the calibration of institution-specific requirements, overlaps with Pillar 1 requirements and capital buffers, and highly demanding processes reduce predictability, planning certainty and proportionality.

Macroprudential requirements are particularly complex due to the large number of different buffers in existence, the inconsistent application of individual instruments, and the interactions with microprudential and resolution-related requirements.

The introduction of the definition of 'shadow banks' in Article 4(1)(155) of CRR III, alongside the new reporting requirement for aggregate exposures to shadow banks under Article 394(2) of CRR III, and the removal of the previous materiality threshold of 0.25% of own funds, significantly increases the administrative burden of identifying shadow banking entities in practice. This expansion does not represent a reasonable cost-benefit ratio. The benefit to supervisory authorities is minimal given the low volumes below the threshold, while the burden on institutions is substantial. The principle of proportionality is therefore not met. This principle should also take into account the respective institution's risk-bearing capacity. This could be achieved by setting a materiality threshold in relation to own funds.

Finally, adjustments to the implementation of the Basel III reforms are of particular importance. European banks already face competitive disadvantages compared with institutions in other major jurisdictions such as the United States, the United Kingdom and Canada. An overly burdensome implementation risks further weakening the competitiveness of EU banks and could also constrain their capacity to provide financing to the real economy.

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)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Level 1 EU legislation (i.e. regulations/directives)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Level 2 EU legislation (i.e. technical standards)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Level 3 EU measures (i.e. EBA guidelines, Q&As, etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Supervisory guidance/practices	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Implementation differences of EU legislation at national level	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Interaction with other national legislation	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Interaction with other EU legislation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.

In recent years, Basel capital requirements have become increasingly complex. This is justifiable if it is accompanied by an increased risk sensitivity of the capital requirements in reasonable proportion. However, any complexity that does not increase risk sensitivity should be reduced. The output floor increases the complexity of the regulation. In the final negotiations on the reform of Basel III in 2017, the EU and other supervisory authorities in the EU only agreed to the output floor to enable an international agreement. If other jurisdictions now decide against full implementation of the output floor, the EU should do the same. This is because robust internal models and intensive supervisory approval and monitoring procedures in the EU render the output floor unnecessary from a risk perspective.

The numerous capital requirements of pillars 1 and 2, and the capital buffer, introduce an additional layer of complexity. These extensive Basel requirements are further increased in the EU by EU legislation (e.g. the systemic risk buffer) and individual institution requirements from the competent supervisory authorities (e.g. comparatively high Pillar 2 requirements and guidance).

The EU banking regulatory framework becomes unduly complex due to the additional layers introduced at EU level, in particular through Level 2 (Regulatory and Implementing Technical Standards) and Level 3 instruments (guidelines, recommendations and supervisory practices).

Level 2 measures frequently go beyond purely technical specifications and introduce highly detailed and prescriptive requirements that effectively expand Level 1 legislation. In practice, this leads to very granular implementation obligations and contributes to de facto gold-plating. The cumulative effect of these detailed provisions often results in disproportionate implementation costs and reduced proportionality, particularly for smaller institutions.

Even more significant in terms of complexity is the extensive use of Level 3 soft-law instruments. Although formally non-binding, guidelines and supervisory expectations often have de facto normative effects and are treated as binding in supervisory practice. Their growing scope blurs the distinction between legislation, technical implementation and supervisory convergence, while at the same time limiting legal accountability and judicial review. The EBA's guidelines on the financing of acquisition, development and construction (ADC), for example, significantly restrict the use of a risk weight of 100% for the construction of residential properties, instead of an increased risk weight of 150%.

In addition, complexity is further increased by process-related supervisory instruments, such as ad-hoc data requests, short-term reporting exercises alongside the regular ITS reporting framework, and additional validation and review processes. These parallel processes substantially increase operational costs and require repeated adjustments to implementation processes.

Any future legislation on levels 1 to 3 should be subject to mandatory checks on competitiveness and necessity. The authorities should carefully consider the costs to financial institutions, the necessity of legislative action, and the impact that these costs will have on clients and on Europe's economic growth. When fulfilling their current sole mandate of preserving financial stability, regulators and supervisors should also consider the competitiveness of the financial sector.

Finally, overlaps with other areas of EU legislation (for example between CRR/CRD requirements and ESG-related disclosure frameworks under CSRD, the Taxonomy Regulation or European Single Access Point, ESAP) create duplicative reporting and compliance obligations without adding meaningful supervisory value.

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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
...increase in capital requirements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
...less consideration for EU specificities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
...less consideration for national specificities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
...higher contributions to safety nets (DGS and resolution funds)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
...less resilience / financial stability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

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.

We support reducing undue complexity in the EU banking regulatory framework. However, simplification should not be understood as a trade-off requiring lower resilience, less risk sensitivity, higher capital requirements, higher contributions to safety nets, or the removal of justified EU-specific features that support the competitiveness of the European financial sector and the real economy.

The main challenge of the current framework is not insufficient prudential safeguards, but rather the continuously increasing capital requirements, cumulative layering of technical detail, overlapping rules, parallel processes and duplicative reporting obligations. Simplification should therefore focus on removing unnecessary complexity in these areas without increasing capital requirements further. This could be achieved by reducing duplicative requirements across different regulatory frameworks, limiting parallel reporting and data requests, and shifting from overly prescriptive technical rules towards more principle-based regulation.

Reducing complexity may in some areas imply slightly lower granularity, but this does not necessarily weaken risk sensitivity. In certain areas, particularly internal models, less prescriptive regulation could even allow institutions to apply more risk-sensitive approaches. The key objective should therefore be a better balance between risk sensitivity, standardisation and usability of the framework.

Importantly, there is no clear causal link between less complexity and higher capital requirements or higher contributions to safety nets. Simplification should instead aim to make the framework more coherent, transparent and proportionate while preserving the existing level of prudential soundness and financial stability. In fact, a less complex framework could strengthen financial stability by allowing institutions and supervisors to focus more resources on monitoring and managing actual risks rather than complying with excessively detailed regulatory requirements.

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.

Gold-plating, government interventions and enforcement

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

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

Please 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.

Germany's transposition of CRD VI via Bankenrichtlinienumsetzungs- und Bürokratieentlastungsgesetz (BRUBEG): In accordance with the CRD VI SNCIs could have been fully exempted from the obligation to prepare ESG risk plans. However, in Germany, SNCI are required to prepare ESG risk plans.

O-SII buffer calibration (Article 131 CRD): Another example concerns the calibration of buffers for other systemically important institutions (O-SIIs). While CRD provides the framework, national authorities retain wide discretion in methodology and calibration. As a result, comparable institutions may face materially different buffer requirements across Member States, illustrating how national discretions can lead to uneven and potentially excessive implementation.

Output floor and treatment of low-risk mortgages (CRR): Implementing the transitional arrangement of the Basel III output floor calculation for low-risk mortgage exposures under Article 465(5) CRR as a Member State option has negative effects on the European residential real estate market and the availability of affordable housing. Since mortgages are usually held on banks' balance sheets in the EU, the output floor could become a binding capital constraint for many IRB banks rather than a backstop. Therefore, the Member State option should be removed and all banks that can demonstrate low loss rates should be permitted to treat their low-risk mortgage exposures under Article 465(5) CRR.

Hard test data (Article 430a CRR): Not every EU Member State publishes information on losses from financing immovable property (IP losses). In those Member States, capital requirements may not reflect actual risk, meaning the real economy has to finance investments at a higher cost than necessary. This also undermines the competitiveness of the real economy.

Overall: It would be helpful to ensure that the regulatory framework appropriately reflects EU market structures, particularly in areas such as housing finance, in order to avoid the effects of 'gold-plating' and support the EU's broader objectives of financial stability, competitiveness and affordable housing.

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

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

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

How can this be improved?

5000 character(s) maximum

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

The enforcement of EU banking rules is generally strong, as banks operate in a highly regulated and closely supervised environment with extensive prudential, governance, reporting, and compliance obligations. The main challenge is not insufficient enforcement, but rather the lack of consistency, proportionality, and predictability across the Union. In many cases, detailed requirements and supervisory expectations accumulate in ways that do not always match the actual risk profile, size, or business model of institutions.

Improvements are mainly needed in strengthening proportionality and reducing overlaps between microprudential, macroprudential, resolution, and conduct-related requirements. Multiple supervisory interfaces can create duplication, complexity, and uncertainty about priorities. Better coordination among authorities, clearer supervisory objectives, and a focus on material risks would make enforcement more coherent and efficient. The goal is not more intense enforcement, but smarter, more proportionate enforcement that supports both financial stability and the competitiveness of the European banking sector.

Relevant authorities

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

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

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
Supervisory authority	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Macroprudential authority	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Resolution authority	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.

We would somewhat disagree that the current institutional setup fully achieves effectiveness, risk-based supervision and efficiency. While the establishment of the Banking Union and the European supervisory architecture has significantly strengthened the resilience and consistency of supervision in the EU, important shortcomings remain.

First, the multiplicity of authorities involved—including the European Central Bank within the Single Supervisory Mechanism (SSM), the European Banking Authority (EBA), the European Commission and national competent authorities—has increased coordination needs and blurred the distinction between rulemaking, technical implementation and supervisory practice. This can lead to overlapping initiatives, parallel processes and reduced clarity regarding responsibilities.

Second, the framework is not always sufficiently risk-based. In many areas supervisory processes have become highly standardised and process-intensive, with extensive reporting, documentation and validation requirements that apply broadly across institutions. This can divert supervisory and institutional resources away from the monitoring of the most relevant risks and reduce proportionality.

Third, efficiency is affected by the cumulative complexity of supervisory processes, including parallel data requests, ad-hoc exercises and overlapping reporting requirements. These practices increase operational costs for institutions and supervisory authorities alike without necessarily generating commensurate prudential benefits.

Overall, while the European supervisory system has strengthened financial stability, further improvements in coordination, clarity of responsibilities, proportionality and procedural efficiency would help ensure that supervision remains effective, genuinely risk-based and supportive of the competitiveness of the EU banking sector.

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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Macroprudential authority	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Resolution authority	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.

See above answer for 55 a)

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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Macroprudential authority	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Resolution authority	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.

See above answer for 55 a)

d) Other

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
Supervisory authority	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Macroprudential authority	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Resolution authority	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Macroprudential authority	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Resolution authority	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please explain your answers to question 56:

5000 character(s) maximum

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

From the perspective of supervised institutions, the degree of accountability of the authorities responsible for banks in Europe remains relatively low. While formal accountability mechanisms such as hearings before the European Parliament, annual reports and institutional reporting arrangements exist, they do not always adequately reflect the expanding scope and practical impact of supervisory and macroprudential activities.

Supervisory authorities

The centralisation of supervision within the Single Supervisory Mechanism (SSM) has improved consistency across the euro area. However, supervisory methodologies, expectations and interpretative guidance increasingly shape regulatory outcomes even though they are not adopted through the legislative process. The ECB has developed a broad set of guides, thematic reviews and supervisory expectations which, while formally non-binding, can materially affect institutions through processes such as the Supervisory Review and Evaluation Process (SREP).

From the perspective of banks, this blurs the line between supervision and rule-making and can create legal uncertainty regarding the prudential requirements that ultimately apply. In addition, supervisory approaches are sometimes developed at a significant distance from the day-to-day realities of banking business models and market practices. This can lead to situations where supervisory expectations do not fully reflect operational or economic realities within institutions.

Supervisory approaches with significant practical implications are often developed without the procedural safeguards typically associated with EU legislative or regulatory acts, such as structured consultations or impact assessments. Strengthening transparency around supervisory methodologies and ensuring that supervisory expectations remain clearly anchored in existing legislation would therefore improve accountability and predictability.

Macroprudential authorities

Macroprudential policy plays an important role in safeguarding financial stability. However, the calibration and justification of certain macroprudential measures are not always fully transparent to market participants. Decisions often rely on complex systemic risk assessments that are not consistently communicated, making it difficult for institutions to understand the analytical basis and expected economic impact of specific measures. Greater transparency regarding the analytical basis of macroprudential decisions, clearer communication of their expected effects and regular reviews of their necessity and calibration would strengthen accountability.

Overall, accountability in the EU banking framework could be improved by enhancing transparency around supervisory and macroprudential methodologies, strengthening scrutiny of authorities' practices and ensuring that measures with significant practical implications are accompanied by appropriate impact and proportionality assessments.

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

- Yes
- No

Don't know / no opinion / not applicable

Question 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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Valuation uncertainty	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Legal enforceability concerns	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Internal risk policies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of risk-mitigation instruments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.

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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
IP collateral protection insurance supported by public schemes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
EU-level standardised IP valuation methodologies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Securitisation frameworks for IP-backed loan portfolios	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
No measure would materially change our current approach	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please explain your answers to question 58:

5000 character(s) maximum

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

3.2. Prudential framework

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

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

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

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

5000 character(s) maximum

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

Undue complexity in the EU prudential framework arises less from its underlying objectives and more from the way the framework has evolved over time through additional regulatory layers, highly detailed technical rules, supervisory expectations and parallel processes.

A first source of complexity is the interaction between different regulatory levels. Level 1 legislation is increasingly complemented by extensive Level 2 standards, Level 3 guidelines and supervisory practices. While each layer may be justified individually, their cumulative effect creates a dense framework that is difficult to manage operationally.

A second area of concern is Pillar 1 requirements, where complexity results from the high degree of technical detail, large number of regulatory metrics and calculation requirements, and their close interaction with

reporting and disclosure obligations. This leads to significant implementation and maintenance costs for institutions.

Complexity also arises in Pillar 2, where supervisory methodologies, expectations and recurring processes such as SREP play a major role. In practice, the calibration of institution-specific requirements is not always sufficiently transparent and there is a risk of overlaps with Pillar 1 requirements or capital buffers.

Another driver of complexity is the interaction between different elements of the capital framework, including risk-weighted requirements, Pillar 2 measures, macroprudential buffers and backstop instruments such as the output floor or leverage ratio. These instruments can interact in unintended ways.

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

Operational complexity is further increased by cross-cutting requirements, particularly reporting, disclosure and additional data requests. Repeated data collections, short-term exercises alongside regular supervisory reporting and overlapping disclosure requirements (e.g. between Pillar 3, CSRD and the EU Taxonomy) create substantial operational burdens.

Complexity also affects smaller institutions with traditional business models. While CRR II introduced the category of small and non-complex institutions (SNCIs) and some limited relief measures, this first step towards proportionality has not yet been developed further. A more comprehensive approach—such as a European small bank regime, similar to the “Strong and Simple Framework” in the UK or the US Community Bank Leverage Ratio framework—could significantly reduce unnecessary complexity for low-risk institutions.

Reducing undue complexity does not require deregulation or weaker prudential standards. Instead, simplification should focus on:

- stabilising the current capital levels,
- systematically removing duplication and overlaps across regulatory frameworks,
- relying more on principle-based rules rather than highly prescriptive technical detail,
- applying proportionality more consistently, particularly for smaller and less complex institutions,
- reducing parallel supervisory processes and ad-hoc data requests, and
- improving coordination between supervisory, macroprudential and other authorities.

A more coherent and proportionate framework would improve operational manageability while maintaining financial stability and strengthening the competitiveness of the EU banking sector.

Risk sensitivity

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

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

How should this disequilibrium be addressed?

5000 character(s) maximum

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

Given the inherent trade-off between risk sensitivity and complexity, it is important to distinguish between avoidable and unavoidable complexity. Where institutions can choose their preferred level of complexity, e.g. by opting for the standardised approach or the foundation or advanced IRBA, thereby determining their desired level of complexity, the regulator should not eliminate these options. Removing risk-sensitive approaches would not constitute simplification from the institutions' perspective and would weaken their competitiveness.

However, where more complex approaches are permitted, the regulator must ensure that they actually deliver higher risk sensitivity. This is currently not the case for income producing real estate (IPRE) financing under CRR III: if the hard test is not met, or if the required data is unavailable, risk sensitivity is not higher in more complex approaches. Under the standardised approach, property collateral is considered when determining the risk weight: lower risk weights are assigned to lower loan-to-value (LTV) ratios, and higher risk weights to higher LTV ratios. Under the foundation IRBA, however, property collateral cannot be taken into account when determining the risk weight without a hard test. This inconsistency must be resolved in the foundation IRBA, for example by specifying an LGD of 25% for LTV ratios below 60%, 30% for ratios between 60% and 80%, and 35% for ratios above 80%. In practice, the risk weight for lower-risk IPRE financing with lower LTV ratios under the standardised approach is currently lower than the risk weight resulting from the foundation IRBA, where an LGD of 40% applies to unsecured exposures.

More generally, the CRR III redesign of the standardised approach has significantly increased complexity without delivering sufficient additional risk sensitivity. The framework should therefore be simplified for standardised approach institutions, while enhancing risk sensitivity for IRB institutions. This could be achieved, for example, by fully implementing the hard test (maximum loss ratios) in all EU Member States and third countries that receive substantial financing from EU institutions. In other words, CRR regulations must clearly stipulate that data for the hard test must be published. The hard test could then be used more extensively as a criterion for risk sensitivity.

Risk sensitivity can also be improved by further differentiating risk weights across loan-to-value (LTV) buckets, particularly for commercial real estate. In addition, for non-IPRE commercial property exposure under the standardised approach, the risk weight should be reduced from 60% back to 50% where the hard test is met by the EU Member State. Prior to the introduction of CRR III, the risk weight was already 50%. This has proven effective. There were no indications that the risk weighting was too low.

The increasing impact of the output floor adds complexity while reducing risk sensitivity. This particularly affects low-risk businesses, such as mortgage lending and creating incentives for higher-risk transactions.

Furthermore, the treatment of acquisition, development and construction (ADC) exposures lacks sufficient risk differentiation. Currently, these exposures receive risk weights comparable to defaulted unsecured loans. The CRR should clarify that ADC financing which does not meet the IPRE criteria is excluded from classification as ADC. The same should apply to energy-efficiency refurbishments. Furthermore, the CRR should set out the market standards-related requirements for a reduced risk weight of 100% instead of 150%, rather than these requirements being set out in an EBA guideline. The EBA guidelines' requirements are stricter than the market standards. Additionally, requirements should be established for both residential and commercial real estate.

Finally, the prudential framework should ensure consistent and risk-appropriate treatment of complementary long-term funding instruments such as covered bonds and securitisations. Ongoing efforts to revitalise the securitisation market, including recalibrating capital requirements for high-quality securitisations, are welcome. However, this must be accompanied by appropriate adjustments to the risk weights for covered bonds to avoid distortions between instruments serving similar economic purposes. A coherent and aligned treatment is essential to preserve efficient funding channels for mortgage lending, support housing affordability, and maintain the global competitiveness of the EU banking sector.

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

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

Please explain your answer to question 61:

5000 character(s) maximum

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

The current prudential framework does not strike the right balance between risk-weighted capital requirements and less- or non-risk-based backstops, such as the output floor or leverage ratio, as well as Pillar 2 requirements.

Adequate risk-sensitive weighted capital requirements should remain the core element of the prudential framework, as they ensure that capital requirements reflect the actual risk profile of institutions and provide appropriate incentives for prudent risk-taking. While backstop instruments such as the output floor or leverage ratio do not effectively complement risk-weighted requirements based on internal models such as the IRBA. This is because internal models are already conservatively calibrated and subject to margins of conservatism. These models are also regularly benchmarked and are subject to strict supervisory approval process and ongoing scrutiny.

Consequently, the European Commission and various EU member states, such as Germany, have long opposed an output floor in the Basel negotiations on the reform of Basel III. The leverage ratio is defended on the questionable grounds that it limits sovereign risk, for which, however, more effective instruments are available.

In practice, however, the interaction of these instruments increasingly leads to unnecessary complexity, inconsistencies and cumulative capital effects. The output floor is a particularly clear example: because it directly affects risk-weighted assets, it automatically increases not only minimum capital requirements but also all capital buffers built on top of them. This mixes instruments with different regulatory objectives, as buffers designed to build resilience are indirectly driven by a tool intended to limit model variability.

The output floor and the leverage ratio do not function as a simple backstop; more often than not, one of the two is the binding capital constraint. This does not align with the original goal of only affecting outlier banks. Furthermore, both instruments incentivise riskier financing.

The overall separation between Pillar 1 and Pillar 2 remains broadly appropriate. However, the complexity and level of detail in both pillars have increased significantly in recent years. Automatic interactions between the output floor and Pillar 2 requirements, when the output floor is the binding risk-weighted assets, should be avoided. Additionally Pillar 2 calibration should be made more transparent and risk-sensitive, and the cumulative impact of the overall capital stack should be regularly assessed. These adjustments would improve coherence and transparency of the prudential framework without weakening financial stability.

Leverage ratio

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

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

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

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

5000 character(s) maximum

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

The leverage ratio is another 'backstop' in addition to the output floor within the risk-based approach. It requires institutions to have Tier 1 capital amounting to at least 3% of total receivables. This key figure is not risk-based; the amount of risk from the individual exposures is therefore irrelevant. Institutions must also cover risk-free positions, such as central bank balances, with capital. The leverage ratio does not therefore provide an incentive to limit risk. In fact, it might even impair the functioning of the financial system.

The leverage ratio limits the amount of customer deposits an institution can accept. This is because unless the institution's other liabilities decrease at the same time, the leverage ratio inevitably deteriorates when deposits are accepted. This is irrespective of how the institution itself uses the funds – even if it parks them with the central bank at no risk whatsoever. However, keeping customers' deposits safe is a key task for financial institutions. Banks must be able to always accomplish this reliably. Furthermore, customer deposits are a very stable funding source. Consequently, the leverage ratio also conflicts with liquidity risk management and the corresponding regulatory requirements.

Safety nets are fundamentally right and important. However, supervisory authorities are going too far with numerous safety precautions that essentially cover the same risks and address the same goal – financial stability. Having a multitude of different precautions increases the complexity of the framework and restricts the institutions' ability to act without offering any commensurate added value.

The leverage ratio and the output floor are not needed. A single backstop mechanism is fully sufficient. Scrap the minimum leverage ratio. And keep the output floor. However, the latter should be left at the 2025 level, i.e. at 50%, together with the existing European transitional provisions.

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.

See above

Pillar 2 capital components

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

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

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

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

5000 character(s) maximum

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

The Pillar 2 Requirement (P2R) framework would benefit from improvements, particularly regarding transparency, consistency and proportionality.

First, institutions should have full transparency regarding the methodology used to determine institution-specific P2R levels. In practice, the calibration of P2R is strongly influenced by EBA SREP Guidelines and supervisory practices, yet the underlying calculations and assumptions are not always sufficiently transparent. Greater clarity would improve predictability and strengthen accountability.

Second, it is essential to avoid double counting of risks. Pillar 2 measures should address only those risks that are not adequately covered under Pillar 1. In practice, however, overlaps can occur between P2R, Pillar 1 requirements and capital buffers. In particular, the current risk-by-risk calculation approach—which aggregates only risk increases while using Pillar 1 capital requirements as a minimum—can lead to unjustified cumulative capital effects.

Third, P2R calibration should remain proportionate and risk-sensitive. In practice, P2R levels can exceed 3 percentage points in some cases, which suggests that capital requirements are sometimes used as a general corrective tool for supervisory concerns. Capital surcharges should not be used to address issues that could be better dealt with through other supervisory measures.

Fourth, the additional assessment and potential calibration of Pillar 2 leverage ratio requirements and guidance (P2R-LR and P2G-LR) appears unnecessary. Given that the leverage ratio is designed as a non-risk-based backstop, additional Pillar 2 leverage requirements add complexity without clear prudential benefits and should therefore be discontinued.

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

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

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

5000 character(s) maximum

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

The current Pillar 2 Guidance (P2G) framework could be improved in order to enhance transparency, proportionality and operational efficiency.

In our view, the current P2G mechanism should be replaced by a Supervisory Management Buffer determined by the competent supervisory authority. This buffer could fulfil the same prudential objective—ensuring that institutions maintain sufficient capital to withstand adverse scenarios—while simplifying the framework.

The Supervisory Management Buffer should be set without relying on supervisory stress tests and instead be determined through the overall supervisory assessment of the institution's risk profile. In addition, a clear upper limit should be defined to ensure predictability for institutions.

Finally, the buffer should not be publicly disclosed, in order to avoid potential market misinterpretation and unintended signalling effects.

Such an approach would simplify the capital framework while preserving the prudential objective of ensuring that institutions maintain adequate capital buffers for stress situations.

Management buffer

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

Question 65.1 What determines the level of the management buffer?

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

5000 character(s) maximum

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

In principle, a distinction should be made between situations where a bank simply holds capital above regulatory requirements and cases where the management body explicitly decides to maintain a defined management buffer on top of all supervisory requirements and recommendations.

In practice, the expectation that banks maintain such a management buffer largely stems from supervisory practice within the ECB's supervision of significant institutions (SIs) rather than from explicit regulatory provisions. As a result, it is difficult to provide a reliable estimate of the typical size or share of such buffers within the overall capital structure.

Where management buffers are set, their size typically depends on several factors, including the risk appetite of the management board, internal capital planning, and external uncertainties regarding the future evolution of regulatory requirements. These uncertainties may include the possible introduction or recalibration of capital buffers (e.g. systemic risk buffers or climate-related requirements) or changes in the definitions and calibration of Pillar 2 requirements and guidance.

Reducing such regulatory uncertainty would improve predictability and stability in banks' capital planning. In this context, simplified frameworks—for example under a potential small bank regime with clearer and more stable capital requirements—could also reduce the perceived need for additional internal buffers.

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

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

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

5000 character(s) maximum

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

The concept of a management buffer is not explicitly required under the CRD, but largely reflects supervisory expectations, particularly those expressed in the ECB's ICAAP Guide (2018). Although these expectations formally have a soft-law character, in practice they can create pressure for institutions—especially significant institutions—to maintain additional capital beyond the formal capital stack.

This approach raises concerns because the existing framework already contains several capital buffers designed to absorb stress, including the capital conservation buffer and Pillar 2 Guidance. Requiring institutions to maintain additional capital so that these buffers themselves are not used during stress situations risks undermining the logic of the capital framework, which explicitly allows certain buffers to be drawn down in periods of stress.

To avoid unnecessary complexity and unintended interactions within the capital stack, it should therefore remain entirely at the discretion of institutions whether and to what extent they maintain an additional management buffer, based on their own risk management and capital planning considerations.

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.

While EU measures to reduce non-performing loans (NPLs) have contributed to strengthening the resilience of the banking sector, certain elements of the current framework do not function optimally and require adjustment.

In particular, the Pillar 1 NPL backstop represents a form of EU gold-plating, as it goes beyond Basel standards and is not applied in most other major jurisdictions. This creates competitive disadvantages for European banks, especially as some jurisdictions such as the UK have already abolished similar mechanisms.

In practice, the NPL backstop can also overlap with other provisioning mechanisms, notably expected credit loss provisioning under IFRS 9 and supervisory measures under the SREP process. This overlap may lead to excessive capital burdens without clear additional prudential benefits and can reduce banks' willingness to support borrowers experiencing temporary financial difficulties.

Seven years after its introduction, the NPL backstop should therefore be reviewed and applied in a more risk-based manner, for example by limiting its application to institutions with elevated NPL ratios. In addition, the framework should better reflect national differences in insolvency and foreclosure procedures and allow for stronger recognition of high-quality collateral.

Overall, targeted adjustments could reduce unnecessary complexity and procyclicality while maintaining the objective of prudent and timely loss recognition.

Own funds Instruments

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

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

Please explain your answer to question 67:

5000 character(s) maximum

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

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

The quality of own funds has 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 (CET1, AT1 and T2) for going-concern purposes.

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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Some or all of the transitional derogations related to the output floor should be prolonged	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Some or all of the transitional derogations related to the output floor should be made permanent	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The output floor should only apply at consolidated level	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The calibration of the output floor (72.5%) should be increased	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
The calibration of the output floor (72.5%) should be made more risk-sensitive	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The calibration of the output floor (72.5%) should be reduced	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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 current EU implementation of the output floor does not strike the right balance and should therefore be adjusted.

The existing transitional arrangements should be prolonged and made permanent. These measures were introduced to mitigate the disproportionate impact of the Basel III reforms on the EU banking sector. According to EBA analyses, the full phase-out of transitional arrangements would significantly increase capital requirements for EU banks. A return to the 2025 output floor level, combined with freezing it at 50% and maintaining the transitional relief beyond 2032 would therefore help avoid a significant increase in capital requirements and preserve banks' lending capacity.

Basel monitoring exercises show that the impact of the output floor on EU banks is significantly stronger than on banks in other jurisdictions. At the same time, concerns about excessive model variability have already been addressed through extensive supervisory initiatives such as the EBA's IRB repair programme and the ECB's Targeted Review of Internal Models (TRIM), which have significantly strengthened the robustness and comparability of internal models.

The output floor should apply only at the consolidated level. Applying it at multiple levels within a banking group would unnecessarily increase the group's cumulative capital requirements and operational complexity without providing any additional prudential benefits.

A particularly important example concerns low-risk real estate financing. Firstly, the output floor has a greater impact on low-risk lending. Secondly, due to the structural features of the European banking system, whereby mortgages are typically held on banks' balance sheets, the output floor could become a binding capital constraint for many EU IRB banks, rather than acting as a backstop for outlier models as originally intended. Together, these factors could negatively affect lending to the real economy and mortgage affordability for EU citizens, as well as weakening the competitiveness of EU banks compared with institutions in jurisdictions where mortgages are often securitised and therefore held off balance sheet.

The policy context has also evolved. The Draghi Report on the Future of European Competitiveness emphasises the importance of a regulatory framework that supports long-term investment and competitive financial markets. Similarly, the EU Affordable Housing Plan has identified housing affordability as a key priority, highlighting the need to mobilise private investment in housing. In this context, an increase in risk-weighted assets driven by the output floor - particularly once transitional arrangements expire - would risk undermining housing affordability through higher borrowing costs and reduced lending capacity, as well as constraining investment in long-term construction projects, including the decarbonisation of the EU building stock.

Ensuring an appropriate treatment of low-risk residential mortgage exposures, including maintaining the relevant transitional arrangements under Article 465(5) CRR on a permanent basis, would also support both financial stability and broader EU policy objectives.

Finally, a stricter implementation of the output floor in the EU compared with other major jurisdictions could place EU banks at a competitive disadvantage globally, potentially increasing lending costs or reducing credit availability for long-term investments, infrastructure and SMEs.

For these reasons, the EU should extend the transitional arrangements, apply the output floor only at consolidated level and consider a lower calibration, while ensuring a proportionate treatment of low-risk mortgage exposures. This would support financial stability while safeguarding the competitiveness of the EU banking sector and the financing capacity of the real economy.

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 practice, 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	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The calibration of macroprudential buffers	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The calibration of other macroprudential tools	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
The heterogeneous application of some tools like Other Systemically Important (O-SII) buffers across the EU	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The current reciprocity arrangements	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The decentralised macroprudential governance framework and prominent role of national macroprudential authorities in setting measures.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.

In our view, inefficiencies and undue complexity in the macroprudential framework arise primarily from the interaction of multiple elements within the overall capital stack, rather than from macroprudential tools alone. Focusing exclusively on the macroprudential framework therefore risks overlooking the broader structural issues affecting the coherence and effectiveness of capital requirements.

The EU capital stack combines microprudential requirements (Pillar 1 and Pillar 2) with macroprudential capital buffers and other requirements such as MREL. Each of these components is governed by detailed rules and developed by different authorities at national and European level. Their interaction can create overlaps, cumulative effects and limited transparency regarding the overall capital requirements for institutions.

The current macroprudential framework includes several buffers—such as the capital conservation buffer, countercyclical buffer, systemic risk buffer and G-SII/O-SII buffer—which partly pursue similar objectives. This multiplicity of instruments increases complexity and may lead to overlapping effects without necessarily providing proportional stability benefits.

Complexity is further increased by the fragmented allocation of responsibilities across national and European authorities, which can result in inconsistent calibration of measures across Member States. A prominent example is the O-SII buffer, where different national methodologies lead to varying buffer levels for comparable institutions, potentially creating competitive distortions within the Single Market.

In addition, the cumulative effect of multiple capital measures is rarely assessed from a holistic perspective, meaning that the overall capital requirement for an institution may increase without a clear evaluation of whether the combined effect remains proportionate.

Administrative complexity is also increased by reciprocity arrangements and procedural requirements, which can be operationally burdensome for institutions.

Overall, the systemic risk buffer should be scrapped, the O-SII buffer should be harmonised at EU level and calibrated to be lower than the G-SII buffer, and the entire capital buffer concept should be simplified by introducing a single releasable capital buffer. The responsibility for determining and evaluating the total amount should lie with the competent supervisor.

The macroprudential framework would benefit from greater harmonisation, clearer methodologies and a more holistic assessment of the capital stack. Simplifying the interaction between macroprudential buffers and other capital requirements would improve transparency, efficiency and predictability while preserving financial stability and supporting the competitiveness of the EU banking sector.

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?

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

Streamlining the macroprudential buffer framework should pursue three main objectives: reducing complexity, improving the usability of capital buffers in stress situations, and ensuring a holistic assessment of total capital requirements at the level of individual institutions.

A first important step would be the removal of the systemic risk buffer (SyRB). The SyRB acts largely as a catch-all instrument because it can be calibrated for a wide range of risks that may already be addressed through other requirements or buffers. This creates overlaps and increases the risk of double counting. As the SyRB is not applied in most jurisdictions outside the EU, it can also be viewed as a form of European gold-plating.

Second, the framework for the buffer for other systemically important institutions (O-SII buffer) should be further harmonised across Member States. Currently, national methodologies differ significantly, resulting in large variations in buffer levels for comparable institutions and potentially creating distortions within the Single Market. The O-SII buffer should therefore be harmonised and set below 1% of risk-weighted assets to ensure proportionality and international comparability.

More broadly, the capital buffer framework should be simplified and reorganised. One option would be to merge several existing elements into a releasable capital buffer (RB) that combines Pillar 2 Requirements (P2R), the capital conservation buffer and the countercyclical capital buffer. This releasable buffer would be set by the competent supervisory authority, reflect both institution-specific and macroprudential risks, and remain subject to a clear upper limit (e.g. 7.5%).

In addition, a Supervisory Management Buffer (SMaB)—similar to today's Pillar 2 Guidance but determined without stress tests and not publicly disclosed—could replace the current P2G mechanism.

This approach would consolidate responsibility for capital adequacy with the competent supervisor, reduce overlaps between different instruments and improve transparency for institutions. At the same time, the framework would retain sufficient flexibility for authorities to address systemic risks.

Finally, any reform should ensure that simplification leads to genuine reductions in complexity, rather than simply renaming existing instruments without changing their substance.

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.

In our view, there is no need for an additional sectoral buffer, including a buffer specifically targeting real-estate exposures.

Currently, sectoral-specific macroprudential risks in the EU are captured in the systemic risk buffer (SyRB). However, this capital buffer is not part of the Basel framework. The industry therefore rejects the systemic risk buffer as a form of European gold-plating. The same applies to a sectoral buffer specifically for real-estate exposures. Additionally, the competent authorities already have sufficient instruments at their disposal to counter the risks arising from real-estate exposures.

From a risk management perspective, banks are already required to take sectoral risks—such as those related to real-estate exposures—fully into account in their internal risk management and capital planning processes. Adding further sector-specific capital buffers would therefore primarily increase regulatory complexity and capital stack fragmentation rather than materially strengthen financial stability.

Furthermore, attempts to extend sectoral buffers to areas such as environmental or ESG-related risks raise significant methodological challenges, as the translation of such risks into capital requirements remains uncertain.

For these reasons, the introduction of sector-specific buffers, including a dedicated buffer for real-estate exposures, would increase regulatory complexity without materially improving financial stability. Instead, the EU should focus on simplifying the existing buffer framework and avoiding overlapping instruments, while relying on existing prudential tools and risk-sensitive mechanisms already embedded in the framework.

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

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
The methodology for the identification of O-SIIs should be revised to ensure an enhanced cross-country consistency while considering national specificities.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.

The current approach to the identification of O-SIIs and the calibration of the corresponding buffer would benefit from greater harmonisation, proportionality and transparency.

At present, the O-SII buffer is calibrated according to national methodologies, which leads to significant differences across Member States. As a result, comparable institutions may be subject to materially different buffer requirements depending on the jurisdiction in which they are located. This runs counter to the objective of a harmonised internal market and weakens the level playing field within the EU.

While greater transparency would be welcome, transparency alone is not sufficient to address these divergences. A more harmonised EU methodology is needed for both the identification of O-SIIs and the calibration of the related buffer. National specificities may still be taken into account, but they should not result in substantial differences in treatment between otherwise comparable institutions.

A more consistent methodology would improve predictability, comparability and planning certainty for institutions and contribute to a more level playing field in the Single Market.

In addition, the current framework can lead to distortions in international comparison, including situations in which the O-SII buffer exceeds the G-SII buffer. To ensure proportionality and consistency, the O-SII buffer should therefore be set below 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 buffer 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.

The current share of releasable buffers within the combined buffer requirement is not sufficient to ensure that capital can be effectively released during economic downturns to support lending. However, this does not imply that the overall level of capital buffers should be increased. Instead, the capital stack should be reviewed and simplified as a whole.

In recent years, macroprudential buffers in the EU have increased significantly. While banks are well capitalised, the growing number of buffers and their interaction with other elements of the capital framework can constrain lending capacity, particularly at times when financing is most needed to support economic growth and competitiveness.

A key issue is the complex structure of the current buffer framework, which includes multiple buffers with different purposes and calibration methodologies. In practice, this complexity can limit the effective usability of buffers during stress periods. Experience from the COVID-19 crisis showed that even when authorities released buffers, banks were often reluctant to draw them down due to uncertainty about how and when they would need to be rebuilt.

To improve the effectiveness of releasable buffers while preserving resilience, the following adjustments should be considered:

- Simplifying the buffer framework, including reducing the number of buffers – for example by eliminating the broadly defined systemic risk buffer, which can be used without limit and is applied inconsistently across Member States. It would be useful to merge the current capital buffers ('capital conservation buffer', 'countercyclical capital buffer' and 'pillar 2 requirement') into one releasable buffer. The minimum and maximum levels of this buffer should be legally defined. Within this range, the competent supervisory authority would set the individual institution's buffer level.
- Providing greater clarity on the reinstatement of buffers after their release, including transparent conditions and timelines for rebuilding capital. This would increase banks' confidence that released buffers can actually be used to support lending.
- If the leverage ratio requirement is not eliminated, a temporary relaxation of the binding leverage ratio should be implemented in the event of exceptional systemic crises, as otherwise it may limit the ability of banks to use released buffers.

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

5000 character(s) maximum

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

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

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

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

Please explain your answer to question 74.2:

5000 character(s) maximum

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

In a simplified and more coherent buffer framework, the role of Article 458 measures would become obsolete.

If the macroprudential buffer framework were streamlined, particularly through a reduction in overlapping instruments and a clearer structure of the releasable buffer, many systemic risks could be addressed more effectively through buffer-based measures rather than through adjustments to risk weights.

3.4. Crisis management framework

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

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

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

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

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

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.

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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Better align MREL to TLAC by allowing MREL to be complied with more subordinated instruments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Make the MREL framework for medium-sized and smaller banks more proportionate	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Introduce a minimum debt requirement where MREL should be complied with non-CET1 instruments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.

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.

Use of safety nets

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

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

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

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

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

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

Please complement and explain your answers to question 79:

5000 character(s) maximum

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

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);	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Limited buffer usability resulting from double counting CET1 both in macroprudential buffers and in other minimum requirements (leverage ratio, MREL)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Multiplicity of MDA restrictions with varying triggers stemming from prudential and resolution frameworks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cross-framework governance and coordination issues and data sharing.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.

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.

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.

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

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

Please explain your answer to question 85, assessing in particular how such a regime could meaningfully improve proportionality and efficiency, without undermining financial stability, depositor protection, or the level playing field within the EU:

5000 character(s) maximum

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

Question 86. Should there be, in your view, a more consistent and proportionate set of requirements across the prudential, macroprudential and crisis management rules for smaller banks?

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

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

- 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.

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

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.

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.

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.

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 sustainability 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.

The main burden for institutions arises from the combined volume of supervisory, statistical and resolution-related reporting requirements.

A key priority should therefore be the consistent implementation of the “define once – report once” principle. In this respect, initiatives such as the EBA data strategy, work on semantic integration and common data dictionaries, and efforts to streamline the ITS on supervisory reporting and validation rules point in the right direction. Likewise, the principles developed by the ECB’s High-Level Task Force on Simplification—such as request once, report once, resubmit less, enhance transparency, review regularly and reform public disclosure—provide a useful basis for reducing unnecessary burden.

However, these initiatives have so far not translated into meaningful short-term relief for institutions. In particular, projects such as the ECB’s Integrated Reporting Framework (IReF) may support a more integrated reporting architecture in the long term, but in the short term they are likely to generate significant IT and implementation costs. For that reason, a moratorium on new reporting requirements would be appropriate in order to allow the consolidation and simplification of existing obligations before further layers are added.

As regards Pillar 3 disclosures, the current framework should also be reconsidered. While the objective of enhancing market discipline through transparency is understandable, in practice Pillar 3 reports have become excessively long and complex, often duplicating information already available elsewhere and rarely being used by market participants.

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	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Frequency of changes of the reporting obligations	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
The difficulty of using regulatory reporting for internal risk management purpose	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ad hoc reporting requests from supervisory authorities	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Frequency of submission of reporting obligations	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.

A major driver of costs are ad hoc data requests, particularly in the context of SREP processes or ongoing dialogue with ECB's Joint Supervisory Teams (JSTs). These requests often require significantly more granular and tailored data than standard reporting templates. Because they are difficult to anticipate, institutions must maintain dedicated resources to respond to them at short notice. In practice, the effort required for such requests can be comparable to the workload of on-site inspections or audits.

Another important factor concerns resubmission requirements. Current rules on resubmissions are neither harmonised nor proportionate. Institutions are often required to maintain the capability to resubmit statistical data covering several years, which leads to substantial data storage requirements and operational costs. Introducing clear materiality thresholds for resubmissions and limiting resubmission periods (e.g. to one financial year) would significantly reduce the burden.

Compliance costs are further increased by inconsistent definitions and reporting structures across regulatory frameworks. For example, the definition of SMEs differs across CRR, liquidity regulation and financial reporting requirements, which requires institutions to apply multiple methodologies. Similarly, different counterparty classifications in COREP (based on exposure classes) and FINREP (based on institutional sectors) create duplication and reconciliation efforts. Greater harmonisation of definitions and reporting concepts would significantly reduce complexity.

In addition, excessive reporting granularity and unused data points increase the administrative burden. Only data points with a clearly demonstrated supervisory use should be required. Likewise, reporting obligations that generate no meaningful supervisory value—such as certain zero-reporting requirements—should be removed.

Frequent changes to reporting requirements and short implementation timelines also contribute significantly to compliance costs. New or substantially revised reporting requirements should therefore be introduced no more than once per year, with sufficient implementation time (e.g. at least 12 months before the first reporting reference date).

Finally, large-scale reporting projects such as AnaCredit and the Integrated Reporting Framework (IReF) generate substantial implementation and operational costs, particularly during transition phases when institutions must maintain parallel reporting systems. Without careful simplification and consolidation of existing requirements, these initiatives risk increasing rather than reducing the overall reporting burden.

Overall, the main cost drivers are ad hoc supervisory requests, resubmission requirements, inconsistent definitions across frameworks, excessive granularity of reporting templates, frequent regulatory changes and overlapping reporting systems. Addressing these issues through harmonisation, proportionality and the consistent application of the “define once – report once” principle would significantly reduce compliance costs.

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.

Further policy measures—both legislative and non-legislative—should focus on simplifying the reporting framework, strengthening proportionality and avoiding duplication of reporting requirements. In this regard, we highlight the following short-term priorities:

- Moratorium on new reporting and data requirements for at least two years, allowing existing frameworks to be consolidated before new obligations are introduced.
- Implementation of the “report once” principle, ensuring that data already reported to one authority can be reused by other authorities without requiring duplicate submissions.
- Reduction of reporting requirements by at least 25%, covering supervisory, statistical and disclosure obligations.
- Alignment of expectations between EBA and ECB, without creating additional reporting layers.
- Introduction of a transparent central repository listing all reporting and ad-hoc data requests.

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.

Certain reporting requirements can indirectly create undue burdens for banks' clients, particularly where banks are required to collect additional information from customers in order to fulfil supervisory reporting obligations.

One example is the introduction of granular credit data reporting, such as AnaCredit or, in Germany, the residential real estate financing statistics (WIFSta). These frameworks require detailed counterparty information that banks often need to obtain directly from clients or from external data providers. Requests for additional information can negatively affect customer relationships, while relying on external data providers often involves significant costs.

Another source of burden arises when reporting requirements apply to small or non-material exposures, including exposures to SMEs. Even where exposures are not economically significant, banks may still need to collect additional information from clients to complete reporting templates or assess risk classifications.

Further indirect effects may arise from ESG-related reporting requirements under the prudential framework. If supervisory reporting obligations exceed the scope of publicly available sustainability information (e.g. under CSRD or the value-chain cap for SMEs), banks may need to request additional ESG-related data from their clients. This could lead to trickle-down effects, particularly for SMEs that are not subject to sustainability reporting obligations themselves.

Reporting obligations may also create burdens through conceptual regulatory requirements, such as the identification of groups of connected clients. In some cases, banks may be required to assess economic dependencies even for customers with whom they only have deposit relationships. Collecting such information from clients without a credit relationship can be difficult and may unnecessarily affect customer relationships. For purely deposit-based clients, it should therefore be sufficient to rely on existing KYC information to identify potential control relationships.

More broadly, extensive reporting obligations can lead to longer processing times, higher administrative costs and reduced client-facing capacity within banks. In some cases, these additional costs may ultimately be reflected in pricing or service conditions offered to customers.

To reduce these indirect burdens, reporting requirements should focus on material exposures, make greater use of existing data sources, and apply proportionality more consistently, particularly with respect to SMEs and non-material exposures.

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.

In light of the ongoing revisions of EU sustainability legislation (CSRD, Taxonomy and SFDR), adjustments to the banking regulatory framework are necessary to ensure consistency, proportionality and data availability in the management of sustainability-related risks.

The recent Omnibus initiative introduced significant relief in corporate sustainability reporting by narrowing the scope of the CSRD. However, its implications for banks have not been fully considered. Institutions remain subject to extensive supervisory requirements on ESG risks, including the obligation to integrate such risks into their governance, risk management and strategic frameworks under Directive 2013/36/EU (CRD), notably Articles 74, 76 and 98, as further specified under CRD VI, including Article 87a. In addition, banks must comply with the EBA Guidelines on the management of ESG risks (EBA/GL/2025/01), complemented by the EBA Guidelines on internal governance (EBA/GL/2021/05) and on loan origination and monitoring (EBA/GL/2020/06). These requirements rely heavily on data from counterparties. In light of the reduced availability of CSRD data, consideration should therefore be given to proportionately adjusting the corresponding prudential and supervisory requirements to ensure their continued feasibility and to avoid undue burden on institutions.

At the same time, the current ESG regulatory landscape is characterized by a multitude of overlapping and not always clearly delineated requirements. Various frameworks, such as the EBA Guidelines on ESG risk management, the CSDDD, and the SFDR/CSRD, contain provisions on climate pathways and transition plans, but differ in their level of detail, time horizons and KPI sets. This results in significant audit and compliance efforts for institutions, particularly with regard to ensuring consistency across requirements, and increases implementation complexity. A consolidation and better alignment of sustainability-related requirements would therefore be highly desirable.

Furthermore, German institutions are required to ensure a triple coverage of regulatory expectations (MaRisk, EBA, ECB) for each internal policy (e.g. risk strategy, risk framework). This disproportionately increases audit efforts and creates unnecessary redundancies.

Against this background, several adjustments should be considered:

- Review EBA guidelines on ESG risk management and lending practices. In light of the limited availability of ESG data, the use of sector averages and proxies should remain possible and should not be restricted by supervisory expectations.

- Reassess ESG reporting and disclosure requirements under the CRR. The extensive ESG disclosure and reporting obligations introduced under CRR III, including those under Article 430(1)(h) CRR, should be reviewed. From our perspective, the management of material ESG risks under Pillar 2 supervision is sufficient, and additional granular reporting requirements should be reconsidered.
- Avoid introducing additional supervisory ESG reporting. Supervisory authorities could instead rely on publicly disclosed information under Pillar 3 or corporate sustainability reporting.
- Remove taxonomy templates from both supervisory reporting and Pillar 3 disclosures, as this information is already included in CSRD reporting.
- Align the scope of ESG disclosure requirements with CSRD. Institutions that are not subject to CSRD should also be excluded from ESG disclosure requirements under Article 449a CRR and related reporting obligations.
- Apply the “report once” principle. Information required for sustainability reporting should only be reported once, with cross-references between reporting frameworks allowed to avoid duplication.

Overall, adjustments to the banking regulatory framework should aim to align ESG requirements across legislative frameworks, reduce duplication, close emerging data gaps by proxies and strengthen proportionality, while ensuring that sustainability-related risks continue to be properly managed.

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

**aebbb9b7-1054-4fa4-90d7-9d5e801f6f10/20260417_KOM-
Consultation_Competitiveness_general_comments.pdf**

Useful links

[More on this consultation \(https://finance.ec.europa.eu/regulation-and-supervision/consultations-0/targeted-consultation-competitiveness-eu-banking-sector-2026_en\)](https://finance.ec.europa.eu/regulation-and-supervision/consultations-0/targeted-consultation-competitiveness-eu-banking-sector-2026_en)

[Consultation document \(https://finance.ec.europa.eu/document/download/85228e21-7a48-4110-ba6:dd11d0e7b5af_en?filename=2026-banking-sector-competitiveness-consultation-document_en.pdf\)](https://finance.ec.europa.eu/document/download/85228e21-7a48-4110-ba6:dd11d0e7b5af_en?filename=2026-banking-sector-competitiveness-consultation-document_en.pdf)

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