RESPONSE FROM THE DUTCH BANKING ASSOCIATION TO

TARGETED CONSULTATION
ON THE COMPETITIVENESS OF THE EU BANKING SECTOR

Consultation questions

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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 the Union's economic growth, to the benefit of Union 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[1]. It asks questions on the competitiveness of banks themselves and driving factors, competition in the banking markets, both within the EU and globally, crossborder 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

[1] Competitiveness compass - European Commission

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.

(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.

The banking sector plays a central role in supporting social equity, economic growth, resilience and strategic autonomy in the EU, primarily by providing financing to households and businesses, supporting investment and innovation. Banks are a cornerstone of the European economy by providing credit to companies and households, enabling investment, growth and development of human capital.

Through lending, banks allow companies and public-private partnerships to invest in productive assets, innovation and infrastructure, while households can invest in housing and education, both of which contribute directly to long-term economic growth and social stability. Banks not only mobilise savings and direct capital towards productive investment via their bank balance sheet, but also play a vital role in connecting EU-companies to worldwide capital markets.

A strong and competitive banking sector is therefore essential to ensure that European companies can start, grow and compete internationally, particularly in an increasingly challenging geopolitical and economic environment. Banks could further boost productivity and growth if policy conditions improve. Completing the Savings and Investment Union and Banking Union would improve access to finance, especially for startups and scale-ups. In addition, a more level playing field across the EU and with global competitors, fewer national regulatory burdens and predictable policy would enable banks to free up capacity for lending and investment.

(2) 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? 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? Please elaborate by providing evidence and identifying economic sectors where access to credit could be improved.

Complementary policies like the capital markets union are desirable but progress is not guaranteed and could be insufficient in the next five years; a critical time for Europe to keep up pace with its competitors. Draghi estimated the investment needs in €4 trillion up to 2030. The main financing source is and will continue being the EU banking system. At the same time, early signs of supply-side constraints are already visible, as the ECB's Bank Lending Survey pointed to unexpected credit standards tightening in the second half of 2025, driven by heightened geopolitical and trade-related uncertainty.

Therefore, it is necessary to strike a balance between the capital requirements to banks and the availability of finance to the economy. The US is committed to release capital requirements, notably the gold-plating over the minimum set in BCBS standards. According to statements made by the Fed, capital requirements are expected to decrease by 4,8% for US category I and II firms, by 5,2% for category III and IV firms, and by 7,8% for smaller (community) banks.

(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?

(i) a retail client

For most retail customers, access to banking services—such as mortgages, consumer credit and personal loans— sufficient. Competition remains strong, and digital channels have widened accessibility and streamlined loan origination.

With regard to the channelling of savings (customer deposits) into capital markets, it should not be overlooked that the significantly expanded requirements for customer advice and documentation in recent years have resulted in a very high cost burden, particularly in the retail banking segment. There are several obstacles for customers to start investing, e.g. the amount of questions in the suitability test, and all the warnings for investment (in comparison with other products like crypto).

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(ii) a SME

SMEs rely predominantly on banks for external financing. Access is generally adequate for established firms with solid financials and collateral, but more challenging for young and innovative SMEs, Micro enterprises, and/or Firms operating without a prior track record, generating sufficient cash flows of have sufficient collateral.

Key obstacles include:
Limited collaterals or shorter credit histories.
Fragmentation of national guarantees frameworks and insolvency regimes, which affects recovery values, pricing and the feasibility of long-term lending,
Lack of information on balance sheet and business plans which do not allow banks to assess the creditworthiness in an efficient way.

These factors particularly constrain growth oriented, intangible intensive or transition related investments. Improving insolvency convergence, and ensuring a proportionate supervisory approach—especially for innovative, digital and green SMEs—could be beneficial for expanding access to finance.

Furthermore, securitisation remains a key yet significantly underused tool in Europe. Revising the securitisation framework in an ambitious and appropriate manner would enable banks to provide additional lending capacity and transfer risk to investors.

(iii) a corporate (non-SME)

While large corporates generally enjoy diversified access to financing—bank loans, syndicated facilities, bond markets, private placements and equity financing. Markets remain fragmented resulting in a lack of scale and in increased costs.

Constraints arise mainly for:
Highly leveraged firms, where prudential limits and internal risk policies restrict further exposures.
Sectors exposed to high transition or technological risk, especially in the absence of credible and verifiable transition plans.
Cross border or multi-jurisdictional projects, where divergent insolvency, tax, collateral and reporting rules complicate bank lending.
Often unclear supervisory rules that prevent the bank from providing credit support (e.g., in the shipping and construction sector).

More predictable regulatory frameworks on transition finance, less penalisations in supervisory capital requirements, further development of the Capital Markets Union, and lower structural fragmentation would facilitate access, especially for large cross border or capital-intensive projects.

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(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.

We see continued market fragmentation which strongly affects consumers' and businesses' cross-border access to banking products and services The difficulties come from the many national systems and legal frameworks that go beyond banking legislation, for instance:
-the lack of (or the impossibility to access) a credit database on the positive or negative information on borrowers, which prevent banks to assess creditworthiness in efficient way;
-different rules for foreclosures procedures in case of default events, closely linked to insolvency laws;
-different rules due to national discretions/secondary rules in spite of the specific Directive (e.g. CCD and MCD);
-Different languages which make the contractual management costly.
-Differences in reporting requirements across supervisors (e.g. SFTR in relation to SFT's).

(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.

The EU economy benefits significantly from a diversified banking ecosystem, with many institutions and different business models, that provide a wide range of services and products.
These benefits are not only through competition and innovation (which lowers costs and increases choice for consumers and businesses) but also provides benefits to the EU in terms of resilience and financial stability. Different business models react differently to shocks. Heterogeneity therefore reduces the risk that a single shock propagates uniformly through the system. This in turn enhances overall resilience and continuity of financial services to the real economy.

Moreover, diversity in services and products results in better coverage of economic needs. This ensures that households, SMEs, mid-caps, large corporate and public entities can find providers adapted to their size, sector and risk profile.

A regulatory and supervisory framework that is integrated, harmonised across the EU, yet aims for proportionate and model-neutral rules, is essential to preserve and enhance this diversity.

(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?

National promotional banks and public guarantee institutions are mission-driven institutions which use financial instruments to pursue public objectives, promoting economic development, environmental sustainability and social equity. Operating under non-profit principles and a longer investment horizon than the private sector, these banks can ensure that indispensable investment projects are being realized, with relative cheap and stable funding, while involving market players in these financial transaction. We deem that proportionality in general, and as such for promotional banks and public guarantee institutions, is not fully reflected in the current bank regulatory framework (for instance when it comes to size and riskiness of the business model). A more proportional framework would increase the effectiveness of these institutions.

Next, the effectiveness of national promotional banks and public guarantee institutions can be further enhanced by amending the EU Green Bonds standard. The objective of enhancing the flow of investments to environmental sustainable projects is hampered by the current rules, which do not recognize general purpose financing, the common way of financing, to local authorities and public sector entities. Local authorities and public sector entities provide services of general interest, many of which correspond to one or more of the six environmental objectives of the taxonomy. By excluding general purpose financing, these activities are not recognized and thus underestimating the taxonomy aligned activity. Next, these activities cannot benefit from financing via EU Green Bonds. Therefore we propose to extend the usage to public sector spending beyond the use of proceeds, in line with recommendations of the Platform on Sustainable Finance.

For private investors, it's important that national promotional banks (NPBs), public guarantee institutions, and development finance institutions operate additional to the market. Hence, where possible and logical, it makes sense to broaden the scope of regulatory waivers for these institutions. These waivers can make sense because NPBs, public guarantee institutions and development finance institutions often do not pose a systemic risk to financial markets. These waivers make it easier for these institutions to operate additional to the market and provide support schemes to private investors for projects relevant to society with a sub-optimal risk-return ratio.

(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	No opinion
Cross-border bank consolidation		X				
Domestic bank consolidation						X
Banking services offered across the single market	X					
Digitalised banking services		X				
Other (please indicate)						X

Please explain.

(8) What are in your view the main risks faced by EU banks today?

Next to prudential risks faced by banks, banks also face risks linked to the fragmented approach to macro- and micro prudential supervision. This fragmentation is widespread and creates internal barriers to the free flow of capital and liquidity, which over time erodes the effectiveness of banks and the economies they serve. Regarding macro prudential, there is a lack of convergence regarding methodologies used in Europe, both in terms of the instruments used and their calibration. This fragmentation puts European banks at a disadvantage vis-à-vis their international peers.

If we want to keep the European economy competitive, we need resilient and competitive banks. Without them, the EU will not be able to act with strategic independence, nor will it be able to finance its strategic agendas regarding defence, energy security, etc. We therefore need to address, as a matter of urgency, the internal barriers to cross border banking, fragmentation and gold plating. A secondary mandate for competent and designated authorities on competitiveness should be introduced as part of this wider effort, in line with the actions taken by other jurisdictions.

(9) What are in your view the main risks stemming from EU banks today?

EU banks are currently not a primary source of systemic risk. Thanks to significantly strengthened capital positions, robust liquidity buffers, enhanced supervisory oversight and improved risk-management practices, they are in a position of resilience. The limited impact on the EU Banking sector of strong market events such as the Covid-19 pandemic, and the invasion of Ukraine by Russia, have underscored this resilience.

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.

(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	No opinion / Not applicable
EU banks produce financial products at low cost and/or offer financial services at a low price			X			
International competitiveness: EU banks are able to maintain and increase their market shares in international markets					X	
Innovation competitiveness: EU banks are able to supply qualitative or innovative, original financial products or services				X		
Other (please indicate)						X

Please explain and indicate for the different business areas (wholesale and investment banking, retail banking, etc.)

The fragmented EU landscape hinders the roll-out of products across Member States. There are large discrepancies between costs of services across countries, caused by these inefficiencies. Moreover, the lack of scale that is caused by market fragmentation means economies of scale are insufficiently realised. This, in turn, impairs the ability of the EU to compete effectively on the global level. EU-banks struggle to maintain their market share in global markets vis-à-vis competitors from other jurisdictions. This

issue is especially prevalent in wholesale and investment banking, where market share of EU banks has been in decline over the recent years. In these areas we see increased competition from non-EU banks, providing products and services with the EU, increasing EU dependencies on these institutions. In an age where strategic independence is becoming more important by the minute, one might wonder if this is a desirable development.

(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.).

The main regulatory factors that determine and drive competitiveness are, in a positive sense: i) the single rule book, though not yet perfect, and; ii) the SSM, which has a more cross-jurisdictional view on prudential supervision, which allows it to take a more EU-wide view

The main regulatory factors that determine and drive competitiveness are, in a negative sense: i) fragmentation of the EU single market due to barriers that hinder the free flow of capital and liquidity within the Union (see Q32); ii) gold plating of international standards, iii) fragmentation due to the uneven application of macro prudential measures across Member States (both in terms of measures used, and the methodologies used for their calibration, iv) conservative international standards applicable to specific asset classes, such as low-risk mortgages and specialised lending.

(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	No opinion / N.a.
EU banks face high levels of competition within their Member State of establishment	X					
EU banks face high levels of competition in the EU market		X				
EU banks face high levels of competition in global markets/ markets outside of the EU	X					
Traditional banks are challenged by new developments in a number of product lines and areas (e.g. digital banks/FinTech in specific areas such as payments, tokenisation of assets, etc)		X				
Other (please indicate)						X

Please explain.

EU Banks are open to opportunities to expand across EU borders in order to improve their economies of scale and to expand their service offerings. However, longstanding issues around gold-plating and fragmentation, and different legal frameworks pose serious barriers to such expansion. Competition is being hampered and innovation stifled. within the EU, increasing costs for and limits offerings to EU households and businesses.

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

(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	No opinion / N.a.
Limited scale and inefficiency of EU capital markets (limited depth, insufficient liquidity, etc.)		X				
Macro-economic environment (economic growth, inflation, fiscal situation, interest rates, demographics)			X			
Limited growth and scaling up prospects due to market fragmentation and different national rules	X					
Underinvestment in new technologies		X				
Supervisory practices (e.g. potentially impacting the level of dividend distribution and share buybacks)	X					
EU regulatory/ resolution frameworks (including international level playing field)	X					
Internal factors (low risk appetite, bank governance/culture)			X			
Uncertain or ineffective market exit for inefficient or distressed banks					X	
Other (please indicate)						X

Please explain.

The undervaluation has to do with the complexities in the EU regulatory framework, which are difficult to assess for investors. Also, uncertainties around the hight of capital requirements create the necessity for banks to maintain management buffers. These buffers, also non-public, create an additional layer of uncertainty for investors. Last but not least, fragmentation remains in place in the EU. The consequence of this ongoing fragmentation is that the full potential of the EU economy is not realised. This impact overall growth and growth expectations, which is reflected in share prices.

(14) Does the prudential framework adequately account for the activities and the complexity of intermediaries performing financial services other than core banking services? Are there any perceived undue limitations to such activities? 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.

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

Regulatory perimeter not fit for purpose: The current approach to defining what should be regulated needs to be reconsidered and potentially expanded. The core logic of traditional banking regulation is based on the existence of deposits, which require strong safeguards and justify stringent prudential requirements.

Non-bank intermediaries do not take deposits, meaning the classic banking-centric regulatory rationale may no longer be sufficient to address the risks they pose. Governing principle: "Same service, same risk, same rules."

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

(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.)?

We see increased competition between banks and non-banks, including investment firms, FinTechs, and in some segments BigTech.

While such competition and innovation can strengthen capital market functioning and market liquidity, lower costs, improve user experience, and expand customer choice, it is vital there is a level playing field on the supervision of prudential risks, privacy and customer protection.

Without a level playing field, competition may lead to uneven conditions and the migration of financial and consumer related risks outside the regulated banking perimeter, which can have consequences on financial stability.

Ultimately, the principle of "same activity, same risk, same rules" should be followed. Where non-bank entities provide bank-like services or generate bank-like risks, they should be subject to equivalent regulatory requirements and effective supervision. This is essential to prevent regulatory arbitrage and to safeguard consumer protection, market integrity, financial stability, and operational resilience.

1.4. Cross-border activities in the EU banking sector

Reports[2] 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.

(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*

[2] 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.

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	No opinion
Retail banking	X					
Wholesale and investment banking		X				

Please explain.

With regards to retail banking, it remains difficult to obtain a foreign mortgage based on a Dutch income for a Dutch home or a Dutch mortgage for a foreign property. Similarly, cross border offering or making use of retail investment or saving products remains a challenge due to the highly fragmented regulation. This is not only driven by differences in financial market regulation, but more importantly due to differences in insolvency and fiscal regulation. Restrictions on cross border services also stem from major institutional differences between Member States, such as in the housing market. Deeper European integration is only possible when these underlying institutions are sufficiently aligned. Without such alignment, Eu level policies may have counterproductive effects at the national level. It is therefore important carefully assess how proposed EU-measures function within national contexts.

On wholesale, large market players try to overcome this fragmentation but this comes at significant regulatory burden and costs.

(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.

A cross-border banking integration in the EU remains limited, with only a few regional clusters displaying higher levels of integration. Retail and SME banking markets remain largely national, while cross-border activity is more developed in private and wholesale banking.

As such we have not achieved the goal of creating a fully functional banking union, one that lowers borrowing costs, improves efficiency through scale, enhances financial stability through diversification, and creates banks capable of financing the EU's investment needs. We also see this in the lack of cross border mergers and acquisitions. The reasons for this relate to several issues. First, the already mentioned barriers to the free flow of capital and liquidity in the Union, which hamper the creation of economies of scale.

At the same time, the existing structure reflects genuine national differences. Retail banking is closely linked to local legal systems, tax regimes and savings cultures, and consumer protection frameworks are tailored to domestic specificities. Local knowledge supports relationship-based lending, particularly for households and SMEs. From a financial stability perspective, predominantly domestic structures can also be easier to supervise and manage in times of stress.
Policy efforts should focus on reducing unnecessary regulatory fragmentation and enabling cross-border activity where there is genuine economic demand, while recognising the structurally national character of much of retail and SME banking.

(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	No opinion/ N.a.
Divergent implementation of EU banking rules across Member States		X				
Supervisory divergence/gold-plating by Member States/national supervisors	X					
Requirements for allocation of capital and liquidity at local level		X				
Non-harmonised macroprudential buffers	X					
National discretion in intragroup large exposure limits		X				
Incomplete banking union (lack of a European deposit insurance scheme, liquidity in resolution, etc.)		X				
Non-prudential barriers (insolvency, investor protection, company law, taxation)	X					
Political barriers (government direct or indirect interference)		X				
Complexity and length of mergers and acquisition supervisory authorisation procedures		X				
Costs/risks of mergers and acquisitions			X			
Absence of economies of scale from engaging in cross-border activities	X					
Other (please indicate)						X

Please explain.

Key areas of non-prudential barriers (insolvency, investor protection, company law, taxation) remain in place across the EU, hindering the offering of standardised products and services across Member States.

With regards to EU legislation we see uneven implementation across Member States and gold plating. Moreover, banks need to comply with a large volume of secondary legislation (level 2 acts) and are faced with the proliferation of level 3 measures. In this regard ESA's and NCA's sometimes introduce requirements that are not included in the Level 1 text. This also includes complex and burdensome reporting processes.

Finally, supervisory expectations have become a fourth layer of prudential requirements for banks in practice. These expectations sometimes override EU regulation, and with greater execution power than the level 1 regulation. Here, the one-sided focus on solvency has allowed supervisory decisions to be taken without assessing their impact on competitiveness and economic growth. From this perspective, it would be good if the EU followed the UK's example, by awarding authorities a secondary mandate for competitiveness.

The complexity and fragmentation of these legislative and supervisory practises make cross-border activity more costly and complex, and remove opportunities to create economies of scale. This undermines the business case for offering cross border activities.

(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	No opinion
Incompatibility with internal organisational strategy and budgets					X	
Preference for domestic markets				X		
Preference of Member States/national authorities for subsidiaries, as they bring more employment, tax revenues, supervisory control, etc (moral suasion)	X					
Client preferences (language, trademark recognition)		X				
Lack of trust in deposit guarantee schemes of the host Member States	X					
Group resolution strategy				X		
Non-prudential barriers like divergences in contract and civil laws, labour laws, product features, consumer protection rules, foreclosure rules, etc.			X			
Other operational benefits linked to the legal form of a branch vs. subsidiary						X
Other (please indicate)						

Please explain.

The prevalence of subsidiaries over branches in cross-border banking reflects a combination of prudential, supervisory, host-country and strategic considerations.
From a risk management perspective, subsidiaries are separate legal entities with their own balance sheet, governance, capital and liquidity. This structure provides a degree of risk isolation within the group, reducing perceived contagion risk and protecting the parent institution in the event of distress. The requirement for standalone capitalisation is the logical counterpart of this risk-containment function.
Subsidiaries also align more closely with host-country expectations. Host authorities often favour locally incorporated entities because they need to satisfy domestic requirements for capital and liquidity, fit within national insolvency and deposit guarantee (DGS) frameworks, and are perceived as offering stronger depositor protection and financial stability, particularly in retail or systemically relevant activities.
Strategic and commercial factors further explain the preference for subsidiaries. In cases of expansion through acquisition, maintaining a local legal entity preserves brand recognition, client trust and established market positioning. Banking remains a trust-based business, and local identity can be commercially valuable.

By contrast, branches rely on the capital of the parent institution and may offer greater group-level flexibility and efficiency. However, the absence of legal separation implies full liability for the parent and less internal risk compartmentalisation.

(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?

We cannot provide a specific quantitative estimation specifically for our membership, but we refer to AFME's estimation of 250 billion trapped liquidity in the EU banking sector. In terms of quantitative impact, both branchification and liquidity waivers in line with Art 8 of the current CRR would unlock significant amounts of liquidity depending on a banks' cross border exposures through subsidiaries. The key drivers that would unlock liquidity are

- the absence of locally placed core capital instruments, prepositioned iAT1, iT2 and iMREL
- the transfer of excess available liquidity from subsidiaries that have a low loans-to-deposit ratio

We believe it is important to flag that this would not only unlock cheap funding for the EU economy, but we also believe the freedom of liquidity flows would strengthen the banks' ability to mobilise liquidity in times of crisis:

- In a business-as-usual situation, more efficiency can be achieved. This is especially the case when the balance sheet dynamics differ between entities and where surplus liquidity from one location compensates for the liquidity shortage in another. This could prevent "repair costs" both at a local and central level.
- In a crisis scenario, the risk of asymmetric shocks can be lowered, as the surplus liquidity of one entity could compensate for the shortage of another and offers the flexibility to execute contingency measures in different locations with a different investor base. More flexibility would stimulate cross-border risk sharing within cross-border banks and is also more in line with the single point of entry (SPE) resolution strategy of (some of) the large cross-border banks.

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.

(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?

The challenge of EU Banks is to compete with large non-EU financial institutions that benefit from tremendous economies of scales which most EU banks lack.

(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. If you agree with this assessment, what are the reasons for this decline?

The lack of scale due to aforementioned divergence in legal frameworks and supervisory practices, is particularly problematic when competing in the area of investment and wholesale banking. As banks fail to compete, they scale back these activities to focus on core competences with higher ROI's. This loss of competitiveness has translated into a declining position of EU banks in investment and wholesale banking markets, as US banks have increasingly gained ground, benefiting from deeper home capital markets that allow them to achieve greater scale, higher investment in technology, and their significantly larger size relative to EU peers. Additionally, an uneven playing field due to gold plating of Basel standards by the EU (while other countries do not) exacerbate these problems.

(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	No opinion
Divergent banking prudential rules applying to EU and non-EU banks impact international strategic choices by EU banks	X					
Supply side factors (e.g. cost competitiveness, innovation, depth of home market).		X				
EU supervisory practices affect expansion in other jurisdictions	X					
Other (please indicate)						X

Please explain.

The lack of scale due to the aforementioned divergence in legal frameworks and supervisory practices, is particularly problematic when trying to compete globally in the area of investment- and wholesale banking. As banks struggle to compete globally they scale back these activities to focus on core competences, mostly within their domestic markets. Additionally, the EU has implemented measures that gold plate the Basel standards, and extend this gold plating to the full scope of EU banks, thus hindering the international level playing field. This also limits the amount of EU banks that can still compete globally.

(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*	No opinion
		X			

Please explain.

CRD IV provides clear restrictions on the remuneration of people in risk-taking functions. These measures only have a limited impact, as remuneration has to some extent moved from variable to fixed pay. This increases the fixed overhead of banks, making them less agile in terms of being able to manage costs within more cyclical business lines. However, the main problem is the uneven playing field that countries have created by gold plating the rules on remuneration in the CRD IV, by applying lower thresholds to variable remuneration.

(25) Do EU-headquartered banks and investment firms face regulatory constraints that hinder their competitiveness vis-à-vis non-EU financial firms? If yes, what are the key constraints?

The cumulative burden (CRR/CRD, BRRD, MREL, SFDR, CSRD, Taxonomy, MiFID, PSD2, DORA, AI Act) is heavier than in competitor jurisdictions. Multiple overlapping layers of capital buffer create complexity. Capital and liquidity ring-fencing imposes higher effective requirements on cross-border EU groups. Reporting obligations across prudential, resolution, ESG and financial frameworks overlap significantly.

Investment firms experience a range of regulatory constraints that limit their critical contributions to the EU financial market, especially as liquidity providers in cleared markets, which makes them important for the functioning of clearing banks. The IFR/IFD framework governs the supervision of investment firms in the EU and ensures their smooth functioning, which benefits the entire financial system. However, several points of that framework deserve revaluation. In 2025, EBA and ESMA published a Report on the Efficiency of the Regulatory and Supervisory Framework which advises to recalibrate IFR/IFD to ensure sufficient competition in the EU markets and to create a level playing field between EU trading firms and their international rivals.

In general, the assessment of the EBA is widely supported by the industry, and forms a good basis for a legislative review by the EC. We emphasise that risks originating from investment firms differ from those stemming from banks. However, we observe that investment firms are often unduly captured by (the rules of) the CRR/CRD regime which was designed for the supervision of banks. Once value of firm's consolidated assets exceeds €30 billion, it becomes reclassified into a credit institution and falls under bank-like regulation, despite a significant difference in their business models. Imposing inadequate compliance burden on the sizable investment firms undermines their functioning and unduly impacts the competition in the EU market. An assessment of this and similar thresholds that trigger such additional obligations is required.

(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?

General comments

EU banks can finance large projects, but structural and regulatory constraints limit their ability to take large, riskier, long-dated exposures compared with US and Asian peers. Key factors include profitability and cost of capital, balance-sheet constraints, risk appetite, and regulation. Europe also lacks sufficiently scaled, quickly deployable public risk-sharing mechanisms, leaving many viable transition projects outside banks' risk appetite due to immature technologies, uncertain revenues, or incomplete policy frameworks.

EU Basel III/IV implementation increases risk weighted assets (RWA), raising CET1 requirements and reducing capacity for long-term financing, which is typically RWA intensive. Discretionary supervisory capital add-ons can further constrain growth. A targeted improvement would be to broaden the Infrastructure Support Factor (CRR Article 501a) to cover a wider range of Project Finance transactions (beyond the current focus on projects with sovereign or sovereign sponsored off takers) and to remove EU taxonomy references from the ISF eligibility conditions, in line with simplification initiatives such as Omnibus.

Profitability and cost of equity have improved and the gap to US peers has narrowed, but valuations still lag as cost–income ratios remain structurally higher. This encourages banks to prioritise low-risk activities, share buybacks, and dividends over complex, long-term project finance. With capital still relatively expensive, banks rationally favour short-term, standardised lending over transition financing with uncertain cash flows, limiting fully underwritten transactions.
EU budget and state-aid rules also limit governments' ability to de-risk strategic projects, constraining the pipeline of bankable projects. Annual EU investment needs for the green, digital, and defence transitions are estimated at about €1.2 trillion, with a public financing gap above €100 billion, indicating incomplete policy and guarantee frameworks. The Savings and Investments Union, together

with targeted measures to revive securitisation, could enable risk-sharing with investors, ease balance-sheet pressures, and expand banks' capacity for long-dated financing.

Climate transition

These challenges also apply to climate transition projects, where policy uncertainty delays investment and puts companies in "wait-and-see" mode. Because many transition investments are long-dated, stable and predictable policies are essential to ensure viability.

Uncertainty creates dual transition risks: risks from measures enforcing the transition (e.g. ETS, phase-outs) and risks for early investments if policies are later reversed (e.g. combustion engine bans or ETS 2 adjustments). Clear policy signals, price incentives, and effective risk-mitigation mechanisms are therefore critical to improve bankability; renewed debates on core tools such as the ETS increase uncertainty and are counterproductive.

Broader uncertainty about transition pathways, political ambition, policy measures, and lengthy permitting procedures further discourages long-term investment, especially in energy infrastructure. To support EU transition priorities, banks need high regulatory and policy predictability: stable rules and consistent supervisory expectations underpin balance-sheet commitments to multi-decade projects.

Because required capital exceeds public capacity, national plans must translate priorities into tangible, bankable projects with transparent risk–return profiles. Scalable de-risking tools—blended finance, guarantee schemes, public–private partnerships, and originate-to-distribute models—can improve bankability and mobilise private capital.

Additional climate-related capital requirements may be counterproductive. The proposed use of the Systemic Risk Buffer (SyRB) for climate risks is unique to the EU and absent elsewhere, risking an uneven playing field versus non-EU banks and other financial institutions, without clear financial-stability benefits; it should be removed. A climate SyRB could also deter financing for high-emitting sectors that most need investment to transition.

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.

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

One of the main effects is that the business models of Big Techs are cutting off the initial client contact of regulated EU financial service entities. Instead of using its bank app, a EU citizen could in the near future use a Gen IA model to ask for financial and investment advice, meaning that the algorithm of the AI engine is directing the client to a particular (not regulated) company within or outside the EU (not being the clients' own bank or broker).

Regarding payment services, the digital Euro, as well as other digital currencies are attractive to Big Techs and can have an impact on the EU monetary system and financial stability of the EU including the strongly regulated banks. This is especially the case when the holding limit is set at a level, where the maturity transformation or the money creation function of regulated banks in the monetary system are undermined.

(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?

Financial services providers with a seat in the EU are strongly regulated with the objective to maintain financial stability, enhance confidence and protect EU citizens. In order to preserve this confidence, it will be necessary that all financial service providers offering financial service products to EU citizens are strongly regulated. However, digitalisation makes it less simple to establish what is considered a financial service. For example the algorithm of an AI model can generate financial advice (besides other advices) that fall under the scope of financial services regulations.

(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? Please explain, in particular in case the answer is 'No'.

EU banks invest significantly and on a continuous basis in the digitalisation of their operations and services. Digitalisation represents a substantial and recurring part of banks' cost base, covering core banking systems, payment infrastructures, cybersecurity, data governance and regulatory compliance. However, comparisons with international technology firms should take into account structural differences in business models and financial capacity. EU banks operate under capital, liquidity and conduct requirements that materially constrain their ability to allocate resources to discretionary R&D. A significant share of digital investment is therefore driven by mandatory regulatory and resilience requirements rather than by scalability and revenue generating innovation. By contrast, global technology firms benefit from highly scalable, data driven business models, global market reach and substantially larger R&D budgets, supported by higher margins and lower regulatory capital constraints. This structural asymmetry limits the extent to which EU banks can match the pace and scale of digital investment of such players. Accordingly, the issue is less whether EU banks are investing in digitalisation, and more whether the current regulatory and competitive framework allows these investments to translate effectively into innovation, scalability and international competitiveness.

(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? If yes, what would this mean for traditional banks? If yes, what would be the impact on households and businesses?

Yes, Digitalisation makes the geographical location irrelevant and provides the opportunity to create a broad range of new products and services that are offered by non-regulated entities. These entities will seek parts of the value chain that are profitable, without having to bear the cost of essential services that serve all EU citizens, like offering a well- and safe functioning national and EU payment infrastructure - cash, ATM, instant payments, deposit taking, digital Euro - and screening clients and transactions for Anti Money Laundering and counter terrorist financing and helping clients that are a victim of financial crime. The impact on EU banks will be that only they will have to bear the cost for these essential services, while their competitiveness is being undermined, which ultimately impacts financial stability. When this threat is not well addressed by good legislation and consumer protection, this will ultimate result in lower consumer confidence in financial services.

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

The bank regulatory framework and supervisory practice should adapt to digitalisation by ensuring that equivalent financial services are subject to equivalent regulatory and supervisory requirements, irrespective of the technology used or the type of provider involved. In an increasingly digital financial ecosystem, supervision should be activity and risk based and not entity based. This requires a reassessment and, where necessary, an update of existing definitions of financial services, so that functionally similar services (regardless the channel through which they are offered) fall within the appropriate regulatory perimeter. At the same time, maintaining a level playing field is essential. Banks operate under comprehensive prudential, conduct and resilience requirements, while comparable services provided by non-bank or technology driven entities are not always subject to equivalent obligations. Such asymmetries risk distorting competition and may undermine financial stability and consumer protection over time. Regulatory adaptation should therefore focus on: (i) closing regulatory gaps created by digitalisation, (ii) ensuring proportionality and technological neutrality, and (iii) aligning supervisory expectations across sectors where risks and functions are comparable, while preserving high standards of prudential oversight.

Additionally, in light of crypto assets growing in importance in the finance industry, regulation must treat them appropriately to ensure that EU banks remain competitive against the emerging FinTech companies, while also accounting for the risk they might pose to the financial system. CRR article 501d determines the risk weights applied to crypto assets, but requires a review to ensure that the risk weights proportionately mirror the actual risk. Imposing a 250% risk weights on asset-referenced tokens and 1250% on unbacked crypto assets causes banks to refrain from involvement in activities that require them to hold the respective assets. Most importantly, those higher risk weights do not reflect the material risk carried by crypto assets. Expanding the range of available risk weight categorisations would help improve how risks are reflected, especially as the crypto assets market is developing rapidly. Crypto assets are the foundation for developing tokenisation which will eventually enable the 24/7 trading. Failure to follow through with innovation will place banks and clearing banks at a competitive disadvantage. Keeping realistic risk weights allows bank to hold crypto assets without incurring undue costs, and thus participate in a sector that is rapidly growing in importance.

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 Union.

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 Union 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.

(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?

Under the current regime, capital and liquidity flows within groups are restricted by multiple factors:

- All prudential requirements apply at the individual level, without the possibility of waivers in a cross-border situation.
- Upstreaming of capital might be restricted through national rules.
- Cross-border exposures are limited by intragroup large exposure rules that have been gold plated by Member States. This may even prevent a parent providing liquidity to its subsidiaries when there is ample funds available at the higher level of consolidation. The national option to gold plate the large exposure limits will end on 31 December 2028 (CRR art 429), after which the disapplication of the large exposure limit to intragroup exposures will become an NCA discretion. The DBA believes intragroup exposures within the Banking Union should be fully exempted from large exposure limits altogether, with NCA options to extent that exemption to intragroup exposures in non-Euro EU jurisdictions, and third countries.

The consequence is that liquidity and capital are trapped at enormous scale, hampering the EU Single market.

(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	No opinion / N.a.
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					X	
Prudential requirements should only be applied at highest EU consolidated level of the banking group	X					
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		X				
Other (please indicate)						X

Please explain 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)).

The EU gold plates the Basel and FSB TLAC framework in its application of prudential legislation at the individual level within the EU (CRR article 6 para 1). It would help the single market and free flow of capital, should prudential rules instead be applied at the highest level of consolidation only, at least within the Banking Union or the EU. It would be appropriate to have strong safeguards in place for local entities, which are intrinsically linked to the resolution strategy of the bank.

Safeguards should include binding reassurance that there are no impediments to the prompt transfer of funds between the parent and subsidiaries. Commitments should be fully guaranteed by the parent, all relevant risk management procedures at the parent level should fully cover the subsidiaries. The SSM is well placed to ensure that these safeguards are in place and enforced.

As a first step, the waivers on the individual application of the prudential rulebook could be limited to entities supervised by the SSM, and afterwards expanded to the rest of the EU and/or all global entities.

We do not believe it is necessary to make distinctions between the different requirements in terms of application. On top of what is listed in the question, requirements such as the large exposures rules should also only be applied at consolidated level within the EU.

Should a full move to application at the highest level of consolidation prove to be not feasible, at the very minimum, the "backstop" requirements notably the output floor and the leverage ratio should be applied at the highest level of consolidation only.

(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?

In the absence of a full waiver of prudential requirements at individual level, CRR art 8 liquidity subgroups would be very helpful for cross-border banking groups. Currently it is very difficult to get subgroups approved. The decision making under article 21 of the CRR makes it hard to overcome national objections.

So-called "branchification" of existing subsidiaries is not forbidden by CRD or CRR and some banking groups have proven it is possible. However, it is clear that under certain circumstances, this type of restructuring might receive resistance from authorities in both home and host countries. A home country might be worried about the increase of the coverage size of its local DGS, whereas a host country might fear loss of local control and decision making.

In all cases, an EDIS would help create the conditions to overcome these challenges with the possibility of moving DGS contributions when a bank moves to another Member State being a good first step.

2.2. Market consolidation

Recent analyses, including the Draghi report on EU competitiveness[3], 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 crossborder expansion could enable EU banks to achieve greater scale and allocate capital and liquidity more efficiently across the Union. 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.

(35) Do you consider that the EU economy benefits from the presence of large, cross-border banks active across the single market? ○ **Yes** ○ No

[3] The Draghi report on EU competitiveness (2024)

- No opinion

Please explain.

The EU benefits most from a diverse banking sector. This means the EU should be home to promotional banks, smaller, nationally oriented banks, larger domestically rooted banks, and large internationally active banks. This diversity in size and business models ensures a good fit to the clients served by the various institutions. Indeed, to fully reap the benefits of the internal market, more needs to be done to address internal barriers, regulatory fragmentation and gold plating (both at national levels and the EU as a whole).

(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?

Market consolidation is one way to achieve economies of scale. However, there is more to it than cross border consolidation. Here, again, the barriers pertaining to the free flow of capital and liquidity come to mind, as well as the fragmented application of macro prudential measures and gold plating of international standards.

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.

(37) What are the main non-prudential barriers that impede cross-border activities?

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	No Opinion / N.a.
Divergent national tax treatment attached to certain banking products (mortgages, savings accounts, deposits) or banking operations (Value Added Tax, corporate and personal income taxation)	x					
More generally, lack of unified banking product offering across EU or sub-regions, forcing product adaptation to each national market		x				
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.		x				

Preference by local customers of local bank brands		x				
Divergent insolvency laws and collateral foreclosure rules		x				
Consumer protection laws and client specific documentation	x					
Divergent (non-prudential) reporting requirements	x					
Language barriers			x			
Other (please indicate)						x

Please explain which actions should be taken to overcome these non-prudential barriers and improve the integration of banking markets in the EU.

Harmonise withholding tax procedures across Member States; Simplify and standardise the processes for relief at source and refund of dividend withholding taxes; Implement unilateral simplifications ahead of the FASTER initiative; Ensure consistent implementation of ATAD interest-limitation rules; Align national interpretations of the earnings-stripping / EBITDA rule to avoid cross-country discrepancies in tax deductibility; Review and reduce national gold-plated banking taxes; Reconsider national measures such as the Dutch Bank Tax and the Minimum Capital Rule (thin cap for banks), which create competitive distortions within the EU; Harmonise VAT rules for banking services. Furthermore, in theory, fully harmonising insolvency law and certain aspects of civil law (including foreclosure rules) would help to overcome these barriers. However, based on our observations of the EU's harmonisation efforts, achieving this level of alignment is not yet possible from a political standpoint.

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 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.

(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*	No opinion
	X				

Please explain.

Efforts to strengthen DGS across the EU should focus on decreasing national differences in the implementation of the DGSD, as these differences lead to fragmentation and market distortion. We also note the current setup with national DGS funds acts as a barrier for the completion of the Banking Union. We therefore welcome efforts that work towards a more harmonised application of the DGS framework across the Union, or – under conditions – the creation of a European DGS fund. Combining national DGS funds create economies of scale, which will in the end result in higher growth potential for the EU.

DGS is important for trust in the banking sector and financial stability and in this sense we regard the guarantee of its payout function for depositors as important. When working toward a more harmonised DGS or EDIS, it is important to note however, that the role of the DGS should always be balanced against its potentially distortive effects on competition. These potentially distortive effects are – for good reason – to some extent accepted in light of the aforementioned goals, but these effects should not be forgotten or ignored in this debate. We have some concerns regarding the DGS being at risk of being used too much as a marketing instrument for individual banks, rather than a fall-back arrangement to ensure a minimum level of trust. Banks should first and foremost inspire confidence from clients and depositors on their own merit. This is clearly a balancing act and the framework should reflect this. The DGS should also account for differences in the riskiness of covered banks. Riskiness in this context should focus on the likeliness on that a bank would need support from a given fund upon its failure. This is a delicate but important balance to strike.

In this context, some NVB members have reservations regarding the policy goal and outcomes of the CMDI revisions, which was to increase the role of DGS as a provider of what is essentially a supplementary, mutualised source of capital for failing small and medium sized banks, be it going concern (preventive measures), in liquidation (alternative measures) or in the resolution (bridge-the-gap). Larger banks may generally not be expected to have insolvency as resolution strategy, so they are less likely to make use of contributions they make to the DGS.
Larger banks are required to have their own recapitalisation capacity in the form of MREL.

(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?

We regard DGS and resolution funds to serve two distinctly different goals. The DGS fund's primary purpose is to ensure trust towards depositors. Should something happen to their bank, their deposits will be safe up to the covered amount. A resolution fund's primary objective is to support a resolution strategy of a failing bank. It may be used only to the extent necessary to ensure the effective application of the resolution tools, and as last resort. It is clear, however, that DGS and resolution funds can operate in parallel in recovery and resolution situations. Given the distinct differences, we do not see merit in combining the two.

(40) In your view, when considering the scope of banks to be included in a possible new banking unionwide deposit insurance system, should this scope include…

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	No opinion

…all banks			X			
…all banks which are active crossborder				X		
…all banks under direct SSM/SRB remit			X			
…only banks that wish to be included					X	
…other						

Please explain.

The DBA supports the Banking Union and the single market. The creation of a European Deposit Guarantee Scheme (EDIS) would be an important step towards the completion of the Banking Union, as it would lower cross border obstacles to the free flow of capital and liquidity. The current setup of national DGSs is fragmented. Solving this situation would create benefits for both domestic and pan-European banks, as a consequence of the unlocking of economic potential of the Union that is still 'locked in' at the moment. In the remainder of this answer, we first cover the areas where EDIS would help reduce fragmentation. Thereafter, we will cover important issues that need to be considered during the creation of EDIS.

Fragmentation in European DGSs occurs in the following areas:

1. Differences in the operation of national DGSs

Despite the harmonised protection of up to €100,000, national DGSs differ significantly in how they operate. As a result, retail depositors may hesitate to place funds with banks protected by a foreign DGS. They may not fully understand whether, or how, they are protected and may be reluctant to depend on an authority whose crisis response they do not fully understand or trust (e.g. language, legal regime, or preference for "own" residents). While this is largely a perception issue, it constitutes a major barrier for retail banks offering cross-border services through branches.

2. Barriers that impede cross border consolidation

The system of national DGSs creates significant complexity for cross-border consolidation and restructuring. DGS contributions are generally not transferable when business structures change, for example in mergers and acquisitions, which is clearly inconsistent with the European single-market objective.

3. National Deposit Insurance is a more fragmented approach

European banks are better capitalised than ever and have built up substantial loss-absorbing capacity (MREL), amounting to around 28% of risk-weighted assets. In addition, large resolution funds exist, notably the SRF, which currently holds around €78 billion. Against this backdrop, a European DGS would represent a final additional step that could further strengthen confidence in and stability of the European financial sector. National DGSs are more exposed to local idiosyncratic shocks than a prudently designed, Banking-Union-wide fund; the larger and more diversified the pool, the stronger the insurance.

Factors that require due consideration:

1. Not all banks stand to benefit equally from the creation of EDIS

The added value of EDIS differs across institutions. Pan-European banks, for instance, stand to benefit directly, whereas banks active in a single Member State stand to benefit indirectly from the enhanced economic growth. In this context, it is also important to resolve the bank-sovereign nexus as well as home bias of discretional sovereign bond holdings taking into account specific business models (e.g. public sector banks).

2. Not all contributors to EDIS are theoretical benefactors.

In terms of financial contributions, EDIS is unlikely to materially change the position of (medium-sized) banks compared with the current situation. Such banks already contribute to DGS funds but in practice are unlikely to draw on them, as they would enter resolution in case of severe distress. Much depends on the design of a European DGS, including contribution keys and permitted use of funds. From a proportionality perspective, contributions should align with other part(s) of the Banking Union on which an institution would rely in a crisis, which is not the case for SRB-banks today. Here, it is also important to take note of the 'free rider syndrome', where riskier banks that do not have sufficient loss absorption and recapitalisation capacity stand to benefit more from collective insurance. It is our collective responsibility to ensure EDIS does not increase risk, via the continued application of high-quality prudential supervision. 3. The potential of a liquidity facility as a starting point A liquidity facility as a starting point for a European DGS could be workable, provided the number of exceptions is limited, to avoid unintended further risk or sharing of funds in the event of depletion or non-recovery. 4. DGS funds should only be used to protect covered deposits. Funds in a European DGS, and any (limited) form of risk sharing between European funds, should be used exclusively for covered deposits, subject to the outcome of the least-cost test. We do not support a setup where DGS and Recovery and Resolution purposes are combined.

(41) In your view, a possible new banking union-wide deposit protection fund should…

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	No opinion
… be used to provide only liquidity support to national DGS		x				
…replace national DGSs			X			
…replace national DGSs for deposits in a subset of banks as identified in the previous question		x				
…other						

Please explain.

Please refer to our previous answers pertaining to DGS.

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.

(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? How could it affect the bank-sovereign nexus and the reliance on national taxpayer-funded resources in a crisis?

○

Yes ○

No

Please explain.

Banks that have emerged from resolution are usually solvent, but are often temporarily illiquid due to the loss of wholesale markets access and facing deposit outflows. It is rarely realistic to expect private counterparties to rapidly resume lending to a recently resolved bank, particularly in a more digitalised world where confidence can deteriorate within hours. The central issue – *the differences compared to other legal systems (in the UK, for instance, the Bank of England can provide liquidity directly to a resolved entity, while in the US the FDIC has a comparable role through its funding mechanisms)* – and possible solutions have been discussed for years.

The combination of the sound recovery and resolution framework in the EU, including the privately funded Single Resolution Fund, with ECB backstop via Emergency Liquidity Lines, would confer the EU banking system further confidence which would be extended to the European economy.

It would also bring about a unique opportunity to overcome the longstanding hurdle to achieve a more integrated European banking system; it could help tackle the resistance of host countries to the unfettered movement of capital and liquidity across national borders. It would also justify a true simplification of the MREL framework that could be replaced by an equally sound and simpler TLOF requirement.

An effective resolution fund and adequate MREL requirements are the most important elements limiting the potential impact on the taxpayer-funded resources.

However a European liquidity backstop would further weaken the bank-sovereign nexus by reducing (perceived) reliance on national fiscal backstops. The current absence of a common EU liquidity-in-resolution tool implicitly reinforces expectations that national authorities may still need to intervene, particularly if collateral is insufficient. By contrast, a centralised European solution, involving ECB liquidity supported by SRF/ESM guarantees, would help ensure that liquidity support is provided on a genuinely European basis, lowering the perceived link between banks' stability and their home sovereigns.

(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? If yes, what do you consider to be the desirable features of such mechanism?

Yes. An effective mechanism ensuring sufficient liquidity provision in resolution would effectively fill in the existing gap. It is necessary to reassure stakeholders and market participants, to restore confidence in the institution in resolution, and to stabilise the situation, as could be seen in the case of Credit Suisse. It is unclear, however, how such a mechanism would support the integration of banking markets. Such mechanism should also support the integration of banking markets. By providing predictable access to temporary liquidity to resolvable banks in resolution, such a mechanism would reduce incentives for national authorities to ring fence liquidity ex ante and could therefore facilitate a more efficient cross border allocation of internal resources within banking groups.

In terms of desirable features, liquidity should be provided by the ECB (possibly guaranteed by the EU, Member States or the ESM, against penalty rates (to incentivise refinancing by market if and when possible). In the light of simplification, we would note that the key question is whether this requires the introduction of a new mechanism or whether existing mechanisms could achieve the same objectives.

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 'homebias', 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'.

(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	No opinion
Application of prudential requirements at solo level	X					
Other (prudential) rules		x				
Limited cross-border financial integration			x			
Role in market-making for home sovereign debt			X			
Business model considerations (aligning assets with domestic activity)		X				
Government pressures to invest in the local sovereign bond market					x	
Expectations of public support					X	
Investment in home sovereign debt perceived as safe and highly liquid asset	X					
Insufficient access or supply of other governments' debt fitting the risk-appetite of the bank.					x	
Other (please specify)						

Please explain.

The currently applicable restrictions on the free flow of capital and liquidity create a home bias, at branch/subsidiary level. For liquid asset buffers, there is a home bias towards investing in government debt issued by the Member State. Here, concentrations in higher yielding government bonds, can create an additional risk, which requires consideration by the banks risk management. The application of macro prudential buffers can create a bias in cases of mergers and acquisitions. In such situations, banks will have an incentive to relocate their statutory seat to a more favourable Member State. This uneven playing field need to be addressed as a matter of urgency.

Looking more specifically at national promotional banks and public guarantee institutions, we note these are mission-driven institutions which use financial instruments to pursue public objectives, promoting economic development, environmental sustainability and social equity. Most of the financing is directly to government (municipalities, regional governments, central governments), publicly owned companies and institutions or is guaranteed by government. Hence, acting locally, the exposure of national promotional banks and public guarantee institutions is to their home sovereign. This exposure is not disproportionate but a consequence of the business model and this effect should also be considered.

(45) Do you consider that the EU framework on the regulatory treatment of sovereign exposure should be improved? If yes, how should this be done, and how would it affect the holdings of sovereign debt by banks?

Yes. The question suggests (in combination with the previous question) measures to address the home-bias. We would, however, like to stress that for any potential measure it is important to distinguish between exposures to its sovereign which are at the discretion of the institution and exposures to the sovereign which is directly linked to the business model. Exposures at the discretion of the institution, primarily take the form of sovereign bond holdings as part of the requirement to maintain a buffer of highly liquid assets. Exposures that follow from the business model of a bank take the form of extended credit, and these exposures can be entirely to the sovereign in case of promotional banks. It is clear that the scope for action to address a home-bias differs between these two types of exposures. As such, any potential measure should differentiate between these exposures. It would, for instance, not make sense to limit the amount of credit provision by a promotional bank to the national economy it serves beyond the currently applicable requirements (i.e. solvency and leverage) as this would negatively impact the ability of promotional banks to execute their mission.

(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.

We do not have an opinion on this topic.

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

(47) How would you evaluate the current regulatory framework for banking in terms of:

	Low	Somewhat low	Medium	Somewhat high	High	No opinion
… effectiveness (the extent to which the framework achieved its objectives)				X		
… proportionality (the extent to which the objectives of the framework are achieved at minimal cost)		X				
…EU added value (extent to which EU intervention provides benefits that could not be achieved by Member States acting alone)				x		
…relevance (extent to which EU intervention provides benefits that could not be achieved by Member States acting alone)					x	
…coherence (extent to which a policy/intervention is internally consistent and externally consistent with other EU policies)		X				

(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	No opinion
…the overall framework					X	
…the minimum capital requirements (Pillar 1)				X		
…the supervisory measures (Pillar 2)					X	
…the macroprudential requirements					X	
…the resolution requirements					X	
Other						

Please explain.

Looking at the overall framework from a legal perspective, the volume and complexity of CRR + level 2 ITS/RTS + level 3 Guidelines/Q&As is high. It is complicated to read texts in conjunction, and regulation is sometimes phrased in ways that are insufficiently clear. This results in apparent complexities and contradictions with and across texts. Then, from a prudential / risk management perspective, the overall regulatory framework is highly complex, particularly with regard to the interaction within and between Pillar 1, Pillar 2, buffer requirements and discretionary supervisory measures within these. This may lead to double counting of risks, and make it difficult to understand and steer on capital requirements.

On resolution: the requirements that institutions must comply with under the resolution regime are extensive and highly complex. First and foremost are the requirements of the BRRD and SRMR, which were most recently amended by the CMDI review. Added to this are the Level 2 and Level 3 measures. The resolution regime, which is already complex due to the aforementioned requirements, is complicated by the extensive expectations of the resolution authorities, in particular the SRB, regarding the resolvability of institutions. These expectations are effectively regulatory in nature. The trend has been towards further complicating the rules rather than reducing complexity.

(49) Which type of instrument adds the most undue complexity to these parts of the frameworks?

	Low	Somewhat low	Medium	Somewhat high	High	No opinion
International standards (Basel, FSB)					X	
Level 1 EU legislation (i.e. regulation/directives)					X	
Level 2 EU legislation (i.e. technical standards)					X	
Level 3 EU measures (i.e. EBA guidelines, Q&As, etc.)					X	
Supervisory guidance/practices					X	
Implementation differences of EU legislation at national level					X	
Interaction with other national legislation					X	
Interaction with other EU legislation					X	
Other						

Please explain.

Complexity of the regulatory framework is introduced at all levels. For instance, the belts and braces approach regarding the interplay between risk-based solvency requirements, the leverage ratio and the standardised approach output floor was created at the Basel level. This setup creates immense complexity for IRB banks, as they need to construct a fully functional and highly granular SA RWA calculation for all IRB portfolios. This also includes handling differences in eligibility of credit risk mitigation and setting up an allocation mechanism for the SA output floor in case it is constraining.

Further complexity is added in the EU, via gold plating of international standards (e.g. the macro prudential framework, which is both gold plated at the EU level and implemented in a very fragmented way). Additional EU complexity is furthermore added via level 2 and level 3 legislation and supervisory expectations. Especially the rule based elements in the level 2 and 3 legislations, including supervisory guidance/practices complicates the EU single rulebook. It requires a significant amount of staff to comply with these (implicit) regulations and to demonstrate to the competent authority that the bank is compliant with all the details of the requirements. Simplification, by reducing the amount of level 2 and 3 regulation and supervisory guidance/practices would definitely help.

Especially the rule based elements in the level 2 and 3 legislations, including supervisory guidance/practices are too prescriptive and make the EU single rulebook quite complicated.

In some cases we notice that interaction with other EU legislation significantly complicate matters, like the specific requirements Spain is planning to enforce on payments data.

In addition, the use of directives furthermore increases complexities, as national implementations differ slightly, which also results in fragmentation.

(50) Would you support less complexity in the bank regulatory framework even if this means…

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	No opinion
…less risk sensitivity within riskweighted requirements		X				
…increase in capital requirements					X	
…less consideration for EU specificities			X			
…less consideration for national specificities		X				
…higher contributions to safety nets (DGS and resolution funds)					X	
…less resilience/ financial stability		X				

Please explain.

In comparison to other jurisdictions, capital requirements for EU banks are already high and should not be increased further. Additional increases could constrain banks' ability to finance the real economy and risk weakening the competitiveness of the European banking sector compared to other major jurisdictions. This could ultimately also undermine the EU's capacity to support key strategic priorities, including economic resilience, strategic independence, the economy's digital and green transitions, as well as address growing defence-related financing needs.

Policymakers should prioritise simplification of the existing framework and reduce gold plating of international standards. Complexity can be reduced by removing fragmentation, limiting national discretions and by reassessing particularly complex elements of the regime.

Examples are the standardised approach output floor, detailed property valuation rules, and the operational design of the NPL backstop. Streamlining/simplifying these aspects reduces operational burdens without compromising financial stability.

Unfortunately, the devil is in the detail with topics like this one, so more detailed answers will depend fully on the details of the proposals.

(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?

Provisions in directives that currently allow extensive national options and discretions would be more effective if turned into directly applicable regulations. In particular where these options and discretions create bottlenecks for cross-border activities and affect the intra-EU level playing field. Member State Competent Authorities should still have specific discretions to address Member State specific circumstances, but these discretions should be methodologically aligned and safeguards to preserve the level playing field should be in place.

Gold-plating, government interventions and enforcement

(52) Do you have concrete examples of gold-plating of EU rules via transposition of EU directives, national options and discretions? If so, please list them here.

Yes.
The most significant cases of gold plating occur at an EU level above the framework outlined in the Basel Accord and the extension of this gold plating to all EU banks. As a result of gold plating, capital planning in European banks is a conundrum. At a time when the EU economy is facing increasing financing needs for the green transition, the digital transformation and the competitiveness of EU businesses at global level, it is imperative to avoid trapping bank resources vastly in excess of the global minimum requirements applied by peer world regions or going beyond the Level 1 rules agreed by EU co-legislators.

Relevant examples are:
1. Macroprudential framework for banks

2. EU MREL requirement vs. international TLAC standard

3. Double counting of capital requirements in Pillar 1 and Pillar 2

4. Gold-plating on Prudent Valuation framework

5. Off-balance sheet items and Unconditional Cancellable Commitments

6. Potential changes to the valuation of non-CET1 instruments

7. Competent Authority not identifying any of the Dutch Public Sector Entities towards EBA, which are therefore not included in the list of public sector entities as issued by EBA under CRR article 116(4).

8. Since 2014, competent authorities do not publish the loss data as required by article 99 and later 430a CRR. ECB informed us they will start publishing this as per end of April 2026 for 31 December 2025 data. The Dutch Central Bank publishes this data since 2023, however the historic information since 2014 is not published. Other authorities, like the Austrian CA does not publish this data, which we regard as non-compliant with the CRR requirements. This non-compliance hinders banks to apply credit risk mitigation for income producing real estate and/or revised treatment under the SA as agreed by the co-legislators.

9. Countercyclical Capital Buffer is implemented differently across Member States. In particular, some jurisdictions allow a "positive-neutral" CCyB approach, while others consider such an approach legally impossible under the CRD (which, we note is the same for all Member States). We therefore advocate for the removal of PNR-CCyB.

(53) Do you have concrete examples of excessive government intervention in business decisions of banks? If so, please list them here.

Yes, for example the imposition of an extraordinary tax on credit institutions, as in Spain (2022) and Italy (2023). The Netherlands has a banking tax and a 20% bonus cap that goes beyond the EU legal requirements. This caps hinders banks from hiring of highly sought after staff in domains like IT.

Regarding taxation of the financial sector, the EU has a number of different taxes and levies. They vary in rate and a common basis for the levies is the size of the balance sheet adjusted for equity. Hence, the tax rate is based on the leverage of the institution. This implied target leverage deviates methodologically from the prudential leverage ratio ("equity" versus "equity and tier 1 instruments") and may deviate in target from the prudential target ratio. For instance, in the Netherlands a levy is raised in case the leverage ratio of the bank is below 10.6%, well above the prudentially required leverage ratio. Next, some levies are based on the liability side of the balance sheet, where the applicable rate depends on the term structure of the liability side (short term: high rate, long term: low rate). Obviously, the levies in some instances override prudential requirements, and influence business decisions by institutions.

(54) How would you assess the level of enforcement of EU banking rules? How can this be improved?

We consider this overly burdensome, especially at the level of the SSM. This can and should be improved.

As part of regulatory simplification, Europe should redesign its model for supervision, so that the intensity of supervisory and actions is allocated based on actual risk signals. In the context of this consultation, there have been hints regarding a potential separate regime for smaller banks. In our view, a one-sided view on size is not the way to go. Smaller banks can be risky, as can bigger ones. But bigger ones can also be less risky. We urge for a true risk based approach that focusses on 'robust' versus 'less robust' banks. Strong institutions, big or small, should not be subject to the same level of intrusive oversight as less strong ones.

In this regard banks with consistently strong capital and liquidity ratios, strong SREP outcomes, robust stress-test results and/or low-risk business models should benefit from a lower frequency of meetings, inspections, and information requests.

In short:

- We do not ask for de-regulation. Instead we ask for less administrative burdens, less supervisory interaction through inspections and meetings, if criteria such as capital and liquidity ratios, SREP scores, stress test results and/or the business model cater for this
- This prospect for less administrative burdens (both for the CA as well as for banks) would give an incentive to institutions to become even more robust (and admittedly, there might be a price to pay for less robust institutions), and this could increase competitiveness.

We regard this as low hanging fruit; it is very simple to accomplish. No long process to changes the rules are needed to implement this.

Relevant authorities

(55) How would you evaluate the various authorities responsible for banks in terms of:

		Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	No opinion
… effectiveness (the extent to which authorities identify weaknesses and address them)	Supervisory authority		X				
	Macroprudential authority		X				
	Resolution authority		X				
… risk-based (the extent to which authorities focus on the most material risks in a proportional way)	Supervisory authority		X				
	Macroprudential authority				X		
	Resolution authority		X				
… efficiency (extent to which authorities are reacting timely and are outcome focused)	Supervisory authority			X			
	Macroprudential authority			X			
	Resolution authority			X			
Other							

Please explain.

A key challenge for banks relates to the complexity of information requests from competent authorities. These requests can be highly detailed and may not always be fully aligned with the underlying risk profile.

On macro-prudential matters, differences in methodologies across jurisdictions and the resulting fragmentation remain significant. Against this backdrop, the NVB advocates to name the ECB as the single macro-prudential authority for the EU. For this purpose, the ECB should be given a secondary mandate for competitiveness. We make this point because the number and volume of macro-prudential measures in the EU are materially higher than in other jurisdictions, and the trend remains upward. Over time, this may weigh on the EU economy as we move beyond optimal capital levels.

(56) How would you rate the degree of accountability of various authorities responsible for banks?

	Low	Somewhat low	Adequate	Somewhat high	High	No opinion
Supervisory authority	X					
Macroprudential authority	X					
Resolution authority		X				

Please explain.

We acknowledge the significant progress made in EU legislation and supervisory practices on accountability, including where the supervisor is required to provide justification when Pillar 2 decisions are made. Such decisions, as well as supervisory expectations, can have a material impact on institutions in terms of capital requirements, operational costs and competitiveness, and can significantly impact the market in general. Between 2014 and 2024, the supervisory costs of the European Central Bank's banking supervision rose by around 334% (2014: EUR 156.9 million; 2024: €680.6 million, which means about 16 % increase p.a.).

Accountability should always be accompanied by responsibility, Competent authorities should not only disclose and justify their actions and expectation but also balance trade-offs. This requires solid ex ante impact assessments / cost-benefit-analyses of supervisory policies and measures. We have several suggestions to improve the accountability framework surrounding ECB supervision. First, greater transparency of core supervisory methodologies would help ensure that institutions and markets can better understand how supervisory assessments translate into concrete supervisory measures. Second, supervisory expectations and similar instruments should remain clearly anchored in existing legislation and should not evolve into de facto regulatory requirements. Third, reporting and scrutiny at EU level could focus more explicitly on the cumulative effects of supervisory practices, not only on individual supervisory decisions. Finally, review mechanisms within the SSM architecture could be strengthened in order to provide more effective procedural safeguards where supervisory interpretations materially affect institutions.

We would welcome an independent evaluation mechanism that addresses the appropriateness, effectiveness and proportionality of impactful supervisory measures, especially when these are imposed on multiple institutions against the same background and rationale.

Intellectual property rights

(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? Please indicate the approximate share of total SME/scale-up lending for each category.

No answer is provided to this 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	No opinion
Regulatory capital treatment						X
Valuation uncertainty						X
Legal enforceability concerns						X
Internal risk policies						X
Lack of risk-mitigation instruments						X
Other (please specify)						X

Please explain:

No answer is provided to this 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	No opinion
Public guarantees covering part of IP-backed loans						X
IP collateral protection insurance supported by public schemes						X
EU-level standardised IP valuation methodologies						X
Securitisation frameworks for IP backed loan portfolios						X
No measure would materially change our current approach						X

Please explain:

No answer is provided to this question.

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.

(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?

Undue complexity within the prudential framework stems from, among other things, the distribution of power across multiple authorities, as referenced in many responses throughout this consultation document. Reducing gold plating and undue complexity is key to boosting EU competitiveness.

However, fragmentation across authorities and the resulting duplication, excessive gold-plating, and excessive use of discretionary tools should be removed from the regulatory framework in order to truly simplify areas that have become too complex.

Concrete examples of undue complexity abound, the following being some (among many):
-Output floor: The parallel implementation of IRB and SA for the output floor calculation creates massive operational complexity due to misalignment of exposure class segmentation and collateral eligibility between the two approaches, as well as the requirement for IRB banks to implement a complete SA calculation. This does not enhance financial stability given that IRB models are already subject to extensive supervisory scrutiny (TRIM, IMIs). Furthermore, there is a risk of double counting, as there is an overlap between the Output floor and the IRB shortfall. The latter arises because IRB shortfall is an IRB specific deduction in the solvency ratio numerator, which continues to apply when output floor is binding a bank to 72.5% of the SA RWAs in the denominator.

If the Commission really wants to simplify the EU capital requirements and reporting costs for banks, it should consider eliminating the output floor requirements for banks that use IRB models. We are aware that this would be a significant deviation from the Basel Standard, the EU should also consider its commitment to a profound overhaul and fixing of internal models, leaving the original aim of the floor (reducing RWAs variability) outdated. Furthermore, the Commission can take comfort in the fact that the United States, as inventor of this measure, is now proposing not to implement it in the US.

-For real estate, the Standardised Approach is complex and too detailed when it relates to historic information and the valuation of the real estate.

- NPL/NPE prudential backstop: This measure was designed to address legacy NPL stocks from the sovereign crisis, but EU NPL ratios have now fallen to historically low levels. For example, the UK has already removed this requirement. The backstop now imposes unnecessary capital inflation. The DBA supports introducing a materiality threshold of 5% for the application of the Pillar 1 NPE backstop.

- Property valuation: Overly prescriptive rules on property valuation and monitoring create disproportionate burden relative to risk mitigation benefits. Therefore, the concept of property value should be removed from the CRR.

- Due diligence: Obligations for banks to conduct "due diligence" on external seem redundant, given that prudential regulations only allow the use of ratings assigned by recognized ECAIs (External Credit Assessment Institutions) operating within a specific regulatory framework. The elimination of such obligation would represent a simplification that would not correspond to lower conservativeness of the prudential framework.

Risk sensitivity

(60) Does the prudential framework balance sufficiently risk sensitivity and complexity? If not, how should this disequilibrium be addressed?

No. The current framework does not adequately balance risk sensitivity and complexity, nor does it subsequently facilitate an efficient use of capital. On one hand, the framework has become extremely detailed and prescriptive and even seemingly minor issues are regulated in meticulous detail across Level 1, 2 and 3 texts. On the other hand, genuine risk sensitivity is undermined by backstop measures (output floor, leverage ratio) that override model-based risk assessments. The disequilibrium could be addressed by: (i) moving toward more principle-based regulation rather than micro-prescriptive rules; (ii) reducing the number of overlapping backstops; (iii) ensuring that EU implementation does not go beyond Basel standards where this is not justified by specific EU characteristics; and (iv) conducting rigorous cost-benefit analysis before introducing new requirements.

(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
- No opinion

Please explain.

The current EU prudential framework comprises of multiple back stops, like output floor, NPL backstop and the leverage ratio) without a clear substantiation why risk are not double counted.

The NPL backstop was introduced to reduce the amount NPLs in the EU, but also creates administrative burdens on banks that do not have high NPL ratios (say less than 2%). Therefore the backstop should only be applied when the NPL ratio as reported by banks is above 5%.

The output floor mechanically raises RWAs toward 72.5% of the SA amount, while the leverage ratio constrains total exposures as a risk insensitive backstop. The combined effect distorts incentives. The leverage ratio penalises very low-risk, system-critical exposures (central bank reserves, matched-book repos), and the output floor neutralises the benefits of sophisticated internal models that have been subject to extensive supervisory scrutiny. Furthermore, the SA output floor in the capital framework has made the system significantly more complex. IRB banks have to calculate their capital requirements twice, first based on internal models and based on the Standardised Approach for all their risk exposures. Complying with these requirements in all their details, significantly adds complexity in operations and IT systems of banks and increases the cost of operations. As the IRB and SA approaches are based on different assumptions and concepts, it will be hard for floor-constrained banks to optimise their capital requirements and to allocate the floor to business units. Furthermore, there is double counting of the same risk, given the overlap between the Output floor and the IRB shortfall. The latter arises because IRB shortfall is an IRB specific deduction in the solvency ratio numerator, which continues to apply when output floor is binding a bank to 72.5% of the SA RWAs in the denominator.

Additionally, Pillar 2 overlays often re-address risks already covered under Pillar 1, creating double counting (for example, model risk is constrained by the output floor at Pillar 1 while being re-addressed by P2R). We advocate for a clearer delineation between risk-based requirements and true backstops, with backstops functioning as simple safety nets rather than binding constraints under normal conditions.

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.

(62) Do you think that the leverage ratio framework would need improvement? If yes, do you have any suggestions as to how to improve the leverage ratio framework?

Yes. In our view the leverage ratio (LR) should be a simple backstop, in line with the initial view of the Basel Committee. However, in its current setup the leverage ratio has unintended consequences regarding exposures to central banks and high-quality sovereign exposure. We propose either excluding or adjusting the treatment of central bank reserves and specific high-quality sovereign exposures in the Leverage Ratio (LR) exposure measure. This approach aligns with relief offered in other major jurisdictions, such as the UK, which would help maintain the level playing field and removes disincentives for participating in sovereign bond and money markets.

Furthermore, it's important to highlight a structural double-counting within the leverage ratio for both derivatives and Securities Financing Transactions (SFTs). For derivatives, the exposure calculation begins with the accounting value (replacement cost) and subsequently includes a Counterparty Credit Risk (CCR) add-on, without fully recognising the mitigating effects of initial margin or compensation mechanisms, which are very common and well-functioning risk mitigation techniques in this field. Even in client clearing activities where margins are recognised, the SA-CCR multiplier does not adequately reflect collateral that genuinely secures the exposure, leading to an overly conservative charge. A similar, though less significant, effect arises for SFTs due to the coexistence of accounting exposure and E*.

Therefore, we put forward two proposals:

1. the alpha factor should not be applied to Replacement Cost (RC) for Own Funds (CCR) or for the leverage ratio. Derivatives are recorded at fair value, and thus do not require a model risk uplift. It's crucial to remember that the LR should be non-risk-based and, consequently, should disregard the 1.4 alpha factor.
2. the recognition of netting and margining for exposure reduction, currently restricted to client cleared derivatives, should be extended to all margined trading activities to ensure consistent treatment across the board.

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).

(63) Do you think the Pillar 2 Requirement needs to be improved? If yes, do you have any suggestions as to how to improve the Pillar 2 Requirement?

Yes. P2R should be enhanced by making it more transparent, more predictable, with more clarity about the underlying methodologies used in Pillar 2 assessments. The aim is to notably reduce the degree of supervisory discretion involved, ensuring a clearer differentiation from Pillar 1 requirements and other capital buffers, thereby actively avoiding unintended and often unclear overlaps/double counting. Critically, these enhancements in transparency and predictability are to be achieved without resulting in an increase in overall capital requirements for institutions.

In this regard, clear and standardized methodologies for risk assessment under SREP (Supervisory Review and Evaluation Process) should be developed. The scope for P2R should be limited to risks that are not covered by Pillar 1 or (macro prudential) buffers. More detailed guidance on how P2R and P2G are set should be published. An additional item for consideration is the potential introduction of ceilings for P2R to enhance convergence across Member States.

(64) Do you think the Pillar 2 Guidance needs to be improved? If yes, do you have any suggestions as to how to improve the Pillar 2 Guidance?

Yes. The transparency, predictability and clarity about the underlying methodologies used in Pillar 2 assessments should be improved. The aim is to notably reduce the degree of supervisory discretion involved, ensuring a clearer differentiation from Pillar 1 requirements and other capital buffers, thereby actively avoiding unintended and often unclear overlaps. Critically, these enhancements in transparency and predictability are to be achieved without resulting in an increase in overall capital requirements for institutions.

In this regard, clear and standardised methodologies for risk assessment under SREP (Supervisory Review and Evaluation Process) should be developed. The scope for P2R should be limited to risks that are not covered by Pillar 1 or (macro prudential) buffers. More detailed guidance on how P2R and P2G are set should be published. An additional item for consideration is the potential introduction of ceilings for P2R to enhance convergence across Member States.

The level of the Pillar 2 guidance for each bank is based on how it performs in the regular EU-wide stress tests, which examine the impact of an economic shock on banks' capital ratios. Targeted at the banking industry as a whole, the EU-wide stress test does not, or to a limited extent take into account business specificities reducing the usefulness for certain business models. Therefore, the EBA excludes banks with specific business models from the sample, such as promotional banks. The ECB, however, re-includes the promotional banks subjecting them to the EBA methodology. Hence, the ECB bases the P2G requirement on a methodology which the EBA does not deem appropriate for these institutions.

More generally, the level of P2G is informed by the capital depletion in the stress scenario, not explicitly taking into account the starting point. Hence, well-capitalised banks (with capital ratios well above the minimum after stress, such as promotional banks) may be subject to significant P2G requirements. Additionally, the P2G structurally overlaps with macroprudential measures that pursue the same objective. A comprehensive review of the P2G should be conducted in the context of the broader macroprudential framework review. Here methodologies should be aligned across Member States and the ECB should become the single macro prudential authority to preserve the level playing field and EU banks' competitiveness. Finally, the interaction with other buffers should be taken into account. For instance, a positive neutral capital conservation requirement.

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.

(65) What determines the level of the management buffer? How much does the management buffer weigh in the overall capital set aside by banks? Do you think there are unwarranted pressures to set such a buffer, if yes do you have any suggestions that would help reduce undue external incentives to set management buffers?

The management buffer is not set mechanically, but follows from the overall CET1 ratio target. However, banks take into account an appropriate management buffer when setting overall CET1 targets. This target is based on regulatory requirements and stakeholders and peers expectations, where targets and management buffer are challenged with the outcomes of the sensitivity analyses and stress testing.

Part of the buffer is related to the uncertainty in requirements caused by the multiple authorities responsible for setting these requirements, resulting in additional uncertainty in capital planning. The management buffer is an important part of the overall capital set aside by the bank and is available for uncertainty surrounding the projection, facilitating transition periods for (business) strategy, distributions and other use in line with the strategy. Banks do not feel unwarranted pressure when setting this buffer.

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, and (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.

(66) Are, in your view, the various elements of the framework aimed at reducing NPLs working as intended? If you answer 'No', please specify the potential areas of improvement

- Yes
- No
- No opinion

Please explain and, if deemed relevant, provide suggestions to improve the framework.

When the NPL backstop was introduced, it resulted in rapidly decreasing NPL ratios. When the objective of the measure was achieved, the back stop remained in place. As we now have a system where NPL levels are low, it is no longer necessary to require institutions with low NPL ratios to continue to carry out the complex calculations. In order to simplify the framework, whilst maintaining resilience, we advocate for the introduction of an threshold to the NPL backstop, i.e. only to require banks with an NPL ratio in excess of 5% to perform the detailed calculations and report the results to their CA.

Own funds instruments

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

We do not see any issues in the EU regarding the rules applicable to own funds instruments. AT1 should therefore be maintained in its current form. We are, however, aware of policy options being considered. Against this backdrop we will be answering question 67.1.

(67.1) If you see issues with AT1 instruments, what measures would you recommend for improving the functioning of AT1 instruments?

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	No opinion

Increasing conversion trigger					X	
Imposing conversion instead of write-down					X	
Facilitate coupon cancellation by making them more automatic and common					X	
Review minimum distributable amount (MDA) triggers						x
Other (please specify)						x

Please explain.

We believe that European AT1 capital instruments are safe and work well. Issues observed in Switzerland are not expected to happen in the EU due to different characteristics of the instruments. Particularly, European AT1 instruments have clear, contractual write-down/conversion triggers linked to CET1 thresholds, and the EU resolution framework (BRRD) provides a structured process for bail-in that respects the creditor hierarchy. The Swiss approach, where AT1 holders suffered losses while equity holders were partially compensated, was specific to Swiss emergency legislation and does not reflect the EU framework. We therefore believe that there are no changes necessary to AT1 instruments.

For “Increasing conversion trigger “: Dutch banks already operate at a higher trigger of 7% in their AT1 structures. Recent history has shown that most of crises are liquidity and not capital related. As a result raising CET1 trigger levels is not a cure for stress experienced on balance sheets.

For “Imposing conversion instead of write-down”: As a result of different corporate structures, not all banks (for instance those with a cooperative structure and restricted ownership such as public banks) have the possibility to include a conversion into shares in their AT1 structures. Conversion into shares require AGM approval to issue new shares or dilute current shareholders. EBA has expressed the view that it is not in favour of the coexistence of two different AT1 structures outstanding within the same liability class. Introducing a “new” AT1 structure also impacts the current outstanding temporary write down AT1 structures. A grandfathering regime should be introduced to avoid the investor perception of eventual forced liability management exercises which can be costly.

In the past, the EC explicitly mentioned that they strongly believe AT1 instruments should be accounted for as equity. AT1 structures that would convert into a variable amount of shares, would however be accounted as a liability. Liability accounting is favoured for AT1 instruments, but changing the structure to conversion into shares to achieve this is not (see under “other” below).

For “Facilitate coupon cancellation by making them more automatic and common”: Coupon payments on AT1 instruments are, like dividends, fully discretionary. As a result, AT1 coupon payments can be cancelled without when certain regulatory restrictions are not met. Against that backdrop, it is unclear to us why cancellations should be further facilitated. Automated restrictions of coupon distribution are already statutory in the sense that no coupons may be paid when there is insufficient room to distribute.

For “Review minimum distributable amount (MDA) triggers”: MDA triggers and related quartiles from the combined buffer requirement are too complex for external investors due to the relation with the capital requirements of a specific institution and the fact that these requirements differ per institution. Furthermore the capacity to distribute depends on the institution generating profits and the capital position. Increasing restrictions on coupon payments would make returns more uncertain. This in turn would result in the instruments becoming more expensive and more difficult to refinance / issue.

For “other”: By targeting non domestic currencies the investor base for AT1 instruments could be broadened and diversified. Diversification makes refinancing of AT1 instruments less risky and potentially more cost efficient. To make this possible, without changing the temporary write down structure, it would be welcomed to allow the inclusion of contingent clauses in AT1 instruments that would allow for liability accounting of the AT1 instrument. These contingent clauses would only apply upon disqualification of the instrument and as a result not hamper the own funds qualification. Issuing equity accounted AT1 instruments in a foreign currency creates volatility in the CET1. This is an issue, because no hedge accounting can be applied on equity accounted instruments, which makes it unattractive and imprudent to issue equity accounted instrument in foreign currencies.

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.

(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	No opinion
The current rules introduced by CRR3 achieve the right balance - no need to revise the output floor framework					X	
Some or all of the transitional derogations related to the output floor should be prolonged					X	
Some or all of the transitional derogations related to the output floor should be made permanent	X					
The output floor should only apply at consolidated level	X					
The calibration of the output floor (72.5%) should be increased					X	
The calibration of the output floor (72.5%) should be made more risk-sensitive	X					
The calibration of the output floor (72.5%) should be reduced					X	

Other (please specify)	X					

Please explain:

The standardised approach output floor constraints the use of internal models. As the floor is being phased-in, European banks continue to be under high scrutiny by the supervisor (e.g. TRIM, IMIs) over the continued quality of internal models. The floor disregards all the efforts made by European competent authorities and banks to improve the quality of models. Also, the standardised approach output floor disproportionately affects European banks, which generally rely more on on-balance sheet lending rather than fee based businesses. This situation contrasts with the United States, where banks make greater use of fee based strategies, resulting in a comparatively lower impact of the floor. Consequently, capital increases required under the output floor are higher in the EU. It should be noted that the US agencies are now proposing not to implement the Standardised Approach output floor, even though it were these same US agencies who advocated fiercely for its introduction. Against the backdrop of the impact on the competitiveness of the low-risk on balance sheet business model of European banks, it is our firm belief that: i) the US agencies should faithfully implement the output floor, and ii) the EU should make the transitional arrangements for low-risk mortgages and unrated corporates permanent, in an effort to mitigate unintended consequences for the EU economy.

Should the EU legislature decide to keep the standardised approach output floor in place, irrespective of US non-compliance, EU authorities should at least take steps to mitigate the impact of the output floor on banks' capacity to lend to the real economy by making the transitional arrangements for qualifying low risk mortgages and unrated corporates permanent. Also, it should be noted that implementing the standardised approach for all exposures, whereby exposure class segmentation and collateral eligibility are not aligned between IRB and SA, the OF creates significant operational complexities.

In addition, the level playing field should be improved by removing the Member State option for applying the low risk mortgage treatment.

Questions 68(e) ("The calibration of the output floor (72.5%) should be increased") and 68(g)("The calibration of the output floor (72.5%) should be reduced") refer to possible changes to the calibration of the output floor. While a lower calibration would mitigate the disproportionate impact on European banks compared with other jurisdictions, making targeted transitional measures permanent would also achieve this goal in a more risk sensitive manner.

3.3. Macroprudential framework

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

The EU macroprudential framework for banks, which includes both capital-based measures and risk-weight tools, is perceived as being rather complex in international comparison. The capital buffers framework features five buffers, two of which are EU specific. The macroprudential framework also includes a riskweight 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.

(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	No opinion
The current number and scope of macroprudential buffers, some of which may potentially tackle similar risks	x					
The calibration of macroprudential buffers	x					
The calibration of other macroprudential tools	x					
The heterogeneous application of some tools like Other Systemically Important (O-SII) buffers across the EU	x					
The current reciprocity arrangements	x					
The decentralised macroprudential governance framework and prominent role of national macroprudential authorities in setting measures.	x					
Other						

Please explain.

On "*the current number and scope of macroprudential buffers, some of which may potentially tackle similar risks*", "*The calibration of macroprudential buffers*", "*The calibration of other macroprudential tools*", and "*The decentralised macroprudential governance framework and prominent role of national macroprudential authorities in setting measures*": if you look at the overview of macro prudential measures on the website of the ESRB, it becomes painfully clear how fragmented the application is across the EU. Countries that apply positive neutral countercyclical capital buffers are almost always located in the EU, more specifically in the Nordics and the Netherlands. On the global scale, one cannot regard these countries as having the highest systemic risk. We urgently need to converge on both the methodologies used and the authorities setting the buffers. Here we propose to create a pan-European institution that sets the methodology to establish macro prudential measures and the methodologies used to calculate them. This institution should, in line with our general point of view. Have a secondary mandate on competitiveness, thus ensuring the right balance between prudence and the ability of banks to lend to the real economy.

On "*The heterogeneous application of some tools like Other Systemically Important (O-SII) buffers across the EU*": we note significant differences in setting of O-SII buffers across the Union. As the EU has chosen to apply the Basel Accord to all banks, an O-SII buffer is a natural extension of the framework. The extent of its use (both in absolute and in relative terms), however, is excessive in comparison to other jurisdictions. In our opinion, setting of OSII buffers should also be left to the ECB as the single macro-prudential authority and it should have full discretion to set the requirement, unlike the current SSM top-up arrangement.

On “*The current reciprocity arrangements*”: the arrangements for reciprocity are complex and in our experience always lead to the measure also being applied in the Netherlands. The creation of the ECB as EU macro prudential authority would solve this puzzle at once, as reciprocation would no longer be required. Needless to say, this setup would tremendously reduce paperwork in the Union.

(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?

We have heard of the idea to create two macro prudential buffers; one releasable and one non-releasable buffer. Although we are sympathetic to the idea of simplification, it is unclear to us how this idea would work in practice. More specifically, no calculations / methodology has been provided on how the two buffers would need to be calculated. To make thing more concrete: the countercyclical capital buffer rate a bank reports, is made up of the sum of the exposures per country, times the CCyB rate in those countries. Volumes of exposures and CCyB rates will differ across countries and banks. The outcome will consequently be different for each bank, as it is based on individual circumstances. Without further details, we cannot assess this proposal for its true value. We do note, however, that naming the ECB as the single macro prudential authority could help alleviate this process. The ECB could perform the calculations and share the releasable and non-releasable buffer requirements with banks under its jurisdiction.

(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. ○

No opinion.

Please explain.

Sectoral risks most commonly apply to commercial and residential real estate. Experience from past crises show that commercial real estate in particular can be associated with elevated risks. From that perspective, competent authorities should have the means to address systemic risks in banks’ real estate portfolios. The good news is that authorities already have these tools available to them. In the current legal framework, the CA can apply:

i) a Countercyclical Capital Buffer
ii) a Systemic Risk Buffer
iii) higher risk weights under the Standardised Approach (CRR article 124)
iv) add-ons to internal models (CRR article 164)
v) impose higher SREP requirements
vi) additional capital requirements under CRR article 458.

This overview makes clear a lot of redundancy has been adopted in the EU. Against this backdrop, buffers for sectoral risks should be abandoned for all asset classes where double counting is methodologically allowed and/or in cases of EU gold plating. This means the systemic risk buffer and article 458 should be removed from EU law altogether (gold plating) and the application of the

Countercyclical Capital Buffer should only be allowed for non-real estate systemic risks to avoid duplication (gold plating).

(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	No opinion
The methodology for the identification of O-SIIs should be revised to ensure an enhanced cross-country consistency while considering national specificities.		X				
The O-SII buffer should be calibrated following a more harmonised methodology which ensures a better correlation of systemic importance with a defined range for the level of the buffer rate	X					
Maintain the current state of play regarding the O-SII buffer calibration while enhancing transparency and accountability (including through public disclosure) regarding the calibration methodology and its application.					X	
Other (please specify)						

Please explain.

We regard the O-SII buffer as a natural consequence of the EU's decision to apply the Basel standards to all banks, instead of 'only' to large internationally active ones. Against this backdrop, it is logical to have an O-SII buffer in the EU. Although we do not object to having an OSII buffer, we note a high degree of divergence in the application of this buffer (as is so often the case for macro prudential measures). Against this backdrop, we are supportive of efforts to harmonise the application of the O-SII buffer setting in the EU. The ECB should be named as the single macro prudential authority that is responsible for i) establishing the methodologies, and ii) calculating the buffer requirements. This ECB should have a secondary mandate on competitiveness, to balance resilience with banks' ability to finance the EU economy. Furthermore, the level of the O-SII buffer should be capped at 0,75%.

(73) Is the current share of releasable buffers[4] (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?

- Yes
- No

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

- No opinion

Please explain.

The support of lending in downturn situations is the main policy goal behind having releasable capital buffers. When talking about capital buffers, two items are important; releasability and the level playing field.

Releasability

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

Level playing field

Next to releasability of buffers, it is important to achieve a level playing field regarding capital buffers. In the context of releasable capital buffers, the systemic risk buffer is gold plating of international standards. The EU should remove this measure from legislation to align itself to international standards. On the countercyclical capital buffer, there has been a buildup of this buffer over the past years in the EU, which took place inconsistently. Positive neutral rates should be disallowed, as it was never the intention to apply positive neutral rates when the buffer was introduced. Since then, authorities have changed their minds. Now, positive neutral CCyBs are applied primarily in Northern Europe (and not outside the EU). The countries that apply them cannot be seen as the most risky in the international context. The EU should therefore abandon the use of positive neutral to align practices across Member States (some feel PNR-CCyB may not be imposed under the current legal framework). To further harmonise the application of the macro prudential framework the EU should (in addition to removing all gold plating of international standards) name the ECB as the single designated authority that should have a secondary mandate to assess the impact on competitiveness of its decisions. This will allow to properly balance resilience and banks' ability to lend to the real economy.

(74) How could the risk-weight toolkit under Article 458 CRR be fine-tuned? Would its role change in the context of a streamlined buffer framework?

CRR article 458 is gold plating of international standards. This measure should be removed from the EU legal framework.

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.

(75) Are there areas that create undue complexity in the crisis management framework and if yes, how could this undue complexity be reduced without undermining financial stability?

> We see opportunities to simplify the crisis management framework by creating a single standard for bail-in able capital. Instead of maintaining TLAC and MREL, the legislature should choose a broader implementation of the much simpler TLAC concept.

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 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.

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

> Formally, MREL requirements are expressed on the basis of 8% Total Liabilities and Own Funds (TLOF). However, in practice EU authorities often also translate MREL into RWA-based and leverage-based constraints. In our experience the 8% TLOF requirement is difficult for banks to assess and estimate, making it a difficult measure in from a management perspective. Aligning the methodology to set MREL to the one used for TLAC (i.e. to base MREL calibrations on a percentage of leverage and RWA) would be a very meaningful simplification. This simplification would be twofold: a) it would align a European standard to the global one, and b) it would tremendously decrease complexity within banks. We also note that in the current setup, buffer requirements and MREL requirements are not set at the same time, which can create differences in requirements, which we feel are not intended. It would further add value to align the timing of these elements.

(77) 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	No opinion
Better align MREL to TLAC, by making the calibration more automatic, predictable and transparent, and subject to less discretions by resolution authorities	X					
Better align MREL to TLAC by allowing MREL to be complied with more subordinated instruments					X	
Make the MREL framework for medium-sized and smaller banks more proportionate					X	

Introduce a minimum debt requirement where MREL should be complied with non-CET1 instruments					X	
Other (please specify)						

Please explain.

Out of the options presented, we favour improving the alignment between TLAC and MREL. We do not understand the added value of the interaction with 8% TLOF. The translation of 8% TLOF at a specific balance sheet date into the subordination requirement provides for a source of volatility in the requirements.

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.

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

- Yes
- No
- No opinion

Please explain.

Yes. Instead of requiring banks to obtain prior permission, banks should be required to demonstrate to the authorities their compliance with the MREL requirements. For instance via a notification. The process of renewing MREL eligible instruments is predictable, because of instruments no longer being eligible once they have a remaining maturity of one year or less. Against this backdrop, reference is also made to the ECB initiative to fast-track certain capital transactions in low-risk, low-complexity settings. The SRB and national resolution authorities should adopt a similar process for MREL. Such an approach would also be in line with the way of working in the UK.

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.

(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? Are they proportionate and give sufficient flexibility to handle bank failures adequately? Do they create level playing field issues vis-à-vis other jurisdictions?

In order to simplify requirements, we suggest changing the TLOF requirement into a leverage based measure, with a recalibration of the system in order to ensure levels of capitalisation remain comparable. We generally consider 8% to be too high. In this context, it is important to distinguish

between the calibration of the requirement (level) and the eligibility of instruments used to meet the requirement (quality).

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.

(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	No opinion
Overlapping requirements addressing the same or similar risks (P2R/P2G/certain macroprudential buffers);		X				
Limited buffer usability resulting from double counting CET1 both in macroprudential buffers and in other minimum requirements (leverage ratio, MREL)	X					
Multiplicity of MDA restrictions with varying triggers stemming from prudential and resolution frameworks						X
Cross-framework governance and coordination issues and data sharing.						X
Other (please specify)						X

Please explain.

We observe double counting across multiple parts of the framework (mainly between macro buffers - as noted in responses to the earlier questions), the output floor, and between Pillar 1 and Pillar 2.

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

We address two issues in our answer:

- EU rulebook

EU rules should clearly frame the methodology according to which macroprudential tools can be imposed (regardless of which authority will be in charge in the future). This can be done either via level 1 or level 2 legislation. If addressed in level 1, we propose migrating macro prudential from the CRD to the CRR to ensure maximum harmonisation If addressed in level 2, this could take the form of an RTS or Delegated Act. Crucially, the rules should not be subject to national interpretation. Without a common rulebook on macroprudential rules, the Banking Union can never be completed. This is demonstrated by the degree of divergence in force in the Union today.

To give an example; the EU O-SII buffer scoring methodology is set out in EBA guidelines. Yet, these guidelines lead to very different scoring outcomes for similar banks, and, crucially, the scoring is not linked to the buffer setting.

The application of the positive neutral CCyB has been entirely done by national discretion, without the need for justification. Being a major source of divergence between Member States, in our view PNR-CCyB should not be applied in the EU.

- Governance

Whilst a common rulebook for macroprudential rules is the first necessity, this will not be sufficient. As for micro-prudential regulation, ultimately the macro-prudential rulebook needs to be applied by a central authority. The ECB is best placed to take on this task instead of national bank regulators, whose views on local systemic risks should be taken into account through existing ECB governance structures. Local authorities are strongly involvement in the day-to-day supervision of banks in their jurisdiction, also if the bank falls under SSM supervision.

At the very least, the ECB should be able to – in cases where it is responsible for its supervision– to issue a decision on a bank's combined buffer requirement. As part of this decision, the ECB should take into account overlaps between the different layers of prudential requirements.

(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?

No answer is provided to this 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?

No answer is provided to this question.

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[5] 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.

[5] 6 Defined in Article 4(1), point (145) of CRR.

This section seeks stakeholders' feedback on the current levels of proportionality in the banking regulatory framework and how to further improve it.

(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	No opinion

Please explain.

No, we deem that proportionality is generally not fully reflected in the current bank regulatory framework. The proportionality principle should be applied to all banks, and not only to SNCIs, i.e. a risk based approach and a vision on what proportionality means for 'other institutions' and for large institutions with a low risk profile. For instance strong banks with good capital ratios, liquidity and leverage ratios and good SREP scores (including strong risk management and governance) should be subject to less intense supervision, taking into account their naturally higher levels of resilience. The question seems to imply the existence of a strict link between proportionality and size of the bank. This is in line with the current situation, where proportionality relies heavily on size-based thresholds that are set quite low looking from an overall EU perspective (with the exception of a few specific EU Member States, where many banks qualify as SNCI). Purely size-based thresholds are too simplistic: small institutions may not be low risk institutions, and large institutions can be low risk. The proportionality principle is the essence of risk-based supervision and must be aligned with the nature, scale, and complexity of the entity. Therefore we propose risk based criteria: complexity (significant trading activities or not, domestic versus internationally active), risk profile (business model, capital and liquidity ratios) and threat to financial stability (simplified obligations for resolution). Such a setup would produce more risk based results, instead of focussing solely on size and the emphasis on SNCIs. Our suggested approach would furthermore reduce the cliff edges as banks reach the thresholds.

(85) Do you consider that the introduction of a dedicated regulatory and supervisory regime for small banks would be warranted in the EU? In your response, please assess 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.

It's important to have a proportionate regulatory and supervisory regime for strong banks where a differentiation can be added due to size. In this regard we like to repeat that also a non-strong small bank can bear risks, for example when insufficiently diversified or for example not able to transfer its business model towards digitalisation.

From an impact point of view (less administrative burden, positive impact on competitiveness compared to non-EU jurisdictions), a less intrusive interaction between the supervisor and strong banks, while keeping the strong ratio's up, (no de-regulation required), should lead to less meetings and less inspections. If risks would go up or the culture can be questioned (like Credit Suisse), more meetings and more inspections could become warranted.

The current regulatory framework (level 1, 2 and 3) is too complex and too rule based. This creates that also the banking supervisor has to apply these rules, creating a high burden on strong banks regarding the exceptionally high number of meetings they have with their supervisor and the amount of time they have to invest to demonstrate that they comply with the regulation as well as to comply with information request and time to answer the questions posed by this supervisor. Therefore, banks with consistently strong ratios, strong SREP outcomes and robust stress test results and good risk culture should benefit from a lower frequency of meetings, inspections and information requests.

(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
- No opinion

If your reply is Yes, please explain how such set of requirements should be framed.

Please refer to our previous answers.

(87) Should the definition of small and non-complex institutions be amended? If so, should the EUR 5 billion total assets size threshold be increased? By how much? Should size be the only relevant factor or which additional elements could be introduced to better tailor requirements to their risk profiles and operational realities?

We refer to our answer on question 84, describing the need for a consistent vision on proportionality for all institutions, irrespective of their size. Factors such as the risk profile and business model should be taken into account. The EUR 5 billion threshold, however, is quite low in the EU context.

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.

(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	Don't know/ No opinion
Requirement that the variable component shall not exceed 100 % of the fixed component of the total remuneration for each individual ('bonus cap')				x		
Requirement that the variable remuneration shall consist of different types of instruments ('balancing requirement')					x	
Requirement that a significant part of the remuneration is deferred and vest on a pro-rata basis ('deferral')				x		

Requirement that up to 100 % of the total variable remuneration shall be subject to malus or clawback arrangements ('malus/clawback')			x			
Other						x

Please explain.

Regarding the Bonus Cap banks we are somewhat negative based on the experience in the Netherlands applying a 20% gold plating cap without any room for exceptions / tailoring to the local labour market, such as competing for high in demand IT staff in the EU.

With respect to the different type of instruments we do not see any added value for a non- listed banks since there is no or a very weak link between the variable renumeration and the performance of bank.

We are somewhat negative related to deferral as the scope is too broad; only apply it to significant bonus amounts.

For clawbacks, we notice that it can conflict with labour laws, which makes the actual application in practice difficult.

(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?

By applying a more principle- based approach instead of rule-based, which allows for tailoring and a more targeted, risk based approach regarding certain requirements instead of the current one size fits all approach.

(90) In your view, which regulatory measures regarding the EU rules on internal governance and remuneration policies of financial institution could lead to improvements?

Improve the level playing field by addressing this topic in a Regulation instead of a Directive.

3.8. Reporting and disclosures

Public disclosure by banks is important to ensure transparency and market discipline. Supervisory reporting is about giving the supervisor the necessary data to monitor banks and if necessary, intervene. Supervisory reporting and public disclosure requirements related to prudential, macroprudential and crisis management have evolved over time and are sometimes split across different Implementing Technical Standards developed by the EBA.

Co-legislators have recently amended the provisions empowering EBA to draw up reporting templates moving from a tabular way of reporting, whereby banks fill in templates and send them to supervisors, to a data element focused reporting, whereby banks produce data that are then sent digitally to supervisors. A number of initiatives have been developed in relation to disclosures of information to the public, in particular through a centralisation of disclosures and a greater role for EBA in line with the Pillar 3 Data Hub and ESAP rules. In addition, in 2025 the Commission has put forward a series of simplification initiatives aimed to boost competitiveness and reduce administrative burdens for businesses. Key proposals in the 'Omnibus I' package on substainability reporting have been agreed upon by co-legislators, and work is ongoing to finalise the implementing measures of the revised Corporate Sustainability Reporting Directive (CSRD) on which a political agreement was reached in December 2025. Technical work is also ongoing in relation to the European Sustainability Reporting Standards (ESRS) as well as the Climate and Environemental 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[6].

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.

(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?

Please explain.

We fully agree that the harmonisation of the supervisory reporting ITS created an EU-wide framework, which is simpler compared to national (Member State) reporting requirements. The BIRD project shows that the reporting instructions (technical guidance) provided by the EBA are not always clear. This creates complexity and uncertainty in the application of the framework.

Standardisation in reporting reduces undue complexity and administrative burdens. The process to test the filing rules before they are issued to the industry should be improved. For example, with the introduction of the CRR 3, banks had to inform the EBA/ECB that many of the filing rules were not consistent with the CRR.

The EBA data strategy combined with the work program of the Joint Banking Reporting Committee should ultimately reduce undue complexities and administrative burdens. Here it is noted the ECB IReF project uses a data strategy/model that is not fully aligned with EBA requirements. Full alignment would be welcome.

(92) What factors linked to reporting obligations in the regulatory framework contribute most to the compliance costs?

	Low impact	Medium impact	High impact	No opinion
Number of data points			X	
Frequency of changes of the reporting obligations			X	
The difficulty of using regulatory reporting for internal risk management purpose	X			
Ad hoc reporting requests from supervisory authorities		X		
Frequency of submission of reporting obligations			X	
Other			X	

Please explain.

[6] 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 (link) and a proposed risk assessment framework (link), 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.

The number of data points is an important driver of compliance cost, as each data point requires its own maintenance through the reporting chain. The lesser the frequency of changes the better, but we understand that changes are needed over time given changes in the financial sector and related risks.

We do not see a difficulty in using regulatory reporting for internal risk management purposes. Where possible alignment helps, but in some cases risk management requires other data elements and other ways to look at data.

Ad-hoc reporting requests from supervisory authorities drive compliance cost, but we do not consider these to be excessive at the moment. The standardisation that the ECB has performed regarding the ad-hoc request data file has helped to reduce the efforts needed to comply with the requests.

The frequency of the reporting requirement is an important driver of compliance cost, especially when the frequency is weekly, such as for liquidity reporting.

High impact "(other)" relates to the data requests from the SRB. They are costly to comply with, they usually deviate, and are very detailed compared to the request by EBA and the ECB.

(93) What other policy measures, legislative or non-legislative, could be considered to further modernise reporting and reduce the reporting burden?

We deem three elements important in this context: i) improving cost-efficiency of reporting, ii) creating harmonised data definitions, and iii) reducing reporting duplication.

Ad i) improving cost-efficiency of reporting
Opportunities for cost-efficient solutions should be explored. First, by re-using data already submitted through supervisory reporting by pre-populating templates where possible (for instance in the context of stress testing). Second, we support ECB's call for introducing materiality thresholds for resubmissions. Third, materiality thresholds can also be introduced for populating certain cells/templates dropping the data requirement for -in the context of the exercise- non-material portfolios. Data already submitted can be helpful in the assessment of materiality. As an example, the IRRBB STE templates requires reporting on non-euro funding. In case non-euro funding is micro hedged -policy which can be established via other reports- the resultant net position is zero.

Ad ii) creating harmonised data definitions
Creating harmonised data definitions in the EU, covering all prudential and statistical reporting to all EU supervisors (i.e. ECB, EBA, SRVB, ESMA, AMLA, …) would be a big step forward. Such an exercise would make it necessary to check the legal framework against inconsistencies, both within and across pieces of legislation. An example is the definition of SME, which differs between Corep and Finrep. Banks can then use this data dictionary in their own data strategy and simplify compliance efforts for supervisory reporting purposes. The authorities also stand to benefit, as the data reported will be more consistent, thus improving their ability to perform analyses.

Ad iii) Simplifying the regulatory requirements is one side of the coin, the reduction of reporting burdens the other. For reporting, the guiding principles should be: request once and report once. Requesting once means data sharing by European authorities. Report once means eliminating redundancies, facilitate the multi-purpose use of data and the use of pre-populated templates. It would be helpful to reduce the number of resubmissions by defining supervisory tolerance levels, so that minor errors may be disregarded. We took note of and support the suggestions made by the ECB in this regard.

Regarding EMIR and MiFIR, targeted amendments should be implemented to help minimise duplication in the current requirements. First, establishing a designated reporting counterparty to each transaction changes the setup from dual-sided to single-sided, preventing unnecessary duplicative reporting. Second, descoping ETDs from EMIR regime minimizes reporting burden without undermining the oversight as ETDs remain subject to CCP risk management. This would be in line with existing global standards and practices in non-EU jurisdictions. Third, as transactions originating from non-EEA branches and venues are already reported to local regulators, reporting them in the EU does add limited supervisory value, while disproportionately adding to the burden of the transaction reporting requirements. The effort has been initiated by ESMA in 2025 (Call for Evidence on reducing regulatory transaction reporting burden) yet requires further push in level 1 to bring it to meaningful improvements for market participants via those quick wins that maintain appropriate supervisory oversight in the EU.

(94) Do you identify any instances where the reporting requirements for banks also lead to an undue burden for bank's clients? Please explain where this is the case and how this could be improved.

Yes, with regard to real estate. Here banks do not always have sufficient data to comply to the new CRR requirements, like valuation. But we also experience that particular pressure received from the ECB requires clients to provide data to banks that are not needed for prudential reporting, like their income and wealth.

(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?

General comments

• ESG risk management is already heavily regulated. Further rules are not needed; priority should be simplification, consistency, proportionality and clear methodologies.

• The Omnibus is a step forward, but without aligning prudential rules it will not deliver simplification. Banks would still face extensive ESG requirements with spillovers to clients. As Recital 9 notes, financial regulation should reflect actual ESG data availability.

• By reducing ESG data availability, Omnibus may push banks toward bilateral requests/third parties, increase fragmentation and lead to conservative estimates (higher capital, slower decisions). Authorities should expand access to public data, remove barriers to data sharing, incentivise voluntary reporting, and provide benchmarks where data are missing.

• ESG provisions should focus on climate and environmental (C&E) risks, where methodologies are more mature, and be embedded proportionately in the existing risk framework. Regulatory and supervisory expectations should be consistent to avoid duplication.

• Climate scenario analysis should remain a risk-identification tool, not a binding driver of strategy.

• Overall, the prudential framework should be proportionate, coherent and aligned with data availability. ESG aspects of CRR3/CRD6 should be revised to support competitiveness and operationally feasible risk management.

Specific comments – impact of legislative revisions

1. CSRD-related changes

• Pillar 3 ESG ITS: align scope with CSRD; require only accessible/reasonably obtainable data. Provide reference data centrally. Keep annual disclosure, consistent with CSRD and BCBS.

• CRD Art. 76 (Transition plans): ICAAP/ILAAP already cover material risks; climate transition should be integrated under existing risk categories (not standalone). If retained, make requirements simple and proportionate, focused on key risks, and practical under EBA ESG RMG. Group-level plans should suffice to avoid entity-level duplication.

• EBA ESG RM Guidelines: align Para 28 with ESRS datapoints and the voluntary standard; remove "large undertakings" references and align with CSRD scope.

• CRR Art. 430 (supervisory reporting): limit to what is necessary; apply "define once, report once, share data" with strong governance. Avoid duplication. Ad hoc reporting should be exceptional, proportionate and regularly reviewed.

• CRR Art. 449a: harmonise Pillar 3 ESG ITS scope with CSRD. Exclude SNCIs and banks not subject to CSRD (or further simplify). Quantitative disclosures should not exceed ESRS datapoints; avoid duplicative submissions.

2. SFDR-related changes

• MiFID/IDD: extend sustainability preferences beyond SFDR products to all financial instruments.
• PRIIPs: allow sustainability disclosures for non-SFDR products to ensure consistent investor information.
• ESG ratings: improve transparency by regulating providers that modify raw data (or adopt an EU code of conduct for methodological robustness).
• Taxonomy & ESMA: remove taxonomy provisions that conflict with the SFDR revision; withdraw ESMA fund-naming guidelines to avoid overlaps with SFDR categories.
3. Changes not directly related to Omnibus
• Pillar 3 ESG ITS: permanently remove taxonomy disclosures (templates 6–10; relevant columns in templates 1 and 4) and Table 4 (top 20 carbon intensive exposures; cover pool asset inclusion). Covered bonds reporting is already addressed in the Covered Bonds Directive.
• ESRS
- Recognise ESRS as aligned with ISSB, allowing EU preparers to report via ESRS only (including for non EU subsidiaries).
- Allow non EU preparers to use ISSB as a baseline, adding missing ESRS items and impact datapoints.
- Remove the obligation to use ESEF tagging.
- EU Taxonomy: remove templates 6 and 7 (F&C, TB) as burdensome and of limited meaning.
- CRR Art. 501 (Infrastructure Supporting Factor): remove the EU Taxonomy reference and revert to the previous IFS wording for more practical application while safeguarding environmental objectives.
- CRR collateral valuation frequency:
- Art. 207(4)(d): move to annual evaluation.
- Art. 208: valuation at inception only; if periodic, then every 10 years for loans where property value exceeds EUR 5 million.