

Dutch banks support targeted European competitiveness reforms that would remove barriers to the internal market

An IMF report¹ concludes “that in 2020 trade costs within Europe were equivalent to a sizable ad-valorem tariff of 44 percent for the average manufacturing sector compared to 15 percent between US states, and as high as 110 percent in the case of services sectors”, and AFME² estimates “Due to the lack of cross-border waivers, over €225bn of capital and €250bn of liquidity are trapped in subsidiaries of EU banking groups”. Targeted reforms are necessary to maintain a strong and competitive European banking sector that can finance the European economy.

These reforms should address the following three areas:

- 1) The need for competitive European banks: we should aim to take away barriers in the European internal market, reduce fragmentation, as well as to adjust rules that go beyond international standards.
- 2) The need for competitive European financial markets: these require implementing various measures proposed for the Savings and Investment Union (SIU)
- 3) The need for EU competitiveness in digital assets: we should allow room for new technologies to develop and not to quell them before they have come into existence.

The Dutch Banking Association (DBA) therefore welcomes the opportunity to respond to the [EC’s targeted consultation on the competitiveness of the EU banking sector](#). As the representative voice of the Dutch banking sector, the DBA supports strong and resilient banks. We support the response provided by the European Banking Federation (EBF). This letter covers areas where the EBF did not provide a response, as well as areas of particular importance to the Dutch sector. The annex to this letter contains the DBA response to the consultation questions. This letter is structured in three parts: the need for competitive banks, the need for competitive financial markets, and the need for EU competitiveness in digital assets.

¹ Source: [IMF Regional Economic Outlook Oct 2024](#)

² Source: [afme-banking-union-report-september-25.pdf](#)

Part One – the need for competitive banks

Financial over-resilience undermines competitiveness

Since the Global Financial Crisis (GFC), European banks' resilience has improved significantly, as was demonstrated during the US regional bank crisis, and acknowledged by the SSM and EBA. The role of European legislation and its approach to prudential supervision proved beneficial. When risks pertaining to interest rates in the banking book (IRRBB) materialised in the US, European banks remained stable. This is directly linked to better risk management practices in the EU, a clear benefit vis-à-vis the American regional banks. Banks' resilience supports economic stability in an increasingly volatile world, the cornerstone of a stable and competitive economy. However, as the EU built a very complex prudential framework over recent years and continues to impose significant additional measures (gold plating³) on top of internationally agreed standards, the resulting increase in regulatory burdens often delivers negligible benefits to resilience, while generating considerable costs that undermine EU competitiveness. This competitiveness is directly linked to strategic autonomy for example by preventing exploitable dependencies in other areas and the ability of European banks to finance a significant part of the European economy.

EU internal fragmentation prevents scaling and fair competition for EU banks

Fragmentation within the EU remains a key concern. Different national approaches and discretionary competences of national authorities pose barriers to the European internal banking market. They make it harder to compete across borders and create an unlevel playing field within the EU. Barriers also mean that European banks lack the advantage of scale in their home market compared to the United States and China. As a strong and competitive EU banking sector is vitally important to ensure the EU's economic and political long-term viability, there should be an effort to reduce these barriers⁴. This is especially urgent against the backdrop of increasing geopolitical tensions, which increase the importance for Europe to be able to rely on European banks for a substantial part of its financing needs. Strategic autonomy, economic resilience and growth can only be achieved through a competitive European banking sector.

Competitive European banks prevent exploitable dependencies

Through lending, banks allow companies to invest in productive assets and innovation, while households can invest in housing and education. Banks not only mobilise savings and direct capital towards productive investment via their balance sheet but also play a vital role in connecting EU-companies to global capital markets. However, the number of European investment banks which typically conduct these types of activities, has been in decline for years, with non-EU competitors stepping in. Another example with a similar trend is financing of ships and aircraft⁵. To illustrate for shipping, the market volume of lending by EU banks has seen a steady average

³ Questions 23,33, 49, 52, 74, 75 and 88

⁴ Questions 32 and 34

⁵ Question 12



decrease over time, making EU companies more dependent on non-EU financiers. In both cases European regulation has unintentionally contributed to the decline, creating dependencies that could potentially be exploited in adverse geopolitical circumstances.

More ambition is needed for a true single European banking market

Although one of the most successful European projects has been the creation of a single market, we are still far from achieving this single market for banking products and services. Barriers that impair the free flow of capital and liquidity within a banking group in the Union still remain in place today⁶. For example, there is no European deposit guarantee scheme or a mechanism to transfer assets from one national DGS to the other. The application by Member States of macro prudential policy is extremely fragmented and subject to significant gold plating and double counting. The ECB should become the pan-European macro prudential authority with a mandate to set and harmonise the use of macro prudential measures. This authority should have a secondary mandate for competitiveness⁷. Additional bail in requirements remain in place in the form of MREL requirements that go above and beyond international standards.

The EU should urgently investigate how it can improve the level playing field, both within the EU and in comparison to other jurisdictions.

Our proposals to improve the competitiveness of the EU banking sector

1. Remove gold plating of international standards from EU law
2. Remove gold plating by Member States
3. Address intra-EU fragmentation
4. Improve proportionality and the effectiveness of prudential supervision
5. Simplify reporting obligations
6. ESG Risk management and reporting burdens
7. Assess if the EU should maintain a full Basel implementation where other jurisdictions are deviating

Ad 1 – Remove gold plating of international standards from EU law

First and foremost, the EU can increase its competitiveness by removing gold plating from its legal framework, bringing it more in line with international standards and agreements. In this context, we suggest removing the Non-Performing Loans⁸ (NPL) backstop⁹. This measure was highly effective and helped to significantly reduce NPL stocks when it was needed. But this success also means the measure in the level 1 framework is no longer necessary for banks that have an NPL ratio below 2-5%. Removing it from the level 1 (but keeping it as an instrument the competent authority can use on banks that still have high levels of NPLs) would do away with unnecessary operational burdens and it would align EU standards with the international ones¹⁰. In addition, the EU should also remove all gold plating from the macro prudential

⁶ Questions 32 and 34

⁷ Question 55

⁸ Loans where the customer did not meet their agreed repayment arrangements for 90 days or more.

⁹ Question 59

¹⁰ The NPL backstop is not part of the Basel Accord and qualifies as gold plating.



framework. The systemic risk buffer (SyRB) should be removed, as well as positive neutral countercyclical capital buffers (PNR-CCyB), and CRR Article 458¹¹ ¹². We regard SyRB, PNR-CCyB and 458 as forms of gold plating. SyRB is not part of the Basel Accord. With PNR-CCyB this is a bit more nuanced. When the CCyB was first introduced, there was no mention of positive neutral; only in cases of excessive credit growth was this instrument to be used. Since then, the Basel Committee has changed its views on the instrument, and it now allows for positive neutral rates. This means that a countercyclical capital buffer may now also be required when there is no excessive credit growth. In practice, mostly the Nordic and Dutch authorities apply PNR-CCyB rates at levels (far) above the average, even though these countries cannot be seen as the highest risk in a global context. Then, there are other EU countries that have a different reading of the CRD. They conclude the CRD does not allow the application of positive neutral rates. The consequence is clear; Basel 'updated' its standards, the application of which is very uneven. As there are plenty of other measures the macro prudential authorities can use, PNR-CCyB should be disallowed in the EU¹³ to ensure the level playing field. Instead, the ECB should become the pan-European macro prudential authority with a mandate to harmonise the use of macro prudential measures in the EU. This authority should have a secondary mandate for competitiveness¹⁴. The same reasoning applies to CRR Article 458; it is EU gold plating above and beyond international standards, which should be removed.

Ad 2 – Remove gold plating by Member States

One of the cornerstones of the EU is its single market. By applying the same rules across Member States, intra-EU trade barriers are lowered, and experience shows that this has brought the EU citizens more prosperity. All barriers that impede the free flow of capital and liquidity hinder the single market. Gold plating at the Member State level is part of these barriers and should be removed completely. In the Netherlands, there are several examples of national laws and practices that qualify as gold plating, such as the more restrictive cap on variable remuneration¹⁵ and the bank tax¹⁶. Here, stricter EU legislation could help avoid national gold plating, for instance by using Regulations instead of Directives, applying maximum harmonisation and minimising Member State options.

Ad 3 – Address intra-EU fragmentation

Fragmentation is another key concern. It holds back the EU economy. It comes in many shapes and sizes, and therefore an integral vision is needed on how the situation can be improved. Fragmentation in banking takes place via four distinct categories, which should all be addressed: i) impediments to the free flow of capital and liquidity within EU banking groups, ii) fragmentation in the application of macro prudential tools, iii) the absence of an EU deposit guarantee scheme or means to

¹¹ CRR Article 458 is a "catch-all" article that allows a designated authority to apply additional macro prudential measures not covered by other measures. As such, the article neither provides methodological clarity, nor does it align with international standards.

¹² Question 71

¹³ Question 73

¹⁴ Question 73

¹⁵ Question 24

¹⁶ Question 37



transfer funds between national DGS funds, and iv) insolvency laws and consumer protection.

The impact of fragmentation should not be underestimated. The IMF assessed¹⁷ “*that in 2020 trade costs within Europe were equivalent to a sizable ad-valorem tariff of 44 percent for the average manufacturing sector compared to 15 percent between US states, and as high as 110 percent in the case of services sectors*”, and AFME¹⁸ estimates “*Due to the lack of cross-border waivers, over €225bn of capital and €250bn of liquidity are trapped in subsidiaries of EU banking groups*”. Fortunately, there is also a positive message. The EU can boost its competitiveness by removing fragmentation; a tremendous opportunity for the EU Commission to boost its economy!

Action should also be taken to improve the accountability of (macro-) prudential authorities. At present, proposals to apply or extend macro prudential measures are rarely (if ever) critically assessed and rejected. Measures get ‘rubber stamped’ without a meaningful assessment of the substantiation of the proposal and on the impact of the measures. We therefore advocate for the ECB to become the pan-European macro prudential authority, which establishes all macro prudential measures and capital buffer requirements for EU banks. In this context, the ECB should – as is also the case in the UK – have a secondary mandate for competitiveness¹⁹.

Furthermore, the creation of a European DGS fund would be a significant and important step forward for the single market. As the EC is expected to come up with a proposal on this topic, we highlight the following items²⁰:

- i) It should be possible to transfer DGS funds from one national DGS fund to another in cases of mergers and acquisitions. Legislation on this item should be prioritised ahead of EDIS proposals.
- ii) The home country bias for holding sovereign bonds should be addressed, with care for unintended effects on specific business models (e.g. public sector banks). This is an action that should be taken ahead of EDIS initiatives.
- iii) For a European DGS, it is essential to maintain high standards of prudential supervision and to set clear rules for the use of the DGS fund. DGS contributions should be seen also in the context of contributions made to SRF and the resolution strategy of the contributing bank.

Finally, harmonised EU solvency and consumer protection laws are important for banks to enable them to create economies of scale.

Ad 4 – Improve proportionality and the effectiveness of prudential supervision and AML/CFT

In conjunction with the EC targeted consultation, several proposals have been made to improve the effectiveness and proportionality of the prudential framework. We

¹⁷ Source: [IMF Regional Economic Outlook Oct 2024](#)

¹⁸ Source: [afme-banking-union-report-september-25.pdf](#)

¹⁹ Question 55

²⁰ Question 40



support the decision to apply the Basel standards to all banks in the EU, even though this is not required to achieve Basel compliance. This extended scope provides a solid basis for comparable supervisory standards, provided that the concept of proportionality – being the essence of risk-based supervision – is effectively applied. Currently, proportionality relies heavily on size-based metrics, where proportionality should be aligned with the nature, scale, complexity and business model of the entity. We therefore advocate for a risk-based application of the proportionality principle, as riskiness and size are not always correlated²¹. Prudential regulation can also be made more efficient. Operational burdens can be reduced, for instance by removing the concept of 'property value'²², in line with the British proposal²³.

Furthermore, Europe should redesign its model for supervision, so that the intensity of supervisory examinations and actions is allocated based on actual risk²⁴. Strong institutions, big or small, should not be subject to the same level of intrusive oversight as less strong ones. 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 reporting frequencies, less meetings, inspections and other information requests. In this regard, we took note of the important initiatives taken by the ECB and DNB to simplify the execution of supervision. We support and acknowledge these developments but also note that the culture at operational level is not yet in line with what the boards of these authorities are proposing.

Last but not least, divergence occurs with the publication of administrative fines. Where the ECB provides short written statements, DNB publishes very detailed observations. The level of detail provided in the publication of administrative fines should be aligned across the EU; be it compact or extensive.

Ad 5 – Simplify reporting obligations

Simplifying the complexity of the EU regulatory framework is one side of the coin. Reducing the accompanying reporting is the other side. For reporting, the guiding principles should be: request once and report once. Requesting once means mutual data sharing by European authorities based on EU harmonised data definitions. Report once based on these definitions means eliminating redundancies, facilitate the multi-purpose use of data toward the multiple EU banking supervisors and the use of pre-populated templates. Finally, it would be helpful to reduce the number of resubmissions by defining supervisory levels of tolerance for minor errors to be disregarded. We took note of and support the suggestions by the ECB in this regard. Furthermore, targeted amendments should be made to EMIR and MiFIR reporting requirements to reduce operational burdens²⁵.

²¹ Question 54

²² Question 59

²³ From [PS9/24 - Implementation of the Basel 3.1 standards](#): "The PRA agrees with respondents that the proposed requirement to adjust a valuation to reflect the value of the property that would be sustainable over the life of the loan could be complex for firms to operationalise and may lead to inconsistent approaches.

²⁴ Question 54

²⁵ Question 93



Ad 6 - ESG risk management and reporting burdens

ESG risks, especially climate and environmental risks, should be managed seriously as financial risk factors, but the EU framework must be workable, proportionate, and aligned with the actual availability and quality of data. Banks already operate under extensive ESG-related requirements. Adding further layers of rules or capital add-ons risks undermining competitiveness, increasing financing costs, and reducing banks' capacity to support strategic EU priorities, including the climate transition²⁶.

Today, the main constraint is not willingness to engage, but the combination of (i) uncertainty around transition pathways and policy implementation, which affects project bankability, and (ii) a growing web of overlapping ESG disclosure and reporting obligations. While the Omnibus initiative is a step forward, it will not deliver meaningful simplification unless prudential requirements are aligned accordingly. Otherwise, banks remain subject to multiple, partly duplicative demands (Pillar 3 disclosures, supervisory reporting, transition plan expectations, and ad hoc requests) that can spill over to clients and slow decision-making.

Moreover, reduced corporate reporting scope can unintentionally reduce ESG data availability, forcing banks to rely on bilateral data collection or third-party providers. This fragmentation tends to lead to conservative assumptions, higher capital impacts, and delayed credit decisions, creating incentives for financing to migrate toward less regulated channels rather than improving risk management. We therefore advocate a "define once, report once, share data" approach: harmonised scope and datapoints (aligned with CSRD/ESRS), annual proportional disclosures, centrally provided reference data where feasible, limits on ad hoc reporting, and clear, consistent supervisory expectations. ESG requirements should prioritise climate and environmental risks where methodologies are more mature and integrate them into existing risk categories and processes (ICAAP/ILAAP), avoiding duplicative standalone frameworks.

Ad 7 – Assess if the EU should maintain a full Basel implementation where other jurisdictions are deviating

With the publication of the American proposals for its implementation of the Basel standards, it is becoming clearer that significant deviations from the Basel standards are becoming more common across the globe. The most striking example is the US intent not to implement the standardised approach output floor (for market risk), even though the United States are known to have been the main driver behind its creation. In the EU the SA floor creates that EU specificities like non-rated corporates and the less risky assets on the banks' balance sheet are mostly affected. Taking this into account and against the backdrop of non-implementation and freezing of the standardised output floor in major jurisdictions, the EU should make the transitional arrangements for unrated corporates and low-risk mortgages permanent and binding for all Member States²⁷.

²⁶ Question 95

²⁷ Question 68



Another example where we see international divergence is regarding the Fundamental Review of the Trading Book. We support the intended course of the Commission in this regard and see a clear opportunity for the Basel Committee to revisit key assumptions for the internal model approach.

Part Two– the need for competitive financial markets

We have consistently underscored the importance of establishing deep and well-integrated capital markets across the EU. This is crucial for banks to remain competitive in a global playing field, for instance by improving their ability to use securitisation instruments within their funding and risk-transfer strategy to optimise the use of their balance sheet. The creation of a genuine single market for capital would also enable European households to invest more efficiently and build sustainable long-term (pension) wealth, whilst lowering the cost for European businesses by improved access to more diverse funding opportunities within the Union. Robust capital markets are fundamental to achieving the EU's ambitions regarding competitiveness, economic growth and collective security. It is therefore essential to prioritise the successful development of a truly effective Savings and Investments Union (SIU)²⁸.

Achieving this objective necessitates ambitious regulatory reforms, focussed on the development of harmonised, high-quality regulation for capital markets and financial instruments, as well as efficient and proportionate supervision. These regulatory improvements should aim to reduce fragmentation across EU capital markets, and improving harmonisation of financial instruments, products and services, and improve interoperability of market infrastructure.

Moreover, strengthening mechanisms to mobilise household savings and channel them into long-term productive investment—particularly equity financing—will be vital to ensure that European capital markets and their infrastructures reach their full potential. We advocate for a comprehensive review of the European regulatory framework for both banking and capital markets, with emphasis on: i) simplification, ii) the removal of barriers that impede market-driven integration which will promote free and fair competition.

Part Three – the need for EU competitiveness in digital assets

EU competitiveness in digital assets will depend on creating a scalable Single Market that enables regulated firms to innovate (tokenisation, DLT settlement, stablecoin-related payment interfaces) while preserving trust, financial stability, and operational resilience. Our core message is that fragmentation, overlapping EU rules, and regulatory asymmetries vis-à-vis less-regulated (often non-EU) players divert resources into reactive compliance. This reduces economies of scale and can encourage regulatory arbitrage—ultimately weakening Europe's ability to compete globally.

²⁸ Question 1



Policy priorities²⁹:

- i) Deliver a level playing field (“same activity, same risks, same rules, same supervision”) across banks and non-banks offering equivalent digital-asset services, with attention to non-EU operators to limit arbitrage and uneven consumer protection.
- ii) Reduce regulatory fragmentation and overlaps by aligning sectoral and horizontal legislation and narrowing divergent national interpretations that create legal uncertainty and duplicated compliance efforts.
- iii) Build and connect EU-wide digital infrastructures (payments, settlement, identity) and ensure interoperability with existing banking security/authentication to avoid duplication and market fragmentation.
- iv) Address structural platform advantages (control of customer interfaces and superior data access) that can dilute the impact of regulated firms’ investments and entrench dependency in key parts of the value chain.
- v) Apply proportionate, risk-based prudential treatment for emerging digital-asset activities so participation inside the regulated perimeter is feasible where risks are well managed.
- vi) Strengthen operational resilience and supply-chain oversight, reflecting heightened cyber/ICT, fraud, and third-party concentration risks (including dependencies on non-EU providers), with responsibility shared across the digital value chain.
- vii) Invest in supervisory capability (digital assets, AI, advanced data governance) to support consistent oversight and enforcement alongside innovation.

This concludes our main remarks on the competitiveness consultation. As has become clear from the text, the EU has a lot of potential to unlock its hidden economic potential. By targeting the highlighted items, EU competitiveness will take a giant leap. For this, it will be required to apply revisions to EU law. It is our firm belief such a review should be done with the utmost sense of urgency, as the EU and its citizens cannot afford delays.

²⁹ Questions 27 to 31

