Simply Competitive

EBF proposals for a simplified European framework

European Banking Federation

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EXECUTIVE SUMMARY

The European Union (EU) is at a critical stage in its economic and regulatory development. While it remains a steady global partner in times of great geopolitical uncertainty, excessive regulatory complexity threatens to undermine the EU's competitiveness and the Commission's goals for a bolder, simpler, and faster Union. The prioritisation of the simplification agenda marks an important shift in the work priorities of the European Commission. The reduction of administrative burdens and streamlining of rules has become deeply integrated within objectives for competitiveness, as outlined in the 2025 Competitiveness Compass and the 2025 Commission Work Programme. **The EBF strongly supports the focus on simplification in the 2025 Agenda of the Commission and acknowledges ongoing efforts to advance these goals through omnibus initiatives. It is essential to get these right. At the same time, we believe much more should be done.**

The banking sector – critical for the pursuit of vital investment in Europe and growth objectives – has been particularly affected by an overwhelming number of overlapping, fragmented, and at times even contradictory rules. Far beyond increased costs, these disproportionate burdens weaken financial institutions' ability to support Europe's strategic priorities, from competitiveness and innovation to sustainability and defence financing.

The banking sector's calls for simplification should not be seen as a request for its own benefit or for deregulation. They should be regarded as key prerequisites enabling the sector to better fulfil its role in financing the European economy. A more streamlined and proportionate regulatory framework would allow banks to more easily and efficiently support corporate projects and household needs, ensuring quicker and simpler access to financing. This is particularly crucial at a time when Europe's competitiveness is declining compared to other major global jurisdictions. Enhancing the banking sector's ability to channel financing effectively is therefore not just a sectoral issue – it is a strategic imperative for Europe's future.

This paper aims to complement the initiatives launched by European institutions by presenting tangible proposals for targeted reforms to simplify, streamline, and increase proportionality throughout all stages of the regulatory process. Proposals are grouped into seven thematic areas that address not only primary and secondary legislation and regulation, but also supervisory practices and gold-plating. This paper is not intended to be exhaustive, and additional proposals may follow in certain areas – for instance, in the field of retail banking.

The EBF does not advocate for deregulation. We call for a more effective and coherent framework that upholds key policy objectives such as financial stability and consumer protection, while fostering growth and competitiveness.

To this end, we propose the following priorities for reform:

I. A Structural path to EU competitiveness

The EU's financial regulatory framework is increasingly seen as overly complex, a concern echoed by the financial sector and highlighted in the "Less is More" report[1]. This growing consensus calls for not only simplifying existing legislation but also rethinking the institutional architecture and rulemaking processes that have contributed to this complexity. Key areas for reform include rebalancing the use of primary and secondary legislation, clarifying the legal hierarchy of regulatory instruments, enhancing accountability for EU regulatory and supervisory

[1] https://www.ebf.eu/ebf-media-centre/less-is-more-streamlining-banking-regulation-in-europe/

authorities, and rethinking their scope to capture ecosystems instead of entities. The excessive reliance on technical standards and guidance without clear legal mandates has blurred the lines between binding and non-binding rules, creating uncertainty for market participants.

To address these issues, several targeted reforms are proposed. These include **reducing the number of automatic review clauses to streamline legislative processes, introducing competitiveness checks for all new regulations, and curbing national gold-plating to ensure consistent implementation** across Member States. Additionally, **embedding competitiveness and growth objectives into the mandates of the European Commission, European Supervisory Authorities (ESAs) and the Single Supervisory Mechanism (SSM)** would align financial oversight with the EU's broader economic goals. A key recommendation is for **the European Commission to launch a dedicated workstream,** starting with a high-level working group involving all stakeholders, to deliver actionable reforms within a set timeframe.

II. A simpler approach for a more efficient prudential, supervisory & resolution framework

The EU's prudential regulatory framework, anchored in the Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD), has significantly bolstered the resilience of European banks, with institutions consistently exceeding capital and liquidity requirements. However, this strength has come at the cost of increasing complexity, driven by overlapping rules, national discretions, and evolving supervisory expectations.

The implementation of Basel III and the Capital Requirements Regulation 3 (CRR3) and the Capital Requirements Delegation 6 (CRD6) package has introduced further layers of Level 2 and Level 3 legislation, often lacking clarity and alignment with primary texts. This has led to regulatory uncertainty and inefficiencies, particularly where technical standards are delayed or do not adhere to Level 1 mandates. To maintain competitiveness and support the real economy, targeted adjustments are needed – including the elimination of overlaps between Pillar 1 and Pillar 2 capital requirements and the review of the Fundamental Review of the Trading Book (FRTB). Other additional adjustments may be needed, including to Level 1 legislation.

At this stage, priority should also be given to reviewing the large number of Level 2 and Level 3 measures mandated to the European Banking Authority (EBA) under the CRR/CRD framework, to simplify and reduce their number and complexity – while ensuring alignment with the objectives of Level 1 legislation.

In parallel, **the EU's macroprudential framework has become overly complex and fragmented, with multiple overlapping buffers and inconsistent application across Member States.** The addition of the Countercyclical Positive Neutral Buffer, the Systemic Risk Buffer (SyRB) and the widespread use of the Other Systemically Important Institutions (O-SIIs) buffer have introduced significant gold-plating beyond international standards, creating an uneven playing field and deterring investment. The EBF calls for a streamlined, coherent macroprudential regime that eliminates unnecessary buffers, ensures coordination between micro- and macro-prudential authorities, and avoids duplicative or excessive capital requirements.

Future proposals, such as climate-related buffers, should only be introduced if proven effective and internationally coordinated.

Securitisation is a key tool for mobilising private capital to support the EU economy, but its potential remains underutilised due to an overly complex and conservative regulatory framework. To revitalise this market and align it with the EU's strategic priorities, a bold review is needed to address excessive capital requirements, inconsistent supervisory practices, and restrictive rules that deter both banks and institutional investors.

The EBF welcomes, in this respect, the Commission's proposal released in June as a move in the right direction. It rightly introduces greater risk sensitivity in the proposed prudential treatment of securitisation and streamlines the due diligence and disclosure requirements, all of which are key demands of the industry. However, the proposal still falls short in several areas, including the overly broad definitions of public deals, the treatment of non-STS securitisations, the monitoring of resilient securitisations on an ongoing basis, the need to cap the RW floor formula, the treatment of senior STS securitisations in the LCR, the eligibility of project finance under construction as underlying to STS or the reporting of private securitisations to private repositories, and unresolved barriers for non-EU transactions. Further key refinements are essential to ensure the framework is competitive, proportionate, and capable of supporting Europe's economic and strategic ambitions.

The EU supervisory framework has evolved into a de facto fourth layer of prudential requirements, often overriding Level 1 regulation and imposing additional burdens on banks without sufficient transparency or consideration of economic impact. Supervisory decisions, particularly under Pillar 2, frequently result in capital add-ons that duplicate risks already addressed under Pillar 1, creating inefficiencies and undermining competitiveness. Despite commitments to address this issue, concrete action is still to be seen. Other jurisdictions like the UK and US have begun tackling these overlaps, highlighting the urgency for the EU to align its supervisory practices with international standards and ensure that capital requirements are proportionate, risk-based, and clearly justified.

Efforts to streamline supervision are underway, with the European Central Bank (ECB) and the European Banking Authority (EBA) working groups exploring improvements to the Supervisory Review and Evaluation Process (SREP) process. Key areas for reform include enhancing transparency around capital add-ons from on-site and internal model inspections, avoiding the systematic use of Level 3 guidance to impose stricter requirements, and ensuring supervisory interpretations remain within legal mandates. The growing influence of horizontal teams over Joint Supervisory Teams (JSTs) has led to fragmented oversight, duplicated requests, and a lack of tailored supervision. A rebalancing is needed to ensure JSTs play a central role, with supervisory actions adapted to each institution's specific risk profile, business model, and structure. Additionally, the internal model approval process should be made more efficient, avoiding repeated inspections for minor changes and allowing banks adequate time for remediation.

To foster a more effective and balanced supervisory environment, the EU should promote timely, transparent, and enforceable supervision, with clear criteria for sanctions and a centralised register to enhance accountability.

Supervisory costs, which have risen significantly since the inception of the Single Supervisory Mechanism (SSM), should be stabilised over the next five years in line with simplification efforts. The supervisory calendar should also be better distributed throughout the year to reduce pressure on institutions, particularly during stress testing periods. Overall, these reforms aim to restore trust, reduce unnecessary burdens, and ensure that supervision supports both financial stability and economic growth.

The EU's recovery and resolution framework has become increasingly complex and burdensome, placing significant operational and financial strain on banks. Institutions are required to meet highly granular data demands, prepare for multiple resolution strategies, and undergo frequent, resource-intensive testing exercises. These obligations divert critical resources away from innovation and economic support, while excessive MREL (Minimum Requirement for own funds and Eligible Liabilities) requirements – far exceeding international TLAC (Total Loss-Absorbing Capacity) standards – further constrain banks' capacity and competitiveness. A recalibration of MREL to align with global norms is essential to restore balance and reduce dependency on costly non-EU funding markets.

Furthermore, the calibration of MREL should reflect the actual resolution strategy of each bank, particularly when transfer tools are used alongside bail-in mechanisms. This would reduce legal uncertainty, enhance proportionality, and better align capital requirements with post-resolution realities. The EBF supports legislative amendments to embed this principle and urges a broader simplification of the Bank Recovery and Resolution Directive (BRRD) and Single Resolution Mechanism Regulation (SRMR) frameworks. Without such reforms, the EU risks undermining its own financial stability goals by overburdening banks and weakening their ability to support the real economy.

The current testing and resolution planning processes are overly complex and inconsistent for all institutions, including for smaller institutions lacking the resources of larger banks. The Single Resolution Board's (SRB) evolving expectations, including new operational and valuation requirements, are seen as disproportionate and misaligned with the EU's broader regulatory simplification agenda. These include impractical 24-hour in advance request of resolution drills, or the possibility that the authority can reduce the split of a test requiring teams to work during the nights (e.g. data provision in 24 hours without splitting in 3 days 8 working hours), overly detailed self-assessments, and complex data templates that risk rendering recent IT investments obsolete. A more risk-based, proportionate approach is needed, with clearer guidance, reduced duplication, and a strategic pause after the 2024–2028 SRB plan to assess progress and define a sustainable "steady state" for resolution planning.

III. Greater innovation through an enabling framework

Over the past years, the EU has introduced a vast array of digital and cyber-related legislation and regulation, creating a comprehensive but also complex, fragmented and often overlapping landscape. In addition to the large number of relevant initiatives, the cross-sectoral nature of digital finance has proven to be a complicating factor in itself. Digital finance works through a constantly growing ecosystem of banking and technology actors and is affected both by horizontal and sector-specific rules. Issued by different Commission directorates, these rules are often characterised by limited coherence and extensive duplications: horizontal rules often miss the sector-specific nuances and sector-specific rules often miss the ecosystem scope to capture all the relevant actors. This applies also to enforcement and supervision.

While the intention to address emerging digital risks and opportunities is valid and the difficulties of harnessing new – and often unprecedented – concepts are real, the lack of coordination and underestimated implementation burdens have led to a complex framework that risks stifling innovation and weakening EU competitiveness, while not necessarily resulting to better consumer protection.

To address this, the European Commission should map out the interplay between existing and upcoming digital regulations and consider an Omnibus initiative to streamline and simplify the overall framework, ensuring coherence and legal clarity. At the same time, the enforcement of rules needs to be rethought as well towards adequate supervision not only of banks but also of the supply and value chains around them, both in terms of a level playing field and of digital operational resilience. Relevant examples include:

In the area of **AI and data regulation, the AI Act's vague definitions** – particularly regarding basic techniques like logistic regression – have led to inconsistent interpretations across Member States. The EBF urges the Commission to clarify that such techniques should not be classified as AI, especially in financial services, where existing regulations already govern their use.

The **financial data access (FIDA) framework proposal on open finance** – which was tabled in a very different geopolitical context – **raises concerns about disproportionate costs, lack of proven customer demand, and the risk of benefiting non-EU players.** The EBF notably recommends narrowing FiDA's scope, ensuring that the development of schemes is demand- and market-driven, rolled out with a gradual approach, and with realistic timelines, and excluding gatekeepers to protect EU competitiveness and data sovereignty. If these issues cannot be addressed, the withdrawal of FiDA should be considered.

The Digital Operational Resilience Act (DORA) marks a significant step towards harmonising incident reporting and ICT risk management across the EU, but its implementation still faces challenges due to overlapping frameworks, inconsistent definitions, and delayed Level 2 regulatory acts. Additionally, the **Cyber Resilience Act (CRA)** risks duplicating DORA's provisions, prompting **calls for the banking sector to be explicitly excluded from its scope and recognise DORA as the lex specialis.** To reduce regulatory burden and enhance legal clarity, the EBF recommends aligning implementation timelines with the availability of the relevant technical standards, rationalising overlapping reporting obligations, and issuing a delegated act for the exemption of financial entities subject to DORA or delaying implementation until the broader cybersecurity legislative review is complete.

The EU payments landscape – a vibrant part of financial services touching the daily lives of all European citizens – **is currently governed by multiple overlapping regulations, creating complexity and inefficiencies for payment service providers and users alike.** To address this, further harmonisation is needed, particularly in aligning the Instant Payments Regulation (IPR) with other legislative initiatives like the revised Payment Services Directive (PSD3) and the Payment Services Regulation (PSR).

Moreover, the proposed liability framework in the PSR for fraudulently authorised payment transactions is excessive, incomplete and will not result in better consumer protection. By unfairly holding banks solely responsible for fraud that occurs outside their control, it takes a sectoral approach to a broader, cross-sectoral problem. An effective and balanced approach would ensure that all actors in the fraud chain – especially telecom providers and online platforms where social engineering is enabled – share responsibility, with legal obligations for fraud prevention measures and a fair allocation of liability that would make everyone involved part of the solution.

The potential introduction of a digital euro presents significant challenges to both competitiveness and regulatory simplification. As currently designed, it is bound to duplicate existing private instant payment solutions, which are constantly evolving, including in terms of scaling to offer pan-European alternatives and respond to the legitimate need for greater sovereignty in European retail payments, currently too dependent on foreign actors. Moreover, it could impose complex implementation requirements and high costs on intermediaries, diverging valuable resources from their own innovation and growth. Finally, robust provisions to safeguard financial stability, especially in times of stress, are needed. Any digital euro framework must be carefully calibrated to preserve the competitiveness and resilience of the European banking sector, while offering clear added value to all stakeholders.

IV. Make decisive progress toward a simple and attractive EU Savings & Investment Union

A simplified and more coherent regulatory framework is indispensable for advancing deeper and better integrated EU capital markets. It constitutes a core enabler for achieving much-needed objectives of the Savings and Investment Union (SIU) – increasing scale and liquidity, promoting investors and issuers accessibility, and fostering efficient and cost-effective cross-border capital flows. By offering to reduce legal uncertainty and lower excessive compliance costs, a simplification-based approach is well poised to enhance companies' – especially SMEs' – access to finance, boost retail investor participation, and ultimately strengthen the EU's competitiveness and open strategic autonomy. In this broader context, closer and mutually beneficial collaboration across geographical Europe[2], including at the level of financial services, can contribute meaningfully to supporting key transitions in the green, digital, and defence sectors.

[2] Notably with UK and Switzerland

Regulatory simplification in EU capital markets is about recalibrating the framework to maintain essential safeguards – such as transparency, financial stability, and investor protection – while reducing unnecessary burdens and complexity. The EBF supports a more strategic approach to Level 2 rulemaking, prioritising only essential measures and embedding simplification into ongoing legislative reforms like the Retail Investment Strategy (RIS), EMIR 3.0, and MiFID II/MiFIR reviews. A more principle-based Level 1 framework, with well-sequenced and proportionate Level 2 measures, would enhance legal clarity and implementation efficiency, while avoiding regulatory fragmentation and duplication.

To foster retail investor participation, the EBF advocates for simplifying the customer journey under MiFID II / PRIIPs by streamlining disclosures, easing suitability requirements, and enabling more flexible client categorisation. The RIS, in its current form, risks adding complexity rather than reducing it, and should be reoriented to focus on practical, client-centric reforms. Key proposals include maintaining a flexible, proportionate Value for Money (VfM) framework, removing the Best Interest test, simplifying inducement and disclosure rules, and aligning sustainability preference requirements across frameworks like SFDR, PRIIPs, and CSRD. These changes would make capital markets more accessible, reduce information overload, and better reflect investor needs – particularly in the context of ESG investing.

On the issuer and intermediary side, the EBF calls for targeted reforms to the prospectus regime and reporting frameworks under EMIR, MiFIR, and SFTR. Simplifying prospectus requirements, especially for frequent issuers and plain vanilla bonds, would reduce costs and improve access to market-based financing. Meanwhile, a unified, streamlined reporting system would eliminate duplicative data submissions, lower compliance costs, and improve data quality. **A regulatory moratorium on new reporting obligations is recommended** to allow for a comprehensive overhaul, ensuring that future rules are proportionate, harmonised, and aligned with supervisory needs.

V. Streamlining ESG requirements: a smarter path to EU sustainability goals

Simplifying the EU's regulatory framework for sustainability is essential to ensure coherence, reduce duplication, and align obligations across banking, disclosure, and risk management rules. The need for simplification is widely recognised including by legislators. Given the ongoing legislative process (Omnibus Directive) that the EBF is closely following, our position on the simplification of the Corporate Sustainability Requirements Directive (CSRD), European Sustainability Reporting Standards (ESRS), the EU Taxonomy related disclosures and the Corporate Sustainability Due Diligence (CSDDD) as such are out of the scope of this paper.

However, for simplification to be effective, it must also be fully reflected across the entire ESG regulatory requirements for banks and supervisory expectations. Otherwise, the simplification efforts intended in the Omnibus Directive will not fully materialise – on the contrary, financial institutions will need to gather information required by other pieces of regulation or expected to be collected by supervisors in other, less standardised ways, for example, bilaterally from their clients.

The Sustainable Finance Framework was developed with unprecedented speed. European banks and companies made substantial progress in its implementation over the past years, including in the area of risk management, closely followed by the banks' supervisors. While continuous improvement is envisaged, it is also necessary to draw lessons from the first year of implementation and simplify where implementation challenges are disproportionate.

A comprehensive review of financial sector ESG-related regulatory and supervisory frameworks is therefore needed to ensure coherence, reflect the availability of the data reported by companies, grant relief to all entities including banks, and act upon lessons learned and implementation challenges. Pragmatic, practical and proportionate approaches and focus on the most relevant aspects necessary to meet the EU sustainability objectives should be prioritised. As the sustainable finance framework is being completed, the focus should switch to providing implementation tools so that banks and companies can effectively contribute to the EU sustainability goals.

VI. AML and tax simplification for a safer, more efficient and competitive Europe

Simplifying the EU's AML framework is essential to enhance effectiveness, reduce fragmentation, and ensure proportionality. The creation of the Anti-Money Laundering Authority (AMLA) presents a key opportunity **to implement a truly risk-based supervisory and regulatory framework.** In this respect, it is essential to promote clear, proportionate, and uniform interpretation of AML rules, as well as supervisory convergence.

This requires **clear and proportionate Regulatory Technical Standards (RTS) for risk assessment and entity selection, along with structured engagement between AMLA and supervised entities** to ensure transparency and practical implementation. The EBF supports a collaborative approach between AMLA and stakeholders, including financial institutions, and recommends establishing a dedicated dialogue platform to foster engagement and clarity in supervisory expectations. The European Banking Federation (EBF) stands ready to support this by providing a dedicated platform for strategic dialogue between senior AML leaders in the banking sector and AMLA leadership, leveraging on its previous experience in developing the SSM Board Room Dialogue.

In parallel, **customer due diligence (CDD) requirements must be calibrated according to risk in order to allow banks to focus resources on specific threats and balance their compliance burden, particularly in low- and medium-risk scenarios, in view of the corresponding gains in AML effectiveness.** The EBF calls for streamlined Know Your Customer (KYC) and Ultimate Beneficial Owner (UBO) processes, grace periods in the phased implementation of the new rules distinguishing between the high volume of existing customer base and the application to new customers at onboarding, as well as risk-based reviews. Ongoing Due Diligence (ODD) should be guided by risk, whilst Enhanced Due Diligence (EDD) should be more targeted, and reliability of and reliance on UBO registers must be improved. Additionally, a more intelligence-led approach to suspicious activity reporting (SAR) is needed, leveraging technology, data-sharing tools and public-private partnerships while respecting privacy laws to reduce false positives and improve detection of financial crime.

Regarding tax policy, the EBF calls for the removal of sector-specific levies and misleadingly labelled windfall taxes and strongly opposes the introduction of new taxes such as the Financial Transaction Tax (FTT) or Financial Activities Tax (FAT). These measures undermine banks' profitability, restrict their ability to provide credit, and pose risks to financial stability – especially in a context of narrowing margins and slowing economic growth.

Instead, the EU should focus on **modernising the VAT framework for financial services to ensure neutrality, legal certainty, and a level playing field across sectors and Member States.** Key reforms include introducing harmonised solutions for the "option to tax", cross-border VAT grouping and cost-sharing arrangements, available to banks on a discretionary basis, as well as aligning VAT recovery methods, and codifying essential mechanisms in directly applicable EU law.

In parallel, **the FASTER directive on withholding tax procedures needs a fundamental reassessment to ensure it delivers genuine simplification for investors and intermediaries.** The EBF calls for harmonised relief-at-source or quick refund procedures, streamlined reporting, proportionate due diligence requirements, and clear definitions to reduce legal uncertainty. Additionally, **tax reporting obligations under frameworks like DAC6 should be reviewed** to eliminate inefficiencies and avoid overburdening financial intermediaries with responsibilities better suited to tax authorities. A balanced approach is essential to maintain transparency while respecting privacy and ensuring the long-term sustainability of the EU tax framework.

VII. A simpler, faster reporting framework

The current EU regulatory and supervisory reporting framework imposes a significant burden on banks, with annual costs exceeding €4 billion[3]. This is largely due to fragmented, template-based systems that require banks to submit similar data to multiple authorities, often with inconsistent definitions and limited interoperability. **To address this, the EBF advocates for a streamlined, integrated reporting architecture based on four key principles: define once, report once, share reported information, and enhance governance. A centralised data hub, built on standardised definitions and shared across authorities, would reduce duplication, improve data quality, and ease the administrative burden on banks.** Coordination among EU and national authorities is essential to harmonise definitions and align reporting requirements, particularly for granular datasets like AnaCredit and Loan Tapes but also for the reporting of cyber incidents.

Moreover, legacy and ad-hoc reporting requirements should be critically reassessed to ensure they remain relevant and proportionate. Similarly, new ECB reporting rules (ECB/2023/18) have significantly increased the burden on banks by requiring detailed justifications for even minor data revisions. The EBF recommends rationalising such requirements and aligning policies across authorities to avoid duplication. By adopting a more integrated, risk-based, and cost-effective approach to reporting, the EU can enhance supervisory efficiency while supporting the competitiveness and operational resilience of its banking sector.

[3] Commission Staff Working Document: Fitness Check of EU Supervisory Reporting Requirements, page 57.

INTRODUCTION

The need for simplification & burden reduction

Europe stands at a pivotal moment in its economic and regulatory development. As highlighted in the 2024 Draghi Report on EU Competitiveness, the continent is grappling with excessive regulatory complexity – a key factor undermining investment, innovation, and economic dynamism.

Simplification has become a central political priority for the European Commission. Coupled with better implementation, they are now seen as essential levers to strengthen Europe's competitiveness. The 2025 Competitiveness Compass further reinforces this by identifying regulatory streamlining as a core component of the EU's economic strategy, supported by measurable performance indicators. The 2025 Commission Work Programme reflects this shift, aiming to reduce administrative burdens, simplify existing rules, and foster a more innovation-friendly business environment. We particularly welcome the Commission's first omnibus proposal on sustainability reporting, which narrows the scope of reporting obligations and reduces data requirements. We support the continuation of this approach in future omnibus packages, but requirements on the financial industry should be simplified accordingly.

The banking and financial sector is particularly burdened by an overwhelming volume of regulation. While these measures have strengthened financial stability and consumer protection, they are often overlapping, fragmented, and at times even contradictory. On top of this, banks have been assigned an expanding range of responsibilities over the past two decades: from combating money laundering and tax evasion to addressing cybercrime and supporting the green transition. While the financial sector embraces these roles, the combination of increasingly complex regulatory obligations and additional mandates risks undermining its ability to deliver on them effectively. The sheer volume and layering of rules have created a regulatory environment that hampers cross-border activity, slows innovation, and limits the sector's capacity to respond to evolving market needs due to the heavy compliance burden. Excessive red tape and disproportionate reporting requirements also make EU financial markets less attractive – not only to institutional and retail investors, but also to the SMEs that depend on them for financing.

There is therefore an urgent need to simplify and stabilise the EU's financial regulatory and supervisory framework. A more coherent and proportionate system would enhance the sector's ability to support Europe's strategic priorities – from competitiveness and innovation to sustainability and defence financing.

This effort must take place at both EU and national levels, and address not only legislation and regulation (Levels 1, 2 and 3), but also supervisory practices and national goldplating. In particular, the Regulatory Technical Standards (RTS) must remain consistent with level 1 texts without introducing additional requirements that impede harmonisation and burden implementation.

The EBF strongly supports the Commission's focus on simplification in its 2025 agenda. A stable, proportionate, and innovation-friendly regulatory environment is essential to building a competitive EU banking and capital market that serves the EU economy, supports the green and digital transitions, and contributes to Europe's open strategic autonomy. This is all the more important as other jurisdictions – notably the US and UK – have already launched similar simplification efforts. European banks and financial institutions risk falling further behind, unless the EU acts decisively and swiftly.

To be clear, the EBF does not advocate for deregulation. Rather, we call for a more effective and coherent regulatory framework – one that is underpinned by a shared vision for European banking and upholds key policy objectives such as financial stability and consumer protection, while also fostering growth and competitiveness. This requires simplifying rules and enhancing clarity, consistency, and proportionality based on a risk-based approach. By aligning regulatory simplification with the broader EU competitiveness agenda, policymakers can help build a financial ecosystem that is both resilient and dynamic.

This paper presents the EBF's contribution to that effort, based on extensive consultation with our members from all European countries, and on a comprehensive review of the EU's legislative, regulatory, and supervisory framework for banks. It identifies simplification opportunities across seven key areas:

1. General framework
2. Prudential, supervisory, and resolution
3. Digital finance and cyber resilience
4. Savings and Investments Union
5. Sustainability
6. Tax and compliance
7. Reporting

Beyond simplifying the current framework and adjusting ongoing legislative proposals, the EBF believes it is time to fundamentally rethink the EU legislative process for banks and financial institutions. While this process has contributed significantly to strengthening resilience and safeguarding financial stability, it is increasingly perceived as inefficient, fragmented, and overly complex, while also lacking an ecosystem approach. We fully support the conclusions of the "Less is More" report, which calls for a more streamlined and strategic approach to regulation. This issue forms the basis of our first area (general framework) for improvement. A similar exercise could be envisaged for supervisory practices, drawing inspiration from the recent speech[4] by Michelle Bowman, recently confirmed as Vice Chair for Supervision at the US Federal Reserve, who emphasized the need for more risk-focused, tailored, and transparent supervision that avoids procedural overreach and supports institutional diversity.

The EBF's report aims to contribute to the initiatives launched by European institutions to strengthen the competitiveness of the banking sector – and, by extension, Europe's overall economic competitiveness. It is essential in this context to adopt a comprehensive approach, taking into account the impact of existing, ongoing, and future EU regulations. The EBF stands ready to collaborate with EU institutions to ensure reforms both uphold key policy objectives and foster a more competitive, innovation-friendly environment At the same time, as a short-term measure, the EBF supports the European Commission's current strategy of introducing targeted simplification amendments to existing legislation through Omnibus initiatives.

[4] https://www.federalreserve.gov/newsevents/speech/bowman20250606a.htm

1. General framework: A structural path to EU competitiveness

There is growing recognition in Brussels that the EU's financial regulatory framework has become overly complex. This concern has been consistently raised by the European financial sector through a series of reports – the most recent and arguably most significant being the "Less is More" report – which should now serve as a foundation for structured dialogue with EU institutions. In addition to the need to simplify existing EU legislative acts and proposals in the banking and financial sector, it is equally essential to initiate a review of the way (i.e. the institutional architecture and rulemaking process) these rules have been developed – as this rulemaking process has significantly contributed to the complexity we are facing today.

A number of key areas for improvement have emerged:

Rebalancing and enhancing clarity on regulatory levels and accountability

There is a pressing need to establish a better balance between Level 1 (primary legislation) and Levels 2 and 3 (technical standards and supervisory guidance). This would help maintain the clarity and predictability necessary to support sound implementation, innovation and competitiveness, while preserving safeguards achieved over the past decade. This is a mid- to long-term and complex discussion that requires the active involvement of all EU institutions together with the industry, to ensure clarity, consistency, and legal certainty. The current framework suffers from a lack of clarity and predictability, notably due to the excessive use of Level 2 and Level 3 measures – such as RTS, ITS, guidelines, and Q&As – many of which are issued without sufficiently clear legal grounding or oversight, and in certain cases go beyond their Level 1 mandate, laying down additional capital requirements and compliance obligations.

This proliferation is also blurring the lines between binding law and soft law, creating confusion for market participants. To address this, a clearer delineation of legal instruments is needed, with a strict hierarchy and defined legal effects. Stronger accountability mechanisms for the ESAs and the European Commission should be introduced, including ex-ante scrutiny of delegated acts, mandatory impact assessments, and regular reviews of existing measures.

Reducing automatic review clauses

The proliferation of automatic review clauses in legislation has led to an excessive number of parallel processes, increasing the regulatory burden on the sector. Future review mechanisms should be politically anchored within the European Commission to ensure strategic oversight and coherence.

Introducing competitiveness checks

New legislation should be systematically assessed for its impact on the competitiveness of the EU economy, benchmarking main EU competitor countries. The Commission has already shown openness to this approach, and it is urgent that it becomes a standard part of the legislative process. Competitiveness checks should also be applied to L2 and L3 acts by the European Supervisory Authorities (ESAs).

Improving enforcement and reducing gold-plating

Even when EU legislation is well-designed, its implementation can be undermined by divergent supervisory practices and national gold-plating. Greater use of maximum harmonisation – where Member States are not allowed to impose stricter requirements than those agreed at EU level – is key to ensure uniform implementation and a level playing field. Other tools available to limit supervisory discretion beyond the Single Rulebook at national level should be strengthened.

Introducing an ecosystem approach when legislating and supervising digital finance

Digital finance brings together two worlds: the world of finance and the world of technology. These come together to form a constantly expanding ecosystem of interconnected actors that must be adequately regulated and supervised to ensure a level playing field, consumer protection and digital operational resilience. Legislation and supervision must adapt to capture both.

Digitally enabled fraud in authorised push payments is a case in point: trying to tackle this major social problem, which is cross-sectoral, through sectoral legislation (PSR) that places liability only on the financial part of the fraud chain (banks) and leaves out the digital parts where victims are targeted and defrauded (telcos, platforms) is inadequate and misses the big picture. It is also likely to stimulate crime, since a guaranteed reimbursement by banks may make consumers less vigilant and criminals more attracted to “do business” in Europe. The example of Australia’s ecosystem approach, where all actors – including financial, tech and telecom - come under one framework with obligations and accountability for all, should serve as inspiration for Europe’s approach.

Embedding competitiveness and growth in the European Commission, ESA and SSM mandates

To ensure that the European Commission, the European Supervisory Authorities (ESAs) and the Single Supervisory Mechanism (SSM) fully integrate – beyond their core mandate of financial stability – the broader strategic objectives of the European Union, it is recommended to explicitly incorporate competitiveness and sustainable growth as complementary goals within their mandates. This would align the European Commission, ESAs and SSM responsibilities with the EU’s long-term economic vision and mirror developments in other jurisdictions – notably the United Kingdom, where both the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) are already required to take into account competitiveness and innovation in their regulatory approaches.

Key recommendations:

- Short term:
  - Explicitly incorporate competitiveness and sustainable growth as complementary goals within the mandates of the European Commission, ESAs and SSM.
  - Ensure close cooperation and alignment between horizontal and sectoral policymakers and supervisors for rules on digital finance.
- Mid- to long-term:
  - Although many of these findings are increasingly acknowledged, it is now essential for the European Commission to formally launch a dedicated workstream to translate these concerns into a concrete revision of the rulemaking process. A first step could be to establish a high-level working group involving all relevant stakeholders – including industry representatives – with the objective of delivering concrete recommendations by a clearly defined deadline.

2. A simpler approach for a more efficient prudential, supervisory & resolution framework

Prudential regulation

The Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD) represent the cornerstone of EU banking legislation. While they have significantly strengthened the resilience of the European banking sector, they have also contributed to a highly complex regulatory environment.

Since the start of the post-crisis regulatory reform in 2010, European banks have consistently exceeded prudential targets. As of 2024, capital, own funds, and liquidity ratios are well above minimum requirements. This resilience is further supported by key institutional safeguards, including the EU Single Rulebook, the ECB's Single Supervisory Mechanism, the bank recovery and resolution framework, and the Single Resolution Fund. European banks have also successfully withstood both stress tests and real-life crises, demonstrating the effectiveness of the regulatory framework. However, despite these achievements, the EU regulatory framework has become increasingly burdensome. Banks face a continuous risk of rising capital requirements due to evolving EU legislation, national discretions, and supervisory expectations. This complexity has led to overlapping rules, gold-plating of international standards, and duplicative measures addressing the same risks – all of which undermine regulatory clarity and predictability.

There is now a clear need to streamline the framework, reduce unnecessary complexity, and ensure that regulation remains proportionate to the risks faced – without compromising financial stability.

Several of these issues are also addressed in a recent dedicated **EBF report on regulatory capital efficiency for EU competitiveness,** which we refer to for further details.

1. Adjustment of Basel III implementation and prudential framework

While some uncertainty remains regarding the implementation – or the extent of implementation – of the Basel III Endgame in jurisdictions such as the US, the UK or Canada, it seems particularly important at this stage to closely monitor these developments. The risk of an uneven playing field is significant and could further undermine the competitiveness of European banks, especially in comparison to their U.S. counterparts.

Although it may be premature at this stage to broadly reopen the CRR/CRD framework, certain adjustments in key and targeted areas – such as the review of the FRTB – are necessary. However, depending on how the international regulatory landscape evolves, it may become essential to reassess the overall impact of the framework. This could include a recalibration of certain elements of the framework, to ensure that European banks are not operating under disproportionately adverse conditions that hinder their ability to support the real economy. In such a scenario, any review should also include a thorough evaluation of further simplification measures, aimed at reducing unnecessary complexity and enhancing the overall efficiency and coherence of the regulatory framework.

In the same vein, it is worth noting that the prudential regulation not only sets capital requirements based on a risk measure but also imposes constraints on lending conditions and governs the monitoring and management of loans. All of this can have consequences on the volumes of financing granted by banks as well as the costs for clients (interest rates). **Therefore, it is crucial to identify the prudential constraints affecting financing in key sectors** such as real estate (especially housing and social housing), specialized lending or Trade Finance and to propose targeted adjustments to mitigate undesirable effects.

More fundamentally, the EBF also believes that the forthcoming Competitiveness Report could be a good opportunity to proceed with an assessment of certain elements of the prudential framework. For instance, the impact of the output floor on the competitiveness of EU banks – both in comparison to other EU and non-EU banks, as well as a review and possible extension of the transitional arrangements[5], including their application to the standardised approach – particularly for unrated corporates, residential mortgages, SACCR, and UCCs – to ensure global consistency. In addition, the removal of the NPL backstop, the removal of software capital deductions, adjustments to trade finance provisions (including definitions, infrastructure supporting factors, LGDs, etc.) and the harmonisation of cross-border capital and liquidity waivers within the Banking Union – should be further considered. These steps are essential to ensure a level playing field and to strengthen the global competitiveness of the EU banking sector.

At this stage, a priority is to focus on the large volume of secondary legislation (level 2 acts) as well as the proliferation of level 3 measures) – mandated to the EBA for the implementation of the CRR/CRD framework. These measures should undergo a critical review with the dual objective of simplification and the development of concrete proposals to reduce their overall number and complexity. Also, while CRR3 officially entered into force on 1 January 2025, several key technical provisions are still pending. For example, the EBA RTS on equivalent mechanisms for unfinished property, as well as others, have not yet been published. To provide certainty about requirements and supervisory expectations, it is imperative that the entry into force of regulatory texts should be aligned with the availability of key corresponding technical standards and guidelines. It is also recommended that institutions are given the necessary time to implement the new rules after the technical standards are published.

The conditions set by EBA to use the prudential boundary for operational risks is an illustrative example: EBA has introduced constraints that go beyond the provisions of the Level 1 text which does not prescribe a hierarchy or default approach between the use of accounting standards and the use of the prudential boundary. By making the accounting approach the default method, the EBA introduces requirements that were not included in the Level 1 text as well as an extremely complex and burdensome reporting process for entities wishing to use the supervisory boundary when this approach could in many cases be more appropriate. In doing so, the EBA's proposal does not respect the spirit of the Level 1 text, which is to base the choice of approach on relevance without imposing a default approach, and it also introduces an obligation for an independent review, which was also not in the Level 1 text.

[5] On the output floor transitional arrangements, it is worthwhile considering 1) applying an approach similar to the one just implemented in Canada, i.e. freeze the level of the output floor until further notice by committing to inform the banks at least two years in advance in the event of a further increase; 2) Bring forward the review of the transitional arrangements for inclusion in the Commission's 2026 report on the competitiveness of the EU financial sector. This review should support the sustainability of the transitional provisions of the output floor for unrated corporates, residential mortgages (with equal application in all EU Member States, as maintaining Member State discretion runs counter to the ambition of the single market and a banking union) and the SACCR.

Key recommendations:

- Avoiding gold-plating at EU level through various EBA RTS (Prudent Valuation / Off-balance sheet items and Unconditional Cancellable Commitments (UCC) / Accounting components used in the calculation of the Business Indicator on Operational risk).
- The European legislator, the European Supervisory Authorities, together with the ECB should identify and eliminate overlaps between Pillar 1 and Pillar 2 capital requirements, issue clear guidance with timelines, and enhance communication to restore trust and ensure competitiveness, aligning with international standards where necessary.
- Remove NPL backstop (European specific) which is adding complexity to the international standards and damaging the competitiveness of EU banks that are under severe capital constraints, locking up funds that could be mobilised and used for new loans to support economic growth.
- Simplify the conditions for granting exemptions from individual monitoring of solvency and liquidity ratios to remove obstacles to the cross-boundary movement of capital and liquidity, taking into account the Banking Union (medium/long-term revisions of CRRs).
- More fundamentally, an assessment of certain elements of the prudential framework should be undertaken in the context of evaluating the competitiveness of European banks (see examples above).

2. Simplifying the macroprudential framework to avoid overlaps and inconsistencies

The macroprudential framework should be simplified to address regulatory inconsistencies stemming from the involvement of multiple authorities, divergent criteria across Member States, overlapping and unpredictable measures, and burdensome requirements that negatively impact the financial sector. The macroprudential measures have also been overlapping with the additional requirements set by micro-prudential supervisors such as the SSM. These issues are further compounded by a governance process that lacks clarity and cohesion and adequate cooperation across national and European authorities and across micro- and macro-prudential authorities.

The EBF therefore calls for a macroprudential framework that is simpler, more coherent, and free from gold-plating, which currently undermines the sector's ability to support sustainable European growth.

The capital buffer structure in the EU is indeed overly complex. The current macroprudential framework includes five risk-weighted capital buffers. On top of these, the EU has added an additional buffer, the Systemic Risk Buffer (SyRB), which exceeds international standards. This SyRB represents a significant instance of European 'gold-plating' over the standards set by the Basel Committee on Banking Supervision (BCBS), and it overlaps strongly with other macro and microprudential requirements, such as measures included in Art.458 CRR (Risk weight measures related to Real Estate or other portfolios or sectors), P2R, P2G and other buffers.

One of the most consequential buffers, the O-SII (D-SIB) buffer – conceived by the BCBS to apply to banks that are not globally systemic but are considered systemic in a local context, has not been activated in the US or China. In stark contrast to this, the EU has imposed it to over 170 banks with a sizeable amount, including amounts in excess of G-SII requirements of EU banks. Even more strikingly, a number of European banks today face a higher O-SII buffers than the largest G-SIIs in the world. This clear case of gold-plating should be urgently addressed.

Under current legislation, national authorities can increase capital requirements for banks operating in their countries of up to 5% CET1 over Risk Weighted Assets, also increasing the MREL requirement through the Combined Buffer Requirement. This is a potentially enormous gold-plating measure over international standards and increases at the level of Risk Weighted Assets determined by the micro-supervisors. It generates uncertainty and represents a dissuading factor for investors in EU banks.

Policymakers are now discussing possible future climate risk related buffers. The current framework poses a severe risk of even more differing macroprudential approaches, given no clarity on scenarios used as well as a lack of detailed inputs from each bank's individual risk management procedures. Not every systemic risk needs a macroprudential solution, and when considering the use of a macroprudential tool for targeting a systemic risk, there would need to be sufficient clarity from regulators that this is indeed the most effective approach.

Transparency and predictability on the calibration of macroprudential measures, as well as sufficient time for replenishment after the use of buffers, should be ensured in any case.

While the macroprudential framework is designed to support the broader EU regulatory rulebook, certain aspects of it currently duplicate existing measures. This duplication adds unnecessary capital requirements, which can limit banks' capacity to fund the economy. Additionally, it also creates an unlevel playing field vis-à-vis other jurisdictions due to the significant EU gold-plating over international standards. This is undermining the flow of finance to European companies and households.

Key recommendations:

- Simplify the macroprudential framework set out in CRD, in particular with the following changes:
  - The macroprudential review should aim at simplifying the framework without any increase to the capital requirements.
  - Reduce the number of buffers.
  - Eliminate the SyRB as it is a clear case of European gold-plating with a very ample definition and a heterogeneous application, creating an unlevel playing field for Europe.
  - Eliminate the O-SII buffer for the same reasons or cap it at the lower level of GSII buffers.
  - Engage with the EBF in an analysis of the problems and complications created by the MDAs thresholds.
  - Improve the releasability of buffers without increasing the overall current level of requirements.
  - Reduce the overall level of macroprudential capital add-ons experienced in the recent years (see GARP study[6]).
  - Require coordination between micro- and macro-prudential authorities.
  - Establish a mechanism to scrutinise the negative impact on economic growth of new buffer decisions for the sake of a balanced decision-making process.

[6] https://www.ebf.eu/ebf-media-centre/updates/new_study_stresses_urgent_need_for_regulatory_capital_efficiency/

- Comprehensive review of all the regulatory and supervisory tools relating to climate risk in order to avoid overlapping capital requirements. The framework should first be reviewed at an international level to ensure comparability and a level playing field across markets.
- Oppose BCBS' proposal to increase G-SIBs' reporting frequency to more than quarterly.

3. Review of the securitisation framework

Securitisation is a key tool for mobilising private capital to support the EU economy, but its potential remains underutilised due to an overly complex and conservative regulatory framework. To revitalise this market and align it with the EU's strategic priorities, a bold review is needed to address excessive capital requirements, inconsistent supervisory practices, and restrictive rules that deter both banks and institutional investors.

While this paper does not aim to comment in detail on the Commission's proposal, the EBF considers it important to state that it welcomes the proposal released in June 2025 as a step in the right direction. It rightly introduces greater risk sensitivity in the proposed prudential treatment of securitisation and streamlines due diligence and disclosure requirements – all key demands from the industry.

However, the proposal adds on complexity still falls short in several areas, including the overly broad definitions of public deals, the treatment of non-STS securitisations, the monitoring of resilient securitisations on an ongoing basis, the need to cap the RW floor formula, the treatment of senior STS securitisations in the LCR, the eligibility of project finance under construction as underlying to STS or the reporting of private securitisations to private repositories, and unresolved barriers for non-EU transactions. **Further key refinements are essential to ensure the framework is competitive, proportionate, and capable of supporting Europe's economic and strategic ambitions.**

Supervision

In addition to a complex regulatory framework, EU banks have to meet supervisory expectations that have become, in practice, a fourth layer of prudential requirements for banks, overriding EU regulation and with greater execution power than the level 1 regulation. Such practice should be stopped.

A singular focus on capital requirements has allowed for supervisory decisions to be taken without an assessment of their consequences. Competitiveness and economic growth should be included as a formal secondary objective of EU supervisors, alongside ensuring financial stability.

The supervisory methodology should be simpler, and supervisors should be more transparent on the Pillar 2 requirement, explaining to banks its composition, assessing overlaps with Basel III changes, and removing a capital add-on when the risk or deficiency it was meant to address is solved. Overlaps between macroprudential buffers must also be addressed.

1. Address the double counting of capital requirements in Pillar 1 & Pillar 2

Pillar 2 represents an additional own funds requirement designed to cover risks not addressed – or not fully addressed – by Regulation (EU) 575/2013 or the capital buffers outlined in Directive 2013/36/EU. Introduced in 2016, the Pillar 2 Requirement (P2R) was intended to capture institution-specific risks, assessed through the annual Supervisory Review and Evaluation Process (SREP). According to EBA guidelines, these risks fall into two broad categories: idiosyncratic issues specific to individual institutions, and model deficiencies – particularly relevant when internal models were still under regulatory review.

With the adoption of CRR3, some risks previously covered under Pillar 2 have now been incorporated into Pillar 1. This overlap has led to double counting, where the same risks are effectively captured under both pillars. For instance, model and data deficiencies are addressed via add-ons in the Pillar 1 calculation and can also justify Pillar 2 capital add-ons.

Despite repeated commitments, the European banking sector has yet to see concrete action to address this issue. The EU must now move from words to action – as other jurisdictions have begun to do. For example, in the UK, the Prudential Regulation Authority (PRA) published policy guidance in December 2023 outlining an off-cycle review of firm-specific Pillar 2 capital requirements ahead of the 1 July 2025 implementation of the UK Basel 3.1 standards, to address potential double counting. For operational risk, the PRA plans to adjust Pillar 2A requirements in line with changes in Pillar 1 RWAs, keeping total nominal requirements broadly unchanged.

Without corrective action, European banks risk falling further behind peers in jurisdictions where such issues are being proactively addressed. The duplication of capital requirements between Pillar 1 and Pillar 2 creates significant inefficiencies for European banks, forcing them to hold excess capital that could otherwise support the real economy. This undermines competitiveness, increases compliance costs, and introduces regulatory uncertainty – complicating strategic planning and weakening trust between banks and regulators.

Key recommendation:

- European regulators should identify and eliminate overlaps between Pillar 1 and Pillar 2 capital requirements, issue clear guidance with timelines, and ensure competitiveness.

2. Streamlining the supervisory framework

The debate on simplification in the supervisory field was launched in 2023 when the ECB commissioned a group of experts to produce a report identifying potential measures to optimize the exercise of supervision (SREP). This debate will continue in the coming months thanks to the creation of a working group within the ECB. Furthermore, another working group has been created within the EBA. Both working groups pave the way for improving the supervisory process in Europe regarding the following elements:

- More transparency, streamlining and rationale on capital add-ons from on-site inspections and Internal models inspections: OSIs and IMIs are leading to a significant increase of capital add-ons beyond the minimum capital requirement set by regulators in level 1. In many times these capital add-ons are not the right solution to solve the findings raised by supervisors. The comparison of the SSM criteria in certain OSIs with third countries supervisors' criteria shows that the SSM has a more risk-averse approach that may result in higher capital add-ons. Transparency, streamlining and the review of OSIs/IMIs methodology are needed to better justify the capital decisions and make it more practical and risk oriented. Some examples: Leverage finance capital add-on and the observation period in calculating the PDs in the internal models' context (2008-2018).
- Avoiding the use of supervisory guidelines, expectations and interpretations (level 3) as a tool to toughen what regulators have decided: additionally, in some cases the interpretations of the SSM go beyond the mandate received by the regulation; in others, they are consistent to decisions made by the co-legislators; and, finally, in still other cases, interpretations are made without a mandate. All these situations may lead to higher capital requirements, thus constraining credit capacity. Some examples: treatment of cash flow spikes (CCR) in EGIM , deduction of DTAs in third countries generated after 2016; Interpretation of the methodology on the eligibility of minority interests (Article

84 CRR) ; criteria established to authorize the application of the ILDC at the individual level (SSM decided to use the ILM criteria when the co-legislators decided to ignore it) ; expectation of supervisory backstop for NPLs (stock) although the co-legislators decided that it would only apply to new production (after 2019).

3. Improving supervisory practices and processes:

Recent observations suggest a growing imbalance in supervisory processes within the SSM, with horizontal teams gaining influence at the expense of Joint Supervisory Teams (JSTs). This shift has led to overlapping information requests, confusion in responsibilities, and a costly, overly complex reporting framework, as well as duplicated requirements that are not coordinated across various inspections and reviews. The EBF supports a rebalancing between JSTs and horizontal teams, particularly in the context of On-Site Inspections (OSIs). JSTs should play a central coordinating role in OSIs to ensure consistency, avoid duplication, and enhance accountability across the SSM decision-making chain. The current strict separation and independence of OSIs and horizontal reviews from JSTs should be reassessed accordingly.

Moreover, supervisory processes giving too much traction to horizontal analysis often fail to reflect the idiosyncrasies of individual institutions, such as differences in business models, governance structures (centralised vs. decentralised), and geographic footprints. Supervisory actions – especially those of a horizontal nature – should be tailored to the specific characteristics of each institution and avoid simplistic benchmarking across all SSM banks. In this regard, the revised SREP methodology should not depart from the idiosyncratic nature of the supervisory exercise, just as recalled by the EBA Guidelines on SREP[7] supervisory decisions, which call for the adequacy of decisions to the banks' risk profile, size, nature and complexity.

For example, the requirement for a weekly consolidated liquidity report does not align with the operational realities of decentralised banking groups and offers limited informational value in such cases.

Another concern is the lack of application of the materiality principle in supervisory activities. Introducing risk-based materiality thresholds could significantly reduce the supervisory burden, for all but particularly for smaller or less complex institutions.

Additionally, there has been a noticeable increase in the duration and scope of OSIs, often driven by extensive information requests and numerous meetings across all levels of seniority. The duration of inspections should be defined at the outset and only extended under exceptional circumstances.

We also recommend enhancing the communication at EU level of the outcome of OSIs, with additional insights to the market on on-site inspections trends, main findings and evolution from a year to another.

Despite a decade into the SSM, SREP letters continue to include a high number of findings, sometimes based on draft level 2 legislation or even soft law instruments, complicating supervisory dialogue, prioritisation of corrective actions, and internal communication between management and technical teams within institutions.

Finally, the concentration of supervisory activities in the first quarter of the year – often coinciding with stress testing – places undue pressure on institutions. Distributing supervisory work more evenly throughout the year would improve efficiency for both supervisors and supervised entities.

[7] EBA Guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP) and supervisory stress testing under Directive 2013/36/Eu, EBA/GL/2022/03, 18 March 2022.

On-site inspections:

The overall number of inspections is very high. Topics of different inspections appear to be overlapping quite often. Consequently, different supervisory teams raise the same questions multiple times and/ or express deviating expectations. Moreover, the classification of findings seems to become increasingly strict. This results in an increasing number of high-severity findings (in particular F3) and in turn in increasing operative burden for both banks and supervisors.

- Scopes of different inspections should be limited and clearly separated from each other.
- Internal communication between supervisory teams should be improved.
- The relevance of findings should be critically assessed. The guiding principle should be to focus on the most relevant issues in terms of actual risks instead formal compliance.
- This implies strengthening the role and the influence of those who are best placed to assess the individual bank's situation, i.e. the JSTs.

Internal model approval:

The process is still very burdensome and lengthy for both banks and supervisory teams. The time-to-market for model changes is much too long in our view. This can result in banks being forced to keep outdated models running longer than necessary.

- The process set out in EGIM should be generally re-defined:
  - The volume and timing of documentation should be revised.
  - Certain steps in the process should be done simultaneously instead successively.
- A model change that is formally classified as being material should still not automatically require a fully-fledged IMI.

JST should use their own judgment to decide whether a notified material model change according to delegated regulation 529/2014 requires an IMI or instead requires an assessment based on the sole information sent by the banks in the notification package. In particular, we believe that remediation following an IMI, for example to remove a limitation, should not lead to another IMI

Supervisory stress test:

The operative burden for both banks and supervisors is very high. At the same time, the market's interest in the results has become very low in our perception.

- Data quality checks should be more proportionate and correct from the start of the DQ process.
- It is important that supervisory teams challenge banks' results. However, they should focus their checks on actual miscalculations and accept results that follow from robust and functioning models.

Data collections:

Up-to-date and reliable data is the foundation for sound supervision. Still, in practice banks are repeatedly confronted with extensive data requests, some of which overlap, in addition to regular reports (e.g. CoRep, STE). Moreover, the QFR process for bank' supervisory reporting is neither technically mature nor in terms of content.

- Supervisory teams should make an effort to retrieve the desired information from data that is already available to them before approaching banks.
- If additional information is still needed, supervisory teams should coordinate as best as possible to avoid redundancies.
- The ECB should not frontload data requirements that banks are only required to fulfil at a later stage.
- The QFR process should be improved and harmonised between ECB and EBA.

Capital and liquidity waivers

The ECB specifies the CRR conditions in great detail, resulting in a very bureaucratic and expensive process (comprehensive documentation and verification process including legal opinions). These hurdles make it more difficult and expensive for institutions to apply waivers. This does in turn hamper the development of the capital market union.

- The volume and granularity of documentation requirements and the need for legal opinions should be reviewed.

Reduction of own funds or eligible liabilities

Banks need prior approval from the supervisory authority for the reduction of own funds and eligible liabilities. Delegated Regulation (EU) 241/2014 sets out very extensive requirements in detail. We understand that, accordingly, the supervisor must carefully review any material reduction and that this requires certain information. However, many applications (in particular applications for secondary market operations) concern relatively small amounts.

- The information to be submitted (in terms of scope and timeliness) should be differentiated according to the amount of the reduction.
- The documentation and stress calculations should be waived for non-significant volumes.

Horizontal reviews

In certain cases, horizontal reviews may be helpful to better understand overarching developments and to detect anomalies. However, the results need to be interpreted with great caution and required in-depth knowledge of each participating bank's individual business model and risk profile. Different approaches and methods are not bad per se, but perhaps even necessary.

- The supervisory approach should focus on each individual bank, taking into account its business model and risk situation.
- The use of horizontal reviews should be limited in general.

The involvement of external parties should be limited.

Key recommendations:

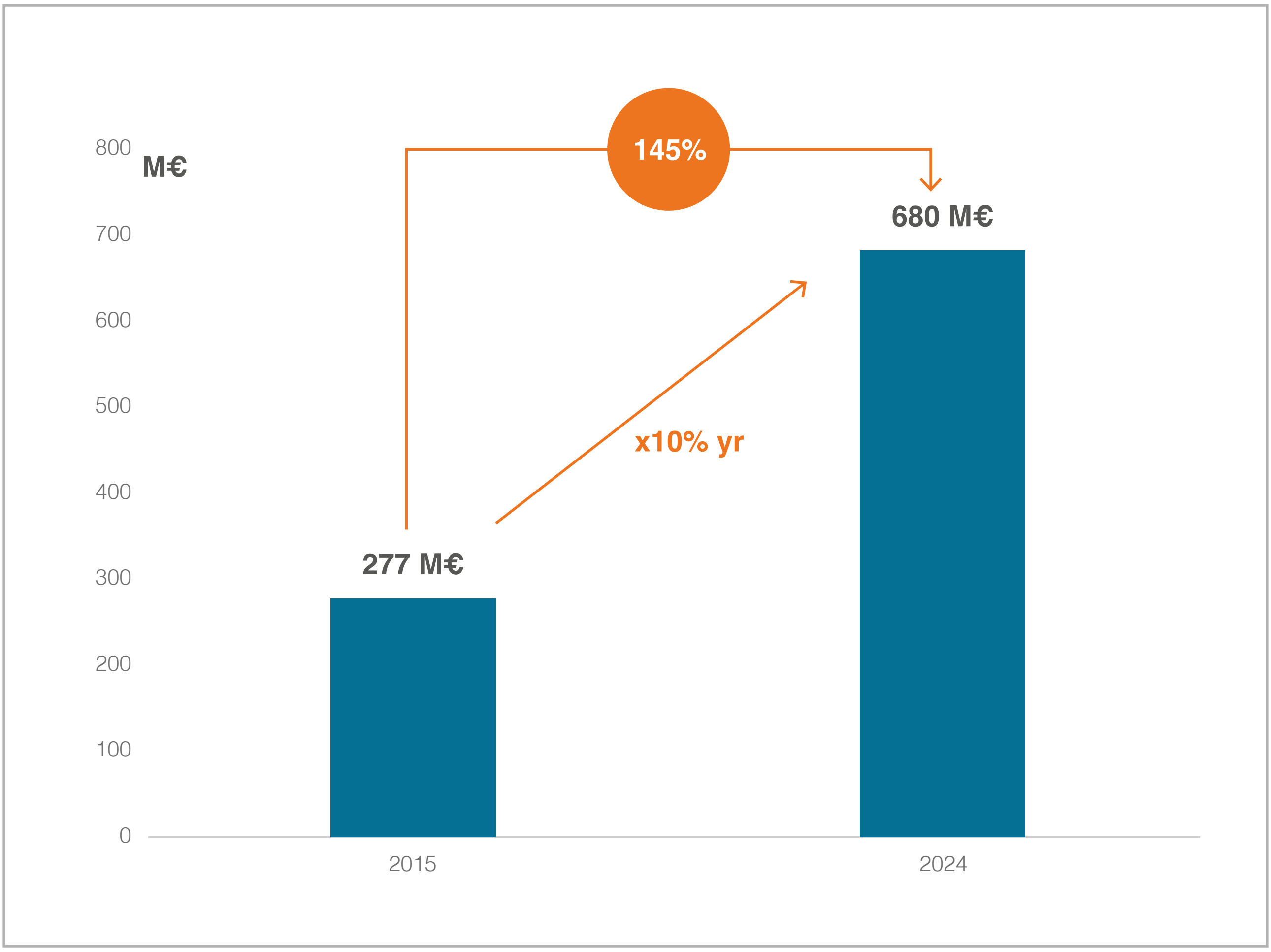
- The SSM should implement the recommendations in the High-Level Expert Group Report on SREP.
- The supervisory processes should be much more efficient alleviating the burden on banks (see text above).

4. Stabilisation of supervisory costs.

Since the SSM came into force, supervisory costs have been borne by the supervised entities. A significant increase has been observed in the administrative fees for supervision in recent years as shown in the coming table. It was expected that the creation of the SSM would reduce the costs of national supervisors, however our impression is that they continue to grow.

Key recommendation:

- Decrease and stabilise the supervisory budget for the next 5 years. It would be consistent with the simplification of the SREP process. And publish a long-term budgetary trajectory.



Source: ECB

Recovery & resolution

The increased complexity of the EU recovery and resolution framework continues to create additional challenges. Banks face extremely granular data requirements, required preparation for a potentially wide range of potential resolution strategies, frequent and complex testing exercises with comprehensive and extremely performant testing environment expectations, burdensome regulatory processes and significant changes in expectations, the whole requiring huge investments and significant resources that cannot be allocated where the normally should, i.e. in the transformation of banks to better and more efficiently support the economy, while rendering previous investment obsolete. Banks are also subject to excessive loss absorbing capacity requirements through the EU-specific Minimum Requirement for own funds and Eligible Liabilities (MREL).

The resolution authorities should streamline and reduce processes across all types of testing exercises, lighten the reporting burden and avoid requiring data and reports that are already delivered to competent authorities and limit their requirements concerning variant strategies. They should also adopt principle- and risk-based approaches, avoid "one size fits all" ones and refrain from expecting banks to be ready for resolution at all times as if resolution could happen overnight. A serious cost-benefit analysis would also be mandated for any new requirement or change of existing requirement.

A review of the EU regulation should, at a minimum, include an alignment of loss-absorbing capital requirements to international standards established by the FSB.

1. Simplify the process for frequent and complex testing exercises

Dry run processes are recognized as critical for operational readiness in the EU banking sector. However, these processes are complex and burdensome due to several interrelated factors.

The departments involved, most often finance and risk department, often rely on imperfect information to better approximate real crisis conditions. This level of comprehensives demands significant planning, resources and independent facilitation to ensure effectiveness. The diversity in objectives, scenario design and operational aspects means that each institution must tailor its process, increasing the perceived burden and risk of non-compliance.

The resolution authorities should ensure consistency and proportionality and provide further guidance on frequency, scope and methodologies across all types of testing exercises and lighten the reporting burden for variant resolution strategies.

2. Further calibration of MREL requirements

As per the European framework (BRRD and SRMR) the MREL requirements for large EU banks amount to almost two times their already very high own funds requirements. According to the latest SRB Dashboard, they reach about 28% of RWAs on average for EU banks while GSIIs outside the EU are subject only to much lower TLAC requirements, which do not exceed 22.5% of RWAs for US GSIIs.

The gap keeps widening with the continuous increase of P2R and capital buffers (the Combined Buffer Requirement) observed in the EU and the implementation of the final Basel III rules in the EU will worsen the situation due to the relatively much higher implied RWA increase for EU banks compared to the US ones and other international banks.

Besides the level playing field issue and the impact on the profitability of EU banks, the level of MREL requirements entails that many EU banks have to issue eligible liabilities outside the EU, mainly, in the US and UK. This is due to their high issuance requirements that exceed the volumes that EU markets can absorb on a single name. The cost of such third country issuances is often higher than the cost of EU issuances and the cost paid by local peers, to the sole benefit of non-EU investors.

This makes large EU banks dependent on foreign markets, particularly the US one, and vulnerable to their volatility. This could also make the implementation of resolution actions as Bail-in by the EU authorities significantly more complex.

Amongst the measures proposed a proportionality principle in MREL for combined strategies should be put in place. We believe the combination of resolution tools should be reflected in a lower recapitalization import as part of the calibration of the MREL target (e.g., large banks with a bail-in strategy combined with transfer tools). The post-resolution group's business model would change compared to the pre-resolution model. The sale of a "material legal entity" should be considered as feasible during a resolution process when such subsidiary is a self-managed institution, has few interconnections and dependencies, and has its own key personnel, and the solvency (RWA reduction and capital gain or loss) and liquidity impacts resulting from the sale should be considered as lower recapitalization needs under the external MREL formula. In this regard, the EBF supported the Parliament proposal to establish new rules in the BRRD regarding the calibration of MREL for banks whose resolution strategy involves the application of transfer tools either alone or in combination with other resolution tools (e.g., bail-in), whereby the MREL should be proportionately adjusted to reflect the reduced size of the entity post-resolution. This approach would have reduced legal uncertainty and mitigated against divergent methodologies being applied by resolution authorities. This amendment would have reinforced the principle that the MREL requirement level should align with the most likely resolution strategy.

Key recommendations:

- Adjustments to the methodology and mechanisms included in the BRRD and the SRMR leading to the calibration of MREL requirements - including applying proportionality in MREL for combined strategies - should be made. The aim should be to make the EU approach simpler, more transparent and predictable and less divergent from international standards.
- Given that the MREL requirement includes all capital buffers, almost doubles own funds requirements including buffers and that it is based on RWAs, it is essential to apply the recommendations found in other cases within this paper to ensure capital efficiency, i.e. eliminate gold-plating on prudential measures that increase RWAs and reduce gold-plating of capital buffers in the macroprudential framework.
- A change of MREL calibration methodology could be considered to avoid unjustified MREL inflation and limit the dependence of large EU banks on foreign, mainly US, markets. It should not be calibrated based on own funds and buffer requirements that would logically not apply in a resolution or post-resolution context.
- Recalibrate EU MREL requirements against international TLAC requirements: we ask for 1) an alignment of the MREL with the TLAC for G-SIIs, i.e. 18% of RWA plus combined buffer requirement (CBR) including a maximum of 3.5% of preferred senior debt and, 2) for all other European resolution banks regardless of size, to cap it at this level, with an absolute minimum of 16% plus a combined buffer requirement (CBR) for smaller bank.

3. Additional proposals for simplification stemming from recent SRB consultations

Based on its Vision 2028, the SRB is consulting on a number of guidance which would results in a significant redesign of SRB Expectations for Banks (EfBs). Their implementation would lead to a considerable human and financial costs and therefore, appears disproportionate to the expected benefits in terms of efficiency and resolvability. Moreover, the compatibility of these guidelines with the existing regulatory framework is questionable, in terms of legal basis as well as proportionality (article 5 TEU) and seem to contradict the recent calls for regulatory simplification at the European level.

Key points include:

- The consultation on the operational guidance on resolvability testing: while testing resolution capabilities is understood, the proposed requirements are seen as disproportionate, notably in terms of testing environments. Banks cannot be expected to have or develop the capacity to simultaneously meet going-concern and gone-concern expectations at all times as if they would fail overnight. 24-hour in advance request of drill tests are impractical, conflict with going-concern duties and can be very disruptive for normal business activities. Furthermore, they are, by essence, not aligned with the SRB's multi-annual planning approach. The focus should remain on risk-based, strategy-aligned testing, not overly broad or premature expectations. We should also mention the possibility of the authority to reduce the number of sessions for a test requiring to work during the night (e.g. for the need of data provision in 24 hours where we could send the info after 3 days 8 working hours, they can request to provide the info in 1-2 days where teams will need to work during the night.
- The consultation on the new Expectations on valuation capabilities: the proposed continuous data room (VDR) is highly complex, costly, and raises confidentiality and security concerns. The added burden may significantly overlap with supervisory duties and does not clearly enhance resolvability. A risk-based, proportionate approach is needed, especially for low-risk institutions (see infra).
- The Minimum Bail-in Data Template (MBDT): new requirements risk renders ongoing or just finalised internal IT developments obsolete. Increased complexity (e.g. new formats, relational databases) will require significant rework. The necessity of certain data points (e.g. intra-day deposit data) is unjustified, especially given the current status of bail-in implementation.
- The consultation on bank's resolvability self-assessment: The template is overly detailed and goes beyond existing expectations. A more balanced, less mechanical approach is needed to avoid excessive burden without added value.

Banks were expecting the 2025-2028 testing phase to be focused on what has been put in place from 2020 onwards based on initial Expectations for Banks and guidance. Such a broad and in-depth update of SRB expectations would lead banks to focus first on revised capabilities before being able to test and this would contradict and delay SRB testing and operationalisation objectives starting from 2025.

The implementation of the SRB new guidelines will also result in extremely significant costs and resources requirements that are very disproportionate in view of the limited gains in terms of efficiency and resolvability. Such an important distraction of means would seriously affect the capacity of banks to invest in their own transformation and enhance their efficiency to meet the dramatically growing needs of the economy. The SRB's approach could add complexity at a time when the EU is pursuing simplification. Besides a thorough streamlining of expectations and cost-benefit analyses, the SRB should contemplate a strategic pause after the 2024-2028 SRB plan to assess what has been achieved and define a "steady state" for resolution planning.

3. Simplification measures for digital finance and cyber resilience

Digital and cyber-related policymaking has been particularly prolific over the past five years. The EU has introduced an overwhelming number of horizontal and sector-specific initiatives – including the Data Governance Act, Digital Markets Act, Data Act, FiDA, PSD3/PSR, Instant Payments Regulation, Legal Tender Regulation, NIS2, Cyber Resilience Act, Cyber Solidarity Act, DORA, Digital Euro Regulation, MiCAR, Digital Identity Regulation, and the AI Act, just to name the highlights.

While the intention to regulate the digital (finance) space is justified – given the new and often unprecedented opportunities and risks it presents – the result has been a complicated, fragmented and overlapping framework. It seems like proposals are made for different pieces of the digital (finance) puzzle without a holistic vision for the desired direction of European financial services in the digital era, i.e. for one of the critical sectors for Europe's future. Moreover, inconsistent timing and lack of coherence (e.g. between open finance and broader data-sharing rules, or between payments and the digital euro), overlaps (e.g. DORA-CRA), vague definitions (e.g. in the AI Act), and underestimated costs, time needed and unintended effects of implementation (e.g. FiDA, digital euro) create increasing uncertainty about the cost/benefit ratio but also about the desired balance between innovation, resilience and consumer protection.

This growing complexity calls for a streamlined approach, tackling overlaps and inconsistencies to ensure that regulation supports, rather than stifles, innovation, efficiency, security and value for European citizens: in short, EU competitiveness. The European Commission should map out the interplay between existing and upcoming digital regulations and consider an Omnibus initiative to streamline and simplify the overall legislative framework, ensuring coherence and legal clarity, and reducing burdens and complexity. At the same time, the enforcement of rules needs to be rethought towards adequate supervision not only of banks but also of the supply and value chains around them, both in terms of a level playing field and of digital operational resilience.

The proposals below touch upon both legislative acts already in force and those still under discussion, as it is considered even more useful to address complexity before final adoption and implementation.

Simplification of data and AI regulations

1. AI Act

With regards to the definition of an AI system under the AI Act and the respective guidelines that have been published, the Commission should further clarify that logistic regression (LR) is not to be considered as an AI system in the meaning of the AI Act, as it is "basic data processing".

The EBF calls therefore to consider the Opinion of the ECB to not classify AI systems used to assess creditworthiness of natural persons based on these techniques as high-risk AI systems, in order to avoid the potential extra burden on an already heavily regulated industry.

The recently published EC Guidelines on the definition mention that LR is not AI, but in the way it is phrased, the scope of the exception is not clear (i.e. whether it is a general exception or only for when used for mathematical optimization), and some Competent Authorities are interpreting these guidelines differently. It is important to ensure a harmonised interpretation that allows for the entire exclusion of LR from the AI definition.

Furthermore, the implementation of the AI Act should be proportional and well-coordinated among supervisors to preserve competitiveness. Overly strict AI legislation and supervision in Europe could hinder the competitiveness of European banks and businesses compared to other regions worldwide. As highlighted in MEP Arba Kokalari's report on the impact of AI in the financial sector, existing sectoral regulations already address the use of AI. Introducing new, sector-specific legislation could add unnecessary complexity and uncertainty, ultimately hindering the sector's ability to fully benefit from AI. To avoid regulatory overlaps, authorities should first allow time for the AI Act to take effect before considering any additional financial sector guidelines or rules.

It is also important to ensure a consistent implementation of the AI Act, based on a close coordination of all relevant authorities, including the financial authorities at national levels, and the European AI Office, to avoid duplications.

Key recommendations:

- Regulatory harmonization and consistent implementation are essential to avoid fragmented national rules and overlaps between AI regulation and existing sectoral rules, while ensuring that AI development respects European values and enhances safety and security. A unified framework and regulatory support to clarify interpretative issues will provide legal certainty without stifling innovation.
- In view of the AI implementation, a clear AI definition that excludes LR and expert systems for financial uses is still needed to avoid different interpretations.
- This is addressed both to the EC that can indicate the suggested interpretation of the AI GLs, but also to national supervisors who would interpret this in practice.

2. FiDA (open finance)

There are major issues identified with FiDA in light of competitiveness. These include the lack of an assessment to evaluate whether the considerable costs (to be borne by the financial industry) entailed by this proposal will have a return on the investment, or else be taken away from more urgent and tangible pursuits. Additionally, the unilateral obligation of EU financial institutions to share their data has the potential to further benefit non-EU players and gatekeepers, instead of strengthening the EU economy and businesses.

In its current form, instead of contributing to the creation of a strong EU data economy, FiDA adds regulatory burdens at a time when European financial institutions are already facing economic and compliance challenges, and Europe is grappling with a loss of competitiveness compared to other jurisdictions.

Importantly, with no sufficient evidence of actual customer demand for FiDA, which was also raised by the Regulatory Scrutiny Board in its opinion on the Commission's draft impact assessment, these requirements impose disproportionate costs and weaken competitiveness, while opening up data to non-European players.

Furthermore, FiDA is expected to have quite a number of Level 2 regulations, coming from the EC and ESAs, which may hinder the simplification goal that is being pursued by the Commission. Placing EU competitiveness and simplification at the centre of a new assessment for FIDA is key to going forward with this regulation.

Key recommendations:

- Narrow down the scope of FiDA, both as to the type of customers and data categories: (a) focus only on retail natural persons, as corporate customers already have access to tailored financial services and can negotiate bespoke data-sharing arrangements, and (b) choose a very limited number of data categories on the basis of real, evidenced needs of the market.

- Ensure that the development of schemes is demand- and market-driven, rolled out with a gradual approach and with realistic timelines. FIDA should be only rolled out in those areas where there is a proven customer and market demand in order to avoid costly implementation requirements in data holders´ systems without any real customer and business need. This approach emphasises that scheme governance should be designed and agreed on by stakeholders, based on their defined business cases and timelines, with the evidence of customer demand being a necessary condition for participation. A clear choice for schemes also means avoiding mandatory data sharing under FiDA outside of schemes.

- FiDA should not allow gatekeepers and third-country FISPs to exploit sensitive data held by Europe's financial institutions and to strengthen any dominant position and customer lock-in, contradicting the Commission's focus on competitiveness and sovereignty. Therefore, gatekeepers must be excluded.

- Properly design the permission dashboard, the first tangible test of customer trust. While a welcome tool, its implementation as currently envisaged presents significant operational, legal, and technical challenges. Furthermore, it should be sufficient to build one dashboard to meet the requirements of both FIDA and the Payment Services Regulation.

- Given the sensitivity of the data to be shared, the importance of additional risks linked to data security and privacy for European citizens should be considered alongside the general risk of fraud linked to customer data transfers and the process of obtaining and verifying customer authorisation.

- Clarify the interaction between FIDA and GDPR as the proposal still lacks clarity on numerous points, for example, the coordination – from an operational point of view - of the legal basis for processing data and the granting/withdrawal of "permission". The approach should therefore be revised with a view to greater in-depth study on the subject.

- If FiDA cannot tackle these key concerns, then its withdrawal should be seriously considered, for the sake of European competitiveness, open strategic autonomy and data security.

3. General Data Protection Regulation (GDPR)

The proposal of the Omnibus IV package to waive record-keeping obligations under Article 30(5) GDPR for organizations with less than 750 employees falls short of ensuring meaningful simplification of GDPR obligations and fails to address the core implementation challenges faced by companies.

A key barrier to GDPR simplification remains the fragmented application and interpretation of the Regulation across Member States. Diverging national enforcement practices, especially among Data Protection Authorities, have led to legal uncertainty, compliance inefficiencies and regulatory arbitrage. This undermines the functioning of the Single Market, particularly in cross-border financial services. There is therefore need for an EU-wide, harmonised and consistent interpretation of the GDPR to foster cross-border services and contribute to a unified market for retail financial services.

Preserving and reinforcing the accountability principle and risk-based approach of the GDPR is also fundamental in light of the proliferation of EDPB Guidelines, Recommendations and CJEU case law, which fosters legal fragmentation. The risk-based approach leaves the necessary room for controllers to calibrate the GDPR requirements with an eye to the risks posed to the rights and freedoms of individuals. It is a cornerstone of the Regulation that allows organisations to calibrate obligations based on actual data protection risks – an approach that aligns with the sector's multilayered regulatory environment and ongoing digital transformation efforts.

A recurring challenge for the financial sector is the interaction of the GDPR with other regulations, including at sectoral level (e.g. AI Act, AML, FiDA). A coherent legal framework should be promoted, including through consultations with relevant stakeholders, national competent authorities and industry actors alike.

Key recommendations:

- Ensure supervisory alignment: require stronger coordination between national Data Protection Authorities to avoid divergent enforcement and interpretation of risk thresholds, particularly for cross-border activities.
- Safeguard the risk-based logic of the GDPR across legal layers: ensure that upcoming Level 2 measures and EDPB outputs reflect the GDPR's principle of proportionality and risk-based approach, especially in light of overlapping sectoral regulations (e.g. AML, consumer credit, digital services).
- Align the GDPR and AI Act provisions on automated decision making.

Simplification of cyber resi-lience regulations

1. Digital Operational Resilience Act (DORA)

While a big step to harmonization of incident reporting (IR) has been made with DORA, there are still frameworks in place with diverging timelines, taxonomies, thresholds and templates (e.g. GDPR, SSM requirements). Moreover, diverging requirements about ICT contracts and outsourcing need to be carefully harmonized.

In addition, learning from the significant challenges caused by having the Level 2 regulatory acts under DORA finalised after the main regulation's entry into force (in particular, the RTS on sub-contracting), and in light of upcoming revisions, it is proposed to link the entry into force of the primary regulation to the availability of those acts.

Moreover, the current definition of ICT services supporting Critical or Important Functions (CIFs) is too broad. In particular, it includes ancillary services (e.g. Info providers) and support processes (e.g. project management) which do not have a practical impact on the delivery of CIFs in case of supplier unavailability or non-compliance. Furthermore, the extension of controls to every component / asset that is even remotely connected to a CIF, including systems not developed by IT departments, is significantly increasing the IT impact, disproportionately to the actual benefits.

Finally, a well-calibrated balance between regulatory ambition and practical feasibility, especially with regards to tech requirements, is crucial. For new security architectures, such as cloud services and encryption technologies, realistic implementation standards need to focus on feasibility considerations rather than theoretical expectations.

Key recommendations:

- It would be extremely helpful for the industry to have a complete harmonisation in incident reporting requirements under different legislative frameworks.
- The criteria to identify "ICT service contracts supporting CIFs" should be properly defined to avoid any dissipation of effort to non-critical or low-risk suppliers/ contracts. In addition, graduated controls (simplified for non-critical applications) should be introduced following the principle of proportionality and a risk-based approach, in line with the spirit of the regulation.
- The interplay between the EBA guidelines on outsourcing and DORA requirements regarding ICT contracts needs to be clarified. ESMA's guidelines on outsourcing to cloud service providers should be withdrawn, as they are covered by DORA.

2. Cyber Resilience Act (CRA)

CRA and DORA aim to enhance cybersecurity from different perspectives: CRA introduces horizontal rules for digital products, whereas DORA establishes a comprehensive resilience framework tailored to the financial sector. EBF fully supports the objectives of the CRA, especially its focus on ensuring the cybersecurity of products with digital elements. The CRA applies to all connected products, except those already covered by specific EU legislation. Furthermore, it empowers the Commission to adopt delegated acts to exclude products already governed by equivalent Union rules, provided those rules offer the same or a higher level of protection.

EBF strongly believes that financial services offered through digital channels – such as mobile banking apps, insurance apps, payment cards, ATMs, and point-of-sale terminals – fall within such exemption. These services are already subject to DORA, which imposes stringent and comprehensive requirements on financial entities' ICT systems and services. DORA covers the entire lifecycle of these systems, from development to decommissioning, and includes risk-based management, incident handling, vulnerability management, and customer communication strategies.

Although DORA is not product-specific, it applies to the very systems in which these financial services offered through digital channels operate. Its requirements are enforced by supervisory authorities and are designed to protect both institutions and their customers. Therefore, applying CRA requirements on top, would not enhance security but would instead introduce unnecessary complexity and cost – for example requiring financial firms to report incidents both to financial supervisors (under DORA) and to ENISA or national cybersecurity authorities (under CRA). This would generate unnecessary administrative burden and compliance costs, without contributing to higher cyber resilience.

The EBF position is that DORA should function as lex specialis vis-à-vis the CRA, and the banking sector should be entirely excluded from the CRA scope. This approach would ensure legal clarity and avoid overlapping obligations.

Key recommendations:

- A delegated act as foreseen under Art 2(5) of CRA should be issued by the Commission ahead of the Digital Simplification Package to create a much-needed legal certainty. Alternatively, a delay of the implementation period of CRA could be pursued for as long as the assessment following the public consultation on the EU Cybersecurity Act review is still ongoing.
- Afterwards, the digital Omnibus initiative or the Cybersecurity Act review and simplification of cybersecurity legislation, as mentioned in the Commission work program for Q4 2025, can also support the exclusion of the banking sector from the CRA scope in order to avoid double implementation efforts and reporting.

Simplification in the payments area

The EU payment framework is currently scattered across multiple laws (PSD2, the Electronic Money Directive, SEPA Regulation 260/2012, Interchange Fee Regulation 2015/751, Regulation 886/2024 on Instant Credit Transfers, Regulation 2023/1113, the Payment Accounts Directive, etc.), with overlapping definitions and requirements. Harmonisation and streamlining these rules is necessary.

1. Instant Payments Regulation (IPR)

Several issues remain in the IPR architecture with regards to simplification. Although the Level 1 legislation is relatively simple and the European Commission has published an extensive Q&A, the EBF highlights that several implementation issues remain that necessitate an immediate review of the Regulation to solve them. The most important issues are related to (i) the risk of fraud on instant credit transfers where users have the right to modify their spending limits while PSPs are not allowed to set such limits and apply cooling-off periods to protect users against potential fraudulent payment orders; (ii) the application of the Verification of Payee (VoP) service, which will be launched on a "big bang" basis, throughout all initiation channels PSP use with their customers despite some channels do not allow to provide this service, which thus requires an exemption, in addition to making the VoP service optional for bulk payments. Another implementation issue is the interplay with targeted financial screening requirements.

Additionally, the publication of the final EBA ITS on reporting obligations is still expected; national competent authorities should ensure that existing reporting requirements will be streamlined as much as possible.

Key recommendations:

- Alerting NCAs and EU institutions to the open issues and lack of legal certainty around the implementation of key requirements under the IPR. Notably the IPR should be amended with the aim to: 1) article 5 bis (6) should allow payment service providers to set instant transfer limits based on risk, not solely at the user's discretion, as fraud risks are higher with instant payments and limits are part of sound risk management ; 2) art. 5 bis (c1) should state that the VoP service is not mandatory where the payment initiation channel used by PSUs that are not consumers to place an instant payment order does not allow to provide the service for technical reasons. Additionally, ATMs (art. 5 bis (4.a)) should be exempted from the obligation to offer instant credit transfers, given their low usage for such transactions and the increased fraud risks; offering this service should remain optional for providers.
- In this respect, there is a need to streamline obligations to avoid adding further requirements to existing ones. Interplay of the IPR with other legislative initiatives (mainly the Payment Services Regulation-PSR and Payment Services Directive PSD3) is also key.
- For Level 2, there is a need to limit reporting to what is strictly necessary for authorities.

2. The EU's open strategic autonomy in retail payments and the digital euro

The digital euro raises a number of challenges to both competitiveness and simplification. As currently designed, it imposes an overly prescriptive and complex set of requirements, hindering the simplification goals of the European Commission.

Strengthening the sovereignty of European retail payments is a strategic objective shared by the banking sector, the ECB and the co-legislators. All options should be explored to that end, taking into account the deployment of European private instant payment solutions that take full advantage of the implementation of the Instant Payments Regulation.

Open strategic autonomy, competitiveness and simplification could be achieved by leveraging existing domestic and regional private instant payment solutions and closing the gaps where no such solutions exist, through a public-private partnership, if deemed relevant, to create a pan-European payment solution. In this context, it is essential to reuse infrastructure, processes and industry standards already in place.

Additionally, the deployment of the digital euro has significant costs for intermediaries and needs to mitigate in advance potential risks for financial stability and financial intermediation. By committing unnecessarily high resources into the implementation of a digital euro, banks could run the risk of missing out on their own innovation and losing competitiveness, in the detriment of their clients (households and firms that need credit financing).

Key recommendations:

- If there is a decision to issue a digital euro, it should be designed:
  - taking into account the goals of simplification and competitiveness set by the European Commission;
  - contributing to the goal of strengthening European sovereignty;
  - taking into account the solutions and services that are already available in the market or are being developed and leveraged at pan-European level, and not creating unfair competition with them.
- This means that its introduction should be a simple value proposition that is released gradually to add value to users, does not duplicate well-established and trusted solutions customers are familiar with, leverages on investment made to build private solutions and reuses when possible existing infrastructures, processes and industry standards. It should also cater for a viable business and compensation model and preserve the stability and resilience of banks and their role in the economy.

3. Payment Services Regulation (PSR)

The provisions of PSR on APP fraud (fraud in authorised push payments) are a key issue for banks. The proposed framework on liability raises, among others, issues of competitiveness for banks, notably by missing the big picture of the fraud chain and by undermining the level playing field between banks, telcos and online platforms.

Effective action against fraud driven by social engineering is crucial to maintaining secure, trustworthy, and competitive payment systems. It is vital that all actors involved in the fraud chain assume their responsibilities and become part of the solution – particularly through the introduction of fraud prevention obligations for telecom providers and online platforms and related liabilities for non-compliance and for reimbursing customers. The economic, societal and security impact of fraud related to retail payments necessitates a holistic approach and merits further consideration before finalising the legislative process. The additional resources that banks will be required to hold to compensate for losses, in many circumstances completely out of their control, should also be a significant consideration in this discussion. These should not wait for a future review of the PSR to be addressed. European payment services competitiveness will be at risk and the European competitive economy vision with it.

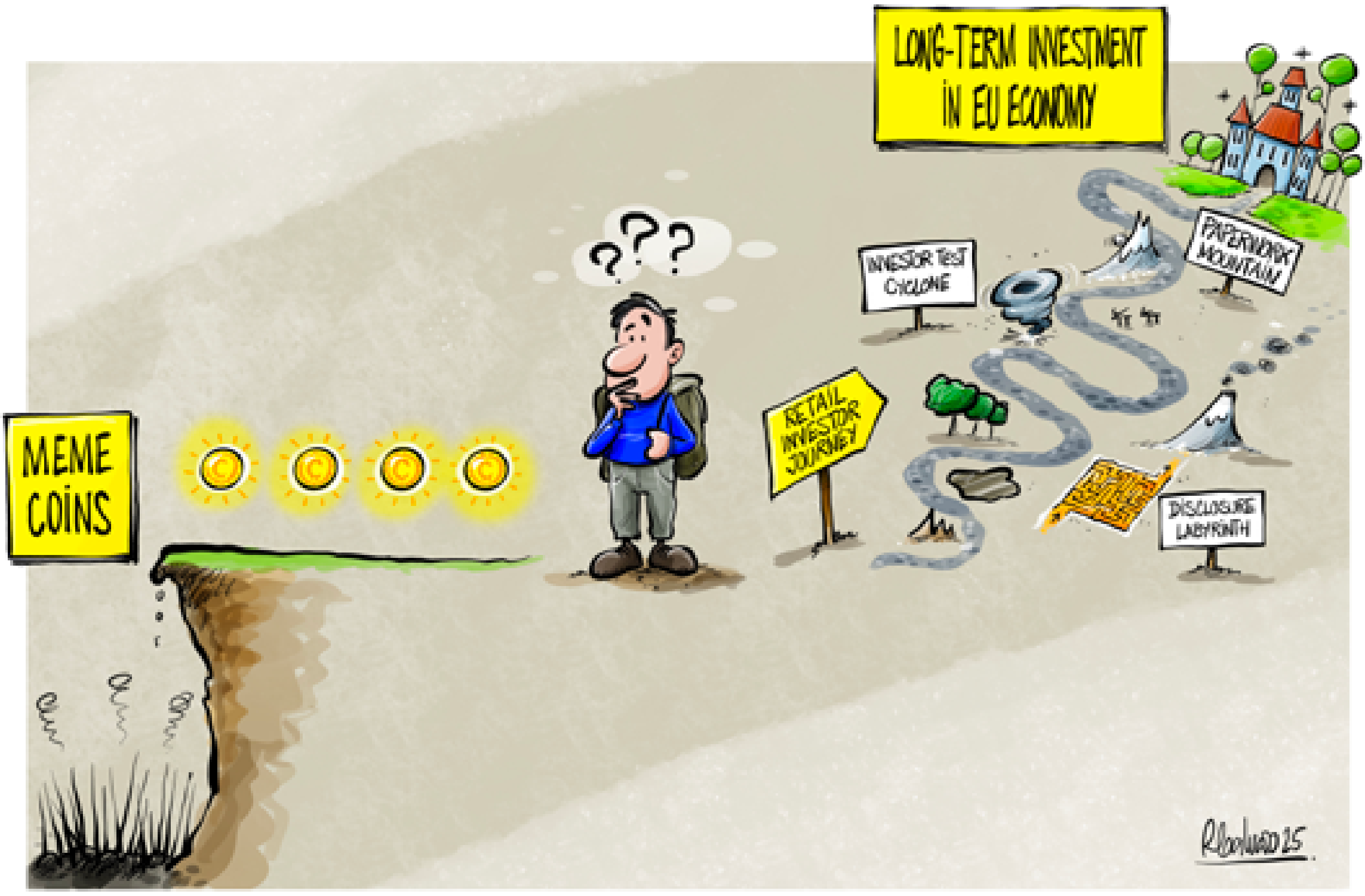
Key recommendations:

- A sectoral approach cannot tackle a cross-sectoral problem such as fraud. An effective and balanced approach would ensure that all actors in the fraud chain – especially telecom providers and online platforms where social engineering is enabled – share responsibility, with legal obligations for fraud prevention measures and a fair allocation of liability that would make everyone involved part of the solution. Co-legislators should follow up on the proposals of both the Parliament and Council in order to look at the payment chain as a whole to address fraud effectively.

- Effective measures against fraud resulting from social engineering are essential to ensure reliable, safe and competitive payments. It is necessary that all parties in the fraud chain, take their responsibilities, namely by introducing specific fraud prevention requirements on telecom operators and online platforms, and that a fair allocation of liability is equally considered, including in cases of reimbursement to the customer.

- Finally, Level 2 rules under PSD3 and PSR should be limited to the bare minimum, avoiding a stop and go effect in the implementation and improving the legislative process from a simplification point of view.

4. Make decisive progress toward a simple and attractive EU Savings & Investment Union



The European Commission's simplification agenda is especially important for capital markets — and by extension, for the Savings and Investment Union.

For several key reasons:

- **Unlocking cross-border investment:**
  complex and fragmented regulation across EU Member States creates barriers to cross-border investment. Simplifying and harmonising rules helps reduce legal uncertainty for investors, lowering compliance costs for financial institutions, and facilitates the creation of a truly functioning Savings and Investments Union (SIU), where capital can flow freely across borders.

- **Enhancing access to finance for companies:**
  simplified and more proportionate regulation makes it easier for companies – especially SMEs – to access capital markets. This is essential for diversifying funding sources and supporting innovation, growth, and job creation, as well as strengthening the EU's economic resilience.

- **Encouraging retail investor participation:**
  the Savings and Investment Union aims to better channel household savings into productive investments. Complex client-facing disclosures, fragmented investor protection rules, and overly technical product information documents can discourage retail participation. Simplification can help make capital markets more accessible, transparent, and attractive to individual savers and investors.

- **Supporting open strategic autonomy:**
  a more efficient and integrated capital market increase the competitiveness of EU financial centres and enhances the EU's Open strategic autonomy in financing its green, digital, and defence transitions.

- **Reducing regulatory burden and costs:**
  Capital markets are heavily regulated, often with overlapping or duplicative requirements (e.g. MiFID, PRIIPs, SFDR). removing such redundancies reduces compliance costs, improves operational efficiency and frees up resources for innovation and improved client service.

- **Supporting the development of deep and liquid EU capital markets (infrastructure):**
  a more competitive, interoperable and integrated trade and post-trade environment is of particular importance in the context of cross-border securities transactions within the EU and should be supported by the simplification exercise. Barriers and inefficiencies, which ultimately stifle progress and integration, can be fostered by rent-seeking behaviour. Therefore, it is essential that Capital market infrastructure providers (CMIs) act as enablers. This includes ensuring pricing transparency, promoting interoperability, removing structural barriers to market-driven consolidation. For instance, a competition-driven assessment of market inefficiencies, would enhance market functioning and reduce fragmentation, supporting EU's global competitiveness to attract international investment, and ensure a level playing field under effective supervision.

Clearly, regulatory simplification in the capital markets domain should not imply rolling back on hard-won regulatory and supervisory achievements. Rather, it requires adopting a holistic approach to identify and leverage opportunities for a more balanced calibration of requirements in EU law, striking the right balance between: (i) preserving essential safeguards – transparency, financial stability, investor protection, market integrity and orderly market functioning – and (ii) streamlining unnecessary burdens, costs, duplication and excessive information flows for users and service providers.

In this context (as for banking regulation) the EBF strongly supports the following principles:

- **Better prioritisation and sequencing (including of upcoming Level 2 acts) is necessary to deliver on the simplification objective.** Level 1 measures should not apply before all corresponding Level 2 and Level 3 texts are finalised and available. A minimum transition period between the publication of technical standards and the application of Level 1 obligations should become standard practice and be embedded wither within Level 1 texts themselves or through a cross-cutting ESMA implementation policy. In this context, the ongoing DG FISMA review of over 430 pending Level 2 empowerments is an important step in ensuring that only those acts essential to the effective operation of Level 1 legislation are pursued.

- **Simplification objectives should be integrated into ongoing legislative work,** such as the Retail Investment Strategy (RIS).

- **Modernising and improving the efficiency and effectiveness of the rulemaking process** for capital markets rules is equally fundamental to reduce complexity and enhance effectiveness.

- **Effective enforcement and supervisory options should be exhausted in full before policy corrective action is taken.** Indeed, regulatory changes should not be the only or first response to issues that can be effectively addressed within the existing legal and supervisory framework. Competent authorities already have a broad range of tools at their disposal that should be fully leveraged. Where appropriate, the promotion of industry-led best practices can complement supervisory action – offering market-based solutions that foster competition, innovation, and sustainable growth without adding unnecessary regulatory layers.

Against this background, the EBF puts forward four main key policy recommendations:

- **Simplification of the customer journey;**
- **Simplification of the issuer's journey;**
- **Streamlining of the customer journey of supervised entities;**
- **Simplification measures in insolvency;**

These recommendations are grounded in a **user-centric approach,** recognising that simplification must address the key obstacles for **issuers** and **investors** by removing complexity-driven barriers, while streamlining duplications for the **intermediaries** that connect them. They all, from different angles and with different roles, experience their "journey" through the investment lifecycle.

Simplification of the customer journey and improvement of investor disclosures to foster retail participation in EU Capital Markets

The regulatory framework established under MiFID II and PRIIPs constitutes a comprehensive body of Union law (key principles, regulatory obligations and supervisory requirements) governing the protection of retail investors throughout their journey along the investment lifecycle.

Key milestones in the retail investor journey include:

- Initial client onboarding and categorisation;
- Provision of product and pre-sale disclosure and performance of suitability or appropriateness assessments, where applicable;
- Provision of post-sale reporting, including periodic statements and ongoing disclosure of costs and charges;
- Maintenance of clear, fair, and consistent client ongoing communications.

While these rules aim to ensure robust investor protection and market integrity, their **cumulative complexity has contributed to generate redundancies and overall administrative burden impacting the investor journey,** thereby risking hindering engagement or driving investors towards other asset classes (i.e., crypto assets). Against this background, the EBF emphasizes the following examples of potential improvements:

(i) Concerning **client categorisation,** too rigid and complex criteria make it difficult for more experienced investors to opt up as professional on request, thereby reducing the scope of investment products they may have access to. More flexible and simple, transparent requirements could provide material support to these clients' journey and improve conditions for retail participation.

(ii) Concerning **client-facing disclosures,** the implementation of MiFID II/MiFIR has resulted in an excessive layering of pre-, contractual, and post-contractual information – often duplicative, particularly for professional clients and eligible counterparties who are capable of managing their own interests. For less experiences retail investors, the problem is one of information overload, where the sheer volume and complexity of disclosures undermine comprehension and engagement. A targeted simplification of disclosure requirements, in line with the Commission's objective that client information should be "short, simple, comparable, and easy to understand" should be prioritised.

(iii) Concerning the integration of sustainability preferences into investment advice and portfolio management should be simplified and better aligned across regulatory frameworks. The current divergence between MiFID II, SFDR, PRIIPs, and CSRD creates inconsistencies and practical barriers for both firms and investors (e.g., today's fragmented definitions, such as that of *alignment* to the EU *Taxonomy or Principal Adverse Impacts (PAIs)* under MiFID) often misalign with market realities, leading to a disconnect between investor expectations and the actual availability of sustainable products.

A standardised and interoperable approach – with consistent language across entity, product, and client disclosures – is essential to ensure coherence and usability. PRIIPs sustainability disclosures should also be streamlined by referencing SFDR content directly, avoiding duplication and reducing complexity. **In parallel, some flexibilization of suitability and appropriateness requirements may be warranted,** particularly to better accommodate evolving investor preferences and the limited universe of ESG products currently available just after and in consistency with SFDR review. In this context, a lighter, more flexible suitability process can help investors include ESG preferences without feeling discouraged, improving the quality of advice.

Key recommendations:

- Simplify and modernise the MiFID II client categorization framework by adopting a more flexible and inclusive approach – making it easier for capable retail clients to opt up based on clearer, more proportionate criteria and a process that is stable over time.
- Simplify and align regulatory, data and language requirements to ease the collection of sustainability preferences and their integration into suitability (SFDR/MiFID/PRIIP/CSRD).
- Reduce the overload, redundancy and excessive complexity of investor-facing disclosures, removing unnecessary burden where applicable (e.g., especially for professional clients and eligible counterparties).

1. The Retail Investment Strategy (RIS)

The EBF is concerned that the current draft of the Retail Investment Strategy (RIS) risks undermining its core objective: increasing retail participation in EU capital markets. The RIS, in its current form, is not fir-for-purpose; instead of simplifying the investor experience, it introduces additional layers of complexity – through new testing, disclosures, and reporting – that are likely to deter retail investors (and overburden firms).

To ensure that RIS supports the core SIU policy objectives, a substantial simplification of the framework is needed based on a more balanced, client-focused policy reform approach

Upcoming negotiations should focus on two priorities:

- Advancing targeted measures that improve retail engagement and trust.
- Removing unnecessary requirements and ensuring the framework is practical, proportionate, and easy to implement.

Key recommendations:

- Ensure that inter-institutional negotiations on RIS lead to its material simplification and alignments with the SIU policy objective of supporting retail mobilisation.

- The EBF therefore calls for the final agreement to:
  - Dispense with the Best Interest Test;
  - Delete or significantly simplify the inducement test to avoid unnecessary duplications;
  - Avoid further complexity in the suitability and appropriateness assessments;
  - Simplify pre- and post-sale disclosures, with a particular focus on easing the burden of granular annual statements;
  - Facilitate client opt-up, making it easier for experienced retail clients to access professional investor status on demand;
  - Maintain a flexible, proportionate Value for Money (VfM) framework by asset classes (funds, structured products, insurance contracts…), based on firm-developed peer-group comparisons or next best alternative or any other relevant methodology depending on the asset class and when data is available avoiding overlapping obligations for manufacturers and distributors.

Simplifying the "issuer's journey" to enhance market-based financing

Issuers are a cornerstone of capital markets, yet EU companies continue to underutilise markets, with the market funding ratio remaining stagnant. Such underuse reflects not only firm-level preferences but also regulatory complexity and burden – including high compliance costs, fragmented disclosure rules, and cumbersome listing procedures. While the recent review of the Prospectus Regulation under the Listing Act is a step forward, it falls short of the broader simplification agenda, leaving barriers in place, especially for smaller and first-time issuers. Likewise, the Market Abuse Regulation (MAR), though key to market integrity, imposes disproportionate obligations, particularly on inside information and disclosure, deterring listings. A more streamlined and proportionate capital-raising process – aligned with international standards and enabling legal certainty, cost-efficiency, and flexibility – is essential to attract a broader range of

Key recommendations:

- Further streamline the supplement process to the Prospectus, ensuring greater flexibility in format and sequencing.
- Reduce unnecessary re-submissions and approvals during the prospectus validity period.
- Allowing more focused and practical base prospectuses, minimizing length and complexity.
- Enable wider retail access to plain vanilla bonds to support financing of EU companies.
- Simplify complex reporting requirements for issuers under the Market Abuse Regulation (e.g., insider list) where appropriate.

Streamlining the "customer journey of supervised entities" – calibration of the reporting framework

The current reporting landscape under EMIR, MiFIR, and SFTR has become overly complex and burdensome due to frequent adjustments aimed at aligning with international standards. However, full global harmonisation is unrealistic given regional differences in scope and interpretation – such as EMIR's broader application to exchange-traded derivatives compared to some international rules. These ongoing changes prevent meaningful improvements in data quality, as firms remain focused on constant compliance adaptations rather than substantive enhancements.

A regulatory moratorium is urgently needed to halt continuous modifications and additions and enable a comprehensive harmonisation and simplification of reporting obligations across EMIR, MiFIR, and SFTR. Many of these regimes overlap in scope and purpose, yet currently require separate, duplicative datasets. A unified reporting framework – where firms submit a single dataset from which supervisors can extract necessary information – would significantly reduce costs, operational risks, and complexity.

Key recommendations:

- Align definitions and scopes between MiFIR and EMIR, Clearly delineating transaction reporting responsibilities.
- Dispense with unnecessary data fields.
- Avoid the introduction of any new reporting requirements.

Simplification measures in insolvency

The ongoing review of the insolvency framework[8] is a crucial component of the broader Savings and Investment Union. This reform aims to harmonize insolvency laws across EU member states to reduce fragmentation and legal uncertainty, which have long hindered cross-border investment and a more efficient allocation of capital. By streamlining procedures and improving predictability for investors and creditors, a more harmonised insolvency framework supports SIU's core objectives of deepening and integrating European capital markets, making them more resilient and attractive for both savers and businesses seeking funding.

[8] European Commission's Proposal for a Directive of the European Parliament and of the Council harmonising certain aspects of insolvency law - 2022/0408 (COD)

Against this background, the EBF considers that the following objectives should be seen as integral to the EU simplification agenda:

(i) **Effective harmonisation of core legal divergences:** existing core differences among insolvency law regimes (e.g., the definition of insolvency, triggers for initiating proceedings, duties and liabilities of directors, creditor rights, and the scope and rules governing avoidance actions) should be addressed with harmonized solutions to improve clarity and predictability.

(ii) **Harmonisation of a pre-pack framework:** Similarly, a harmonised pre-pack framework should include clear definitions, transparency requirements, court and secured creditor approval, and safeguards to ensure that interim financing does not prejudice secured creditors' rights.

(iii) **Facilitation of asset tracing and promotion of the role of insolvency practitioners:** to improve asset recovery, the interconnection of registers should be strengthened, while insolvency practitioners should have a central and supervised role in asset tracing, and banks should be compensated for related costs.

(iv) **Clarification of the continued applicability of existing EU instruments in light of the ongoing review:** It is essential to expressly clarify that existing EU instruments, including Directive 98/26/EC, Directive 2002/47/EC and Regulation (EU) No 648/2012, prevail over any conflicting provisions in the new directive.

Key recommendations:

- Promote further legal alignment on core divergence issues such as the definition and triggering of insolvency proceedings.
- Ensure that a more harmonised and creditor-protective framework for pre-pack sales is agreed upon, containing predictable rules for debtors and creditors, as well as clear definitions and certainty in relation to certain creditors rights.
- Facilitate cross-border asset tracing and the role of insolvency practitioners in a fragmented legal framework.
- Preserve legal certainty regarding the continued applicability of existing EU instruments in light of the ongoing review.

5. Streamlining ESG requirements: a smarter path to EU sustainability objectives

Alignment between CSRD and the prudential framework, simplification and removal of duplications and redundancies

The need to simplify the sustainable finance framework is widely recognised, including by legislators. Given the ongoing legislative process (Omnibus package[9]) that the EBF is closely following, our position on the simplification of the CSRD, ESRS, the Taxonomy-related disclosures and the CSDDD as such are out of the scope of this paper. For our detailed proposals, please refer to EBF position.

For the simplification to be really effective, it must also be fully reflected in the regulatory requirements for banks and supervisory expectations[10]. The specific requirements applicable to banks under the risk management and disclosure obligations introduced by CRR3/CRD6 – should be reviewed to ensure simplification and consistency with the final Omnibus package, where relevant, as well as remove duplications and redundancies. It is essential that bank-specific obligations are adjusted in parallel to the Omnibus package to ensure that reductions in the burden of both financial and non-financial companies take effect.

Pending such a comprehensive review of EU regulation[11] certain requirements such as the **Green Asset Ratio, the European Banking Authority (EBA) Scenario Analysis Guidelines,** and the EBA Risk Management Guidelines should be suspended or implemented in a phased approach. The EBA Guidelines were developed with reference to existing legislation such as the CSRD, ESRS, and CSDDD. However, these frameworks are now undergoing substantial revision through the Omnibus package with the aim to simplify them as well as exempt certain undertakings from their scope.

We believe simplification does not inherently conflict with effective risk management. The key is to prioritise the quality of information over its quantity. Having too many quantitative targets at the same time makes it difficult to prioritise effectively. It is crucial to strike a balance between data-driven analyses and acknowledging the limitations of what can be effectively measured and provide greater flexibility for banks to select relevant metric commensurate to their business models. In our paper we suggest a phased approach to the implementation of the EBA ESG Risk Management Guidelines and stand ready to further discuss its implementation with regulators and supervisors.

[9] https://finance.ec.europa.eu/news/omnibus-package-2025-04-01_en

[10] See EBF letter to the Commission: Request for a comprehensive review of ESG-related financial sector regulation to ensure consistency with the Omnibus and effectiveness of simplification efforts https://www.ebf.eu/wp-content/uploads/2025/04/EBF_046735-Letter-to-the-EC-EBA-and-SSM-on-ESG-Omnibus.pdf

[11] Such comprehensive review should cover numerous pieces of legislation, including CRR3, CRD 6, Sustainable Finance Disclosure Regulation (SFDR), Taxonomy Regulation, Pillar 3 Environmental Social, and Governance (ESG) Implementing Technical Standards (ITS), and the EBA Guidelines on ESG Risk management and on Scenario Analysis, among others.

Pillar 3 ESG risk disclosures considerations[12]

The scope of application for Pillar 3 ESG risk disclosure should be harmonised with that of the CSRD. Exclusion of SNCIs and banks that are not subject to the CSRD reporting also from the scope of ESG reporting under Art 449a CRR should be considered. Should they be kept in the scope, their reporting obligation should be further simplified, and even more proportionate approach should be envisaged under the P3 ITS which is currently open for consultation.

Removal of subsidiaries from Pilar 3 ESG disclosure requirements of banking groups should also be considered as it will substantially ease the reporting burden (while banking groups will continue reporting on their ESG risks at the top-consolidated level.) The subsidiary exemption should be applicable to all subsidiaries regardless of their size under CSRD and CRR.

The Pillar 3 ITS, should be carefully reviewed to also avoid duplication with the ESRS which already requires entities to report publicly both on ESG risks and impacts. It should be carefully considered whether information in the P3 ITS would provide market participants with useful information, compared to ESRS to justify the reporting requirements.

The Omnibus Directive will limit the scope of companies that will report ESG data under the ESRS, and hence the publicly disclosed information. It must be ensured that the obligations for financial institutions reflect the availability of the data reported by companies. Banks should not be required to collect data from clients that would not be useful for risk management and should only be required to report under the P3 ITS exposures to counterparties that themselves are subject to ESG reporting under the CSRD. It must be ensured that the obligations for financial institutions fully reflect the availability of the data reported by companies.

Without a holistic and coherent approach, the simplification agenda will fall short of its objectives due to the trickle-down effect of upstream regulatory requirements. Also banks that will fall out of the scope of the CSRD will still be required to report ESG risk disclosures under the P3 ITS. We believe the scope of the CSRD and P3 should be aligned and the CRR/CRD should be potentially reviewed in light of the co-legislators' omnibus simplification efforts.

Key recommendations:

- The specific requirements and expectations applicable to banks under the disclosure obligations introduced by CRR3/CRD6 – as further detailed in the ITS on ESG risk disclosures under Pillar 3 should be reviewed to ensure consistency with the Omnibus package and the simplification efforts.
- The European Banking Authority (EBA) Scenario Analysis Guidelines and the ESG Risk Management Guidelines should be suspended and reviewed to simplify and prioritize key ESG risks or a phased approach should be envisaged to consider implementation challenges including from the reduction of data in the final Omnibus package finance omnibus proposal.

[12] https://finance.ec.europa.eu/news/omnibus-package-2025-04-01_en

Revise the Green Asset Ratio (GAR)

GAR has very limited information value both for banks managers and investors due to its asymmetrical structure, limited coverage, lack of data availability, difficulties to verify alignment as well as lack of clarity and interpretation issues, reducing usability and comparability of the GAR. For these reasons, GAR should be removed as a mandatory metric or significantly simplified and revised, in particular, its construction and methodology to increase comparability and usability and decrease reporting burden.

Key recommendation:

- Given its complexity, high cost (or unfeasibility) of its implementation, lack of comparability and limited use and information value, the EBF considers that the GAR should be either removed or significantly simplified and improved.

Simplification and delay of the transition plans requirements under the CRD VI

Different obligations related to the transition plans were introduced under different legislative pieces (CSRD, CS3D and CRD, further elaborated under the ESG Risk Management Guidelines).

Simplification of transition planning requirements is necessary to ensure that they are not overly prescriptive and remain a strategic planning tool rather than a compliance exercise. Rather than prescribing that the plan must be compatible with a particular temperature increase, transition plans should explain how the entity will contribute to decarbonisation objectives. The requirements for transition plans to be "compatible" with the limiting of global warming to 1.5°C are unclear and give rise to concerns for companies.

Achieving such compatibility is dependent upon many external factors such as the IEA STEPS (Stated Policies Scenario) and APS (Announced Pledges Scenario), outside of companies' control. In addition, any corporate, with presence in different jurisdictions needs legal flexibility, for example to carve-out of the plan subsidiaries where the relevant local rules or market practices are evolving differently. It is necessary to reflect different decarbonisation trajectories in different regions across global operations. For banks, their progress is intrinsically linked to the progress of the decarbonisation of the economy in every jurisdiction that they finance.

Given the need to achieve consistency between the transition plans, the uncertainty around the wording in the CSDDD and the time needed for implementation, we ask for delay in the implementation of the transition plans under the CRD VI after the omnibus legislation process is finalised.

In addition, banks that are part of a group (which under Article 76 CRD is required to have a transition plan on a consolidated basis) should be exempted from the requirement to adopt a plan on an individual or sub-consolidated basis. Should that be not possible, we would ask for a delay of transition plan requirements for EU and non-EU subsidiaries and institutions affiliated to a central body.

Key recommendations:

- Simplification and consistency of the various transition planning requirements, in CSRD, CRD VI and CSDDD, is necessary to ensure that they are not overly prescriptive and remain a strategic planning tool.

- Rather than prescribing that the plans must be compatible with a particular temperature increase, transition plans should explain how the entity will contribute to decarbonisation objectives, in line with science-based and sector-relevant pathways and according to the Paris agreement.
- Given the need to achieve consistency across transition plan frameworks, the uncertainty around the wording in the CSDDD and the time needed for implementation of the transition plans we ask for delay in the implementation of the transition plans under the CRD VI until after the omnibus legislation is finalised.

Infrastructure supporting factor (ISF) DNSH criteria simplification

The ISF requirements referring to the DNSH (Do No Significant Harm) of the EU Taxonomy raised significant legal uncertainties on its usage for green or social projects (solar panels, building of hospitals). Also, projects being financed under the Infrastructure Supporting Factor (ISF) are not always based in the EU and/or are not subject to EUT/EU environmental laws/regulations. Therefore, clients face significant challenges to gather the appropriate information to perform an assessment in line with EUT DNSH requirements. As a result, credit institutions face lack of evidence to be able to comply with the EU Taxonomy DNSH criteria.

We consider credit institutions should have flexibility to apply a simplified assessment of DNSH by leveraging on existing frameworks, such as IFC Performance Standards, Equator Principles, Local environmental laws or based on art. 17 of EU Taxonomy.

Sustainability preferences

The regulatory framework on sustainability preferences under MiFID2 and IDD should be reviewed as it is highly detailed and very technical, making it difficult to ensure that the client understands the purpose and rationale for obtaining sustainability preferences. A more streamlined and consistent framework would improve both clarity and client engagement.

Investment firms shall have sufficient flexibility to engage in a structured dialogue with clients or potential clients to explain, clarify and refine their sustainability preferences over time. This dialogue may include the presentation of relevant product features, evolving regulatory requirements, and the availability of new investment options. The client's preferences may be updated during or after such dialogue, and all relevant information shall be documented as part of the suitability assessment process."

Furthermore, it is essential to ensure consistency between (i) sustainability preferences and (i) the ESG characteristics (and ESG disclosures) of financial instruments (including IBIPS). Distributors must have access to the necessary ESG-related data on the instruments they are selling to be able to match them with a client's sustainability preferences. Therefore, consistency with SFDR (see below) and ESG disclosures under prospectuses is crucial.

1. Sustainable Finance Disclosure Regulation (SFDR)

SFDR also needs to be simplified itself and refocus on the needs of retail investors. The current system is too complex with too many technicalities, leading to information overload, which often has the opposite effect on retail investors and their interest in sustainable investing. The Principal Adverse Impact statements at entity level are too complex and need to be removed. The PAIs at the product level should also be reduced to the most meaningful indicators for investors. The product-level disclosures should be limited to pre-contractual and periodic disclosures. All product-level templates need significant simplification and shortening, focusing only on the most meaningful disclosures. The product categorisation system should be built on elements that have already become familiar to the market.[13]

Discretionary portfolio management should be removed (as a Financial Product) from the scope of SFDR. As an investment service under MiFID it is already subject to (i) sustainability preferences as defined in MiFID and (ii) periodic MiFID reporting. There is no added investor value in doubling the reporting. Moreover, there is no point in prefilled precontractual templates if the contract itself is to be tailored to the client's request.

Coherence across the whole EU Sustainable Finance Framework, in particular between SFDR and MiFID II, IDD and PRIIPS needs to be addressed. Interdependencies with other regulations should be looked at for consistency as well: Benchmarks Regulation with SFDR for index funds, CSRD and Taxonomy with SFDR for data availability, ESG disclosures with regard to prospectuses and sustainability preferences.

2. Simplification and facilitation of the implementation

As the sustainable finance framework is being completed the focus should switch to providing tools to facilitate the implementation and supporting banks and companies to effectively contribute to sustainability goals. We urge the Members states to make all efforts to provide access to data already available at the national level, facilitate the creation of data platforms that could be made accessible to authorised users adn encourage use of existing data to enable more efficient, transparent and harmonised ESG data ecosystem.

[13] https://www.ebf.eu/ebf-media-centre/ebf-calls-for-pragmatic-simplification-of-sustainable-finance-disclosure-regulation/

6. AML and tax simplification for a safer, more efficient and competitive Europe

AML compliance and supervision

1. Develop a risk-based AML supervision system when establishing the Anti-Money Laundering Authority (AMLA)

The establishment of AMLA marks a significant step towards more effective, risk-based supervision and regulatory framework across the EU. A key priority will be the development of Regulatory Technical Standards (RTS) for risk assessment and for determining the criteria for selecting entities to be directly supervised by AMLA. To support this objective, AMLA should establish a structured and inclusive forum for direct engagement with supervised entities. This forum would serve as a platform to identify practical challenges, exchange best practices, and contribute to the design of proportionate and effective supervisory approaches. Such a dialogue would enable AMLA to communicate its expectations and procedures more clearly, while allowing financial institutions to provide informed and constructive feedback.

Key recommendations:

- Continue to strengthen the risk-based approach to supervision.
- Adopt clear and proportionate RTS under Article 40(2) AMLD and Article 12(7) AMLAR, defining robust methodologies for risk assessment and the selection of entities subject to direct AMLA supervision. The methodologies should not have disproportionate data collection requirements, considering the tight timeframes, by focussing on the key indicators, as well as potentially incorporating a soft landing. The RTS and/or subsequent technical documents should include a definition of the communication process regarding the selection of obliged entities to be included in the direct supervision by AMLA in order to mitigate the risk of stigma that such selection could bring.
- Position AMLA as a Financial Intelligence Coordination Centre by promoting active engagement with all public and private AML stakeholders.
- Establish structured engagement with supervised entities. The European Banking Federation (EBF) stands ready to support this by providing a dedicated platform for strategic dialogue between senior AML leaders from all obliged entities in the banking sector and AMLA leadership. The EBF is committed to fostering a transparent, collaborative, and expertise-driven supervisory

relationship with AMLA, drawing on its similar experience with the ECB when establishing the SSM Board Room Dialogue, representing the entire European banking sector.

2. Effectiveness in AML: simplification of Customer Due Diligence (CDD) requirements

The European banking sector faces an increasing cost burden in its AML compliance efforts, with significant implications for its competitiveness and ability to deliver services to, as well as build trust with citizens.

Fragmentation of the EU AML framework remains a concern as long as Member States maintain differing interpretations of EU rules. A truly harmonised EU regulatory framework would provide the environment banks need to increase effectiveness.

The risk-based approach is a key FATF principle and a central element of the EU AML Package, but it needs to be fully applied in practice when the package is implemented, notably through Regulatory Technical Standards (RTS).

Key recommendations:

- Continued simplification and standardisation of the AML regulatory framework:
  - Promote uniform interpretation of AML rules across the EU to reduce fragmentation.
  - Limit Member States' discretion to cases where genuine national specificities justify divergence, ensuring greater consistency across the EU.
- Reinforcement of the risk-based and proportional approach to compliance in the application of Customer Due Diligence (CDD) under the AML Regulation and associated RTS:
  - Simplify Know Your Customer (KYC) and Ultimate Beneficial Owner (UBO) data requirements by adopting clear, risk-based RTS under Article 28 of the AMLR.
  - Additional simplifications of customer due diligence requirements in low and medium risk situations should be considered, notably as regards subsidiaries of listed companies, public entities and in the context of institutional banking.
  - Introduce a grace period for the application of CDD measures under the AMLR, with a clear distinction between existing and new business relationships.
  - Streamline ongoing due diligence obligations to reduce unnecessary administrative burden. For example, a 5-year frequency required for all customers could be addressed via straight-through-processing (STP), leveraging on a trigger-based event driven review and an automatic confirmation of low-risk clients in absence of additional risk factors.
  - Strengthen the application of the risk-based approach in Enhanced Due Diligence (EDD) processes and the scrutiny of politically exposed persons (PEPs), with a focus on actual risk exposure.
  - Improve the reliability of and reliance on Ultimate Beneficial Owner (UBO) registers.

3. Effectiveness in AML: Intelligence-led approach, including information sharing, to enhance the Suspicious Activity Reporting (SAR) regime

Through more effective use of data and more efficient reporting, banks can stay ahead of emerging threats and strengthen their capacity to detect, prevent, and respond to financial crime in real time. They would ideally be able to analyse patterns of criminal activities, identifying where financial crime undermines the system, hence reducing the number of false positives that are reported, as well as the reporting of unnecessary sensitive data of European citizens. A truly harmonised EU regulatory framework, including data protection rules, would provide the environment that banks need to increase effectiveness.

Key recommendations:

- Continued facilitation and strengthening of a risk-based approach to compliance, in particular when reporting suspicious activities.
- Increase the ability of obliged entities to leverage new technologies and tools, ensuring that innovation supports the sector's capacity to detect and prevent financial crime. Facilitate data privacy-conscious information sharing opportunities and foster public-private partnerships (PPPs), including by removing legal barriers to shared utilities and providing clear guidance on Article 75 of the AMLR, all while fully upholding data protection rules.

Taxation

1. Eliminating sector specific taxes and Improving the VAT and Tax treatment of financial services: enhancing VAT exemptions

No new taxes, such as a Financial Transaction Tax (FTT) or Financial Activities Tax (FAT), should be introduced. Sector-specific levies undermine banks' profitability and competitiveness, limit credit provision during downturns, and weaken financial resilience. Regulatory reforms since the financial crisis have already increased banks' costs and reduced systemic risk. Windfall taxes tied to interest rate normalisation – recently introduced by some Member States – are inadequately calibrated and risk financial instability. Perceptions of excess profits are misleading due to the unique structure of bank income statements, which often overstate margins relative to other sectors. Banks face high leverage, capital requirements, and interest rate risks, factors that naturally lead to lower margins when measured consistently. The ECB (2023, 2024)[14] and the IMF (2024)[15] have warned that such levies reduce retained earnings, limit capital buffer formation, and increase systemic vulnerability – risks now materialising as margins compress and growth slows.

The EU financial services tax reform must ensure VAT neutrality for financial services and avoid new sector-specific taxes, in order to support financial stability, competitiveness, and capital market development.

[14] OPINION OF THE EUROPEAN CENTRAL BANK of 12 September 2023 on the imposition of an extraordinary tax on credit institutions (CON/2023/26); OPINION OF THE EUROPEAN CENTRAL BANK on 17 December 2024 on a tax on the net interest and commission income of certain financial institutions (CON/2024/41).

[15] IMF WP/24/143, "Bank Profits and Bank Taxes in the EU."

The VAT framework for financial services requires urgent modernisation to reflect economic and technological changes. Legal certainty, VAT neutrality – particularly for B2B transactions – and a level playing field across the EU must be core objectives. Digitalisation and new market entrants have intensified VAT-related challenges, increasing compliance burdens and distorting competition. Reform should prioritise administrative simplification, consistency and harmonisation.

Key recommendations:

- Eliminate and/or avoid banking-sector specific taxes.
- A fundamental review of VAT exemptions, considering the impact of technology and complex transaction models:
  - A harmonised, optional "option to tax" regime applicable across the EU.
  - Harmonised rules for cross-border VAT grouping and cost-sharing arrangements (optional for banks).
  - Greater alignment of VAT recovery methods and reduction of national divergences.
  - Codification of essential VAT mechanisms in directly applicable EU law to enhance clarity and uniformity.

2. Withholding tax procedures: need for fundamental review of the FASTER regime

The Commission's intention to improve the efficiency and security of withholding tax procedures in the EU is welcome. However, the current FASTER directive requires careful reassessment to ensure it delivers genuine simplification for both investors and financial intermediaries. Particular attention should be given to the organisational and technical realities faced by Certified Financial Intermediaries (CFIs), including operational constraints and system capabilities. Until such a review is undertaken, the Commission should continue to closely engage with industry stakeholders and then give due weight to their input when developing and adopting implementing acts.

Key recommendations:

- Implement genuinely simplified relief at source procedures and / or quick refund procedures harmonized in their access and in their process.
- Streamline Reporting Obligations: ensure that the FASTER regime delivers on its objective of efficiency by avoiding excessive or impractical reporting requirements. Reconsider the unnecessary reporting burden under FASTER that is discouraging participation and delaying reclaim processes.
- Calibrate Due Diligence Requirements: the due diligence obligations imposed on financial intermediaries, especially EU-headquartered banks, should be revised in detail and made proportionate. Implementation costs must be considered, and measures should be introduced to mitigate undue financial and operational burdens.
- Clarify Key Concepts and Definitions: provide clearer, harmonised guidance at EU level on complex concepts such as beneficial ownership and financial arrangements, to ensure consistent interpretation and application across Member States. This will reduce legal uncertainty and compliance risks.

- Establish Clear and Fair Liability Rules: the regime should include balanced liability provisions that protect financial intermediaries acting in good faith. Given the high financial volumes involved in withholding tax reclaims, undue or secondary liability risks significantly impact banks' willingness to participate in FASTER-related procedures.

Key recommendations:

- After a decade of implementation, it is an appropriate time to assess the current Automatic Exchange of Information system to ensure that obligations are well-calibrated, clearly defined, and effectively coordinated.
- Inefficient rules must be removed (e.g. DAC6).

3. Tax reporting: remove or revise certain tax reporting rules which have become redundant or economically inefficient

European banks play a crucial role in combating tax evasion under the framework of Automatic Exchange of Information. In particular, we see a clear trend towards placing obligations on intermediaries to audit or investigate the affairs of taxpayers to some degree, often being presented within the framework of "due diligence". Such intermediaries provide services that are only ancillary to any tax outcome sought by that client and their tax advisor. In such circumstances it is important to keep in mind the obligations of individual taxpayers vis-à-vis their tax authority and to recognise the limitations a non-government stakeholder can play in capturing and reporting data concerning someone's tax affairs. Any further extensions to the legal framework should be carefully evaluated (notably regarding potential data protection implications) to strike a balance between tax transparency and privacy rights, ensuring the framework's long-term sustainability.

7. A simpler, faster reporting framework

Simplification and harmonization of the regulatory and supervisory reporting architecture

European and national authorities have drastically increased the data requirements for banks. More than just the volume of reporting requirements, there is a lack of efficiency and consistency among the key stakeholders in the design and transfer of data from banks to supervisors and regulators, resulting in duplication of reporting requests. A more efficient reporting framework would reduce the cost incurred by the industry, which is estimated to be greater than €4 billion annually.[16]

The reporting efforts in the banking sector need to be carefully reviewed to promote an integrated and standardised reporting framework in Europe, relieve the extensive reporting burden and cost for banks, and improve the quality of the data reported to authorities. Coordination between authorities should be enhanced to promote a clear and common understanding of reporting requirements, and data e sharing among authorities. An efficient solution must consider four principles: define once, report once, share information and enhance governance.

Under the current EU regulatory reporting framework – which remains largely template-based rather than built on granular, reusable data – financial institutions are often required to submit the same or similar information to multiple authorities, with limited interoperability. This results in a significant and unnecessary burden on reporting teams, particularly due to reconciliation efforts across frameworks, diverting resources from improving data quality.

To address inefficiencies, it is essential to enable data sharing and reuse across authorities. While some cooperation already exists (e.g. between the SSM, SRB, and EBA on FINREP/COREP), much more is needed – particularly for granular datasets like AnaCredit, Loan Tapes, and NPL templates, where semantic and modelling inconsistencies persist.

A centralised data hub, built on standardised regulatory information, would allow all relevant authorities to access the same data for different purposes, significantly reducing duplication and easing the reporting burden.

Supervisors and regulators should critically assess the necessity of ad hoc data requests. Before issuing new requests, they should confirm whether the information is already available and whether the request is still relevant. For example, on the frequency of reporting, weekly SSM liquidity templates, introduced during the COVID-19 crisis, remain in place despite the absence of current liquidity concerns. Such legacy reporting should be regularly reviewed and discontinued where appropriate.

[16] Commission Staff Working Document: Fitness Check of EU Supervisory Reporting Requirements, page 57

Another example, regarding excessively detailed reporting, is the new Reporting to the ECB of supervisory data reported to the national competent authorities by the supervised entities (ECB/2023/18), which has significantly increased the administrative burden for entities to justify for any revision of one or more data points both in terms of absolute figures reported and percentage of variations, which significantly impacts the prudential or financial analysis made using these data points at entity level.

Key recommendations:

The simplification in regulatory and supervisory reporting should be guided by the following principles: define once, report once, share information and enhance governance (see a couple of examples below)

- Single definition: a common set of definitions should be agreed upon by supervisory (EBA, ECB DG-Statistics/SSM) and resolution authorities (SRB) at both European and national levels. This would ensure consistency in key data items – such as firm size, eligible collateral, and counterparty sector – across all reporting templates or granular datasets, including EBA FINREP/COREP, SRB Valuation Datasets, and SSM Loan Tapes and national reports. This will require joint efforts by EU and national authorities to harmonize concepts and thus improve the supervisory and resolution efficiency.

- Define once: should go beyond 'semantic integration' and include a review of cost/benefit in case of slightly different reporting requirements. The focus should be not only on assessing if reporting requirements are still necessary but also ensuring that reporting requirements are aligned as much as possible and reuse more information in future (including derivation) instead of requesting new data points.

- Alignment between authorities: individual policies set by authorities should be aligned to avoid unnecessary duplication of efforts when dealing, for example, with materiality and thresholds aspects such as in the case of EBA historical resubmissions and the EBF significant resubmission.

- Report once and data sharing: each data attribute or metric should be reported only once by the reporting entity. A shared data hub would then provide all relevant authorities with access to the information, eliminating duplication and improving efficiency. With an integrated reporting, the banking industry would report only once while meeting the supervisory, statistical and resolution requirements in a simpler, and more reliable and transparent way.

- Rationalisation of ad-hoc reporting: creating a granular data hub would enhance with harmonized definitions and foster interoperability of data that would allow for a significant reduction in ad hoc reporting requests, easing the administrative burden on reporting institutions.

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