Association des Banques et Banquiers, Luxembourg
The Luxembourg Bankers' Association
Luxemburger Bankenvereinigung

EU Banking Sector Competitiveness and Single Market Integration

Published: 17 September 2026

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The ABBL welcomes the European Commission ambition to strengthen the competitiveness of the EU banking sector and deepen the Single Market in Banking, while preserving resilience.

The ABBL and its members highlight the following as key priorities:

1) Review the architecture of capital requirements

The gradual accumulation of prudential requirements, buffers and backstops has resulted in an increasingly complex and, in several areas, **EU-gold-plated capital framework**. ABBL supports an ambitious review of the overall architecture of capital requirements to **remove unnecessary overlaps, restore risk sensitivity and ensure an efficient allocation of capital to finance the European real economy**, while preserving financial stability.

2) Proportionality should be genuinely risk-based

Regulatory and supervisory requirements should reflect institutions' actual risk profile, complexity, activities and business model, rather than relying predominantly on balance-sheet size. Revise the **CRR Small and Non-Complex Institution (SNCI)** framework to better reflect risk and complexity beyond balance-sheet size.

3) Fragmentation should be reduced to make the Single Market work in practice

Cross-border institutions continue to face national gold-plating, options and discretions, administrative differences and divergent supervisory expectations. This is particularly relevant for Luxembourg, where cross-border banking is structural. **Removing remaining barriers and promoting common standards, particularly for digital onboarding, KYC, client protection and cross-border services**, while preserving appropriate safeguards. Greater supervisory convergence is needed to ensure consistent outcomes. This should not automatically imply further centralisation: national supervisory expertise and proximity remain valuable and ensure efficiency. ABBL therefore favours **a convergence-first approach**.

4) Regulatory duplication should be materially reduced

ABBL supports a genuine **"report once" principle**. Overlapping EU and national reporting should be eliminated, definitions and data standards further harmonised and information-sharing between authorities improved. New requirements should systematically be tested against existing obligations. Simplification should address substantive regulatory overlaps, not merely reporting interfaces.

5) The diversity and openness of the European banking market should be preserved

Competitiveness reforms should benefit the **whole banking ecosystem**, including private banks, wealth managers, depositary and custodian banks, specialised and medium-sized institutions. Requirements should reflect their actual activities and risks. The EU should also remain open and attractive to international banking groups through proportionate, predictable and operationally workable requirements. ABBL also recommends to **preserve an attractive and competitive remuneration framework** to attract and retain talent.

6) Innovation is a key competitiveness lever

Faster innovation and safer scaling of digital services across the EU should be promoted **both through measures on regulation and on infrastructure.** The ABBL calls for aligning and simplifying digital legislation, using technology-neutral, risk-based rules, sandboxes and public-private experimentation.

7) Competitiveness and operational feasibility should be embedded in regulatory design

The cumulative impact of requirements, their interaction with existing frameworks and their implementation in peer jurisdictions should be systematically assessed. Greater regulatory stability, legal certainty and realistic implementation timelines are needed, alongside swift and tangible simplification measures.

The ABBL will continue contributing actively to this process and work with the Commission, and all EU and national stakeholders involved.