

# Targeted consultation on the competitiveness of the EU banking sector

Fields marked with \* are mandatory.

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## Introduction

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A competitive EU banking sector is crucial for the success of the savings and investments union ([https://finance.ec.europa.eu/regulation-and-supervision/savings-and-investments-union\\_en](https://finance.ec.europa.eu/regulation-and-supervision/savings-and-investments-union_en)) and is an integral part of the Commission Communication adopted on 19 March 2025 ([https://finance.ec.europa.eu/publications/savings-and-investments-union-strategy-enhance-financial-opportunities-eu-citizens-and-businesses\\_en](https://finance.ec.europa.eu/publications/savings-and-investments-union-strategy-enhance-financial-opportunities-eu-citizens-and-businesses_en)). Banks play a vital role as financial intermediaries, connecting savers and businesses, and remain the main source of financing of the EU economy.

The Communication announced that the Commission would publish in 2026 a report assessing the overall situation of the banking system in the single market, including the evaluation of the banking sector's competitiveness.

The banking sector reforms undertaken in the EU in the past 15 years, including the set-up of the banking union ([https://finance.ec.europa.eu/banking/banking-union/what-banking-union\\_en](https://finance.ec.europa.eu/banking/banking-union/what-banking-union_en)), have significantly contributed to financial stability in the EU and globally. They resulted in more resilient and safer banks, more transparency and level playing field, credible rules to resolve banks in case of failure and safeguard the confidence of depositors and markets in the system.

However, the single market for banking is at the crossroads of several old and new political debates in the EU, notably on competitiveness, financing the green and digital transitions and defence needs, cross-border banking consolidation and global competition, regulatory stability, burden reduction and proportionality. At the same time, cross-border banking activity across the single market is limited and the banking union remains incomplete, hindering development opportunities that could better support the financing of EU economy.

This consultation seeks stakeholders' feedback on the state of the banking sector in view of informing the preparation of the Commission's work to achieve a true single market in banking, improve capital mobility across the EU and foster the international competitiveness of the EU banking sector.

This targeted consultation seeks stakeholders feedback on three main areas:

1. banking competitiveness in the EU and globally
2. the single market and the banking union
3. complexity and effectiveness of the regulatory framework

The responses to this consultation will provide important guidance to the Commission when preparing, if considered appropriate, a Commission Communication on the competitiveness of the banking sector as part of its efforts to deliver on the savings and investments union.

## Responding to the consultation

The objective of this targeted consultation is to gather views on the broad range of issues mentioned above from financial institutions, including credit institutions and industry associations, but also their clients, namely savers, businesses and consumer associations, as well as national authorities and Ministries, the European Supervisory Agencies, EU authorities and institutions, as well as academics, non-governmental organisation and research institutions.

Respondents are encouraged to provide explanations for each of their responses. Where possible, respondents are encouraged to provide qualitative evidence and quantitative data in their responses and to substantiate their reasoning with concrete examples, legal references, and specific suggestions. At the end of the consultation, respondents have the possibility to upload files to support their replies. If size limitations are constraining, respondents may upload several files. These will be published together with the responses to the targeted consultation.

All interested stakeholders are invited to **reply by 19 April 2026** at the latest to the present online questionnaire.

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**Please note:** In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact [fisma-banking-sector-competitiveness@ec.europa.eu](mailto:fisma-banking-sector-competitiveness@ec.europa.eu) (<mailto:fisma-banking-sector-competitiveness@ec.europa.eu>).

More information on

- [this consultation \(https://finance.ec.europa.eu/regulation-and-supervision/consultations-0/targeted-consultation-competitiveness-eu-banking-sector-2026\\_en\)](https://finance.ec.europa.eu/regulation-and-supervision/consultations-0/targeted-consultation-competitiveness-eu-banking-sector-2026_en)
- [the consultation document \(https://finance.ec.europa.eu/document/download/85228e21-7a48-4110-ba6a-dd11d0e7b5af\\_en?filename=2026-banking-sector-competitiveness-consultation-document\\_en.pdf\)](https://finance.ec.europa.eu/document/download/85228e21-7a48-4110-ba6a-dd11d0e7b5af_en?filename=2026-banking-sector-competitiveness-consultation-document_en.pdf)
- [the related call for evidence \(https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/16795-Competitiveness-in-the-single-banking-market\\_en\)](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/16795-Competitiveness-in-the-single-banking-market_en)
- [savings and investments union \(https://finance.ec.europa.eu/regulation-and-supervision/savings-and-investments-union\\_en\)](https://finance.ec.europa.eu/regulation-and-supervision/savings-and-investments-union_en)
- [macroprudential policy \(https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/financial-markets/macprudential-policy\\_en\)](https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/financial-markets/macprudential-policy_en)
- [banking regulation \(https://finance.ec.europa.eu/banking/banking-regulation\\_en\)](https://finance.ec.europa.eu/banking/banking-regulation_en)
- [the protection of personal data regime for this consultation \(https://finance.ec.europa.eu/document/download/d4bf2913-cbb0-4458-a64c-474b0b1bd48c\\_en?filename=2026-banking-sector-competitiveness-specific-privacy-statement\\_en.pdf\)](https://finance.ec.europa.eu/document/download/d4bf2913-cbb0-4458-a64c-474b0b1bd48c_en?filename=2026-banking-sector-competitiveness-specific-privacy-statement_en.pdf)

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## About you

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\*Language of my contribution

English

\*I am giving my contribution as

Public authority

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

#### \* Contribution publication privacy settings

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

**Anonymous**

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

**Public**

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

I agree with the [personal data protection provisions](https://finance.ec.europa.eu/document/download/d4bf2913-cbb0-4458-a64c-474b0b1bd48c_en?filename=2026-banking-sector-competitiveness-specific-privacy-statement_en.pdf)  
([https://finance.ec.europa.eu/document/download/d4bf2913-cbb0-4458-a64c-474b0b1bd48c\\_en?filename=2026-banking-sector-competitiveness-specific-privacy-statement\\_en.pdf](https://finance.ec.europa.eu/document/download/d4bf2913-cbb0-4458-a64c-474b0b1bd48c_en?filename=2026-banking-sector-competitiveness-specific-privacy-statement_en.pdf))

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## 1. Banking competitiveness in the EU and globally

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

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

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### 1.1. Contribution of the banking sector to the EU economy

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

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

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

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

**Please give concrete examples and evidence:**

*5,000 character(s) maximum*

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

Banks hold a central position in the EU financial system and remain crucial for growth and productivity. In a comparison with other financial sectors in the economy, the banking sector has a large, highly interconnected balance sheet of more than €37 trillion (1). This makes banks the largest financial sector in the economy and the main channel through which savings are transformed into investment. This central position means that banks engage in many activities beyond lending and taking deposits. This has two implications. First, banks need to remain resilient to be able to support economic growth in the EU. Second, changes to financial regulation cannot look at banks in isolation but need to take a system-wide approach considering opportunities, risks and vulnerabilities from the perspective of entities and activities (2).

Banks are by far the largest lenders. Loans granted by EU banks (around €13.5 trillion) are a key source of funding for households and non financial corporations. Banks provide more than three times the amount of loans to firms as other financial institutions (1). In the EU, 29.1% of firms use banks to finance investment and 33.9% to finance working capital, compared with 19.8% and 17.7% in the US (3). Bank loans also make up over 90% of household borrowing, supporting housing investment and consumption (1). These channels directly sustain business expansion, employment and capital formation.

Banks hold more than €27 trillion of deposits, coming from all other sectors of the economy (1). From a wealth distribution perspective, deposits are the main financial instrument of lower-wealth households, with their share declining further up the wealth distribution (4). By transforming these savings into loans and securities, banks contribute to the allocation of resources towards productive projects.

Operating at the heart of the financial system, banks link the real economy with the main financial markets. They are the main counterparty in repo and derivatives markets, the second largest investor in listed equity and corporate bond markets and the third largest investor in government bond markets in the euro area (1). Although the relative importance of banks has declined since the global financial crisis, banks still dominate the provision of financial services in the EU (5) (6).

The universal banking model means that large banking groups are heavily involved in asset management. Around 60% of EU fund assets are managed by bank owned asset managers, whereas in the US about 80% of fund assets are independent (7). Through their asset management arms and branch networks, banks distribute investment funds to retail savers and thereby can channel part of household wealth from low yield deposits into diversified capital market instruments that can finance companies and infrastructure.

The Draghi report (6) identified an innovation gap of the EU with the US and China, especially in advanced technologies. The risk profile and the difficulties in valuing the often intangible collateral typically puts start-ups outside traditional bank lending. Even so, banks can support innovation by providing growth loans, co financing with public promotional banks, and using their investment banking and asset management arms to facilitate equity and bond issuance for start ups and scale ups. Banks can also finance digital upgrades of existing firms, leveraging long standing client relationships to support IT investments that raise productivity.

Banks face significant challenges and opportunities in the green and social transitions. An ESRB analysis showed that banks carry substantial climate risk in their loan books and that an orderly decarbonisation path is safest for financial stability (8). As a follow up, ESRB proposed a list of micro and macro-prudential measures to incentivise banks to accelerate the green transition (9). In practice, this can mean expanding green mortgages and renovation loans, sustainability linked loans for corporates, and the

underwriting of green bonds. Banks can likewise support the social transition by financing social housing, education and skills, and by ensuring basic financial services and credit access for less well off households and regions.

(1) The figures refer to the euro area, as at Q2 2023. See Andersen and Sanchez-Serrano, A map of the euro area financial system, ESRB Occasional Paper series No. 26, 2024.

(2) ESRB, A system-wide approach to macroprudential policy, 2024.

(3) According to World Bank statistics.

(4) Sanchez Serrano, Three extensions of the map of the euro area financial system, ESRB Occasional Paper series No. 27, 2025.

(5) Pagano et al. (2014) Is Europe overbanked? Report of the ESRB Advisory Scientific Committee No. 4.

(6) Draghi et al., The future of European competitiveness, 2024.

(7) ESRB, NBFi Monitor, 2024.

(8) ESRB, Climate-related risk and financial stability, 2021.

(9) ESRB, The macroprudential challenge of climate change, 2022.

**Please explain your answer to question 1:**

*5,000 character(s) maximum*

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

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(2) ESRB, A system-wide approach to macroprudential policy, 2024.

(3) According to World Bank statistics.

(4) Sanchez Serrano, Three extensions of the map of the euro area financial system, ESRB Occasional Paper series No. 27, 2025.

(5) Pagano et al. (2014) Is Europe overbanked? Report of the ESRB Advisory Scientific Committee No. 4.

(6) Draghi et al., The future of European competitiveness, 2024.

(7) ESRB, NBFi Monitor, 2024.

(8) ESRB, Climate-related risk and financial stability, 2021.

(9) ESRB, The macroprudential challenge of climate change, 2022.

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**Question 2.1 Is current credit demand adequately met by banks and how is the demand and the capacity to meet it likely to evolve in the medium and long-term?**

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

**Question 2.2 Are you observing barriers affecting bank financing in support of the economy, including in areas identified as political priorities by the EU or Member States?**

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

**Please elaborate on your answer to question 2.1 and 2.2 by providing evidence and identifying economic sectors where access to credit could be improved:**

*5,000 character(s) maximum*

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

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**Question 3. For the following types of clients seeking financing, how would you assess the ability to access finance and the availability of financing options? What obstacles may limit the ability of banks to provide credit to these clients?**

**a) a retail client**

*5,000 character(s) maximum*

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

**b) an SME**

*5,000 character(s) maximum*

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

**c) a corporate (non SME)**

*5,000 character(s) maximum*

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

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**Question 4. To what extent does market fragmentation affect consumers' and businesses' cross border access to banking products and services?**

**Please give examples, such as but not limited to IBAN discrimination and difficulties of businesses and individuals to open a bank account, lack of harmonisation of banking products, challenges linked to open finance data sharing.**

**Please provide data if available:**

*5,000 character(s) maximum*

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

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**Question 5. To what extent does the EU economy benefit from a diversified banking sector?**

**How would you further encourage the diversity of the EU banking sector landscape, with banks operating across different business models (universal, investment, savings, mortgage financing, cooperatives, digital banks, etc.)?**

**Please elaborate whether and how banking sector diversity matters:**

*5,000 character(s) maximum*

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

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**Question 6. Do you consider that national promotional banks and public guarantee institutions provide a complementary contribution to the activities of commercial banks in financing the EU economy?**

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

**Please explain your answer to question 6:**

*5,000 character(s) maximum*

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

**Question 7. To what extent would the EU economy benefit from the following changes in the banking landscape?**

	To a very large extent	To a large extent	Neutral	To a small extent	Not at all	Don't know - No opinion - Not applicable
Cross-border bank consolidation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Domestic bank consolidation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Banking services offered across the single market	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Digitalised banking services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please explain your answers to question 7:**

*5,000 character(s) maximum*

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

**Question 8. What are in your view the main risks faced by EU banks today?**

*5,000 character(s) maximum*

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

Banks are at the core of the EU economy and financial system. This means that they must be resilient in the face of shocks. Banks are exposed to several risks, that result from them performing their core activities (“traditional risks”) or emerge from shifts in the financial and economic landscape (“transformational risks”).

One traditional risk stems from banks interactions with the real economy. An economic slowdown and rising interest rates may weaken asset quality as borrowers struggle with debt servicing. The asset quality of EU banks remains generally sound. But NPL ratios are increasing for real estate, retail trade and construction. Moreover, the credit quality of SME loan portfolios continues to worsen. Asset quality may deteriorate further amid the impact of geopolitical tensions on the macroeconomic environment, especially in export intensive sectors and in countries with limited fiscal space to let automatic stabilisers operate. Profitability prospects have also deteriorated, as a narrowing of interest margins is set to weigh on net interest income.

Another traditional risk relates to imbalances in banks’ balance sheets. Vulnerabilities arise because banks hold long-maturity, fixed-rate assets but rely on short-term, interest rate-sensitive funding. When interest rates rise, asset values fall while deposit costs increase, weakening confidence and making banks more exposed to sudden outflows. Recent market volatility and geopolitical uncertainties have heightened risk perceptions and may exert upward pressure on banks’ funding cost.

Reflecting this, deteriorating asset quality and materialisation of funding and liquidity risks in the EU banking sector have been identified as an elevated source of systemic risk in the ESRB’s 2026 Q1 risk assessment.

Transformational risks are the newer and more unpredictable element in the risk landscape. The main risk stems from the growing and complex linkages between banks and the non-bank financial intermediation (NBFIs) sector, particularly through funding and liquidity channels. Euro area banks are net debtors to the NBFIs sector, which funds about 15% of their balance sheets. Most of this funding is short term (deposits, repos, securities financing transactions – Chart 1 in the 2026 ESRB-ECB report) (1) and can be quickly withdrawn. Deposits at euro area banks from NBFIs increased by around 20% since the pre Covid period, while repo funding of euro area banks from NBFIs more than doubled. Such funding is often in EUR or USD, exposing banks to stress in key currency markets (Chart 2 in the 2026 ESRB-ECB report). Insurers and pension funds hold much of banks’ long term debt, helping meet stable funding and loss absorption needs. However, their investment-grade focus creates cliff-edge risk: a downgrade could trigger rapid sales by rating-constrained investors, increasing refinancing costs and making it harder for banks to secure new long-term funding. In addition, the homogeneity of NBFIs funding providers and limited substitutability mean that, in stress, banks may struggle to replace this funding.

Another transformational risk, looking at the asset side of banks’ balance sheets, stems from the provision of loans, credit lines and other forms of leverage to NBFIs, as well as liquidity insurance through committed facilities. These exposures create credit risk if leveraged NBFIs suffer losses, funding risk when NBFIs reduce or withdraw their own activities, and contingent liquidity risk if – under stress – NBFIs draw heavily on the roughly €300 billion of credit lines extended by euro-area banks. Systemic spillovers via asset price shocks and margin calls could additionally be triggered.

Banks also face transformational risks stemming from broader structural shifts in the financial landscape, such as increased competition from NBFIs and alternative financial products ranging from private credit to stablecoins, other digital tokens, crypto staking and lending (2) - which challenge their traditional funding models and may affect their market share and intermediation role. These developments may also facilitate the entry of foreign banks through digital channels, with implications for funding structures and competitive dynamics. Other risks arise from deep and lasting changes in the economy, such as the acceleration of digital technologies, the intensification of climate-related challenges, and the need for sustained investment in resilient cybersecurity infrastructure as cyber risks increase amid geopolitical tensions.

References:

(1) ESRB ECB report on "Financial stability risks from linkages between banks and the non-bank financial intermediation sector":

[https://www.ecb.europa.eu/pub/pdf/other/ecb.report202602\\_financialstabilityrisks.en.pdf](https://www.ecb.europa.eu/pub/pdf/other/ecb.report202602_financialstabilityrisks.en.pdf)

(2) EBA-ESMA report on the recent developments in crypto-assets (Art. 142 of MiCA)

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**Question 9. What are in your view the main risks stemming from EU banks today?**

*5,000 character(s) maximum*

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

The centrality of banks in the financial system means that they can amplify shocks to the real economy, other financial institutions and markets. They can additionally create disruptions in the event of operational failures.

Banks exercise three core functions that impact on the real economy.

First, they play a central role in financing households, non-financial corporations (NFCs), and governments. Banks' loans are historically the main component of household financing. Despite growth in market-based finance, only about 44% of NFCs external credit is non-bank/market-based, leaving the majority still bank-intermediated. If banks face high levels of non-performing loans, they may restrict lending to the real economy, causing a credit crunch that can amplify a downturn. This is particularly concerning in a high interest rate environment, where debt servicing costs for borrowers are already high, and for SMEs, whose funding model is bank-based and access to market-based finance is very limited.

Second, banks dominate the deposit markets, facing little competition from alternative savings products. This can reduce potential returns for savers while diverting equity funding away from innovative firms that typically have to rely on non-bank financing (see 2024 Draghi's report on the future of European competitiveness).

Third, banks play a central role in payment systems. They provide the accounts through which most transactions are settled and process key retail instruments such as transfers, direct debits and card payments. They also operate in large-value systems, managing intraday liquidity and supporting market functioning and monetary policy transmission. Here, the main risks relate to potential IT outages, dependence on external service providers (in some cases outside the EU) and the use of outdated technologies.

These core functions mean that banks are highly interconnected with other financial institutions and markets through lending, securities, derivatives, and other financial instruments. For example, in their role as clearing members, large banks provide market participants with access to central counterparties, acting as the primary gateway through which derivatives and securities trades are cleared and collateral is managed. Interconnectedness can occur as part of a group or financial conglomerate structure. In the EU, there are 26 bank led financial conglomerates - groups that operate both in the banking or the investment fund sector and in the insurance sector (1). This represents 23% of Significant Institutions directly supervised by the ECB. Banks dominate the EU asset-management space through their subsidiaries: roughly 60% of EU fund assets are managed by bank-owned asset managers (2). Banks are also closely linked to insurers and occupational pension funds (IORPs) through bank related holdings, and bank debt. Debt issued by banks accounts for the largest share of corporate bond holdings of both insurers and IORPs (45% and 34% respectively). This means that insurers and IORPs hold 9.1% and 1.5% of total bank bonds outstanding, respectively (see Chart 2.13 and Table 2.1 in the 2026 ESRB ECB report referred in Q8).

These interconnections between banks, market infrastructures, insurers, IORPs and asset managers create dense interconnections across the financial system. Interconnections can mean that risk moves to a place where it can be better managed and/or where it can be better absorbed if it does materialise. But interconnections can also become a channel of contagion. Stress at one bank can

quickly spill over to other banks and financial institutions, creating fire-sale dynamics and systemic risk.

Banks' central role in the financial system means that operational failures (e.g. in IT systems or risk management frameworks) in banks could propagate risks to other parts of the financial system. Cyberattacks on banks could additionally disrupt financial systems and undermine confidence.

Today, banks are more resilient and less likely to trigger or transmit risks. Due to the reforms initiated after the global financial crisis, banks can even act as circuit breakers, supported by stronger capital and liquidity requirements and harmonised supervision and resolution under the SSM and SRM. In addition, stress test exercises regularly assess banks' vulnerabilities to proactively identify and address risks. The sectoral EU-wide stress test exercises by EBA, EIOPA and ESMA have been instrumental in identifying risks faced by individual banks. To complement them, the top-down system-wide stress testing tool that the ESRB plans to develop over the next three years aims to capture also risks stemming from banks (originating in banks and propagating to the broader financial system).

References:

- (1) List of Financial Conglomerates 2025 by the Joint Committee of the ESAs
- (2) Special feature 2.1 in the 2024 ESRB NBFMI Monitor

## 1.2. Competitiveness and competition in the EU banking sector

The competitiveness of banks reflects their ability to perform effectively and remain profitable, innovative and resilient, highlighting their capacity to attract and retain customers, generate profits and adapt to changes compared to competitors. A competitive and profitable banking sector is key, as it contributes to the resilience of the financial system and to the growth and competitiveness of the EU economy, supporting EU businesses at home and abroad, as well as EU citizens. A competitive EU banking market also serves the EU's strategic autonomy objectives as referred to in the competitiveness compass ([https://commission.europa.eu/topics/competitiveness/competitiveness-compass\\_en](https://commission.europa.eu/topics/competitiveness/competitiveness-compass_en)) for the EU.

This section seeks stakeholders' feedback on the current level of competitiveness and competition in the EU banking sector and the different factors behind the competitiveness of EU banks.

**Question 10. In which of the following dimensions of competitiveness is the EU banking sector performing well?**

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
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EU banks produce financial products at low cost and/or offer financial services at a low price	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
International competitiveness: EU banks are able to maintain and increase their market shares in international markets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Innovation competitiveness: EU banks are able to supply qualitative or innovative, original financial products or services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please explain your answers to question 10 and indicate for the different business areas (wholesale and investment banking, retail banking, etc.):**

*5,000 character(s) maximum*

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



Traditional banks are challenged by new developments in a number of product lines and areas (e.g. digital banks/FinTech in specific areas such as payments, tokenisation of assets, etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please explain your answers to question 12:**

*5,000 character(s) maximum*

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

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

**Question 13. According to many analysts, EU banks are persistently undervalued by investors when compared to international peers.**

**If you agree with this assessment, what could explain this undervaluation?**

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
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EU regulatory/ resolution frameworks (including international level playing field)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Internal factors (low risk appetite, bank governance/ culture)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Uncertain or ineffective market exit for inefficient or distressed banks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please explain your answers to question 13:**

*5,000 character(s) maximum*

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

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

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

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

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

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

**Please explain your answer to questions 14.1 and 14.2:**

*5,000 character(s) maximum*

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

Yes. Overall, the prudential framework does recognise the diversity and complexity of intermediaries providing non core banking services. It is appropriate that these intermediaries are not subject to the same rules as banks.

The prudential framework (including macroprudential tools) for banks is broadly effective at addressing the risks arising from a wide range of activities that banks undertake. Banks typically combine many activities (such as deposit taking, lending, payment services, trading and market making) in a single balance sheet. This makes banks structurally complex and creates vulnerabilities (for example, maturity and liquidity mismatch from combining long term lending with runnable short-term funding) that are not present, or are present to a much lesser degree, in other intermediaries.

Looking beyond banks, a system in which financial services are provided by a range of competing entities, including non-bank financial intermediaries, can be more resilient than one that only relies on banks, provided that the prudential framework remains risk based and proportionate.

In this respect, a key message from the ESRB's response to the Commission's consultation assessing the adequacy of macroprudential policies for non-bank financial intermediation (NBFIs) is that the same activity does not necessarily generate the same risk across different entities. The risk depends on how that activity is combined with other activities in a given business model and on the associated funding structures, leverage and liquidity profile. This is why the principle "same activity, same risk, same regulation" is contingent on whether the activity gives rise to the same risk in different entities. Where risks differ, regulation should differ.(1) The objective of regulation should be to ensure that requirements are commensurate with the risk profile of entities. It is not to impose identical rules on all entities in pursuit of a "level playing field". This would mean treating materially different risk profiles as if they were the same. An "unlevel" playing field can be appropriate if it reflects underlying differences in risk.(2) At the same time, an appropriately calibrated and differentiated prudential framework should support, rather than discourage, the beneficial diversification of financial intermediation across banks and NBFIs.

This logic applies to the examples cited in the question. Proprietary trading firms and other non-bank liquidity providers may undertake activities similar to banks' trading desks or market making units. But they never do so while combining these activities with large, runnable retail deposits or typically not while operating critical payment functions. Their contribution to systemic risk therefore differs from those of banks. They also often do not have access to backstops such as central bank liquidity. It is thus appropriate that their prudential treatment, while risk sensitive, is not identical to that of banks subject to the full CRR/CRD regime. Conversely, where investment firms or other intermediaries become highly leveraged, are strongly interconnected or act as significant providers of credit or liquidity transformation, additional requirements may be warranted.

Against this backdrop, applying different prudential regimes to banks and to other intermediaries should not be viewed as generating "undue limitations", provided they are grounded in a careful assessment of risks. In the aforementioned response to the Commission's consultation on NBFIs, the ESRB therefore proposes an approach that combine entity based and, where appropriate, activity based regulation. This is designed to ensure that entities undertaking similar activities are treated consistently where they generate similar risks, while allowing for differences where differences in business models lead to different vulnerabilities. This approach also helps to avoid gaps and leakages as activities migrate across the regulatory perimeter, thereby supporting the

objectives of the Capital Markets Union and the Savings and Investments Union by fostering deeper and more resilient market based finance. In this way, a diversified ecosystem of banks and NBFIs can contribute to both risk dispersion and greater shock-absorbing capacity at the system level. Reflecting this, the ESRB reiterates a point it made in that response and encourages the Commission to make use of this conceptual approach in its regular reviews of legislation or when considering new legislation.

References:

(1) ESRB (2024), 'A system wide approach to macroprudential policy ESRB response to the European Commission's consultation assessing the adequacy of macroprudential policies for nonbank financial intermediation'.

(2) Borio, Claessens and Tarashev (2022), 'Entity based vs activity based regulation: a framework and applications to traditional financial firms and big techs', FSI Occasional Papers, No 19, Bank for International Settlements.

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**Question 15. How would you assess the competition between banks and other entities performing financial services (such as financial conglomerates, investment firms, FinTechs, etc.) from the perspective of the overall functioning of capital markets (provision of liquidity, transparent market information and pricing, scaling up of trading venues etc.)?**

*5,000 character(s) maximum*

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

Competition between banks and other financial service providers can support the effective functioning of EU capital markets and advance the objectives of the Capital Markets Union and the Savings and Investments Union. It continues to reshape how liquidity, credit and risk are supplied and transmitted.

On liquidity, competition has increased liquidity in normal conditions, but also the risk that it evaporates abruptly in stress. Proprietary trading firms and other non-bank market makers now play a key role alongside banks in core markets. Their entry appears to have lowered transaction costs, improved liquidity, and facilitated faster and more effective price discovery across asset classes.(1) By competing with banks in intraday market making and price discovery, they have made liquidity more continuous in normal times, especially in standardised instruments such as government bonds and equity index products. But these firms typically rely on market based funding and collateralised leverage and have little own capital, which constrains their capacity to warehouse risk. During periods of extreme volatility or sharp increases in margin and haircut requirements, they may be less able or willing than banks to provide liquidity and may withdraw almost entirely, as seen during the Swiss franc de-peg episode.(2)

In lending, competition has broadened access to credit in normal times, but also increased the risk that new providers might retrench during times of stress.(3) In the EU, lending was traditionally mainly provided by banks. Banks remain key lenders, but a growing share of credit is provided by non-bank financial intermediaries. New entrants such as private credit funds and other alternative lenders specialise in particular market segments. Unlike deposit taking banks, for which maturity transformation is inherent to the business model, many NBFIs have different funding models. They issue liabilities that are closer in maturity to their assets and tied to asset performance, so liquidity risk and losses are largely absorbed by investors who choose that risk profile. These lenders can therefore be better placed to provide certain types of credit, including to borrowers outside traditional banks' risk appetite. However, the more transactional nature of credit provision, compared with banks' relationship-based model, can make this credit less reliable during times of stress.

A system in which financial services are provided by a range of competing entities can be more resilient than one that largely relies on banks. At the same time, relationships between banks and NBFIs are often symbiotic: banks provide funding, leverage, structuring and risk management services to NBFIs. But this symbiosis deepens interconnections and may create new channels for stress transmission. An ESRB/ECB analysis(4) shows that in the euro area NBFIs now fund around 15% of bank balance sheets. On banks' asset side, exposures to NBFIs amount to about 10% of total assets roughly €1.66 trillion, of which €432 billion are to potentially leveraged NBFIs. Similar reinforcing business models exist in market making and derivatives, where non-bank liquidity providers rely on bank provided prime brokerage, financing and hedging. Such structures can amplify shocks in both directions: stress in NBFIs can affect banks through funding and credit channels, and stress in banks can impair NBFI-dominated markets.

From a macroprudential perspective, as lending and liquidity provision move beyond banks, resilience and oversight must follow. For banks and other well-regulated entities, authorities understand how vulnerabilities such as unsustainable credit growth, leverage, liquidity mismatch and concentration risk interact and propagate. For many NBFIs, by contrast, vulnerabilities are less well understood, as business models and funding structures are more diverse and often less transparent, particularly in private credit and other private asset strategies.



Wholesale and investment banking	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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**Please explain your answers to question 16:**

*5,000 character(s) maximum*

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

The ESRB considers the statement broadly accurate, as was already outlined in its 2022 concept note on the Review of the EU Macroprudential Framework for the Banking Sector. The note emphasises that the development of a truly integrated EU-wide banking sector remains far from complete, with banking services continuing to operate predominantly at the national level. This fragmentation, also hampers efficient risk sharing in the private sector and could contribute to financial stability risks (please see the ESRB's response to Question 17, which elaborates on this point).

In more detail, the fragmentation of the EU banking market applies more strongly to retail banking than to wholesale and investment banking. Despite the Banking Union, the EU banking market still remains largely segmented along national borders. This constrains private risk sharing and contributes to maintaining a strong interdependency between banks and sovereigns. Consolidation is nevertheless progressing: EU cross-border banking deals in 2025 reached the highest level since 2008 (€17bn in total value of cross-border EU banking deals vs €3.4bn in 2024, according to data provided to the FT by Dealogic [1]).

Retail banking in the euro area remains fairly localised, with most households banking domestically. However, cross-border deposits are growing, albeit slowly. ECB Data shows that by January 2026, households held 1.7% of deposits across borders, vs 1.1% 10 years ago. This progress is also driven by pan European fintech platforms that allow EU residents to open and manage savings accounts across multiple partner banks, combining cross-border access with local deposit guarantees and streamlined digital onboarding. However persistent issues such as IBAN discrimination (when a company, employer or public authority refuses to accept a bank account solely because its IBAN comes from another EU/EEA country) hinders cross-border banking in the EU.

In wholesale and investment banking, the picture appears more nuanced. Cross-border activity is significantly more developed than in retail markets. Large corporates, financial institutions and sovereigns routinely access syndicated loans, bond underwriting, derivatives and foreign exchange services on a cross-border basis, and these activities are often booked through pan-European banking groups and major financial centres. As an illustration, ECB data show (2) that by the end of 2023, direct cross border lending by euro area banks to non banks totalled €1.03 trillion, or 14.1% of such lending, up 1.65 percentage points since March 2019. Market infrastructures closely linked to banking and capital markets such as the TARGET services and the main CCPs and CSDs operate across multiple countries, and many key funding and hedging markets in the euro area function at a European level.

The Single Supervisory Mechanism and Single Resolution Mechanism have substantially harmonised prudential rules and supervisory practices for significant banks. Nevertheless, much remains to be done to improve the Banking Union and achieve the goals of the Savings and Investment Union such as the establishment of the European Deposit Insurance Scheme to also break the link between banks and their national sovereigns as well as a mechanism that would ensure proper access to liquidity in resolution, featured with a public European backstop and further harmonisation of insolvency, collateral, and consumer protection regimes.

#### References:

(1) "EU Cross-Border Banking Deals Jump to Highest Since 2008 Crisis." Financial Times, 16 Feb. 2026

(2) Lenoci, F., & Molitor, P. (2024). Intra euro area cross border bank lending: A boost to banking market integration? In European Central Bank, Financial Integration and Structure in the Euro Area 2024. European Central Bank.

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**Question 17. What are, in your view, the benefits and the costs associated with the current level of cross border banking activities in the EU, and what would be the benefits and costs associated with further integration of banking activities in the EU?**

**Please also include quantitative estimates if available:**

*5,000 character(s) maximum*

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

After a setback in the period of the sovereign crisis, cross border integration of banking activities has only modestly recovered. Making use of the potential benefits of the single market would provide key advantages:

Risk diversification. By allowing banks to diversify their exposures across multiple countries will reduce vulnerability to localised economic and financial shocks and mitigate systemic risks, creating a more resilient banking sector.

Efficient allocation of capital throughout the EU, ensuring that financial resources are directed to regions where they are most needed.

- Increased competition that cross-border banking brings to national markets. This heightened competition encourages innovation, drives operational efficiency, and leads to improved services and lower costs for consumers and businesses.

- Smooth transmission of monetary policy across member states. Cross-country financial spillovers play an important role in the transmission of euro area monetary policy and systemic risk across member states (1).

- Streamlined operations and reduced inefficiencies within the banking sector. This unified approach would bolster confidence in the EU's financial system and create a more cohesive environment for banks to operate, ultimately benefiting consumers, businesses, and economies across the region.

- Stronger international competitiveness of EU banks, positioning them more effectively in the global financial market.

The significant progress made in strengthening frameworks since the great financial crisis has created a solid foundation for unlocking the full potential and transformative benefits of deeper integration across Europe. To reap all these benefits, it is of key importance to strengthen the common governance of EU-wide supervision across the different sectors of the financial system. In absence of it, the EU might suffer the same drawbacks as in the past. Previous to the great financial crisis, the EU banking sector had reached a relatively high level of cross-border integration (2), which however also led to a suboptimal allocation of risks across the EU. In the absence of progress towards one single financial market, further cross border banking activities can bring costs, including regulatory complexity, crisis spillovers, fragmented resolution mechanisms and significant harmonisation costs. The diversity of Europe's banking landscape adds another layer of systemic complexity, making strong safeguards essential to protect the financial stability of host countries.

References:

(1) ESRB Working Paper No. 129, 2021, pp. 1, 12 16.

(2) ECB (2017), Financial stability review, special feature: Cross-border banking in the euro area since the crisis: what is driving the great retrenchment?

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**Please explain your answers to question 18:**

*5,000 character(s) maximum*

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

The environment is currently conducive to increased consolidation, with cross border mergers among EU banks reaching their highest levels since the 2008 financial crisis. In 2025, the total value of cross-border banking deals within the EU surged to €17 billion, marking a significant rise from €3.4 billion in 2024, according to data provided by Dealogic to the Financial Times (1).

The ESRB believes that reforms to complete the Banking Union and the Capital Markets Union are key to provide an even more favourable environment for cross border mergers. Financial institutions face a fragmented landscape of national specificities in terms of securities, accounting and insolvency laws, which need to be addressed. At EU level, finalising the European deposit insurance scheme is key, as well as creating a liquidity framework in resolution with a EU public backstop.

Another factor that is not present in the list above and that would foster cross border lending within the European Union would be the minimum harmonisation of key concepts and instruments for Borrower-Based Measures (BBMs). One of the key policy proposals from the ESRB, as outlined in the 2022 Concept Note (3), is the introduction of a common minimum set of BBMs for residential real estate loans in EU legislation, while keeping any decision regarding their activation, calibration and implementation at the national level. This would facilitate cross-border lending and competition in the EU mortgage market. It would also facilitate reciprocation of BBMs and mitigate systemic risk at the EU level. Minimum harmonisation of BBMs should allow sufficient flexibility to address national specificities and ensure they remain effective, for example in defining lending standards or the possibility to go beyond the list of harmonised instruments. Any minimum harmonisation at EU level should take account of the complexity of possible legal challenges at national level.

From the banks' perspective, it is important to note that they appear to not fully making use of the opportunities provided by passporting rules in the single markets and European banking supervision. Specifically, banks operating across borders through subsidiaries can apply for liquidity waivers to consolidate liquidity across legal entities, a possibility that has been emphasised by supervisory authorities. Notwithstanding, there may be a case for streamlining regulatory and supervisory conditions for cross border waivers in order to facilitate their implementation. Additionally, European banking supervision has made it clear that it will not obstruct banks seeking to convert subsidiaries into branches (2).

References:

(1) "EU Cross-Border Banking Deals Jump to Highest Since 2008 Crisis."  
Financial Times, 16 Feb. 2026

(2) Elderson, F. (2025). Europe at a crossroads: It is high time to complete the Single Market. Keynote speech presented at the SRB Legal Conference 2025.

(3) ESRB, Review of the EU Macroprudential Framework for the Banking Sector, 2022.



Lack of trust in deposit guarantee schemes of the host Member States	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Group resolution strategy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Non-prudential barriers like divergences in contract and civil laws, labour laws, product features, consumer protection rules, foreclosure rules, etc.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other operational benefits linked to the legal form of a branch vs. subsidiary	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please explain your answers to question 19:**

*5,000 character(s) maximum*

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

Only a number of truly pan European banks operate across the EU. Nevertheless, EU cross border banking deals in 2025 reached the highest level since 2008 (€17bn in total value of cross-border EU banking deals vs €3.4bn in 2024, according to data provided to the FT by Dealogic [1]). A major advantage of the Single Market in banking lies in enabling cross border institutions to implement capital and liquidity management strategies on a group wide basis across multiple jurisdictions. Strengthening financial integration is essential to fully unlock the potential of the Single Market, improve efficiency, and support cross border consolidation, which aligns with the goals of fostering risk sharing and reducing risks.

As described in an ESRB 2018 special feature on "Bank branches and macroprudential policymaking in the EU", credit institutions have three primary methods for conducting operations in EU Member States markets: establishing a subsidiary, setting up a branch, or offering direct cross-border services. A subsidiary operates as an independent legal entity within the host market and is subject to local prudential regulatory requirements. In contrast, a foreign branch does not have separate legal status and providing direct cross-border services does not require a physical presence in the foreign market. The choice of the form of cross border activities is a fundamental right of financial groups. The ESRB issued a recommendation in 2019 on the exchange and collection of information for macroprudential purposes on branches of credit institutions having their head in another Member State or in a Third Country to ensure the right to convert subsidiaries into branches would not impact negatively the information available to macroprudential authorities.

Another obstacle comes from the incomplete European deposit insurance scheme. Renewed perspectives for a compromise on EDIS, more than ten years after the initial proposal, would strengthen the crisis management framework and be a major step towards integration and common resilience within the Banking Union.

European banking supervision has made efforts to address barriers to cross-border banking integration, as highlighted in a speech by Frank Elderson, Member of the ECB Executive Board (2). For instance, the ECB issued a guide ensuring that cross-border mergers within the euro area are treated on equal terms with domestic mergers. Elderson also noted the ECB's clarified position on facilitating banks that wish to convert subsidiaries into branches and emphasised that banks operating across borders via subsidiaries can request liquidity waivers to consolidate liquidity across legal entities. He reaffirmed that, provided prudential regulatory requirements are met, the Single Supervisory Mechanism (SSM) will actively promote cross border banking integration and consolidation. Notwithstanding, several prudential provisions have been pointed out as possibly warranting revision in order to facilitate cross border integration, such as waivers and intragroup large exposure limits.

The 2018 ESRB special feature on "Bank branches and macroprudential policymaking in the EU" describes the complexities of macroprudential policy in the context of cross border banking. The study underscores several challenges associated with addressing systemic risks through branches, as opposed to subsidiaries. One key issue is that branches, unlike subsidiaries, are not required to hold their own capital, which may limit the macroprudential policy options available to host authorities. Consequently, the host country's macroprudential framework must rely more heavily on reciprocity mechanisms to mitigate systemic risks effectively. The ESRB has already provided an important contribution in this area through the adoption of its framework for voluntary reciprocity of

macroprudential measures (see answer to question 69). The ECB in its 2025 Recommendations has proposed widening the scope of automatic reciprocity. It should be noted that for countries outside the Banking Union, subsidiary structures may be preferable to “branchification” as they enable host supervisors to better enforce regulations, manage financial stability, and respond independently to crises.

References:

(1) “EU Cross Border Banking Deals Jump to Highest Since 2008 Crisis.” Financial Times, 16 Feb. 2026

(2) Elderson, F. (2025). Europe at a crossroads: It is high time to complete the Single Market. Keynote speech presented at the SRB Legal Conference 2025.

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**Question 20. Could you provide a quantitative estimate of the additional requirements and costs (e.g. liquidity requirements, capital requirements, resolution or macroprudential requirements, operational costs in % of balance sheet, etc.) for a banking group that makes use of subsidiaries as compared to the same banking group relying on branches or freedom to provide services?**

*5,000 character(s) maximum*

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

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## 1.5. International level playing field

Large EU banks compete directly with large international banks, both globally and in the EU market. A level playing field among these global players is critical when it comes to the regulatory framework, to ensure appropriate competition, fair treatment and outcomes for customers and global financial stability.

This section seeks stakeholders' feedback on the state of the international level playing field in banking and the challenges faced by EU banks when competing globally.

**Question 21. What is your assessment of the level playing field in the European banking market, with regards to the presence of significant non-EU financial institutions?**

*5,000 character(s) maximum*

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

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

**Do you agree with this view?**

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

**Question 23. To what extent do the following difficulties faced by EU banks hinder their ability to compete globally?**

	To a very large extent	To a large extent	Neutral	To a small extent	Not at all	Don't know - No opinion - Not applicable
Divergent banking prudential rules applying to EU and non-EU banks impact international strategic choices by EU banks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Supply side factors (e.g. cost competitiveness, innovation, depth of home market).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
EU supervisory practices affect expansion in other jurisdictions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please explain your answers to question 23:**

*5,000 character(s) maximum*

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

**Question 24. To what extent do the rules on internal governance and remuneration policies of financial institutions create a competitive disadvantage for EU financial institutions vis à vis non EU financial institutions?**

- To a very large extent
- To a large extent
- Neutral
- To a small extent
- Not at all
- Don't know / no opinion / not applicable

**Please explain your answer to question 24:**

*5,000 character(s) maximum*

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

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

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

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**Question 26. What factors are constraining the ability of EU banks to finance large-scale projects, including in the areas of digitalisation, climate transition and defence, compared to their international peers?**

**In particular, to what extent do differences in profitability, cost structures, balance-sheet capacity, risk-appetite, scale, or regulatory and market conditions explain any observed gaps?**

*5,000 character(s) maximum*

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

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## **1.6. Digitalisation**

The widespread use of the online banking and the increase in banks' adoption of new technologies, such as artificial intelligence, the inroads in tokenisation and use of distributed ledger technologies, the emergence of central bank digital currencies and stablecoins, present challenges and opportunities for banks.

This section seeks stakeholders' feedback on the effects of digitalisation on the EU banking sector, as well as the opportunities and challenges it may bring for EU banks.

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

*5,000 character(s) maximum*

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

Digital innovation can revolutionise the monetary and financial system, by bringing together central bank reserves, commercial bank money and claims on financial and real assets to programmable platforms as described by the BIS (1). This can expand the quality, scope and accessibility of financial services. For instance, securities trading and settlement currently involve a complex web of intermediaries, messaging, instructions, reconciliations and money flows. The use of tokenisation and DLT could bring these activities on programmable platform. If combined with state-of-the-art compliance tools, this would, reduce transaction costs, cut settlement delays, and enhance efficiency of collateral management as analysed by IOSCO (2). Tokenised central bank reserves would provide a stable and trusted settlement asset for wholesale transactions as described by the BIS (3). New digital assets such as central bank digital currencies and tokenised deposits would play an important role as settlement assets, address the needs of customers. Digitalisation, in the right form, can bring benefits for financial stability. For example, tokenised deposits, with their resilience, programmability, and potential for remuneration, would offer significant advantages over stablecoins as described by the ESRB (4) also to avoid the potential outflow of traditional bank deposits. In fact, banks are expected to respond with competitive settlement assets like tokenised deposits. Over 60% of EU banks surveyed by the EBA in 2024 (5) were actively exploring all-purpose DLT solutions, while 22% had already started using DLT applications. Adoption of artificial intelligence by EU banks is only partial at the moment (6). Recent data from the EBA shows that AI is most often used for activities including customer support, anti money laundering, fraud detection, and profiling and clustering of clients or transactions (7). Digital transition can also introduce risks, particularly when fragmentation arises due to the coexistence of both legacy and new networks, or when market participants develop numerous new solutions without regard for the wider economic implications. Such fragmentation may undermine market cohesion and stability. Therefore, authorities, including central banks, need to coordinate industry and public efforts to promote resilient innovation.(8) Taking a system wide approach, digitalisation gives rise to greater competition, including from new providers of financial services in the form of fintech companies and big tech firms (9) and may therefore disrupt existing financial services. Moreover, digitalisation does not remove the vulnerabilities of traditional finance, although they may play out differently depending on design choices, adoption and scale (10).

Finally, digitalisation can increase operational weaknesses in the financial system, in particular as new providers can fall outside the regulatory perimeter. A system-wide approach to financial stability need to capture:

- Interconnections within the financial system: more dependencies between market participants and market infrastructures;
- Risk of contagion, in particular due to the increased speed of financial transactions;

Regulatory arbitrage if digital financial services are offered by unregulated entities;

- Amplification of traditional financial risks, such as liquidity risk, through the faster pace of withdrawals, or procyclical behaviours as automated models can also encourage and intensify;

- Fragmentation risks through the proliferation of new infrastructures (e.g., DLT), which may lead to issues with interoperability and potentially result in market and liquidity fragmentation;

Concentration risks via market infrastructure, models, or third party providers, where flaws or errors could have systemic consequences.

The ESRB has already highlighted that banking sector became more vulnerable to cyber incidents. Therefore, robust security measures and resilient digital

infrastructures are key (11). The ESRB has also flagged risks stemming from third country multi issuer stablecoin schemes (12).

- (1) BIS, 2025, The Next-Generation Monetary and Financial System.
- (2) IOSCO, 2025, Report on the Tokenisation of Financial Assets.
- (3) BIS, 2024, Report on the Digitalisation of Finance.
- (4) ESRB, 2025, Stablecoins, Crypto Investment Products, and Multi Function Groups.
- (5) EBA, 2024, Uses of DLT in the EU banking and payments sector: EBA innovation monitoring and convergence work
- (6) Artificial intelligence and systemic risk, Report of the ESRB Advisory Scientific Committee No. 16 (2025)
- (7) EBA Risk Assessment Report November 2024
- (8) ECB, 2024, Statement by the ECB Governing Council on Advancing the Capital Markets Union.
- (9) ESRB Advisory Scientific Committee, 2022, Will Video Kill the Radio Star?.
- (10) Cipollone, P., 2024, Towards a Digital Capital Markets Union.
- (11) ESRB, 2020, Report on Systemic Cyber Risk.
- (12) ESRB Recommendation ESRB/2025/9

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**Question 28. In the context of the increasing digitalisation of financial services, what do you consider could enhance confidence of clients in digitally provided investment products and services, thereby influencing the dynamic of new business models?**

*5,000 character(s) maximum*

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

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**Question 29. Are EU banks investing enough in digitalisation of their operations and services, including in comparison with their international peers and with other EU business sectors?**

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

**Please explain your answer to question 29, in particular if your answer was "no":**

*5,000 character(s) maximum*

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

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

- Yes
- No

Don't know / no opinion / not applicable

**Please explain your answer to question 30:**

*5,000 character(s) maximum*

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

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

*5,000 character(s) maximum*

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

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## 2. The single market and the banking union

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In response to the global financial crisis, the EU took decisive action to enhance the single market, including by creating the banking union ([https://finance.ec.europa.eu/banking/banking-union/what-banking-union\\_en#a-rulebook-for-the-eu-financial-sector](https://finance.ec.europa.eu/banking/banking-union/what-banking-union_en#a-rulebook-for-the-eu-financial-sector)), and developing a single rulebook for banking. These initiatives were intended to support the objective of achieving a resilient, genuinely integrated banking market, where banks could operate across borders without barriers, achieve greater scale and interconnection, and more effectively channel financing across the EU.

The single rulebook and the banking union have delivered on the resilience objective, significantly contributing to the stability of the sector through enhanced prudential requirements, improved protection of depositors and better rules to manage failing banks. The current level of cross-border activities in the EU banking sector however shows that the objective of further integration and increased financing across the EU have not been sufficiently met. The lack of progress on structural features of the banking union, despite the successful setting up of the single supervisory mechanism (SSM) ([https://finance.ec.europa.eu/banking/banking-union/single-supervisory-mechanism\\_en](https://finance.ec.europa.eu/banking/banking-union/single-supervisory-mechanism_en)), and the single resolution mechanism (SRM) ([https://finance.ec.europa.eu/banking/banking-union/single-resolution-mechanism\\_en](https://finance.ec.europa.eu/banking/banking-union/single-resolution-mechanism_en)), is regularly identified as one of the main factors holding back banks' competitiveness and further integration of the single market.

This section seeks stakeholders' feedback on the drivers and barriers to market integration in the banking sector, and on the current design and potential outstanding features of the banking union.

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### 2.1. The impact of prudential requirements on market integration

The allocation of funds in cross-border groups is subject to prudential requirements, which determine at which level of the group capital and liquidity should be prepositioned. These prudential requirements influence the structures and organisational models of banking groups, as well as the degree of market integration and consolidation in the banking sector.

As a rule, these requirements apply at individual level for group entities, but can be waived in specific circumstances within a Member State or, for liquidity requirements, also on a cross-border basis.

This section seeks stakeholders' feedback on the adequacy of prudential requirements on banking groups and their impact on market integration in the banking sector.



Ensure adequate prudential requirements at the level of legal entities, while ensuring more flexibility in centrally managing resources at group level, with commensurate safeguards for financial stability risks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please explain your answers to question 33, and, if possible, indicate if the most efficient way of applying prudential requirements differs per requirement (e.g. liquidity coverage ratio, net stable funding ratio, capital, minimum requirement for own funds and eligible liabilities (MREL)):

*5,000 character(s) maximum*

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

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

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

*5,000 character(s) maximum*

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

## 2.2. Market consolidation

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

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

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

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

**Please explain your answer to question 35:**

*5,000 character(s) maximum*

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

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**Question 36. The Draghi report argues that banks need scale to be competitive. Is market consolidation a good way forward to achieve scale in the banking industry?**

**Which actions should be taken at EU level to facilitate EU banking groups wishing to operate cross border to do so?**

*5,000 character(s) maximum*

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

## **2.3. Non-prudential barriers to market integration**

EU banks face obstacles to leverage the benefits of operating in a single market, which are not directly related to the prudential requirements. These non-prudential barriers may be very diverse in nature (insolvency law, company law, labour law, consumer law, taxation) and often result from traditional and historical factors (language, culture and domestic preferences). These barriers may be hard to navigate for new entrants and require significant investments to overcome, which may disincentivise cross-border activities.

This section seeks stakeholders' feedback on the impact of non-prudential requirements on banking groups and on market integration in the EU.

**Question 37. What are the main non-prudential barriers that impede cross-border activities?**



Labour laws and contract laws hindering the servicing of EU bank clients in a Member State by a branch/entity located in another Member State.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Preference by local customers of local bank brands	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Divergent insolvency laws and collateral foreclosure rules	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Consumer protection laws and client specific documentation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Divergent (non-prudential) reporting requirements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Language barriers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please explain your answers to question 37, and explain which actions should be taken to overcome these non-prudential barriers and improve the integration of banking markets in the EU:**

5,000 character(s) maximum

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

## 2.4. Protection of depositors

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

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

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

- To a very large extent
- To a large extent
- Neutral
- To a small extent
- Not at all
- Don't know / no opinion / not applicable

**Please explain your answer to question 38:**

5,000 character(s) maximum

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



**Please explain your answers to question 40:**

*5,000 character(s) maximum*

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

**Question 41. In your view, a possible new banking union wide deposit protection fund should...**

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
...be used to provide only liquidity support to national DGS	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...replace national DGSs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...replace national DGSs for deposits in a subset of banks as identified in the previous question	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please explain your answers to question 41:**

*5,000 character(s) maximum*

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

## 2.5. Liquidity in resolution

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

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

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

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

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

*5,000 character(s) maximum*

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

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

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

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## 2.6. Sovereign exposures and risk reduction

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

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

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



Investment in home sovereign debt perceived as safe and highly liquid asset	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Insufficient access or supply of other governments' debt fitting the risk-appetite of the bank.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please explain your answers to question 44:**

*5,000 character(s) maximum*

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

**Question 45. Do you consider that the EU framework on the regulatory treatment of sovereign exposure should be improved?**

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

**Please explain your answer to question 45:**

*5,000 character(s) maximum*

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

In a report published in 2015, soon after the peak of the euro sovereign crisis (1), the ESRB analysed systemic risks related to the regulatory treatment of sovereign exposures and assessed several policy measures to mitigate these risks. The scope of the report focused mainly on banks, which at that time were the main holders of sovereign debt of their country.

The report acknowledges that exposures of banks (and insurance corporations) to their sovereigns can be seen as a source of fragility, but also as a factor of crisis mitigation. It also argues that, from a macroprudential point of view, the regulatory framework may have led to excessive holdings by banks of sovereign debt but, on the other hand, it is difficult to reform the existing framework without generating instability in sovereign debt markets and providing the right incentives for financial institutions. Without entering into details, the report considered pros and cons of policies related to (i) stricter capital requirements for sovereign exposures, (ii) diversification requirements, (iii) amendments to liquidity regulation, and (iv) enhanced Pillar 2 and Pillar 3 requirements.

The report also defined a framework for assessing policy options on the regulatory treatment of sovereign exposures. That framework is defined by a set of policy objectives (increase the resilience of the financial sector to sovereign risk over the economic cycle, limit systemic risks at the EU-wide level, and ensure appropriate availability and pricing of funding for the economy as a whole) and constraints (be consistent with the rest of prudential regulation, not to hinder or interfere with fiscal, monetary and financial integration policy in the EU, and not to hinder or interfere with free movement of capital in the EU, ensuring a level playing field). One important consideration when considering a reform of the current regulatory framework of sovereign exposures refers to the need to have such discussions at a global level, which certainly adds complexity to the task.

In 2018, the High Level Task Force on Safe Assets, created to investigate the practical considerations relating to sovereign bond-backed securities (SBBS) according to the mandate given by the General Board of the ESRB, published its main findings (2). The report of the High Level Task Force found that, in principle, the design of SBBS could facilitate the diversification and derisking of sovereign bond portfolios without mutualising sovereign risks. To analyse the feasibility of this design, it undertook extensive technical analysis and sought feedback from market participants.

The report published by the ESRB in 2015 can still serve as a solid starting point for discussions on the regulatory treatment of sovereign exposures for banks and insurance corporations. It discusses in detail the contribution of sovereign debt to systemic risk as well as pros and cons of several possible policy measures. Together with a qualitative assessment of the impact of these measures, it contains a brief impact assessment, which can also give a first indication of the behavioural response of banks and insurance corporations to changes in the regulatory treatment of sovereign exposures. The report by the High Level Task Force on Safe Assets can be useful in case there were developments towards the pooling and tranching of cross-border portfolios of national sovereign debt.

Finally, the ESRB touched upon the market structure of sovereign debt in its response to the targeted consultation by the European Commission on the macroprudential policies for non-bank financial intermediation (3). In particular, the ESRB called on the European Commission to consider (i) introducing margin requirements in bilaterally cleared government bond cash and

repo transactions and (ii) ways to facilitate the central clearing of such transactions. This would incentivise a move to central clearing, thereby reducing the risk of episodes of illiquidity and funding stress and contribute to a much-needed strengthening of the resilience of these core markets.

References:

- (1) ESRB (2015), ESRB report on the regulatory treatment of sovereign exposures
- (2) ESRB (2018), Sovereign bond-backed securities: A feasibility study
- (3) ESRB (2024), System wide approach to macroprudential policy

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**Question 46. Exposures to Member States' central governments, or third country jurisdictions assessed as equivalent, when denominated and funded in domestic currency, receive a 0% risk weight under the Capital Requirements Regulation ([https://finance.ec.europa.eu/banking/banking-regulation/prudential-requirements\\_en#legislation](https://finance.ec.europa.eu/banking/banking-regulation/prudential-requirements_en#legislation)), as provided for by the international standards. Such 0% risk weight applies regardless of credit rating, exempts the sovereign bonds from large exposure requirements, and classifies them as high-quality liquid assets. However, this treatment does not apply to sovereign exposures denominated in Euro issued by non-Euro Area Member States.**

**Should that treatment be expanded to sovereign exposures issued by non-Euro Area Member States and denominated in Euro and how would this affect the holdings of sovereign debt by banks?**

**Please elaborate:**

*5,000 character(s) maximum*

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

The fiscal situation and the credit worthiness of the sovereign debt of countries outside the euro area (at the time of this writing: Czechia, Denmark, Hungary, Poland, Romania and Sweden) vary broadly. To submit them to the same regulatory treatment may change the incentives of financial institutions to hold domestic sovereign debt and of treasury offices to issue sovereign debt in non-domestic currencies. By itself, the euroization of non-euro area countries should not be considered as a policy goal. Sovereign debt issuers in non-euro area countries may opt to issue sovereign debt in euros, to avoid concentration among domestic banks and to get access to a larger investor base (although they may be exposed to FX risk).

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### 3. Complexity and effectiveness of the regulatory framework

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The regulatory framework is complex for many reasons. Banks require strict regulation and careful supervision, because they are the backbone of financing for the EU economy and inherently vulnerable to runs on their primary funding source which may create financial instability. The need to ensure financial stability justifies public safety nets, but in turn also creates moral hazard that needs to be limited by regulation.

Complexity can also arise because banking regulation reflects a multitude of considerations: risk sensitivity, robustness, cost efficiency, comparability, inconsistencies and overlaps when setting up standards, as well as the diverse nature of banks operating in the EU (cooperatives, universal banks, etc.).



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

**Please explain your answers to question 47:**

*5,000 character(s) maximum*

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

**Question 48. A certain degree of complexity is necessary to achieve the desired regulatory objectives, while recognising the degree of sophistication and diversity of the EU banking sector.**

**How do you rank the comparative level of undue complexity in the following parts of the framework?**

	Low	Somewhat low	Medium	Somewhat high	High disagree	Don't know - No opinion - Not applicable
The overall framework	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
The minimum capital requirements (Pillar 1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
The supervisory measures (Pillar 2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
The macroprudential requirements	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The resolution requirements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

**Please explain your answers to question 48:**

*5,000 character(s) maximum*

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

For this question, the ESRB is focusing its answer on the complexity of macroprudential requirements. Generally the ESRB emphasises that simplifying the macroprudential framework will not, by itself, provide a silver bullet to achieve greater competitiveness in the banking sector. Competitiveness largely depends on deeper structural factors that fall outside the remit of macroprudential regulation and are best addressed through economic and fiscal policies. In this context, the completion of capital markets integration, alongside further progress towards the banking union and the savings and investment union including the establishment of a European Deposit Insurance Scheme (EDIS) – are key contributors to fostering competitiveness. A broader simplification and harmonisation of national rules would also represent a more significant driver of competitiveness across the EU banking sector.

The design of macroprudential requirements reflects the complexity and diversity of the financial system. Other industries with high levels of complexity are regulated by rules that are similarly complex. A certain degree of complexity is necessary to ensure a sound and resilient banking sector, which in turn supports long-term competitiveness too.

The design of the European macroprudential framework also aligns closely with the nature and location of macroprudential risks. These risks can broadly be categorised as cyclical (from financial cycles) or structural (underlying characteristics of the financial system itself). Effective macroprudential frameworks should include tools that address both types of risks, ensuring adaptability to evolving systemic vulnerabilities. In particular in the euro area, where monetary and foreign exchange policies are fully aligned, it is important that macroprudential policies may target the specific features and risks of the financial cycle, which remains predominantly local. The experience of 15 years macroprudential policies is that applying a one size fits all policy might be highly inappropriate.

Nevertheless, some simplification is possible at national level. On this topic, the 2022 ESRB concept note on the “Review of the EU Macroprudential Framework for the Banking Sector” discussed the main challenges to be addressed and sets out what in the ESRB’s view needs to be done to ensure that our macroprudential rules for banks remain fit for purpose.

For example, the ESRB offered several practical recommendations to support and inform the Commission’s review. A decade of experience with macroprudential provisions underscored the need for a more consistent, forward-looking, and actively countercyclical approach to using macroprudential tools. An overarching goal of reform was to reduce the framework’s complexity, both procedurally and conceptually, making it easier for authorities to implement without compromising safeguards that uphold the integrity of the internal market.

For example, as described in the 2022 ESRB concept note (1) creating one single macroprudential article on risk weights for real estate exposures would foster consistency, reduce complexity and enhance the proper functioning of the Single Market. At the same time, sectoral risk can still be addressed via the sectoral systemic risk buffer, although the instruments differ for example in risk sensitivity and reciprocity arrangements.

#### References:

(1) ESRB (2022), Review of the EU macroprudential framework for the banking sector: A concept note



Interaction with other EU legislation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please explain your answers to question 49:**

*5,000 character(s) maximum*

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

**Question 50. Would you support less complexity in the bank regulatory framework even if this means...**

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
...less risk sensitivity within risk-weighted requirements	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...increase in capital requirements	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...less consideration for EU specificities	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...less consideration for national specificities	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

...higher contributions to safety nets (DGS and resolution funds)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...less resilience / financial stability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

**Please explain your answers to question 50:**

*5,000 character(s) maximum*

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

As regards the application of the macroprudential regulatory framework, the ESRB is in favour of reducing the complexity of the relevant provisions, both procedurally (including as regards the reciprocation of macroprudential measures, see also Q69 and [[1]) and conceptually insofar it facilitates their use by authorities without weakening existing safeguards for the integrity of the internal market (see also p.2 of the Review of the EU Macroprudential Framework for the Banking Sector - A Concept Note, March 2022 [2]).

- Neutral stance on the trade off between less complexity versus less risk sensitivity within risk-weighted requirements. Risk weights play a crucial role in determining the amount of capital that must be held by banks to foster their resilience against different sources of risk. Risk weight measures complement the buffers by allowing authorities to directly influence the capital requirements for specific exposures, particularly in sectors showing signs of overheating, thereby enhancing the risk sensitivity of the framework and providing a more granular response to emerging systemic vulnerabilities. Less complexity can be achieved while still providing for a risk-sensitive framework, as for example reflected in the ESRB proposal in favour of creating one single macroprudential provision on risk weights for real estate exposures which would replace Articles 124, 164 and 458 of the CRR (see also Review of the EU Macroprudential Framework for the Banking Sector - A Concept Note, March 2022 and the ESRB reply to Question (48) of the present consultation). At the same time, sectoral risk can still be addressed via the sectoral buffer

- The ESRB somewhat supports less complexity "if it means an increase in capital requirements". A timely build up of capital buffers that can be released in times of stress is essential for financial stability. The impact of such increases can be reduced by ensuring that they are gradual and take place when conditions are favourable (for example, when banks are profitable). The banking sector should aim at achieving high profitability, strong capitalisation, and the ability to easily raise capital at low cost, therefore allowing for resilience during economic downturns. This stable state enables banks to maintain lending, build capital buffers, and avoid the procyclical, constrained lending typical of stress scenarios (3)

- Neutral stance on the trade-off between less complexity versus less consideration for EU specificities. The ESRB's preference is to maintain the current level of resilience of the financial system.

- Neutral stance on the trade off between less complexity versus less consideration for national specificities. The ESRB's preference is to maintain the current level of resilience of the financial system.

While regulatory complexity can be detrimental to financial stability through a multitude of channels (7), targeted simplification can serve to strengthen the financial system.

The current level of resilience needs to be maintained (of if necessary increased) while aiming to enable a more flexible and preventive activation of capital buffers (6)

In recent years, EU banks have weathered repeated episodes of economic and financial volatility and have continued to lend to the real economy. In the past two to three years, they have also been able to distribute a significant portion of their profits as dividends (during this period, the regulatory framework did not change significantly).

Similar crises in earlier years had instead resulted in the weakening or failure of a significant number of institutions. The consistent stability of the EU

banking system amid a remarkable increase in uncertainty must be attributed, at least in part, to the wide ranging reforms in prudential regulation, supervision, and resolution that have taken place since the great financial crisis. .

References:

- (1) Placeholder for the Macroprudential commentary on the reciprocity framework if this is already published by the time of responding to the COM consultation.
- (2) Review of the EU Macroprudential Framework for the Banking Sector A Concept Note, March 2022).
- (3) ESRB (2025), Joint ECB/ESRB report on the use of the positive neutral CCyB in the EEA.
- (4) ECB (2019), Kanngiesser, D., Martin, R., Moccero, D., & Maurin, L. (2019). The macroeconomic impact of changes in economic bank capital buffers. Macroprudential Bulletin, 8, September 2019.
- (5) ESRB (2017), Final report on the use of structural macroprudential instruments in the EU
- (6) ESRB (2022), Review of the EU macroprudential framework for the banking sector: A concept note
- (7) Gai et al. (2019), Regulatory complexity and the quest for robust regulation, Report of the ESRB Advisory Scientific Committee No. 8 (p32)

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**Question 51. The single rulebook for banking is based on both directives and regulations. Unlike regulations, directives must be transposed into national law, which can lead to different applicable legal framework applicable across Member States.**

**In your view, which provisions currently set out in directives, such as the Capital Requirements Directive (CRD) (<https://finance.ec.europa.eu/banking/banking-regulation/prudential-requirements-en#legislation>), the Bank Recovery and Resolution Directive (BRRD) (<https://finance.ec.europa.eu/banking/banking-regulation/bank-recovery-and-resolution-en#legislation>) or the Deposit Guarantee Scheme Directive (DGSD) (<https://finance.ec.europa.eu/banking/banking-regulation/deposit-guarantee-schemes-en#legislation>), would be more effectively established through directly applicable regulations, and for what reasons, if any?**

*5,000 character(s) maximum*

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

The ESRB shares the views endorsed by the Governing Council of the ECB, as set out in Recommendation No. 6 of the High Level Task Force on Simplification:

"Recommendation #6 proposes refocusing EU prudential law from directives to regulations, increasing harmonisation and regulatory transparency, and streamlining level 2 and 3 acts. More use of regulations would prevent a heterogeneous transposition into national law. It would facilitate uniform supervision and cross-border banking, benefiting in particular banks that operate across various jurisdictions and their investors. Applying regulations would also help harmonise the legal basis for using supervisory guidance and expectations within the EU. A thorough review of level 2 and 3 acts and their implementation would reduce the level of prescriptiveness of some acts; this may thus increase the level of supervisory discretion. This recommendation would make the legal framework more comprehensible, lowering barriers to entry as well as reducing the regulatory burden on banks. On the other hand, transitioning from directives to regulations would limit national discretion and flexibility. The recommendation suggests moving in this direction, while being conscious of the trade-offs involved."

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## Gold-plating, government interventions and enforcement

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

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

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

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

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

**How can this be improved?**

*5,000 character(s) maximum*

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

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## Relevant authorities

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

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

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

**Please explain your answers to question 55 a):**

*5,000 character(s) maximum*

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

The answer is a self-assessment on the past fifteen years of activity at the ESRB.

On effectiveness :

The ESRB has the goal of identifying and mitigating systemic risk and therefore plays a crucial role for financial stability in the EU. Its effectiveness is underpinned by its issuance of recommendations and warnings. Recommendations urge authorities to take specific risk-mitigation measures, while warnings alert policymakers to imminent threats. These tools enable the ESRB to proactively address vulnerabilities in the financial system and promote coordinated action across Member States.

Supported by regular discussions among members, from the technical to the policy level, the ESRB also provides regular risk updates. This framework allows for continuous monitoring, analysis of systemic vulnerabilities and timely identification of emerging systemic risks.

**b) risk-based (the extent to which authorities focus on the most material risks in a proportional way)**

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable





**Please specify to what other aspect(s) you refer in your answers to question 55 d) and explain your answers:**

*5,000 character(s) maximum*

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

The answer is a self assessment on the past fifteen years of activity at the ESRB.

On the way forward, the ESRB is set to further enhance its macroprudential oversight and systemic risk assessment through the strategic recommendations outlined in the report titled "Building on a Decade of Success".

Published by the High-Level Group on the ESRB Review, the report includes key proposals to improve holistic risk assessments. To this aim, the ESRB should focus on interconnections and spillovers, employing system wide stress tests, refining metrics for country-specific macroprudential stances, and strengthening communication strategies. Additionally, enhancements to data access frameworks and knowledge sharing mechanisms would help bolster analytical capacity and collaborative efforts. With the majority of recommendations proposed in the above mentioned report not requiring legislative amendments, the ESRB's General Board has already begun implementing these measures, ensuring the institution continues to effectively safeguard financial stability across the EU, while adapting to emerging challenges such as climate risks and cyber threats.

**Question 56. How would you rate the degree of accountability of various authorities responsible for banks?**

	Low	Somewhat low	Medium	Somewhat high	High disagree	Don't know - No opinion - Not applicable
Supervisory authority	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Macroprudential authority	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
Resolution authority	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

**Please explain your answers to question 56:**

*5,000 character(s) maximum*

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

For this question, the ESRB is focusing its answer on its own remit. The ESRB is accountable to the European Parliament and the Council, with specific requirements outlined in Regulation (EU) No 1092/2010. This regulation mandates that the Chair of the ESRB be invited to an annual hearing in the European Parliament, with additional hearings required during periods of widespread financial distress. These hearings are conducted separately from the monetary dialogue between the European Parliament and the President of the ECB. The ESRB operates transparently, ensuring that its findings are broadly communicated. It publishes annual reports, special risk reports, and public warnings or recommendations when necessary. These publications aim to provide clarity regarding identified risks, the Board's assessments, and the actions it undertakes.

To maintain impartiality, the ESRB operates independently from political influence. This independence allows the board to base its decisions on objective, data-driven assessments rather than on short-term political considerations.

Collaboration and expertise are central to the ESRB's functioning. Its internal governance includes a Steering Committee and a General Board, made up of representatives from the ECB, national central banks, and other European financial regulatory bodies.

When issuing recommendations or warnings to relevant authorities, the ESRB ensures transparency and accountability. If the ESRB recommendations are not followed and no sufficient justification is provided, the ESRB must inform the addressees, the European Parliament, the Council and the relevant ESAs.

Finally, the ESRB is subject to external evaluations, which ensure its effectiveness and transparency. For instance, the European Court of Auditors may review its performance to confirm that it is fulfilling its mandate in a cost effective manner.

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

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

**Question 58. Which of the following EU-level measures would materially increase your institution's willingness to lend against intellectual property assets?**

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
--	-------------	----------------	---------	-------------------	----------------	--

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

**Please explain your answers to question 58:**

*5,000 character(s) maximum*

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

### 3.2. Prudential framework

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

process. Apart from capital requirements, a bank must also meet leverage ratio requirements, liquidity requirements and large exposure requirements. The prudential framework is risk-based and risk sensitivity inevitably entails granularity and some complexity.

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

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

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

*5,000 character(s) maximum*

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

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## Risk sensitivity

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

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

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

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

**Please explain your answer to question 61:**

*5,000 character(s) maximum*

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

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## Leverage ratio

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

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

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

**Please explain your answer to question 62:**

*5,000 character(s) maximum*

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

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**Pillar 2 capital components**

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

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

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

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

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

---

**Management buffer**

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

**Question 65.1 What determines the level of the management buffer?**

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

*5,000 character(s) maximum*

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

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

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

## **Non performing loans**

In over a decade, the EU has adopted with success several measures to reduce the amount of NPLs in the economy to promote the stability of its banking system and free up capital for new lending, thereby restoring market confidence to the benefit of the real economy. Among these were

- i. the 'NPL-backstop', which requires banks to book minimum levels of provisions for NPLs and to apply a deduction to their capital if provisions fall short
- ii. the Credit Servicers (or NPL) Directive, which sets up a harmonised legal regime for credit purchasers and credit servicers
- iii. the framework for Specialised Debt Restructurers, which further promotes NPL secondary markets by exempting institutions that are specialised in the acquisition and management of non performing exposures from the NPL backstop

**Question 66. Are, in your view, the various elements of the framework aimed at reducing NPLs working as intended?**

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

**Please explain your answer to question 66 and, if deemed relevant, provide suggestions to improve the framework:**

*5,000 character(s) maximum*

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

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## **Own funds instruments**

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

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

## **Output floor**



The output floor should only apply at consolidated level	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The calibration of the output floor (72.5%) should be increased	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The calibration of the output floor (72.5%) should be made more risk-sensitive	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The calibration of the output floor (72.5%) should be reduced	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please explain your answer to question 68:**

*5,000 character(s) maximum*

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

### 3.3. Macroprudential framework

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

The EU macroprudential framework for banks, which includes both capital-based measures and risk-weight tools, is perceived as being rather complex in international comparison. The capital buffers framework features five buffers, two of which are EU specific. The macroprudential framework also includes a risk-weight toolkit which allows national authorities to increase risk weights on bank exposures to tackle risks in specific sectors, particularly in the real estate sector. This toolkit is based on decentralised governance, which is unduly complex and creates inefficiencies such as potential overlaps, heterogeneous application and administrative burden.

Moreover, the interaction between macroprudential and micro-prudential requirements (which are often intertwined), and resolution requirements may hinder in certain cases buffer usability.

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

**Question 69. In your view, which of the areas below create inefficiencies and undue complexity in the macroprudential framework?**

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	Don't know - No opinion - Not applicable
The current number and scope of macroprudential buffers, some of which may potentially tackle similar risks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
The calibration of macroprudential buffers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
The calibration of other macroprudential tools	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

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

**Please explain your answer to question 69:**

*5,000 character(s) maximum*

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

The macroprudential framework plays a vital role in addressing systemic risk and enhancing banking system resilience. Some complexity is inherent in addressing systemic risks effectively: over-simplification could lead to overly generic risk mitigation, resulting in blind spots in some cases, and overly conservative outcomes in others. That said, complexity can also reduce the policy effectiveness. Simplification should therefore focus on removing unnecessary complexity to improve the framework, not on deregulation or weakening resilience. Efforts to simplify the framework should be guided by three core objectives: resilience, clarity and flexibility. Preserving the resilience of the banking system remains paramount, while trade-offs potentially arise between ensuring clarity of rules and maintaining flexibility within the framework. Regarding multiple macroprudential buffers and possible overlaps, the ESRB can support the ECB's recent recommendations on simplifying the capital stack (Rec#1) by merging buffers into a non-releasable buffer (CCoB-O/G-SII) and a releasable buffer (CCyB-SyRB), to reduce complexity while preserving resilience and flexibility, including potential sectoral application. The ESRB agrees with the ECB that 'any reduction in the number of buffers must maintain the current allocation of macroprudential and microprudential powers and preserve the competencies of national and supranational authorities within the banking union'. The ESRB emphasises the importance of maintaining a clear distinction between micro- and macroprudential requirements. Specifically, buffers like the G-SII/O-SII should remain part of the macroprudential framework and not be merged with microprudential capital requirements, so as to preserve the distinct objectives, mechanisms, and systemic risk focus of macroprudential tools. On possible overlaps between macroprudential buffers and the leverage and resolution framework, see also Q80.

On the calibration of macroprudential buffers and tools, harmonisation and improved coordination among national authorities, can, in some cases, strengthen effectiveness and reduce unnecessary complexity. The ESRB has issued high-level recommendations on calibration, particularly for the CCyB, emphasising the need for forward looking approaches and broader use of cyclical indicators beyond credit-to-GDP gaps. A positive neutral CCyB, built during normal times, could further enhance the ability to address cyclical risks proactively (see Q73). It has also proposed further harmonisation of the O SII buffer calibration in its 2022 Concept Note (1).

On the heterogenous application of tools see Q72.

On reciprocity the ESRB is of the view that the current framework works well overall but there is room for improvement to make it even more effective (2). Building on its 2022 Concept Note, the ESRB advocates expanding automatic reciprocity well beyond the CCyB by amending the CRD/CRR so that automatic reciprocation becomes the standard practice, subject only to clearly defined materiality thresholds. The activating authority would not need to ask the ESRB to issue a recommendation to Member States asking for reciprocation of the measure, which would significantly simplify implementation, reduce administrative burden and promote a more uniform application of measures across jurisdictions. De minimis thresholds would also avoid disproportionate burdens for banks. This position also aligns with the ECB simplification Rec#4, proposing automatic reciprocity up to a certain threshold, combined with, and conditional on, a more standardised application of macroprudential tools. Achieving this requires a more standardised application and description of macroprudential tools and more harmonised rules on the consolidation level (individual, sub-consolidated or consolidated) at which reciprocated measures apply. The ESRB also supports the ECB's proposal that bank exposures subject to

the measures are identified based on harmonised common reporting templates, so that both banks and reciprocating macroprudential authorities can easily access and apply them.

Regarding the decentralised nature of macroprudential governance, some complexity is inherent and reflects diverse systemic risks and national specificities. Financial cycles, structural factors and interdependencies differ across countries and require country-specific macroprudential policies. Generally, the larger the differences in national characteristics, the larger the need is for national flexibility. This could evolve as wider structural changes allow for economic cycles to become less national and more synchronised across Europe. The aim should therefore be to reduce unnecessary complexity and overlaps, not to deregulate or weaken resilience.

(1) ESRB (2022), Review of the EU macroprudential framework for the banking sector: concept note

(2) ESRB Commentary on reciprocity, which presents proposals to improve the framework.

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**Question 70. How can the macroprudential buffer framework be streamlined, while at the same time preserving resilience and the ability of responsible authorities to address systemic risks?**

**Which buffers could be merged and what should be their role?**

*5,000 character(s) maximum*

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

The ESRB considers important that any proposal to change the EU prudential framework should retain the current levels of resilience. Efforts must focus on eliminating unnecessary overlaps and complexities, while maintaining robust tools to address structural and cyclical risks, including sector specific risks.

The ESRB can support the merger of macroprudential buffers into releasable and non-releasable, provided that resilience is preserved. The new buffers should remain aligned with international standards, with one possible option to model the releasable buffer on the CCyB. Furthermore, the ESRB favours the option of maintaining the possibility to target certain risks at a sectoral level. Against this background, the ESRB considers that three objectives should steer the streamlining of the buffer framework: maintain resilience, enhance clarity and retain flexibility, while ensuring that structural and sectoral risks can continue to be tackled.

- The priority is to maintain resilience which ensures the banking system can absorb shocks and continue supporting the economy during crises.
- Clarity focuses on streamlining tools and eliminating overlaps. Current heterogeneity in the calibration and application of buffers, such as the O-SII buffer, undermines predictability and effectiveness. The ESRB has advocated for introducing an EU wide floor methodology as well as the use of within year averages instead of year-end values in systemic importance score calculations to reduce volatility and improve predictability. Please also refer to Q72. Simplification efforts should also focus on reducing administrative burdens, such as double reporting, as outlined in the ECB's simplification recommendations.

Flexibility allows adaptation to emerging risks and national specificities, including sectoral risks. Tools like the sectoral SyRB can allow for the targeting of sectoral vulnerabilities, while guided discretion approaches could allow national authorities to calibrate tools in line with country-specific risks. It is important to strike a balance between retaining flexibility and minimising complexity arising from the heterogeneous application of these instruments.

The ESRB also refers to the ECB proposals on merging EU specific elements like P2G LR and P2R LR add ons into a single leverage ratio buffer, which could reduce complexity while maintaining compliance with Basel III standards.

Coordination among stakeholders, including the ESRB, ECB, EBA, and EU Commission, would be essential for implementing these proposals. Operationalising these changes should involve impact analyses to ensure that simplification does not inadvertently weaken resilience or create blind spots in risk mitigation. Furthermore, harmonisation efforts should balance consistency across the EU with flexibility for national authorities to address local vulnerabilities.

In conclusion, simplifying the macroprudential buffer framework should be guided by the principles of maintaining resilience, enhancing clarity and retaining flexibility. Resilience must be preserved by maintaining overall capital levels and ensuring that tools continue to address cyclical, structural and sectoral risks effectively. Clarity can be enhanced by harmonising calibration methodologies (for instance for the O-SII buffer calibration see Q72), and simplifying capital stacks, including through measures such as a single leverage ratio buffer, possibly mechanically linked to the risk based framework. Flexibility should be retained so that national authorities can adapt tools to country-specific vulnerabilities within a consistent EU framework. Simplification should not compromise resilience or the ability of responsible

authorities to respond to emerging risks. Streamlining along these lines would reduce unnecessary complexity and administrative burdens while safeguarding financial stability across the EU.

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**Question 71. What are your views regarding the need for a buffer for tackling sectoral risks?**

**Is there a need to maintain a sectoral buffer specifically for real-estate exposures to ensure a more targeted application?**

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

**Please explain your answer to question 71:**

*5,000 character(s) maximum*

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

The ESRB can support the merger of the CCyB and SyRB into a single releasable buffer, although this would limit flexibility by eliminating some of the granular features of the SyRB. The ESRB is in favour of maintaining the possibility of targeting certain risks at a sectoral level. This could be achieved, for instance, through a sectoral component of a new releasable buffer, or a separate sectoral buffer, or sectoral risk weight based measures. The ESRB proposes to conduct further analysis of the different options for targeting sectoral risks, including analysing whether sectoral risk-weights CRR measures might be streamlined or eliminated. Such analysis would help assess what would be an efficient way to achieve flexibility without increasing complexity and undue heterogeneity in the instruments' application. The flexibility of the SyRB and the ability to apply it in a sectoral way are both valuable features for targeting sectoral systemic risks, such as those stemming from real estate markets. Sectoral buffers complement, rather than substitute, other instruments. Borrower-based measures and stricter underwriting standards can curb the build-up of new risks, but they do not increase loss absorbing capacity against the existing stock of exposures. Similarly, a general releasable buffer would also increase resilience but in a less targeted way, affecting all sectors irrespective of their contribution to systemic risk. Risk weight floors on sectoral exposures can also increase resilience in a targeted manner, but through a different mechanism. The sectoral SyRB has been used in many EU countries. As of March 2026, there are currently nine countries that have active a sectoral SyRB. This means there are as many instances of using a sectoral SyRB as there are using a general SyRB. In its early days, this measure was used as a substitute for the more complex use of Article 458 risk weights, with the sectoral SyRB applied to residential real estate exposures (Belgium in 2022). Lithuania, Slovenia, Malta, Germany and Portugal all chose this instrument as a way to increase the resilience of their banks against RRE risks. The sectoral SyRB was also used to limit systemic risk stemming from the commercial real estate sector in Hungary, Denmark and Austria. A sectoral buffer could be potentially used for other risks than real estate. For example, it can act as an incentive for banks to accelerate the green transition as a joint ECB/ESRB report proposes (1).

One way forward is to have one releasable buffer with a sectoral component. In this regard, we note that the possibility to use the CCyB in a sectoral manner was previously analysed within the Basel framework, as a voluntary add-on to the standard CCyB rate (2). To date, the option is available in the Spanish macroprudential framework (although not used so far), and it was extensively used in Switzerland to target RRE risks. Such an option would allow for having a single releasable buffer, whilst retaining some flexibility to apply it optionally in a sectoral way. However, this option may also introduce increased complexity, not least in relation to reciprocity. Another option is to maintain a separate sectoral buffer. Should the current sectoral application of the SyRB be retained, the legislation could be revised to address some issues in the application of the sectoral buffer. In its 2022 Concept Note, the ESRB argued that the sectoral buffer rate should be weighted by the share of sectoral exposures in total exposures (3). In this way, a higher sectoral buffer would not trigger thresholds that would result in a more burdensome procedure or require authorisation from the Commission. Currently, SyRB rates on all exposures are treated the same as sectoral SyRB rates, that is, by adding together both the general SyRB and sectoral SyRB rates.

In order to lower the framework's complexity, any of the two options for a sectoral buffer may be coupled with deleting or streamlining the CRR risk-weight Articles 124, 164 and 458. This change would eliminate the relative redundancy between the sectoral buffer and the sectoral risk weights and would give

countries a clear option for targeting sectoral risks. However, we acknowledge that the two instruments are not perfectly substitutable. The ESRB calls for further work in order to establish the best option that would balance maintaining resilience with achieving framework simplification and limiting undue heterogeneity in regards to targeting sectoral risks. Should the Commission require it, the ESRB stands ready to conduct an in depth technical analysis of the pros and cons of different instrument options that would support a decision on this matter.

- (1) ESRB, The macroprudential challenge of climate change, 2022.
- (2) BCBS, Guiding principles for the operationalisation of a sectoral countercyclical capital buffer, 2019.
- (3) ESRB, Review of the EU macroprudential framework for the banking sector concept note 2022.

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

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

<p>The O-SII buffer should be calibrated following a more harmonised methodology which ensures a better correlation of systemic importance with a defined range for the level of the buffer rate</p>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<p>Maintain the current state of play regarding the O-SII buffer calibration while enhancing transparency and accountability (including through public disclosure) regarding the calibration methodology and its application.</p>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
<p>Other</p>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please explain your answer to question 72:**

*5,000 character(s) maximum*

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

As communicated in previous occasions, the ESRB believes that it would be beneficial to implement a holistic review of the O SII identification and, more importantly, calibration methodology. For example, in its 2022 Concept Note (1) (Section 3.1.4), the ESRB proposed to develop an EU-wide floor methodology with additional guidance for the calibration of O SII buffer rates. Since EBA guidelines for a harmonised identification of O SIIs already exist, several ESRB members believe that there might be still room to develop a more harmonised calibration methodology.

On O SII identification. A comprehensive look at the O SII framework should start by addressing some shortcomings in the identification methodology. The measurement of systemic importance poses issues in certain countries. Such issues relate to factors which are not sufficiently taken into account in the identification methodology, like country specificities related to the absolute size of the individual institutions and their business models or the degree of concentration in the banking sector. For example, the EBA guidelines offer no possibility to exclude very small banks from the identification methodology, in countries with smaller or less sophisticated financial sectors. Certain mandatory indicators for the O-SII assessment, such as "debt securities outstanding", were inspired by the G SIB framework and are not well suited for these smaller, less complex banks.

Additionally, any data gaps that render the calculation of appropriate O-SII scores challenging or infeasible should also be addressed. For instance, macroprudential authorities may find it challenging or even not feasible to fully assess potential window dressing. This applies to cases where reporting frequency is low and/or quarter end values might be window dressed. In addition to the problem of potential window dressing, it is also challenging in practice to use some of the optional indicators provided in Annex 2 of the EBA Guidelines (EBA/GL/2014/10, December 2014). These are e.g. "assets under custody", as only full FINREP institutions need to report and there are materiality thresholds, and "degree of resolvability according to the institution's resolvability assessment" if the information is not shared by the resolution authority.

The use of within year averages instead of year end values during the O SII identification process could reduce the volatility of scores from year to year, though should be carefully balanced in terms of frequency. Less variability in the scores increases predictability, which is beneficial for financial institutions' capital plans and provides more transparency to market participants. In addition, the use of averages would mitigate the negative consequences of window dressing by institutions.

While unwarranted heterogeneity should be reduced, any proposed legislative change needs to ensure flexibility for national authorities in the O-SII identification process and the calibration of buffers, so that countries' specificities can be accounted for, including differences in the size and concentration of the banking sector.

On O SII calibration: To address differences in the buffer rates of banks that have similar scores, a floor methodology may be used as a first step towards limiting heterogeneity at the lower end of the buffer rates. It would allow some jurisdictions to set high buffer rates if they considered this appropriate given their specific national systemic risks, while ensuring a minimum degree of harmonisation. For the SSM area, an ECB O-SII floor methodology currently applies, with the possibility of top-up by the ECB. This floor methodology could serve as a starting point and be extended to the whole of the EU. Guidance

covering the buffer calibration process, in addition to the identification process, could be issued for that purpose. Such a methodology would allow systemic risk to be countered in a more consistent way across Member States, while further strengthening the resilience of O-SIIs, and thus of the entire European banking system. As the O-SII buffer is a macroprudential tool, the ESRB should be involved in the development of such a methodology, possibly with the ECB and the EBA.

(1) ESRB (2022), Review of the EU macroprudential framework for the banking sector: concept note

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**Question 73. Is the current share of releasable buffers\* (countercyclical buffer and the systemic risk buffer) in the total combined buffer requirement adequate, so as to ensure that sufficient resources can be released in a downturn to support lending to the economy?**

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

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

**Please explain your answer to question 73:**

*5,000 character(s) maximum*

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

The ESRB's answer to this question is that the share of releasable buffers is not adequate. While it has increased in recent years, further enhancements are needed. The ESRB welcomes any initiative that allows for a greater use of releasable buffers. Analytical work conducted by the ESRB and the ECB assessed whether sufficient releasable capital is available, ultimately reinforcing the argument for additional releasable macroprudential buffers within the banking union and the EEA.

Additional releasable buffers would ensure that sufficient buffers are allowed to be released during times of stress to absorb losses, allowing credit institutions to maintain their essential economic functions during downturns and addressing concerns about buffer usability. Banks may find it easier to use these buffers to support lending in stress periods when they have been made explicitly releasable by authorities.

Despite recent positive developments with several countries more recently having increased the CCyB and the SyRB, resilience in the form of releasable buffers remains limited. By Q32025 macroprudential buffers across the euro area were still mostly comprised of their non releasable components, with only 20% being releasable. The ESRB therefore welcomes initiatives that support both a broader and more harmonised use of releasable buffers across countries. Some ESRB members, however, consider the share of releasable buffers to be adequate. Therefore, they take the view that further increases should be focused on a few cases.

The ESRB's and ECB's work also included an examination of policy options to increase the availability of releasable buffers (1). Among these options included a more proactive use of the CCyB earlier in the cycle for instance through a positive neutral CCyB (PN CCyB) rate, which has gained popularity among EEA members. In the ESRB's January 2025 joint report with the ECB (2), which provides a comprehensive compendium of EEA members' experiences to date in implementing a CCyB early in the cycle, it is highlighted that implementing a PN CCyB is one way to achieve a greater availability of releasable buffers throughout the financial cycle, by ensuring that capital is already available before a downturn starts, or when an unexpected crisis hits the financial system. This should continue to be set at national level and should maintain the appropriate flexibility in the buildup and release phase. A few countries perceive a lack of clarity in EU legislation and ask for a clarification of the legal framework.

The primary goal should be to ensure that banks are resilient and a sufficient amount of releasable buffers are available. Which tool is used to achieve that resilience is only a secondary issue, and both the CCyB and the SyRB could be appropriate.

#### References:

(1) The report Drafting Team of the Steering Committee of the Macroprudential Forum 'Enhancing macroprudential space in the banking union', March 2022, the ESRB issues note 'Removing disincentives for the use of macroprudential buffers', March 2021 and ESRB Concept Note Review of the EU Macroprudential Framework for the Banking Sector, March 2022.

(2) Joint ECB / ESRB report: Using the countercyclical capital buffer to build resilience early in the cycle, January 2025

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

*5,000 character(s) maximum*

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

Despite its complexity, the risk weight toolkit under Article 458 CRR has been an essential component of the macroprudential framework, especially for addressing systemic risks in the real estate sector at the national level. The ESRB is in favour of maintaining the possibility of targeting certain risks at a sectoral level. This could be achieved, for instance, through a sectoral component of a new releasable buffer, or a separate sectoral buffer, or sectoral risk-weight based measures. In order to achieve framework simplification, the deletion or streamlining of the CRR risk-weight articles could be considered. However, further analysis of the pros and cons of multiple options are required for establishing the best way forward.

Should the possibility of targeting sectoral risk also through risk-weight measures be maintained, it is important to address the shortcomings of the current framework, which is fragmented, with provisions for risk weights spread across various articles, leading to inconsistencies, complexity, and challenges for harmonisation across jurisdictions. To improve its effectiveness, the ESRB supports consolidating the macroprudential risk weight related articles in the CRR into a single chapter, or into a harmonised article replacing Articles 124, 164, and 458.

The benefits this consolidation would bring are:

- a unified approach to risk weight adjustments for exposures secured by immovable property, aligning the macroprudential risk weight tools for both SA and IRB banks.

- harmonisation while retaining some flexibility on the design of the risk weight measure.

- a simplified framework, which would ensure consistency across jurisdictions and improve transparency.

- a definition of common activation rules.

The new consolidated article should aim to strike the right balance between consistent application and flexibility for national authorities to address country specific systemic risks. Creating clear and unified activation criteria and calibration methodologies would enable authorities to implement risk weight measures effectively while ensuring harmonisation.

Simplified activation procedures should avoid burdensome and time consuming procedures for both EU and national authorities and could differentiate between measures below and above predetermined thresholds:

Below threshold: Activation could require only notification and opinions from the ESRB and EBA, aligning with governance frameworks for SyRB and O SII buffers.

Above threshold: Activation could involve opinions from ESRB and EBA, followed by non-objection procedures from the European Commission, ensuring robust oversight.

Thresholds for risk weights should be calibrated using data from EU banks, differentiating between SA and IRB approaches.

The ESRB would also advocate for mandatory reciprocation of risk weight measures below the threshold, consistent with current practices under Articles 124 and 164 CRR, and with the view expressed in the 2022 Concept Note (1). Above the threshold, voluntary reciprocation arrangements could apply.

In addition, simplified procedures for releasing or reducing existing risk weight measures would reduce administrative burdens and streamline the framework, with minimal side effects to financial stability.

More generally, the ESRB would also advocate for the replacement of the measure by measure assessment, which is currently tasked with by a broader and more economic-based evaluation, for instance in the form of an annual institutional process. With this, the ESRB would assess holistically the overall appropriateness of each country's macroprudential policies and their

compatibility with the Single Market. On this basis, the ESRB could signal potential issues to the European Commission and, when needed, make formal recommendations to national authorities.

The introduction of the CRR3 output floor, which defines a lower limit on the Total Risk Exposure Amount (TREA), may not completely eliminate the need for macroprudential risk weight measures, although the prospect of underestimation of risk weights will be diminished. The output floor aims to reduce excessive variability in risk-weighted assets and enhance comparability across institutions, but it does not directly address systemic or macroprudential risks. Even with the output floor, risk weights for real estate exposures may remain insufficiently low in light of heightened systemic risks, particularly in countries where real estate contributes significantly to cyclical systemic risk. Therefore, macroprudential measures that can be applied at a sectoral level will still be necessary to “top up” the resilience provided by the output floor to ensure an adequate level of resilience for specific exposures.

References:

(1) ESRB (2022), Review of the EU macroprudential framework for the banking sector: A concept note

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

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

**Please explain your answer to question 74.2:**

*5,000 character(s) maximum*

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

Despite its complexity, the risk weight toolkit under Article 458 CRR has been an essential component of the macroprudential framework, especially for addressing systemic risks in the real estate sector at the national level. The ESRB is in favour of maintaining the possibility of targeting certain risks at a sectoral level. This could be achieved, for instance, through a sectoral component of a new releasable buffer, or a separate sectoral buffer, or sectoral risk-weight based measures. In order to achieve framework simplification, the deletion or streamlining of the CRR risk-weight articles could be considered. However, further analysis of the pros and cons of multiple options are required for establishing the best way forward.

Should the possibility of targeting sectoral risk also through risk-weight measures be maintained, it is important to address the shortcomings of the current framework, which is fragmented, with provisions for risk weights spread across various articles, leading to inconsistencies, complexity, and challenges for harmonisation across jurisdictions. To improve its effectiveness, the ESRB supports consolidating the macroprudential risk weight related articles in the CRR into a single chapter, or into a harmonised article replacing Articles 124, 164, and 458.

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- a unified approach to risk weight adjustments for exposures secured by immovable property, aligning the macroprudential risk weight tools for both SA and IRB banks.

- harmonisation while retaining some flexibility on the design of the risk weight measure.

- a simplified framework, which would ensure consistency across jurisdictions and improve transparency.

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Below threshold: Activation could require only notification and opinions from the ESRB and EBA, aligning with governance frameworks for SyRB and O SII buffers.

Above threshold: Activation could involve opinions from ESRB and EBA, followed by non-objection procedures from the European Commission, ensuring robust oversight.

Thresholds for risk weights should be calibrated using data from EU banks, differentiating between SA and IRB approaches.

The ESRB would also advocate for mandatory reciprocation of risk weight measures below the threshold, consistent with current practices under Articles 124 and 164 CRR, and with the view expressed in the 2022 Concept Note (1). Above the threshold, voluntary reciprocation arrangements could apply.

In addition, simplified procedures for releasing or reducing existing risk weight measures would reduce administrative burdens and streamline the framework, with minimal side effects to financial stability.

More generally, the ESRB would also advocate for the replacement of the measure by measure assessment, which is currently tasked with by a broader and more economic-based evaluation, for instance in the form of an annual institutional process. With this, the ESRB would assess holistically the overall appropriateness of each country's macroprudential policies and their

compatibility with the Single Market. On this basis, the ESRB could signal potential issues to the European Commission and, when needed, make formal recommendations to national authorities.

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References:

- (1) ESRB (2022), Review of the EU macroprudential framework for the banking sector: A concept note

### 3.4. Crisis management framework

The crisis management framework, governed by the [BRRD](https://finance.ec.europa.eu/banking/banking-regulation/bank-recovery-and-resolution_en#legislation) ([https://finance.ec.europa.eu/banking/banking-regulation/bank-recovery-and-resolution\\_en#legislation](https://finance.ec.europa.eu/banking/banking-regulation/bank-recovery-and-resolution_en#legislation)), the [Single Resolution Mechanism Regulation \(SRMR\)](https://finance.ec.europa.eu/banking/banking-union/single-resolution-mechanism_en#legislation) ([https://finance.ec.europa.eu/banking/banking-union/single-resolution-mechanism\\_en#legislation](https://finance.ec.europa.eu/banking/banking-union/single-resolution-mechanism_en#legislation)) and the [DGSD](https://finance.ec.europa.eu/banking/banking-regulation/deposit-guarantee-schemes_en#legislation) ([https://finance.ec.europa.eu/banking/banking-regulation/deposit-guarantee-schemes\\_en#legislation](https://finance.ec.europa.eu/banking/banking-regulation/deposit-guarantee-schemes_en#legislation)), which has recently been revised by the [crisis management and deposit insurance \(CMDI\) package](https://finance.ec.europa.eu/news/commission-welcomes-political-agreement-review-bank-crisis-management-and-deposit-insurance-2025-06-26_en) agreed in June 2025 ([https://finance.ec.europa.eu/news/commission-welcomes-political-agreement-review-bank-crisis-management-and-deposit-insurance-2025-06-26\\_en](https://finance.ec.europa.eu/news/commission-welcomes-political-agreement-review-bank-crisis-management-and-deposit-insurance-2025-06-26_en)), aims to ensure financial stability, resilience, minimise reliance on public funds and protect depositors in case of bank failures. It is a multi-layered framework, involving both national and EU authorities, with dedicated rules to frame very different forms of public intervention, preventively or upon failure, and increase the preparedness of the banking sector.

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

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

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

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

### Minimum requirement for own funds and eligible liabilities (MREL)



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

**Please explain your answer to question 76:**

*5,000 character(s) maximum*

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

**Prior permission regime**

The MREL framework contains specific rules to require prior authorisation before a bank can redeem an eligible liability. Inspired by a similar mechanism in place for the redemption of own funds instruments, these rules are set in the CRR.

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

Yes

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

**Please explain your answer to question 78:**

*5,000 character(s) maximum*

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

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## Use of safety nets

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

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

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

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

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

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

**Please complement and explain your answers to question 79:**

*5,000 character(s) maximum*

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

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## 3.5. Interactions across parts of the framework

The prudential, macroprudential and crisis management parts of the framework are closely interlinked. The complexity of these interactions also stems from the coexistence of requirements that may seek to address similar challenges or the coordination, or lack thereof, among relevant authorities in setting, monitoring and enforcing these rules. One particularly relevant topic is the capital stacks created by the various prudential, resolution and macroprudential capital requirements.



<p>Multiplicity of MDA restrictions with varying triggers stemming from prudential and resolution frameworks</p>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<p>Cross-frame work governance and coordination issues and data sharing.</p>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<p>Other</p>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please explain your answer to question 80:**

*5,000 character(s) maximum*

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

1. Overlapping Requirements Addressing the Same or Similar Risks (P2R/P2G/certain Macroprudential Buffers) Somewhat Disagree  
Whilst P2R/P2G as microprudential buffers are designed to capture the idiosyncratic bank-specific risk, the macroprudential buffers are designed to capture cyclical and structural systemic risk. Thus the buffers are designed to capture two distinct types of risk. Nevertheless, there is some degree of overlap, e.g. between P2G and CCyB but this overlap is rather limited in practice.
2. Limited Buffer Usability Due to Double Counting of CET1 in Macroprudential Buffers and Other Minimum Requirements (Leverage Ratio, MREL) - Fully Agree  
Double counting of CET1 capital across risk weighted buffers and non risk weighted requirements (e.g., leverage ratio and MREL) limits buffer usability, particularly during systemic crises. This issue was highlighted in the ESRB Concept Note (1) and in recent joint work of the ECB and ESRB. (2) Banks must maintain capital to satisfy multiple overlapping requirements, which reduces their ability to use buffers effectively to absorb losses.
3. Multiplicity of MDA Restrictions with Varying Triggers Stemming from Prudential and Resolution Frameworks - Fully Agree  
The presence of multiple Maximum Distributable Amount (MDA) restrictions, each with distinct triggers from prudential and resolution frameworks, adds operational complexity for both banks and authorities. For instance, distribution restrictions linked to MREL breaches (M-MDA) are not always aligned with those related to capital buffer breaches (MDA), creating confusion and inefficiencies in crisis management. (1) (2)
4. Cross-Framework Governance and Coordination Issues and Data Sharing - Fully Agree  
Insufficient information sharing and coordination between microprudential, macroprudential, and resolution authorities impede a coherent approach to addressing systemic risks. For example, macroprudential authorities should be consulted regarding capital conservation plans during systemic shocks and distribution restrictions tied to MREL breaches. Enhanced coordination, as emphasised by the ESRB Secretariat, would require ongoing sharing of granular and cross sectoral data to enable comprehensive assessments of financial vulnerabilities and contagion risks (see also the responses to questions 55, 92 and 93 on data sharing).  
  
(1) ESRB (2002), Review of the EU macroprudential framework for the Banking Sector: A Concept Note  
(2) ECB-ESRB (2022), Report of the ECB-ESRB workstream on buffer usability: IWG-MPPG WS on buffer usability

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

*5,000 character(s) maximum*

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

Since its inception the ESRB has helped define a macroprudential dimension in financial oversight, complementing microprudential regulation. In its unique role as a supranational macroprudential supervisor, the ESRB brings the EEA macroprudential authorities and the ESAs around one table to reach a holistic assessment of financial stability across Europe.

The ESRB issued a Recommendation in 2011 setting out its proposals for the institutional arrangements to implement macroprudential policy in the EEA. (1) The Recommendation called for the designation of single institution or board in each member state to be responsible for macroprudential policy. It also emphasised that the central bank shall be given a pre-eminent role in macroprudential policy. Finally it mandated the macroprudential authority to cooperate and exchange information also cross border, by informing the ESRB of actions taken to address systemic risk at a national level. To date all 30 EEA member states have established a macroprudential authority.

Overall, the ESRB assesses that the governance in the macroprudential framework has helped to ensure a consistent application of macroprudential tools across the EU. Whilst some disparities in the institutional arrangements across member states remain, (2) such differences in institutional arrangements may reflect domestic legal systems and other national specificities.

One area in which governance could be improved is transparency and communication strategy. As noted in the report, (2) macroprudential authorities often face challenges in communicating their objectives and policy decisions effectively. Enhanced transparency, including the publication of risk assessments, policy rationales, and expected outcomes, can improve accountability and foster trust among stakeholders. The ESRB's role as a centralised body for macroprudential oversight could be strengthened by providing standardised communication frameworks for NMAs, ensuring consistency in public messaging across the EU.

References:

- (1) Recommendation ESRB/2011/3.
- (2) Report of the MPPG Workstream on Institutional and Operational Frameworks"
- (3) ESRB (2021), Report of the Analytical Task Force on the overlap between capital buffers and minimum requirements

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**Question 82. What ways could be envisaged to reduce undue complexity in the interactions across the three parts of the framework, including in relation to the capital stack and governance arrangements between the authorities in charge of the prudential, macroprudential and crisis management rules, without undermining financial stability?**

*5,000 character(s) maximum*

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

Reducing undue complexity in the interactions across the prudential, macroprudential, and resolution frameworks is vital for enhancing financial stability, improving buffer usability, and ensuring coordinated governance. In particular, there is a need to address overlapping requirements in the capital stack, fragmented governance arrangements, and inconsistent policy triggers.

**Simplifying the Capital Stack:** The coexistence of overlapping requirements in the prudential and resolution frameworks creates complexity and can limit the usability of capital buffers, as highlighted by the ESRB ECB report on usability of capital buffers. Prudential requirements such as Pillar 1 and Pillar 2, macroprudential buffers, and Pillar 2 Guidance (P2G), as well as resolution requirements like MREL/TLAC, interact in ways that restrict CET1 usability. Banks often face simultaneous demands on the same CET1 capital, which can lead to earlier breaches of requirements and premature “failing or likely to fail” assessments.

To reduce complexity, aligning the calibration and interaction of buffers is essential. In particular macroprudential authorities need to be aware of the increasing role of the resolution framework and consequent impact on the limited usability of macroprudential capital buffers when deciding upon their calibration (1). Harmonisation of definitions and scopes between prudential and resolution frameworks, such as the consolidation perimeters, would further simplify compliance and improve buffer usability.

Regarding the governance arrangements, please refer to the answer to Question 83 below.

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**Question 83. How could the governance arrangements across the three parts of the frameworks be improved, having in mind the objective of ensuring the adequacy of requirements applying to individual banks and avoiding overlaps?**

*5,000 character(s) maximum*

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

Governance arrangements across the prudential, macroprudential, and crisis management frameworks in the EU are critical to maintaining financial stability while ensuring the adequacy of requirements for individual banks. However, there are several areas where overlaps and inefficiencies may persist. Improving governance arrangements requires a focus on streamlining decision making processes, enhancing transparency, and aligning objectives across the three frameworks.

One area for improvement is the clarification of roles and responsibilities among microprudential, macroprudential, and resolution authorities. Macroprudential authorities' decisions could potentially conflict with prudential objectives, for example in the use of capital buffers. As suggested in the 2022 Concept Note, (1) involving macroprudential authorities in assessing capital conservation plans during systemic crises would align buffer replenishment paths with broader financial stability goals. Ensuring clear mandates for each authority responsible for each of the three parts of the framework, with well-defined responsibilities and decision-making powers, would reduce overlaps and ensure coherence in policy implementation.

Transparency and communication strategies are also useful for improving governance. Macroprudential authorities often face challenges in communicating their objectives and policy decisions effectively. Enhanced transparency, including the publication of risk assessments, policy rationales, and expected outcomes, would promote accountability and foster trust among stakeholders.

In conclusion, improving governance arrangements across the three frameworks requires clarifying roles and responsibilities, establishing cross framework coordination mechanisms, and enhancing transparency. These measures would ensure the adequacy of requirements for individual banks while avoiding overlaps.

Reference:

(1) ESRB, Review of the EU Macroprudential Framework for the Banking Sector, 2022.

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### 3.6. Proportionality

The EU Single Rulebook for banks addresses the need for proportionality throughout the current bank regulatory framework. Certain banks meeting a set of size and risk-based criteria can apply a lighter regime compared to the regime applicable, by default, to all banks. Notably, small and non-complex institutions in the CRR (defined in Article 4(1), point (145) of CRR) benefit from lighter reporting and disclosure requirements, while the bulk of capital, liquidity, corporate governance requirements apply across the board. In the crisis management domain, banks under simplified obligations are subject to lighter resolvability expectations, etc.

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

**Question 84. Would you consider that the current bank regulatory framework is sufficiently proportionate for smaller banks?**

- Fully agree
- Somewhat agree
- Neutral

- Somewhat disagree
- Fully disagree
- Don't know / no opinion / not applicable

**Please explain your answer to question 84:**

*5,000 character(s) maximum*

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

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

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

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

*5,000 character(s) maximum*

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

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

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

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

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

**Please explain your answer to question 87:**

*5,000 character(s) maximum*

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

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### **3.7. Corporate governance**



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

**Please explain your answer to question 88:**

*5,000 character(s) maximum*

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

**Question 89. Where do you see potential for simplification of the EU rules on internal governance and remuneration policies of financial institutions without undermining the institutions' sound and prudent management?**

*5,000 character(s) maximum*

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

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

*5,000 character(s) maximum*

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

### 3.8. Reporting and disclosures

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

Co legislators have recently amended the provisions empowering EBA to draw up reporting templates moving from a tabular way of reporting, whereby banks fill in templates and send them to supervisors, to a data element focused reporting, whereby banks produce data that are then sent digitally to supervisors. A number of initiatives have been developed in relation to disclosures of information to the public, in particular through a centralisation of disclosures and a greater role for EBA in line with the Pillar 3 data hub and ESAP rules. In addition, in 2025 the Commission has put forward a series of simplification initiatives aimed to boost competitiveness and reduce administrative burdens for businesses. Key proposals in the 'Omnibus I' package on sustainability reporting ([https://finance.ec.europa.eu/publications/omnibus-i-package-commission-simplifies-rules-sustainability-and-eu-investments-delivering-over-eu6\\_en](https://finance.ec.europa.eu/publications/omnibus-i-package-commission-simplifies-rules-sustainability-and-eu-investments-delivering-over-eu6_en)), have been agreed upon by co legislators, and work is ongoing to finalise the implementing measures of the revised Corporate Sustainability Reporting Directive (CSRD) ([https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting\\_en#legislation](https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en#legislation)) on which a political agreement was reached in December 2025. Technical work is also ongoing in relation to the European Sustainability Reporting Standards (ESRS) ([https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting\\_en](https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en)) as well as the Climate and Environmental Delegated Acts (Taxonomy Regulation) ([https://finance.ec.europa.eu/regulation-and-supervision/financial-services-legislation/implementing-and-delegated-acts/taxonomy-regulation\\_en](https://finance.ec.europa.eu/regulation-and-supervision/financial-services-legislation/implementing-and-delegated-acts/taxonomy-regulation_en)) implementing the Taxonomy Regulation. Lastly, the Commission proposed in 2025 a reform of the Sustainable Finance Disclosure Regulation ([https://finance.ec.europa.eu/publications/commission-simplifies-transparency-rules-sustainable-financial-products\\_en](https://finance.ec.europa.eu/publications/commission-simplifies-transparency-rules-sustainable-financial-products_en)), which is being negotiated by the co-legislators.

This section seeks stakeholders' feedback on the ongoing and upcoming initiatives to improve the efficiency of reporting and disclosure requirements for EU banks and potential further improvements in this area.

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See also the work on nature risks by the Network for Greening the Financial System, such as the supervisory work related to nature related risks (<https://www.ngfs.net/en/what-we-do/supervision>) and a proposed risk assessment framework ([https://www.ngfs.net/system/files/import/ngfs/medias/documents/ngfs\\_conceptual-framework-on-nature-related-risks.pdf](https://www.ngfs.net/system/files/import/ngfs/medias/documents/ngfs_conceptual-framework-on-nature-related-risks.pdf)), or the ECB, such as Nature at risk: Implications for the euro area economy and financial stability (<https://www.ecb.europa.eu/pub/pdf/scpops/ecb.op380.en.pdf>), ECB Occasional Paper Series No 380, and The impact of the euro area economy and banks on biodiversity (<https://www.ecb.europa.eu/pub/pdf/scpops/ecb.op335-79fbc42228.en.pdf?e0811f3c6688da05df37d40aa78a84b9>), ECB Occasional paper Series No 335.

**Question 91. Which of the implemented or planned EU or national measures have in your opinion the most impact on reducing undue complexity and burden as regards bank reporting requirements?**

*5,000 character(s) maximum*

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

**Question 92. What factors linked to reporting obligations in the regulatory framework contribute most to the compliance costs?**

	Low impact	Medium impact	High impact	Don't know - No opinion - Not applicable
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Number of data points	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Frequency of changes of the reporting obligations	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
The difficulty of using regulatory reporting for internal risk management purpose	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Ad hoc reporting requests from supervisory authorities	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Frequency of submission of reporting obligations	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Please explain your answer to question 92:**

*5,000 character(s) maximum*

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

When assessing the determinants of reporting costs in the regulatory framework, it is important to distinguish between structural factors that genuinely raise compliance burdens and perceived drivers that should not materially increase costs if supervisory expectations and banks' internal systems are functioning as intended. Against this background, the number of required data points and the frequency of submissions should not be considered problematic for a number of reasons.

Regulatory reporting frameworks generally request information that is already generated, stored, and used by institutions for internal risk management, accounting, and governance. A situation where certain prudential, risk, or accounting data are not readily available should not necessarily be seen as a reporting burden issue, but rather as an indication that internal data collection and data aggregation processes may need further strengthening. Ensuring that such core information can be produced regularly is also consistent with the expectations set out in frameworks like BCBS 239.

It should be acknowledged that, in some cases, institutions may need to construct several new data points by aggregating or transforming the granular information that they already hold (e.g. by grouping, summing, or mapping existing observations into supervisory categories). This kind of operations should be kept to a minimum in future reporting frameworks. Receiving more granular and less pre-processed data reduces the need for follow-up enquiries from collecting authorities, and the lower degree of pre-processing reduces the risk of errors introduced by institutions when engineering the above mentioned aggregates. Crucially, a simpler, more efficient and more reliable approach to data collection tends to rely on more granular, less processed data and therefore typically requires more, not fewer, data points. This is why simply counting the number of data points collected is rarely a good proxy for reporting burden.

In this context, the ESRB supports the concept of a "one-stop shop", whereby supervised institutions would submit granular data once to a single EU-level database, from which aggregates, indicators and analytical outputs would then be derived for different policy and supervisory purposes. Such a one-stop shop should be as comprehensive as possible, encompassing supervisory statistics, central bank statistics, EMIR data and information collected by all European Supervisory Authorities (ESAs), thereby maximising data re-use and minimising duplication of reporting requirements.

Initiatives such as the ECB's Integrated Reporting Framework are designed precisely to reduce the proliferation of bespoke aggregates by standardising definitions, harmonising data models, and promoting the collection of more granular, reusable information. These projects should advance at fast pace, as they would reduce the need for banks to engineer supervisory-specific aggregates in the future. The answer to Q93 provides more details on the concept of a cross-sectoral integrated reporting system (Single Integrated Reporting System), fully aligned with the one-stop-shop approach outlined above. Less frequent changes of reporting obligations could additionally help reducing reporting adaptation costs for banks.

The ESRB, as well as central banks and supervisors, often need up-to-date and detailed information to monitor risks in a timely manner. More frequent reporting is valuable because it enables: (i) early detection of temporary balance-sheet adjustments, such as window-dressing around reporting dates; (ii) more accurate monitoring of liquidity, leverage, and other short-term indicators that can fluctuate significantly within reporting periods (this is especially

true of liquidity, which can change hour when markets or institutions are experiencing stress); and (iii) a more robust understanding of bank risk profiles over time. This contributes directly to the objectives of macroprudential oversight and financial stability.

Without a comprehensive and frequent reporting of granular data, authorities must rely on numerous ad hoc data collections, which over time create more operational disruption and cost for banks than regular reporting. Indeed, banks can automate data extraction and submission. While this will involve some one-off, upfront costs, automation makes recurring reporting regardless of frequency largely a marginal-cost activity. In this sense, continuity and predictability enable efficient reporting far more than limits on data or frequency.

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**Question 93. What other policy measures, legislative or non legislative, could be considered to further modernise reporting and reduce the reporting burden?**

*5,000 character(s) maximum*

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

The ESRB supports efforts to reduce the reporting burden for banks (and other financial institutions) with two main priorities.

First, data sharing mechanisms should be enhanced, if necessary by including amendments to sectoral and activity based legislation between European institutions, central banks, and supervisory authorities. This would contribute to reduce duplicate reporting, as data that are collected once may then be reused for multiple supervisory, statistical, and risk monitoring purposes. The Better Data Sharing Regulation (Regulation (EU) 2025/2088 of the European Parliament and of the Council of 8 October 2025), which entered into force on 10 November 2025, aims to streamline reporting and disclosure requirements and to reduce the administrative burden without undermining the related policy objectives. This Regulation sets out a framework for the sharing and reuse of information reported with other authorities overseeing the financial system. The ESRB welcomes this objective but considers that further improvements are still needed.

Specifically, the existing limitations to the ESRB's access to data have not been addressed by this new legislation, since data sharing will only cover data which the requesting authority would already be able to obtain from financial institutions or from other authorities, pursuant to existing Union law. It does not give the ESRB access by default to granular datasets that are deemed necessary for the performance of its mandate. This limitation was already highlighted in the ESRB Chair's letter to the ECON Committee of 19 August 2024, which outlined the benefits of streamlining access to supervisory data for systemic risk analysis. Addressing this limitation should be a priority. The Better Data Sharing Regulation also introduces the concept of a cross sectoral integrated reporting system. The ESAs are mandated to prepare a report by November 2030 which should cover a common data dictionary and a data space for collecting and exchanging information, and to do so in close cooperation with the ESRB. In this regard, and in line with the ECB opinion on the European Parliament's proposal to establish a Single Integrated Reporting System (SIRS), the ESRB has noted in the letter referenced above that "data sharing and data reporting are two distinct processes that should be considered separately. Enhanced data sharing can and should be implemented as soon as possible, while the SIRS should be established gradually, taking into account the ongoing projects conducted by the ESAs and the ECB/ESCB, and aligning with the Commission's strategy on supervisory reporting". In this context, the ultimate ambition should be to apply a "one stop shop", "reporting once" principle across all reporting frameworks for financial entities.

Second, the value of data sharing is undermined wherever the quality of the data being shared is limited. Therefore, it is key that banking institutions address persistent deficiencies in IT and data systems.

This important point is also outlined by the ESRB in its recent response to "ESMA's call for evidence on a comprehensive approach for the simplification of financial transaction reporting". As noted in this ESRB's response, the BCBS observed that during the 2007-08 financial crisis, deficiencies in banks' IT infrastructures significantly impeded the timely and accurate aggregation and reporting of risk data, consequently undermining effective risk management and threatening financial stability. To address these shortcomings, the BCBS introduced in 2013 its Principles for effective risk data aggregation and risk reporting.

However, according to a report from the SSM, as of 2018, none of the significant banking institutions had fully implemented these principles (1). In 2024, it further emphasised that "the progress made by significant institutions to date

has been generally insufficient” (3). Furthermore, it observed that remedying these deficiencies may result in substantial operational and IT cost reductions by facilitating automation and IT modernisation. It also emphasised that “in the longer term, more accurate data can also help to lower operational and IT costs through enhanced automation and the modernisation of IT architectures”. In light of these considerations, the ESRB is of the view that reporting entities may achieve significant cost efficiencies through the systematic implementation of best practices, targeted enhancements to internal IT infrastructures, and a greater emphasis on standardisation and automation across both internal and external reporting processes. These interventions are anticipated not only to optimise operational workflows and reduce redundancies, but also to enhance the overall quality and reliability of reported data.

(1) ECB (2018), Report on the Thematic Review on effective risk data aggregation and risk reporting

(2) ECB (2024), Guide on effective risk data aggregation and risk reporting

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**Question 94. Do you identify any instances where the reporting requirements for banks also lead to an undue burden for bank’s clients?**

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

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**Question 95. In light of the ongoing revision of a number of pieces of EU legislation on sustainability (CSRD delegated acts, Taxonomy delegated acts, SFDR), do you see the need for amending any provision of the banking regulatory framework with a view to ensure achieving the objective of properly managing sustainability-related risks faced by banks?**

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

**Please explain your answer to question 95:**

*5,000 character(s) maximum*

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

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## Additional information

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) below. **Please make sure you do not include any personal data in the file you upload if you want to remain anonymous.**

## Useful links

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

Consultation document ([https://finance.ec.europa.eu/document/download/85228e21-7a48-4110-ba6a-dd11d0e7b5af\\_en?filename=2026-banking-sector-competitiveness-consultation-document\\_en.pdf](https://finance.ec.europa.eu/document/download/85228e21-7a48-4110-ba6a-dd11d0e7b5af_en?filename=2026-banking-sector-competitiveness-consultation-document_en.pdf)) ([https://finance.ec.europa.eu/document/download/85228e21-7a48-4110-ba6a-dd11d0e7b5af\\_en?filename=2026-banking-sector-competitiveness-consultation-document\\_en.pdf](https://finance.ec.europa.eu/document/download/85228e21-7a48-4110-ba6a-dd11d0e7b5af_en?filename=2026-banking-sector-competitiveness-consultation-document_en.pdf))

Related call for evidence ([https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/16795-Competitiveness-in-the-single-banking-market\\_en](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/16795-Competitiveness-in-the-single-banking-market_en)) ([https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/16795-Competitiveness-in-the-single-banking-market\\_en](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/16795-Competitiveness-in-the-single-banking-market_en))

Savings and investments union ([https://finance.ec.europa.eu/regulation-and-supervision/savings-and-investments-union\\_en](https://finance.ec.europa.eu/regulation-and-supervision/savings-and-investments-union_en)) ([https://finance.ec.europa.eu/regulation-and-supervision/savings-and-investments-union\\_en](https://finance.ec.europa.eu/regulation-and-supervision/savings-and-investments-union_en))

Macroprudential policy ([https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/financial-markets/macroprudential-policy\\_en](https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/financial-markets/macroprudential-policy_en)) ([https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/financial-markets/macroprudential-policy\\_en](https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/financial-markets/macroprudential-policy_en))

Banking regulation ([https://finance.ec.europa.eu/banking/banking-regulation\\_en](https://finance.ec.europa.eu/banking/banking-regulation_en)) ([https://finance.ec.europa.eu/banking/banking-regulation\\_en](https://finance.ec.europa.eu/banking/banking-regulation_en))

Specific privacy statement ([https://ec.europa.eu/info/files/2022-XXXX-specific-privacy-statement\\_en](https://ec.europa.eu/info/files/2022-XXXX-specific-privacy-statement_en)) ([https://ec.europa.eu/info/files/2022-XXXX-specific-privacy-statement\\_en](https://ec.europa.eu/info/files/2022-XXXX-specific-privacy-statement_en))

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