

European Commission

TARGETED CONSULTATION ON THE COMPETITIVENESS OF THE EU BANKING SECTOR

Banking competitiveness in the EU and globally

Contribution of the banking sector to the EU economy

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.

European firms rely heavily (70–80 percent) on bank lending to finance investment and working capital, especially SMEs, which still face limited access to capital markets.

EU banks currently support economic growth by:

- Financing corporates and SMEs, who primarily rely on bank lending for working capital, investment, innovation and export activity.
- Supporting innovative and high-growth sectors, through specialized lending, venture debt instruments and cooperation with national and EU guarantee schemes.
- Financing the green and digital transitions, through green/mortgage loans, sustainability linked instruments and project finance for renewable energy, energy efficiency upgrades and digital infrastructures.
- Providing credit to households, sustaining residential investment and consumption as household balance sheets strengthen.
- Channelling savings into capital markets, acting as underwriters, arrangers and distributors of investment products, thereby contributing to the objectives of the Savings and Investments Union (SIU).

To increase EU banks' balance sheet capacity to further support productivity, competitiveness, and long-term investment, policy action should focus on enabling factors, such as:

- Reducing cumulative regulatory and reporting burdens, eliminating duplications and disproportionate requirements, in line with the simplification agenda.
- Preserving a stable, predictable prudential framework that avoids unnecessary increases in capital requirements unrelated to actual risk.
- Ensuring effective proportionality of the regulatory framework.
- Assessing the adequacy and appropriateness of the overall level of capital requirements and buffers imposed on EU banks.
- Promoting the development of risk management and banking funding sources such as securitizations and fully harmonizing supervisory approval of fulfilment of criteria for risk transfer in a securitization (SRT).

2. Is current credit demand adequately met by banks and how is the demand and the capacity to meet it likely to evolve in the medium and long-term? Are you observing barriers affecting bank financing in support of the economy, including in areas identified as political priorities by the EU or Member States? Please elaborate by providing evidence and identifying economic sectors where access to credit could be improved.

The EU faces multiple challenges, most notably the green and digital transition, the need for independent and increased defense capabilities, and significant uncertainties regarding trade relations with the US. Governments will not be able to fund the necessary investments on their own given the current high levels of national debt across Europe. It is therefore important for the EU to work on measures that allow its banking sector to channel investments to the respective areas to ensure the EU's strategic autonomy and economic resilience.

Developing the European capital markets will take time, so the main financing source is and will continue being the EU banking system in the foreseeable future.

Banks play a key role in resource allocation, promoting investment and providing financial services to the public. Banks act as intermediaries between savers and borrowers, supporting economic growth by providing a diverse range of financial services. Banks perform many complex functions that significantly impact the operations of businesses and individuals in the real economy. Therefore, it is necessary to strike a balance between the regulatory requirements for banks and the availability of finance to the economy.

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

The Basel III agreement includes an output floor for banks using internal models to ensure that capital requirements do not fall below 72,5% of capital requirements derived under standardized approaches, and a gradual phase-in of the floor. The EU has transposed the final Basel III agreement into EU law (CRR3/CRD6). The output floor mainly impacts European banks with a low risk-weight density. It impacts certain lending segments for EU banks using internal models particularly negatively, e.g. mortgage lending and lending to corporates which do not have an external rating (see under question 3 c). This is the case predominantly in northern Europe, where historical credit losses are notably on the low side. In CRR3 the EU has introduced EU specific transitional arrangements for the application of the output floor. Several European banks will be bound by "fully loaded" CRR3 capital ratios ahead of or in connection with the expiry of the EU specific transitional arrangements. If the transitional arrangements are not made permanent or at least extended, this may negatively impact European banks' lending capacity, as well as investor confidence in EU banks.

Banking services are well available for retail clients. However, Residential Real Estate (RRE) Transitional Arrangements expiration will increase risk weights and increase capital requirements for that lending segment, which may be passed on to customers.

c) a corporate (non-SME)

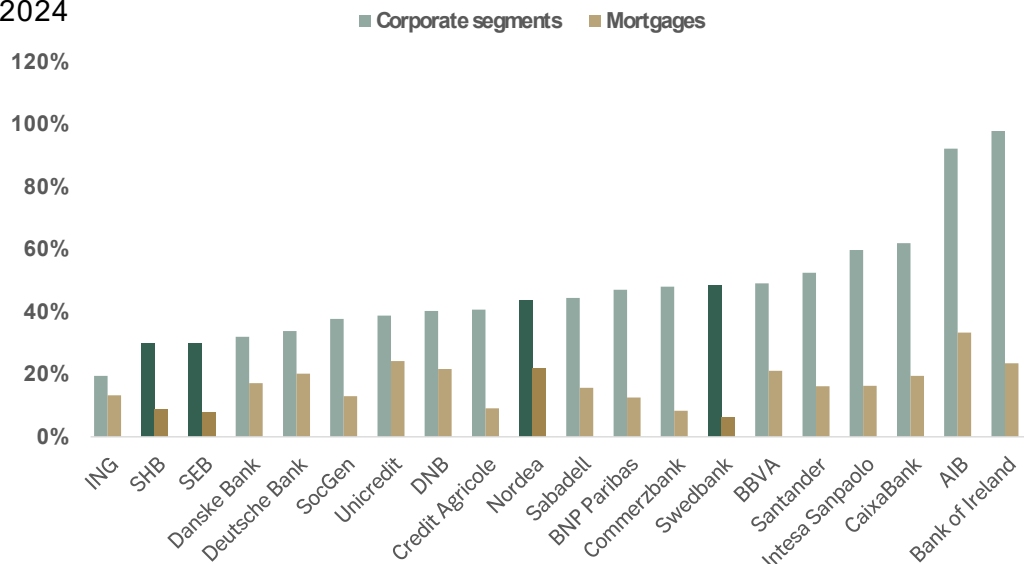
One segment that is particularly negatively affected by the output floor and the expiration of the EU-specific transitional arrangements is "unrated" corporates (non-SME and non-CRE corporates that do not have an external rating and are hence assigned a risk weight of 100% in the standardized approach).

Most European non-SME and non-CRE corporates do not have an external rating and rely on bank lending. The large Swedish banks' have average risk weights for corporate exposures between 30 to 49 %. If the transitional arrangements for unrated corporates are not made permanent or at least extended, this will lead to substantially higher capital requirements for that segment and may negatively impact banks' lending capacity, as well as investor confidence in EU banks. The effects of the output floor pose a risk, considering Europe's need for increased bank lending capacity. As an example, for a loan to a corporate client without an external credit rating, where the internal rating according to current IRB models points to a risk weight of 37%, the risk weight will be twice as high (72,5%) with the output floor. This

will feed into pricing and will in the long run also lead to adverse selection, since the effects of the output floor hit hardest on the lending business with the lowest historical losses (and hence the lowest risk weights). Given the heavy bank dependency of the EU economy, this should be avoided. To enable European banks to remain competitive, we suggest making the transitional arrangements for the output floor permanent or introducing a targeted legislative amendment to extend the EU-specific transitional arrangements for the output floor for four more years (this flexibility is already provided for in the CRR3).

Basel III effects on corporate lending

IRB risk weights
2024



Source: EBA EU-wide transparency exercise, 2024; Pillar 3 reports.

Securitization can strengthen the capacity of banks to supply new loans and enhance access to finance for corporate customers, including SMEs. The proposals for amending the EU’s Securitization Regulation and the CRR in order to remove undue barriers for issuance of and investments in securitization are crucial given Europe’s increasing financing needs. For a securitization market to fully develop in the EU, banks must be able to compete on equal conditions within the EU and without national supervisory restrictions. As an example, the national supervisory policy from the Swedish Financial Supervisory Authority (SFSA) caps the size of a securitization transaction and the capital relief by applying Pillar 2 capital add-ons. The cap is applied if a bank’s total capital ratio decreases by at least 50 basis points during a future 12-month period or if the securitized credits exceed 15% of the

bank's total exposure value in one single exposure class¹ - this policy disincentivises Swedish banks from using securitisation as a risk management tool. The securitization market would benefit if all Nordic banks can participate in it.

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, these public actors are fundamental in enabling the banking sector in financing.

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

	<i>To a very large extent</i>	<i>To a large extent</i>	Neutral	<i>To a small extent</i>	Not at all	No opinion
Cross-border bank consolidation		X				
Domestic bank consolidation			X			
Banking services offered across the single market		X				
Digitalised banking services		X				
Other (please indicate)						X

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

- Geopolitical turmoil and political risk.
- European economic depression and the cumulative effect of regulatory complexity and overlapping requirements, increasing costs, constraining economies of scale and limiting internal capital generation.
- Cyber security and lack of coordination.
- Lack of access to bank facilitated capital can undermine the push for a competitive EU economy.

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

Lack of access to bank facilitated capital can undermine the push for a competitive EU economy.

¹ Finansinspektionen, Updated Pillar 2 method for assessing flowback risk associated with securitization, FI Ref. 21-5308

Competitiveness and competition in the EU banking sector

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

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	No opinion
EU banks produce financial products at low cost and/or offer financial services at a low price		X				
International competitiveness: EU banks are able to maintain and increase their market shares in international markets				X		
Innovation competitiveness: EU banks are able to supply qualitative or innovative, original financial products or services				X		
Other (please indicate)						X

12. How would you assess the current level of competition in the banking sector within the single market?

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	No opinion
EU banks face high levels of competition within their Member State of establishment	X					
EU banks face high levels of competition in the EU market		X				
EU banks face high levels of competition in global markets/ markets outside of the EU		X				

Traditional banks are challenged by new developments in a number of product lines and areas (e.g. digital banks/FinTech in specific areas such as payments, tokenisation of assets, etc.	X					
Other (please indicate)						X

The four biggest banks on the Swedish credit market in 2024 were Handelsbanken, Swedbank, SEB, and Nordea which together account for 63 % of the Swedish credit market. Smaller banks are gaining market share and since 2014, the four largest banks have lost market shares. By larger growth in lending, smaller banks in Sweden have collectively gained market shares since 2014. Studies on the Swedish market shows that the Swedish banking market, compared to other EU countries, has high consumer mobility which suggests a dynamic banking market with sound competition. Market shares in the mortgage market change from year to year, which also indicates a high degree of competition. It is common for Swedes to be customers in several banks and Sweden ranks highest in EU regarding the share of customers who have changed providers of their financial products (across all types of products) between 2017–2022. Swedish banking consumers have a relatively good understanding of the banking market and rank high in financial literacy evaluated by scoring financial knowledge and behavior. Sweden has lower operational costs (as a per cent of total assets) compared to several of the benchmark countries such as The Netherlands, Denmark, France, Germany and Belgium. Banks in Sweden show low default rates on loans for both corporate and retail customers, 0.3 % and 0.1 % respectively, on average during 2017–2024, although default rates have increased slightly in recent years. This is the lowest level among the benchmark countries in the EU.

Total credit lending from non-MFI has grown in Sweden in the last decade, by 167 % since 2014. Both households and non-financial corporations have increased their lending from non-MFI. Since 2014, loan assets have more than doubled for non-financial corporations. For households, loan assets increased from SEK 1 billion to SEK 58 billion. ²

² Competition in the Swedish Banking Sector, Copenhagen Economics, 2025

Banks and other financial institutions as enablers of capital markets

13. According to many analysts, EU banks are persistently undervalued by investors when compared to international peers. If you agree with this assessment, what could explain this undervaluation?

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

Fragmented and unharmonized regulation within the EU affects the valuation. When a US bank wishes to scale within the US it faces a lower number of authorities and less regulation compared to banks domiciled in the EU which consists of 27 member states.

The March 19 proposal on capital rules from the US Federal Reserve excludes the output floor and introduces a single “expanded risk-based approach” for large US banks. This could lead to EU banks facing stiffer competition going forward, for example in capital intensive corporate and investment banking operations, where

risk weighted asset constraints could limit EU bank's capacity to achieve the scale and efficiency of US competitors.

Unpredictability and uncertainty around future capital requirements have resulted in European banks holding high amounts of capital above the legal capital and buffer requirements, which limits the capacity for lending.

Alongside macroeconomic and geopolitical vulnerabilities as well as differences in business models, it is likely that the regulatory and supervisory pressure on EU banks have significantly contributed to the lower market capitalization of European banks³. Before 2008, the market cap of the largest eurozone banks and their US counterparts evolved approximately at the same pace⁴. However, since 2025, the market cap of the largest US bank matches that of the ten largest eurozone banks combined. Europe is consequently losing share in the global markets, which will weigh on its competitiveness and growth.

14. *Does the prudential framework adequately account for the activities and the complexity of intermediaries performing financial services other than core banking services? Are there any perceived undue limitations to such activities? Reference is made to financial services performed by investment firms, financial advisors, custodians, wealth managers, market makers or other liquidity providers that are not primarily or not at all engaging in deposit taking and granting loans.*

Bank lending capacity in the EU would improve if capital requirements for systemic risk were harmonized and calibrated to better reflect the actual risk. Harmonization of supervisory approaches to the approval of fulfilment of criteria for risk transfer in a securitization would also promote increased capacity for lending. See further in our replies to questions 61, 63, 68 and 69.

Global total outstanding private credit loan volumes have increased from around \$100 billion in 2010 to over \$1.2 trillion today of which 87% originates from the USA followed by the EU and UK at 6% and 4% respectively. Although absolute volumes are low, the growth has been significantly higher in EU and UK. Cross-country evidence shows that the footprint of private credit is larger in countries with lower policy rates, more stringent banking regulation and a less efficient banking sector.⁵

In contrast to the political agenda of achieving European autonomy, it is likely that tighter EU bank regulations will lead to migration of credit volumes from banks to private credit lenders, of which a significant part are based in the US.

³ European banking federation (EBF), Financing the future: a strategic banking sector for a competitive Europe, 2024.

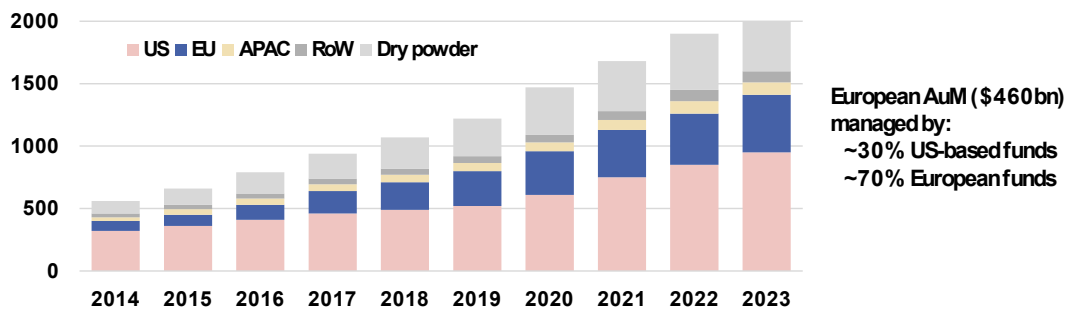
⁴ The market capitalization, commonly called market cap, is the total market value of a publicly traded company's outstanding shares and is commonly used to measure how much a company is worth.

⁵ BIS Quarterly Review, The global drivers of private credit, 2025.

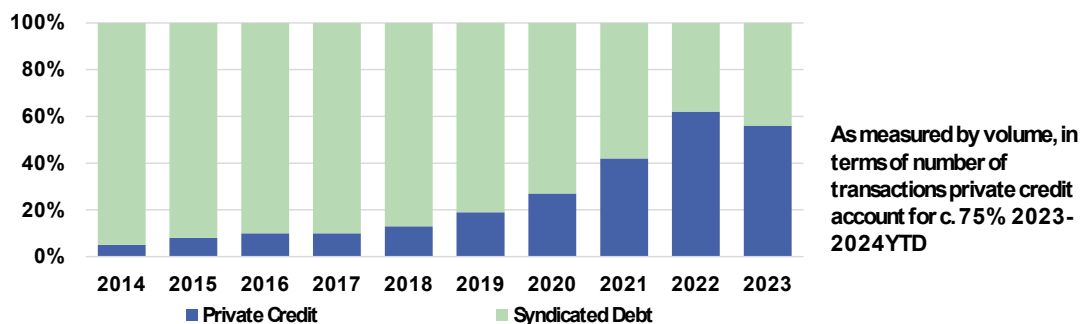
Morgan Stanley and Oliver Wyman show that the traditional bank sector has lost market share to private credit actors particularly in middle-market direct lending, a segment dominated by investment banks. This shift has been driven by several factors, including regulatory guidance, enhanced capital requirements and liquidity requirements.⁶

Private Credit Growth:

Private Credit AUM (\$bn)



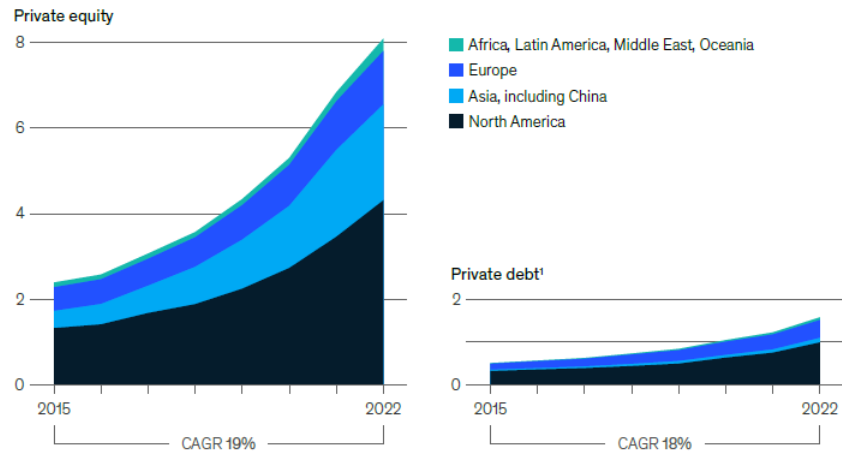
Share of EU middle-market LBO loan issuance by debt type



⁶ Morgan Stanley & Oliver Wyman, Extending Credit: The Evolving Role of Wholesale Banks in Credit Markets, 2024.

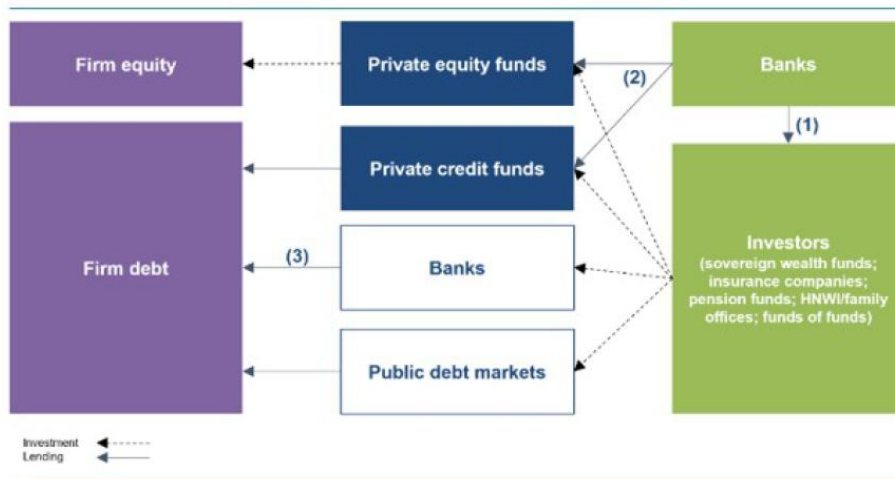
Growth in US private credit follows private equity

Assets under management, \$ trillion



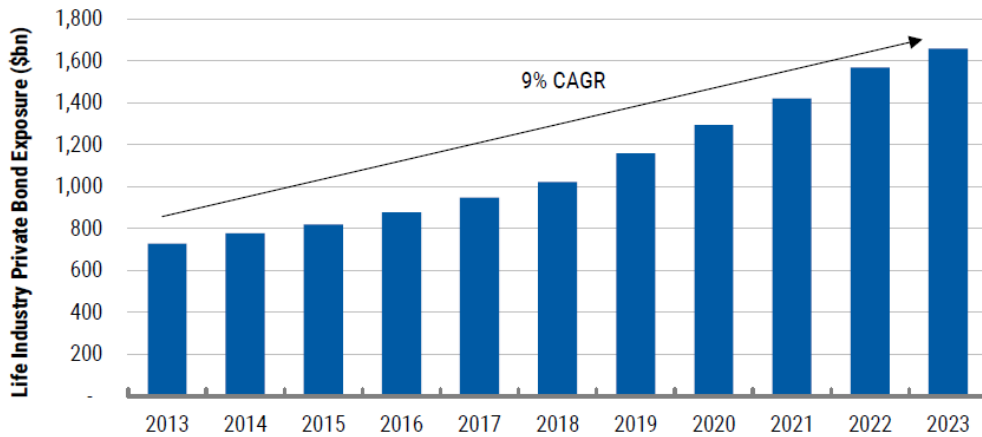
¹Includes corporate and public loans and securitized loans.
Source: Preqin

McKinsey & Company



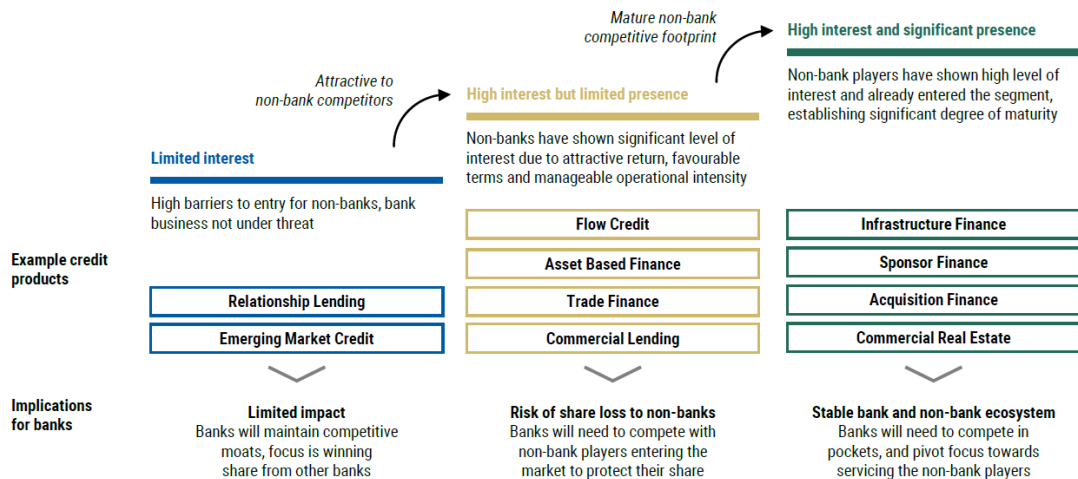
Source: ECB

Insurance companies' investment growth in private credit



Source: SNL, Morgan Stanley Research

Presence of private credit actors in credit sectors



Source: Oliver Wyman analysis

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.)?*

See reply to Q14.

Cross-border activities in the EU banking sector

16. *For retail banking as well as for wholesale and investment banking, would you agree with the following statement: 'The EU banking market is highly fragmented along national borders, domestic entities mainly cater for domestic clients, cross-border activity is subdued, and it is very difficult for clients to get banking services across the single market.'*

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	No opinion
Retail banking	X					
Wholesale and investment banking		X				

Retail banking markets fragmentation is high, including lack of access for customers to using banking services across borders without full legal presence. This is driven by a range of requirements across credit granting, AML, and consumer protection rules as well as supervisory practices. Basic banking services such as bank accounts, consumer loans, and payments are relatively easy to supply cross-border, but complexity significantly increases with mortgages. This is caused by e.g. local collateral valuation practices, consumer protection practices, and insolvency rules. Also see the reply to Q18.

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.*

Limited cross-border integration constrains economies of scale, as banks must operate largely on a country-by-country basis due to divergent legal, tax, consumer protection and supervisory frameworks. It also limits risk-sharing and the efficient allocation of capital and liquidity across Member States.

18. What factors prevent EU banks from engaging in more cross-border activity within the EU or make cross-border activity more costly?

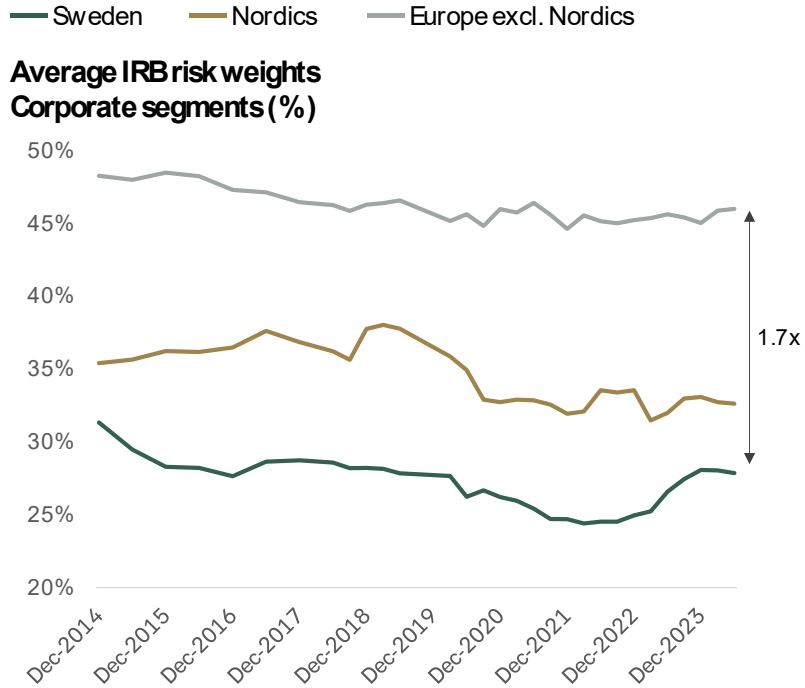
	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	No opinion
Divergent implementation of EU banking rules across Member States	X					
Supervisory divergence/gold-plating by Member States/national supervisors	X					
Requirements for allocation of capital and liquidity at local level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

There are differences, both in how EU regulations are implemented and in the national application of EU rules by national supervisors. The complexity of the EU's regulatory framework for banks and the degree of national discretion built into it affects the competitiveness of European banks. The current macroprudential framework is unpredictable for banks and creates market fragmentation. The EU-specific systemic risk buffer does not have any equivalent in the global Basel III framework. In several EU Member States, notably Sweden and Denmark, there are national obstacles to securitization. E.g. in Sweden, a cap has been introduced by the national supervisor on the level of capital relief a bank can obtain through

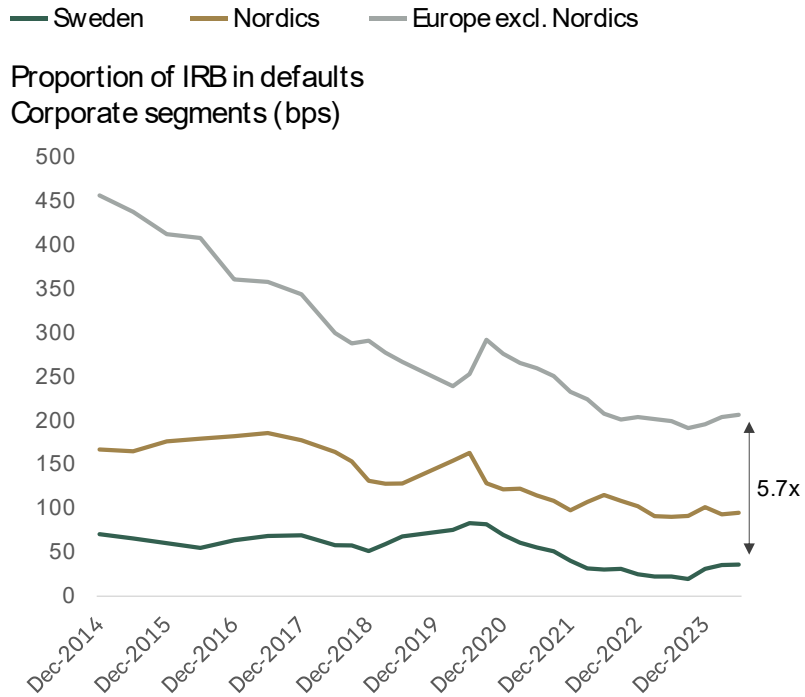
securitization. In general, a predictable and stable regulatory environment is key for improving competitiveness. Several issues are relevant in this context:

- Attempts to decrease the regulatory burden by small amendments to existing rules may often be counterproductive. Banks are forced to comply with these changes, and this often requires changes in systems and processes, which drive costs. A well-functioning and stable environment is preferable to an environment with constant changes and adaptations.
- An important factor in increasing predictability is to remove the scope for national gold-plating by national legislators and national authorities. Cases in point here are nationally created obstacles to securitization, as mentioned above, and national risk weight floors.
- The ambition should be to narrow down the number of rules in place and focus on drafting clear and harmonized requirements in those areas where rules are needed, while avoiding excessive or excessively detailed rules. This would reduce unwarranted complexity and ensure that gold-plating does not occur.
- Competition between supervisors with regard to influence over supervision leads to increased burden due to local requirements regarding staffing, capital and liquidity, local reporting etc.
- Differences in preference between supervisory approaches in pillar 1 requirements contra pillar 2 requirements (e.g. if host member states impose formalistically strict requirements on IRB models while the home supervisor has a more risk based approach to internal models and requirements on those, but instead impose higher buffer requirements in pillar 2. The total need for capital for a banking group in that situation, will be in excess of what is required by local banks both in the host member state and in the home member state.). Internal models in Sweden are conservative compared to many other member states.
- Differences in application of EBAs guidance regarding interest rate risk in the banking book. This is contradictory to the Commissions ambition of deepening European capital markets.
- Fulfilling local pillar 2 requirements to avoid an add on in pillar 2 for interest rate risk may trigger an extra requirement from the home supervisor due to differences in interpretation.

Internal models in Sweden conservative compared to rest of EU



Source: EBA:s EU-wide transparency exercises, 2015-2024.



Source: EBA:s EU-wide transparency exercises, 2015-2024.

A non-prudential barrier which contributes to uncertainty is national bank taxes, and in particular windfall taxes, which are often ad hoc and temporary. These types of taxes affect banks strategic planning and long term-investments. Compared to their US peers, banks in Europe face higher corporate and employer taxes Bank specific taxes are to a large extent transferred to the customers, which in turn could discourage retail investors and small businesses from accessing more sophisticated banking services or capital markets. This is contradictory to the Commissions ambition of deepening European capital markets. To ensure banks can effectively support the EU's strategic goals, the regulatory and tax framework for the financial sector must be fair, efficient, and proportionate. It is important that corporate taxation does not create an unlevel playing field compared to other global jurisdictions.

International level playing field

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

The strained competitiveness of the European banking sector is a concern. European firms rely heavily (70–80 %⁷) on bank lending to finance investment and working capital. In the US, the situation is the opposite with 70 % of financing made up of market-based financing, such as bonds. The European banking sector is currently experiencing a loss of competitiveness, notably when compared to US banks. Alongside macroeconomic and geopolitical vulnerabilities as well as differences in business models, it is likely that the regulatory and supervisory pressure on EU banks has significantly contributed to this development. The March 19 proposal from the US Federal Reserve excludes the output floor and introduces a single “expanded risk-based approach” for large US banks. According to some analysts US risk-based capital requirements are estimated to decrease by more than 150 basis points, while in the EU the process of implementing CRR3 is estimated to increase requirements with almost 200 basis points⁸, i.e. a difference of several hundred basis points. Banks benefiting from deregulation (US G-SIBs) will likely increase their capital distributions and redeploy a large percentage of the capital released into organic growth. European banks will need to continue optimizing risk weighted asset usage and be more constrained in their ability to pursue organic growth.

⁷ IMF Working Papers - Natural Bank Reliance, 13 Jun 2025

⁸ Bank Regulation Primer, October 2025, Alvarez & Marsal

22. According to many analysts, EU banks have lost market share in the provision of investment banking services to EU clients compared to non-EU banks. If you agree with this assessment, what are the reasons for this decline?

Risk-weighted asset constraints and fragmentation limit EU bank's capacity to achieve the scale and efficiency of US competitors. The relatively high level and complexity of the European capital buffer framework is influencing this. US banks operating in Europe are subject to local rules, but lower capital requirements at the group level give them more flexibility to offer better prices across regions.

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

	<i>To a very large extent</i>	<i>To a large extent</i>	Neutral	<i>To a small extent</i>	Not at all	No opinion
Divergent banking prudential rules applying to EU and non-EU banks impact international strategic choices by EU banks	X					
Supply side factors (e.g. cost competitiveness, innovation, depth of home market).			X			
EU supervisory practices affect expansion in other jurisdictions	X					
Other (please indicate)						X

EU banks are holding high amounts of capital above the legal capital and buffer requirements, so called management buffers. This is due to supervisory restrictions, uncertainty regarding capital requirements, and limited ability to raise capital at a reasonable cost. They face a regulatory environment that instead of incentivizing increased lending gives incentives for earnings retention and the maintenance of above-average management buffers. Banks in the EU have higher capital requirements and the EU's Member States and their authorities have more available supervisory tools to set high capital buffers, enshrined in EU law, than in the rest of the world. Empirical evidence suggests that banks have become more prudent in the allocation of credit because of regulatory and supervisory considerations.

24. To what extent do the rules on internal governance and remuneration policies of financial institutions

<i>To a very large extent</i>	<i>To a large extent</i>	Neutral	<i>To a small extent</i>	<i>Not at all</i>	No opinion
	X				

Compared with other jurisdictions, the EU remuneration rules are often more prescriptive and detailed which means that more limits are imposed on EU institutions but also that regulatory processes are unnecessarily complex. One example relates to “material risk takers” (MRT) in the remuneration context.

According to article 6 Commission delegated regulation (EU) 2021/923, staff who meet quantitative MRT criteria (including the top 0.3% highest earners) must be classified as MRTs, and may only be excluded via a formal supervisory application.

The corresponding rules in the UK mean that no regulatory approval is required for excluding staff identified solely through the quantitative criteria. Instead, the process is based on an internal self-assessment conducted by each institution. A regulatory easing in line with the rules in the UK could create flexibility without increasing risk-taking.

As concerns internal governance, relevant EU rules and guidance is often drafted at a level of detail that in practice means that banks are forced to conform their internal documentation and decision-making processes, including the demarcation between board tasks and management tasks in a unitary board structure, to regulatory requirements that may not align with how responsibility between different company bodies is allocated in national company law and creating extra costs. Even though the regulations and guidelines often state that requirements are to be applied taking into account national company law, this is often impossible in practice due to the detailed requirements.

One example is the CRD requirements on mapping of duties of each individual member of a unitary board and extensive documentation of roles and responsibility in addition to existing statements in for example corporate governance reports. Another example is AMLR that in many aspects equal branches with subsidiaries which require specific roles and responsibilities that do not align with general corporate governance structures and national company law. Implementing extra layers of roles, responsibilities, rules and reporting leads to additional costs.

Many EBA guidelines also require banks to produce policies that set out how the bank addresses different issues. The guideline provisions often set out the content of the policies in some detail and also dictate what company body should adopt the

policies in question. The combined effect of this is that the rules often require a company body such as the board (in a unitary structure) to adopt internal policies that address detailed, operational issues that would typically be the domain of management according to national company law principles in for example Sweden and often create an additional layer of internal rules with additional costs.

This, in our view, reflects a general tendency that regulations and guidance do not sufficiently take aspects of efficiency and competitiveness into account, and that the focus is on details rather than the purpose of the guidance. A result is also that overly restrictive and detailed rules are adopted even though they may not be warranted or compatible with national legal frameworks outside the prudential area.

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

Banks in the EU have higher capital requirements than other Basel jurisdictions. In addition, the EU's Member States and their authorities have more available supervisory tools to set high capital buffers, enshrined in EU law, than in other comparable Basel jurisdictions. This creates uncertainty regarding potential changes in capital requirements that require European banks to hold more capital. Further, it makes European banks more hesitant to enter into longer agreements with their customers. Empirical evidence suggests that banks have become more prudent in the allocation of credit because of regulatory and supervisory considerations. See also reply to Q21.

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?

Capital requirements for specialized lending, i.e. project finance and object finance, have become more stringent in CRR, making this type of lending more expensive and capital-intensive. Higher risk weights increase the CET1 requirement which limits the capital available for project financing. However, private credit may be suited to longer term lending, for example to infrastructure projects, as the business models of private credit funds are different compared to banks. Private credit funds can hold illiquid assets for longer⁹. Almost two-thirds of insurance companies globally invest in private credit. Also, see reply to Q14.

⁹ Keynote speech by Philip R. Lane ECB, AI and the euro area economy, 23 March 2026

Digitalisation

30. Do you expect in the near future the emergence of significant new players in the provision of financial services within the EU, such as non-financial conglomerates, FinTechs, or BigTech companies? If yes, what would this mean for traditional banks? If yes, what would be the impact on households and businesses?

See reply to Q14.

The single market and the banking union

The impact of prudential requirements on market integration

33. What are your views regarding the most efficient way of applying prudential requirements within EU cross-border banking groups?

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	No opinion
Continue the current approach where prudential requirements are applied, as a rule, at both the consolidated level and at the level of every legal entity						X
Prudential requirements should only be applied at highest EU consolidated level of the banking group	X					
Ensure adequate prudential requirements at the level of legal entities, while ensuring more flexibility in centrally managing resources at group level, with commensurate safeguards for financial stability risks						X
Other (please indicate)						X

Non-prudential barriers to market integration

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

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	No opinion
Divergent national tax treatment attached to certain banking products (mortgages, savings accounts, deposits) or banking operations (Value Added Tax, corporate and personal income taxation)	X					
More generally, lack of unified banking product offering across EU or sub-regions, forcing product adaptation to each national market					X	
Labour laws and contract laws hindering the servicing of EU bank clients in a Member State by a branch/entity located in another Member State.	X					
Preference by local customers of local bank brands			X			
Divergent insolvency laws and collateral foreclosure rules	X					
Consumer protection laws and client specific documentation		X				
Divergent (non-prudential) reporting requirements		X				
Language barriers		X				
Other (please indicate)						X

Bank specific taxes result in increased costs for borrowers, either directly via increased fees or indirectly through less favorable lending and deposit terms. This may discourage retail investors and small businesses from accessing more sophisticated banking services or capital markets – which is counterintuitive to the EU’s objective to deepen capital markets and encourage investment. Financial transaction taxes (FTTs) should not be considered an effective or suitable instrument if the objective is to foster retail investor and pension fund participation in European equity markets. Bank profits are inherently cyclical, and taxation in profitable years may undermine the sector’s ability to withstand future downturns and ability to finance the real economy.

In general terms, a number of non-prudential barriers make cross-border banking more difficult. Different tax rules relating to products make it more difficult to offer the same products across different member states. Also tax laws with regards to retirement benefits and social cost may hinder cross-border banking in a branch structure forcing the establishment of local subsidiaries which then becomes a hurdle to enter into new markets. In the same vein, local supervisory requirements or expectations may require banks to set up local, idiosyncratic systems or processes to ensure compliance with for example AML or consumer protection requirements. It should be emphasized here that even if the union rules are more harmonized (cast as regulations rather than directives) local differences will likely persist as long as national authorities have leeway to make different interpretations. At least historically, branches in different member states have also been subjected to different local reporting requirements. Another aspect that is pertinent in the context of cross-border establishments is labor law. More specifically, overly strict or inflexible labor laws may deter banks from scaling up their presence in a given member state or from even establishing a presence in that member state at all. Against this background, the idea of a 28th legislative regime ("EU Inc.") merits further consideration. In order to achieve the objective of making cross-border banking more feasible for banks and more efficient for customers, such a 28th regime should address legal areas such as corporate law and tax law but preferably also labor law, consumer protection rules etc. and not merely laws relating to the corporate framework, reporting and registration etc. In this context, it should be noted that the possibility to establish a "Societas Europea" has been available for many years but with very limited uptake, probably due to the more limited scope of that corporate framework.

Protection of depositors

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?*

<i>To a very large extent</i>	<i>To a large extent</i>	Neutral	<i>To a small extent</i>	<i>Not at all</i>	No opinion
			X		

When it comes to protection of the depositors and confidence in EU crisis management framework, it is important that the deposit insurance fund is strictly reserved for deposits and should not be drawn upon for bank resolution activities.

Although the availability of well-functioning depositor protection is relevant for union citizens and businesses in their capacity as bank customers, it should be emphasized that the set-up of the depositor protection systems is not a main factor when considering cross-border banking from a business perspective. It is thus not very relevant from a competitiveness perspective, and only marginally so in terms of achieving further integration of banking markets.

Prudential aspects, while relevant more generally, should not be the main factor influencing banks' business decisions on how and where to carry out business. This should be driven by a business and market logic and not by the extent or design of, for example, depositor protection frameworks.

Liquidity in resolution

42. In your view, would a more transparent and predictable European mechanism ensuring the provision of liquidity in resolution to large banks in distressed scenarios strengthen the effectiveness and credibility of the European crisis management framework? How could it affect the bank-sovereign nexus and the reliance on national taxpayer-funded resources in a crisis?

Central banks should be the primary source of public liquidity support in resolution, since this is the most credible alternative (could theoretically provide unlimited amounts of domestic currency within no time).

43. Do you consider that introducing a formal transparent mechanism to provide liquidity in resolution can provide reassurance on the stability and effectiveness of the crisis management framework and therefore support the integration of banking markets? If yes, what do you consider to be the desirable features of such mechanism?

Central banks should be the primary provider of public liquidity support to banks.

Complexity and effectiveness of the regulatory framework

General assessment

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

	Low	Somewhat low	Medium	Somewhat high	High	No opinion
effectiveness (the extent to which the framework achieved its objectives)	X					

proportionality (the extent to which the objectives of the framework are achieved at minimal cost)	X					
EU added value (extent to which EU intervention provides benefits that could not be achieved by Member States acting alone)			X			
relevance (extent to which EU intervention provides benefits that could not be achieved by Member States acting alone)			X			
coherence (extent to which a policy/intervention is internally consistent and externally consistent with other EU policies)			X			

48. *A certain degree of complexity is necessary to achieve the desired regulatory objectives, while recognising the degree of sophistication and diversity of the EU banking sector. How do you rank the comparative level of undue complexity in the following parts of the framework?*

	Low	Somewhat low	Medium	Somewhat high	High	No opinion
The overall framework					X	
The minimum capital requirements (Pillar 1)					X	
The supervisory measures (Pillar 2)					X	
The macroprudential requirements					X	
The resolution requirements				X		
Other						X

Since 2008, the volume of financial regulation has increased in the EU. Most EU financial legislation is accompanied by delegated acts, technical standards and guidelines (so-called Level 2 and Level 3 regulation), national laws and standards and guidelines from national supervisors. Review clauses allow for frequent amendments, further complicating the regulatory framework. The complexity of the EU's regulatory framework for banks and the degree of national discretion built into it affects the competitiveness of European banks.

In structural terms, several measures should be considered in order to avoid further unwarranted growth in the volume of rules:

- Review clauses should be an exception, not the rule. New legal acts should, as a rule, not be subject to comprehensive review ex post.
- Instead, the use of “sunset clauses” could be considered when new rules are drafted to address specific issues, where the legal acts in question are given a limited lifespan unless active measures are later taken to make the rules permanent.

Multiple buffers and national discretions create unnecessary complexity and hampers the financial sector’s ability to support growth. We need a framework that narrows down the number of tools, standardizes their application and that ensures that similar risks are addressed uniformly. For example, there are overlaps between article 458 in the Capital Requirements Regulation (CRR), capital buffers and the output floor introduced in the CRR3. Regarding the counter cyclical capital buffer, there is a need to harmonize methods between different member states.

Reassessing the role of the systemic risk buffer would ensure a more coherent and predictable framework. The EU co-legislators should also consider completely removing the systemic risk buffer, as this would make the European framework aligned with the Basel agreement and at the same time avoid duplicative capital requirements.

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

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

Regulatory and Implementing Technical Standards at Level 2 and soft-law instruments at Level 3 add undue complexity.

To address the fragmented application of prudential rules for EU banks the following measures would increase harmonization and improve the competitiveness of EU banks:

- Remove entirely the systemic risk buffer or establish a more homogeneous and predictable use of the systemic risk buffer (SyRB) and the O-SII/G-SII buffer by introducing a scoring model for the SyRB, which is fully aligned with the scoring model for the O-SII buffer. Introducing a requirement to assess systemic importance based on the entire EU market, rather than on systemic importance for one Member State market.
- Removing the mandate for authorities to put the SyRB “on top” of the G-SII/O-SII and re-introduce the “the higher of the two”-rule from CRD4. Harmonize the application of the CCyB and set a strict guide to prevent that the “positive neutral” mode is perpetuated.

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

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

Capital requirements for EU banks are already high and should not be increased further. Additional increases could constrain banks' ability to finance the real economy and risk weakening the competitiveness of the European banking sector compared with peers in other major jurisdictions.

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

which provisions currently set out in directives, such as the Capital Requirements Directive (CRD), the Bank Recovery and Resolution Directive (BRRD) or the Deposit Guarantee Scheme Directive (DGSD), would be more effectively established through directly applicable regulations, and for what reasons, if any?

The key question is not if regulation or directive in principle should be used/applied. The key question is to ensure that gold-plating is limited.

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

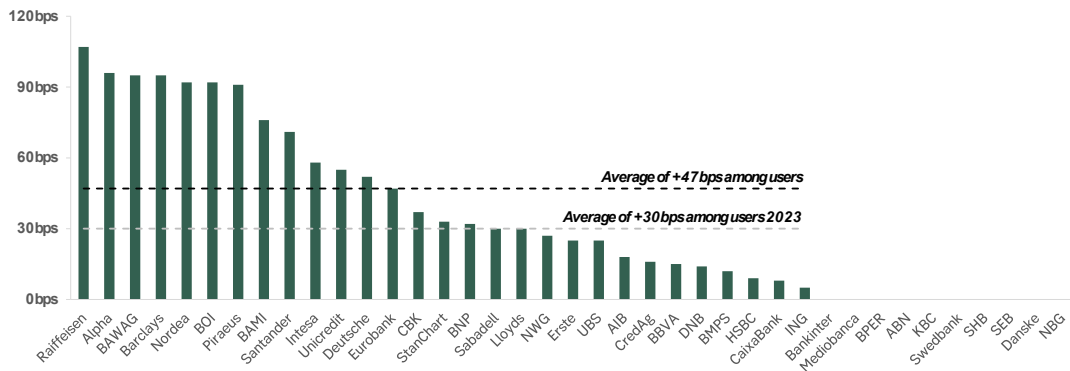
It is important to avoid trapping bank resources in excess of the global minimum requirements applied by peer world regions or going beyond the Level 1 rules agreed by EU co-legislators.

The EU-specific systemic risk buffer does not have any equivalent in the global Basel III framework. Currently, it is not possible for banks to foresee how the EU-specific SyRB will be applied by the designated authorities because there is no uniform EU calculation methodology. A full removal or a more harmonized application is needed across the EU, above all by national supervisors within the EU, with strong support from EU supervisory bodies such as the ECB/SSM and the EBA.

Another urgent necessity is a fully harmonized supervisory approach to the approval of fulfilment of criteria for risk transfer in a securitization, Significant Risk Transfer (SRT). National regulatory or supervisory measures which disincentivize banks from SRTs or which cap the capital relief from SRTs should be prohibited in the EU legislative framework (CRR and the STS regulation). The national supervisory policy from the Swedish Financial Supervisory Authority (SFSA) caps the size of a securitization transaction and the capital relief by applying Pillar 2 capital add-ons. The cap is applied if a bank's total capital ratio decreases by at least 50 basis points during a future 12-month period or if the securitized credits exceed 15% of the bank's total exposure value in a single exposure class.

Securitization can free up capital to meet EU investment needs

Estimated capital relief from Significant Risk Transfer according to CRR
CET1 ratio (bps), 2024



Sources: Autonomous, UBS, Pillar 3 reports

Some examples of gold plating in Sweden:

- Sweden applies a perpetual fee model for its deposit guarantee system, meaning that contributions continue indefinitely and are not linked to any target level for the size of the fund. In contrast, under the EU's Deposit Guarantee Schemes Directive (DGSD), national schemes must build up their financial means until they reach a target level of at least 0.8 % of covered (guaranteed) deposits, after which contributions may be reduced or paused unless the fund needs replenishment.
- The targeted level for the resolution fee is 3 % of guaranteed deposits, which can be compared to the EU-target level of 1 %.
- The Swedish banks have the highest capital requirements in the EU due to capital buffers. The Systemic Risk Buffer is higher than in many other countries. The Swedish FSA (SFSA) also applies a structural higher Counter Cyclical Capital Buffer (CCYB).
- The SFSA requires banks to meet a Liquidity Coverage Ratio in euros and US dollars of at least 100 % for each currency. The SFSA also requires a Liquidity Coverage Ratio of at least 75 % for every other individual currency, including Swedish kronor, provided that the currency is significant for the individual bank.
- The Swedish FSA has a specific Pillar 2 capital requirement, addressing potential flowback risk in securitization.

The cumulative effect of these examples of gold-plating together with the application of art. 458 floors by the SFSA is that Swedish banks are subject to higher capital requirements, more annual fees and significant regulatory limitations on their activities compared to peers in other member states. As mentioned elsewhere in this document, the relevant rules on for example securitization must be better harmonized in order to limit national supervisory discretion and avoid gold-plating.

Moreover, concerning resolution fees and deposit guarantee fees, it could be argued that the same target levels and caps should be mandatory across the union to ensure a level playing field in this regard.

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

Total capital requirements for banks should not exceed a level that is appropriate in relation to the risks of the underlying assets of the bank, which that capital is held to cover. Currently there is no mechanism in the EU with the mandate to question systemic risk capital requirements set by National Competent Authorities. A possibility could be that the European Systemic Risk Board (ESRB) or the EBA would be given greater capacity to identify inconsistencies and overlapping requirements for systemic risk across the entire EU financial system, including Member States outside the Banking Union and assess the adequacy of macroprudential measures for systemic risk applied by National Competent Authorities. Given the number of supervisory bodies that the setting of such requirements is spread over, EU banks are subject to a “race to the top”. Each supervisory body applies the most prudent approach possible in their respective area, without considering the measures of other authorities that set similar requirements, or requirements that are clearly linked to the requirement setting of the own authority. The sum of requirements for the bank is not balanced, because no authority takes responsibility for the totality – only for their own part. A more harmonized application and holistic approach is needed across the EU.

Also, see the reply to Q59 and Q74.

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

		Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	No opinion
effectiveness (the extent to which authorities identify weaknesses and address them)	Supervisory authority			X			
	Macroprudential authority			X			
	Resolution authority			X			
risk-based (the extent to which authorities focus on the most material)	Supervisory authority				X		
	Macroprudential authority				X		

risks in a proportional way)	Resolution authority				X		
efficiency (extent to which authorities are reacting timely and are outcome focused)	Supervisory authority			X			
	Macroprudential authority			X			
	Resolution authority			X			
Other							X

The way the Swedish FSA is applying the systemic risk buffer in effect makes it a minimum capital requirement, constantly set at highest level. There is no transparency in how the Swedish FSA derives/calculates the level of the systemic risk buffer.

As concerns the resolution authority (the Swedish National Debt Office, SNDO), there is in general a constructive dialogue. However, in terms of risk areas identified, the SNDO has sometimes raised risks that each bank or the banks as a group cannot address on their own since the issues in questions are horizontal and require coordination and measures either by third parties or by authorities in different jurisdictions, for example concerning operational questions related to the execution of bail-in. This entails that banks may be expected to address risks that can only be addressed and mitigated by coordinated action by authorities and/or other parties.

Also, see the reply to Q69.

Prudential framework

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?

Capital-based macroprudential measures stemming from CRR and CRD and that should be reviewed against the backdrop of the competitiveness review of EU banks, are e.g. risk-weight floors according to Article 458 CRR. These overlap functionally with the output floor under CRR3. They also create a double counting effect when they are combined with an O-SII buffer or a systemic risk buffer. These should be abolished to avoid double counting of risks, unnecessary complexity and diverging national solutions for internal model constraints. A removal, or at least tighter framing, of some of these national discretions in CRR/CRD would be an efficient way to put the EC's commitment to reducing regulatory burden into practice. The application of the "positive neutral rate" for the Countercyclical Capital Buffer (CCyB)

needs to be reviewed. The use of the countercyclical buffer differs significantly between EU member states.

See also the reply to question 69.

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

Risk sensitivity is important for incentivizing balanced risk taking. Since 2015 competent authorities in Europe have taken measures to harmonize risk weights through ECB's Targeted Review of Internal Models (TRIM) and EBA's IRB repair program. Risk weights are also increased by the CRR3 output floor. See further in our replies to Q61 and Q68.

There are several capital deduction items which apply in Europe, but not in the US. These 'EU only' deductions contribute to EU banks being less competitive versus their international peers. Examples are the EBA's proposed RTS on Prudent Valuation, the NPE backstop which has served its purpose and the deduction of software assets (CRR Article 36.1b).

The RTS on prudent valuation presented by the EBA for consultation proposed to thoroughly revise the EU Prudential Valuation framework, going beyond the legal mandate contained in the CRR3. The proposed revisions would add significant capital requirements, increase supervisory discretion and result in more fragmentation and an unlevel playing field.

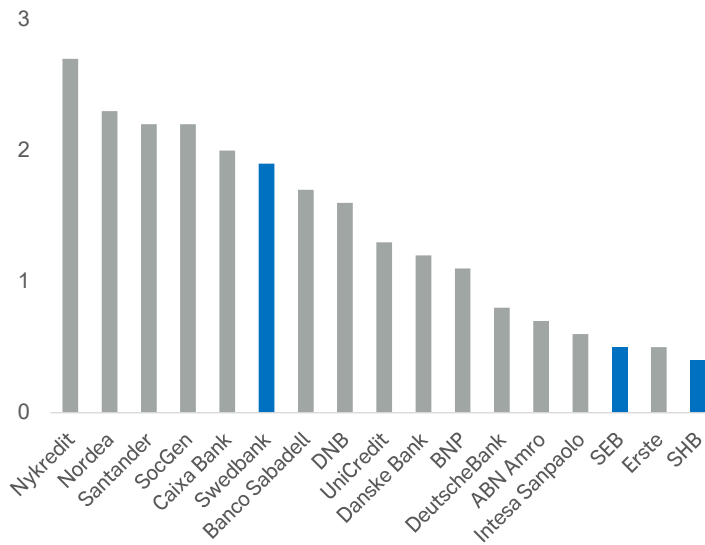
61. Does the prudential framework strike the right balance between risk-weighted requirements and backstops (output floor, leverage ratio) or Pillar 2 requirements?

- No

The EU has transposed the final Basel III agreement into EU law (CRR3/CRD6). Basel III mainly impacts banks with a low risk-weight density. The capital output floor in the final Basel III agreement impacts certain lending segments for EU banks using internal models particularly negatively. This is the case predominantly in northern Europe, where historical credit losses are notably on the low side. One segment that is particularly negatively affected is "unrated" corporates (non-SME and non-CRE corporates that do not have an external rating and are hence assigned a risk weight of 100% in the standardized approach). Several European banks will be bound by "fully loaded" CRR3 capital ratios ahead of or in connection with the expiry of the EU specific transitional arrangements. If the transitional arrangements are not made permanent or at least extended, this may negatively impact banks' lending capacity, and investor confidence in EU banks.

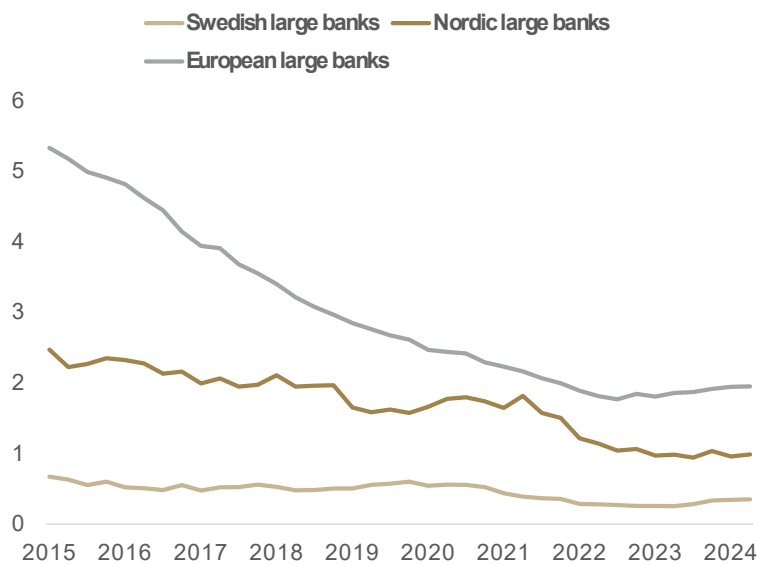
Swedish banks experience low credit losses

Average annual default frequency (%) ¹
Corporate segments, 2019-2024



¹ Pillar 3 reports and EBA EU-wide transparency exercise.

Proportion of non-performing loans (%) ²



² Finansinspektionen, Bankbarometern April 2025.

Remove the Systemic Risk Buffer and harmonize the O-SII buffer and apply qualitative assessment of the adequacy and appropriateness of the overall level of capital requirements and buffers imposed on EU banks.

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

In Sweden, a cap has been introduced by the national supervisor on the level of capital relief a bank can obtain through securitization. Additional pillar 2 capital requirements are imposed if the capital ratio decreases by at least 50 basis points or if securitized credits exceed 15% of the bank's total exposure value in a single exposure class. The cap has no support in EU law. National regulatory or supervisory measures which disincentivize banks from SRTs or which cap the capital relief from SRTs should be prohibited in the EU legislative framework (CRR and the STS regulation).

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

P2G is linked to the outcome of supervisory stress tests and structurally overlaps with the Systemic Risk Buffer (SyRB).

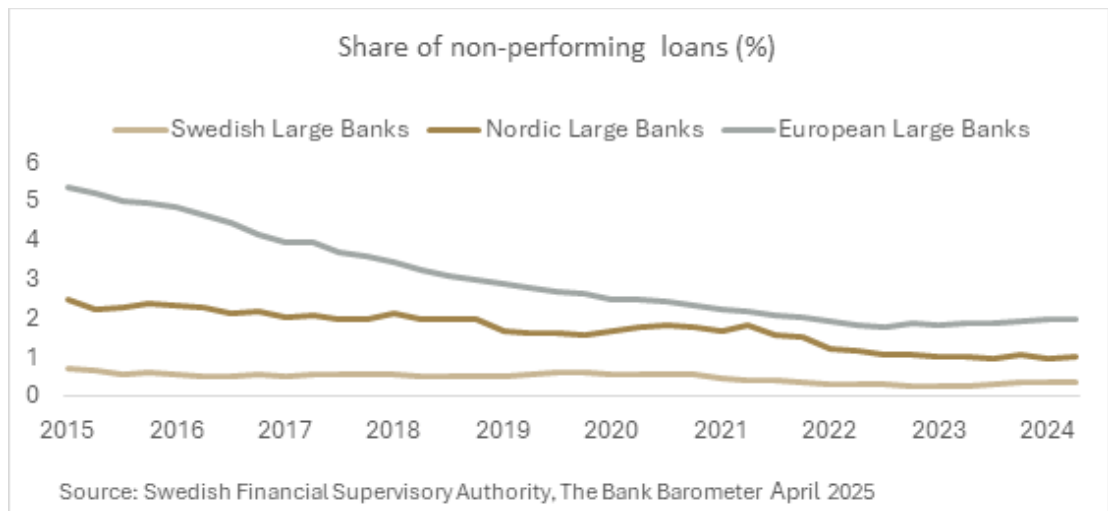
65. *What determines the level of the management buffer? How much does the management buffer weigh in the overall capital set aside by banks? Do you think there are unwarranted pressures to set such a buffer, if yes do you have any suggestions that would help reduce undue external incentives to set management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

EU banks hold high amounts of capital above the legal capital and buffer requirements, so called management buffers. This is due to supervisory restrictions, and uncertainty regarding capital requirements. They face a regulatory environment that instead of incentivizing increased lending gives incentives for earnings retention and the maintenance of above-average management buffers. Thus, banks in the EU have both higher capital requirements and they are subject to a supervisory regime where authorities have more available supervisory tools (e.g. to set high additional capital buffers), enshrined in EU law, than in the rest of the world. Empirical evidence suggests that banks have become more prudent in the allocation of credit because of regulatory and supervisory considerations.

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

The large Swedish banks have persistently demonstrated a significantly lower level of NPLs than other Nordic or European large banks. It should be stressed that this is not primarily due to the development of union-level rules to reduce NPLs but rather

an effect of well-functioning credit processes developed and refined by the banks themselves over time. In order to protect this, the most important factor is that union-level and national legislators should abstain from setting out detailed rules on credit processes and credit documentation that constrain banks' abilities to design and implement credit processes that are suitable based on each bank's business model.



68. What are your views on the following considerations regarding the EU implementation of the output floor?

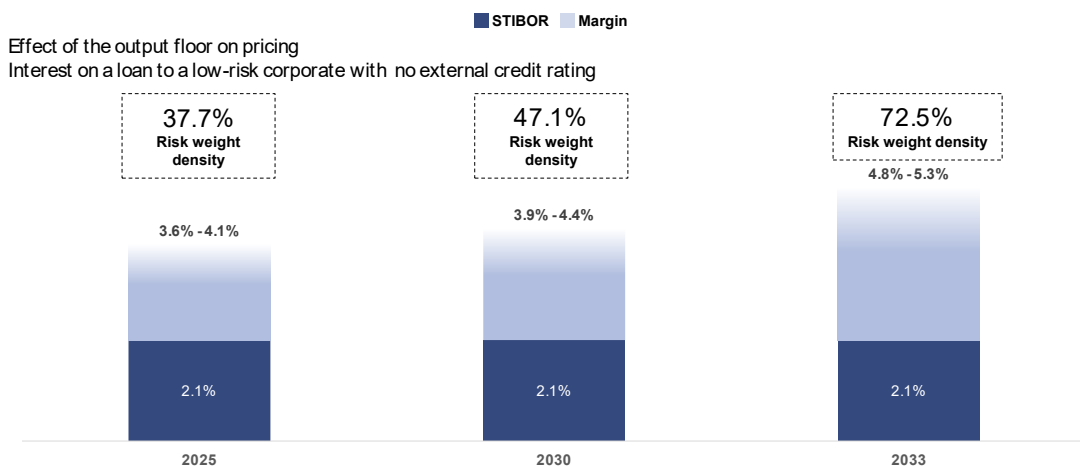
	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	No opinion
The current rules introduced by CRR3 achieve the right balance - no need to revise the output floor framework					X	
Some or all of the transitional derogations related to the output floor should be prolonged	X					
Some or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

The calibration of the output floor (72.5%) should be made more risk-sensitive	X					
The calibration of the output floor (72.5%) should be reduced		X				
Other (please specify)						X

Most European non-SME and non-CRE corporates do not have an external rating and rely on bank lending. The Swedish large banks have average risk weights for corporate exposures between 30 to 49 percent.

If the transitional arrangements are not made permanent or at least extended, this may negatively impact banks' lending capacity, as well as investor confidence in EU banks. The effects of the output floor pose a risk, considering Europe's need for increased bank lending capacity. As an example, for a loan to a corporate client without an external credit rating, where the internal rating according to current IRB models points to a risk weight of 37% the risk weight will be twice as high (72,5%) with the output floor. This means that the output floor leads to twice the capital need for that low risk asset, which will feed into pricing and will in the long run also lead to adverse selection. The effects of the output floor hit hardest on the lending business with the lowest historical losses (and hence the lowest risk weights). These effects may occur several years ahead of the expiry of the transitional arrangements. Given the bank dependency of the EU economy, this should be avoided. To enable European banks to remain competitive, we suggest making the transitional arrangements for the output floor permanent or introducing a targeted legislative amendment to extend the EU-specific transitional arrangements for the output floor for four more years (this flexibility is already provided for in the CRR3).

Impact when EU-specific transitionals for the output floor expire



Source: SEB

The output floor disproportionately affects corporate clients of European banks, which generally rely on on-bank loans rather than using debt capital markets for financing their activities. This contrasts with the US, where banks make greater use of fee-based strategies (because their corporate clients are more active in the debt capital market and rely less on bank loans), resulting in a comparatively lower impact of the floor.

Macroprudential framework

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

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

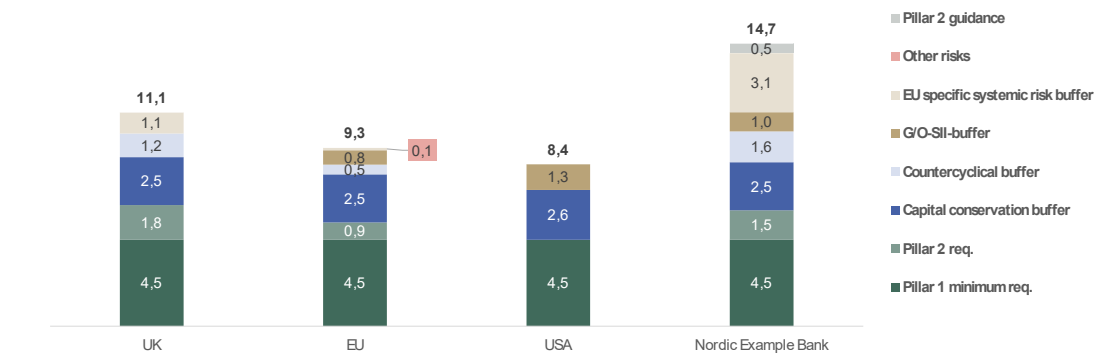
The EU-specific systemic risk buffer does not have any equivalent in the global Basel III framework. Currently, it is not possible for banks to foresee how the EU-specific SyRB will be applied by the designated authorities because there is no uniform EU calculation methodology. A more harmonized application is needed across the EU, above all by national supervisors within the EU, with strong support

from EU supervisory bodies such as the ECB/SSM and the EBA. The systemic risk buffer (SyRB) should be removed since systemic risk is captured by the Global Systemically Important Institutions (G-SII) and Other Systemically Important Institutions (O-SII) buffers. As an alternative, the SyRB should be quantified through a fully harmonized calculation methodology, similar to that of the O-SII buffer. National discretion to add a SyRB on top of the G-SII/O-SII buffer should be removed.

Fragmented macroprudential buffers in the EU weigh on competitiveness

Bank capital macroprudential buffers are higher in the EU
EU member states and supervisory authorities have more buffers in the toolbox, several with discretionary powers

Composition of CET1 capital requirements (%)



Note: The values refer to the weighted average (REA) of the total CET1 requirement for banks in each country/region that have reported all components of the total CET1 requirement. For banks in the United States: when the capital conservation buffer has not been reported, the value for the Stress Capital Buffer has been used instead.
Sources: EBF with reference to S&P Global Market Intelligence. Data as of 3 March 2025 for the 2023 financial year.

O-SII-level setting should be based on the bucketing approach (as in the Basel framework) and be subject to a floor and a cap. A requirement should be introduced, to assess systemic importance based on the entire EU market, rather than on systemic importance for one MS market. While the O-SII methodology is standardized, the mapping of O-SII scores to buffer rates is heterogeneous across the EU.

EU member states' treatment of the countercyclical buffer (CCyB) is heterogeneous and should be harmonized. Several member states have introduced a positive-neutral rate for the countercyclical buffer (CCyB), i.e. a positive rate when cyclical systemic risks are not yet elevated. The purpose has been to create a releasable buffer in stress. The application of a positive neutral rate should be done in a way that is neutral on combined buffer requirements.

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?

The systemic risk buffer (SyRB) should be removed since systemic risk is captured by the Global Systemically Important Institutions (G-SII) and Other Systemically Important Institutions (O-SII) buffers.

Total capital requirements for banks should not exceed a level that is appropriate in relation to the risks of the underlying assets of the bank. It is desirable to introduce arrangements that help identify and monitoring national inconsistencies and overlapping requirements for systemic risk across the entire EU financial system, including Member States outside the Banking Union, to assess the adequacy of macroprudential measures for systemic risk applied by National Competent Authorities. If the SyRB is not removed, it should be limited through introduction of a solid calculation methodology that significantly limits the degree of national discretion for setting the level of the SyRB. Such a calculation or scoring methodology should be applied in the same way in all member states.

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

- No

The Swedish FSA already applies Pillar 1 floors for RRE and CRE risk weights.

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

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	No opinion
The methodology for the identification of O-SIIs should be revised to ensure an enhanced cross-country consistency while considering national specificities.	X					
The O-SII buffer should be calibrated following a more harmonised methodology which ensures a better correlation of systemic importance with a defined range for the level of the buffer rate	X					

Maintain the current state of play regarding the O-SII buffer calibration while enhancing transparency and accountability (including through public disclosure) regarding the calibration methodology and its application.					X	
Other (please specify)						X

Establish a more homogeneous and predictable use of the O-SII buffer by introducing a cap and a floor for the O-SII buffer and adding a requirement to assess systemic importance based on the entire EU market, instead of one member state market.

73. *Is the current share of releasable buffers⁵ (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?*

- No

The intention with some of the European capital buffers is for these to be drawn down during times of stress to ensure that banks can continue to lend to the economy. However, these buffers are in effect treated as permanent additions to banks' balance sheets. Whether these buffers can really be used without the risk of creating a loss of confidence by the market is debatable. For buffers to be effectively releasable, it is essential banks have upfront clarity about the reinstatement of buffers.

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

Risk-weight floors according to Article 458 CRR overlap functionally with the output floor under CRR3. They also create a double counting effect when they are combined with an O-SII buffer or a systemic risk buffer. These should be abolished to avoid double counting of risks, unnecessary complexity and diverging national solutions for internal model constraints. A removal, or at least tighter framing, of some of these national discretions in CRR/CRD would be an efficient way to put the EC's commitment to reducing regulatory burden into practice.

Crisis management framework

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

The rules on crisis management have increased in volume and complexity since the introduction of the BRRD. While the BRRD is by now relatively detailed and complex in itself, undue complexity stems mostly from legal acts and guidance issued by authorities pursuant to the BRRD. In this context, both EBA guidelines on resolvability and SRB guidance on various issues merit mention.

The EBA guidelines on resolvability set out very detailed requirements concerning, e.g., how banks are supposed to document operational continuity in resolution (OCIR) arrangements or what elements should go into banks' documentation concerning, for example bail-in mechanics, communication in resolution or business reorganization. The level of detail prescribed by the guidelines does not take into account banks' differing structures and creates the risk that banks are forced to draw up documents that "tick the box" in regulatory terms but are not relevant for the banks' resolution planning.

Moreover, the SRB guidance/expectations concerning resolution planning are in parts very detailed and in practice difficult to apply since they expect banks to engage in ex ante planning for very specific hypothetical situations. A case in point is the recently circulated draft SRB "Operational guidance on banks' communication". This draft document sets out detailed expectations on the precise content of banks' communication in resolution-related documentation (see, e.g., section 6.2 of the draft SRB operational guidance). For example, banks are expected to identify ex ante "all" critical internal and external stakeholders (§ 29 of the draft SRB operational guidance). In effect, such an identification exercise can only be carried out if the circumstances surrounding the actual crisis are known. In reality, however, one of the main characteristics of crisis management is that the specific circumstances of the crisis are not known in advance – if they had been foreseen, mitigating measures to avoid a crisis would presumably have been taken. In a similar vein, the SRB's recently circulated draft "Operational guidance on business reorganization plan analysis report" expects banks to set out detailed preparatory documentation on for example what parts of the bank will be left after a resolution process (chapter 4 of the draft operational guidance) as well as on the modalities and financial effects of different potential crisis measures (chapter 6). Here, too, detailed ex ante documentation will be of limited value since it will most likely not reflect actual crisis circumstances. Moreover, when authorities require banks to draw up detailed planning and process documentation, this typically creates a risk that banks must use scarce resources to draw up documentation that will in any case not be of much practical use.

Consequently, as a general observation, one area where undue complexity in the crisis management framework can be addressed is the documentation and planning requirements that weigh on banks, where rules that impose detailed and specific requirements should be replaced by less detailed rules that provide flexibility for

banks to plan and document based on the specific structure, processes etc. of the bank in question.

77. How can the determination of MREL targets be rendered less complex, while preserving the resilience of the system?

The calibration of MREL should be improved by lowering the overall level of the requirement e.g by abolishing the Market Confidence Charge (MCC). Further the calibration of MREL requirements should be more uniformly set on a global and European level, and more stable over time through reduced exposure to variable capital requirements (such as pillar 2 requirements). In Sweden, the resolution authority has added P2G to MCC.

79. What is your view on the rules allowing to use resolution funds to support a resolution action, in particular the minimum bail-in of 8% of the total liabilities of own funds of the distressed bank? Are they proportionate and give sufficient flexibility to handle bank failures adequately? Do they create level playing field issues vis-à-vis other jurisdictions?

The minimum bail-in requirement of 8% of TLOF is a key principle for ensuring fair burden sharing and maintaining a level playing field in the resolution preparedness of European banks.

It is preferable to address any need for additional flexibility in handling bank failures through complementary tools rather than by weakening the threshold required for access to resolution funds.

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

Capital requirements for systemic risk for Swedish large banks are among the highest in Europe. The Systemic Risk Buffer (SyRB) is 3% and the OSII-buffer is 1% resulting in 4% of the Swedish large bank's risk weighted assets dedicated for systemic risk. National competent authorities in Europe have discretion in setting and calibrating the SyRB without any obligation to justify the level by economic evidence and back-testing. There is no uniform calculation methodology in the EU for determining the level of this buffer.

Swedish banks are also subject to a 25 % risk weight floor for residential mortgages, implemented through CRR Article 458, which increases risk weighted assets to mitigate mortgage lending related systemic risks. The SyRB is calculated as a percentage of RWA, meaning that the increase in RWA from the mortgage risk floor effectively amplifies the SyRB for the same underlying structural risks. Also, see the reply to Q59 and Q74.

Currently there is no mechanism in the EU with the mandate to question systemic risk capital requirements set by National Competent Authorities. A possibility could be that the European Systemic Risk Board (ESRB) or the EBA would be given a mandate to identify and counteract inconsistencies and overlapping requirements for systemic risk across the entire EU financial system, including Member States outside the Banking Union. Another, more independent body, like the European Commission, should also be given the task to assess the adequacy of and counteract excessive use of macroprudential measures for systemic risk applied by National Competent Authorities.

In the European securitization market banks must be able to compete on equal conditions within the EU without national supervisory restrictions. Supervisory approval of fulfilment of criteria for risk transfer in a securitization should be fully harmonized in the EU. The national supervisory policy from the Swedish Financial Supervisory Authority (SFSA) puts a cap to the size of a securitization transaction and the capital relief by applying Pillar 2 capital add-ons. Similar to a mechanism for systemic risk it is desirable to introduce arrangements that support a harmonized approach for supervisory assessment and approval of SRTs, e.g. the European Commission could be given the power to adopt delegated acts forbidding national supervisory policies or soft law that are apparently countering the purpose of agreed level 1 legislative texts.

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?

As concerns internal governance, relevant EU rules and guidance is often drafted at a level of detail that in practice means that banks are forced to conform their internal documentation and decision-making processes, including the demarcation between board tasks and management tasks in a unitary board structure, to regulatory requirements that may not align with how responsibility between different company bodies is allocated in national company law. Thus, while for example EBA guidelines on internal governance state that requirements are to be applied taking into account national company law, this is often impossible in practice due to the detailed requirements set out in such guidelines. Although the guidelines that set out such requirements are formally non-binding, they still contribute to shaping supervisory expectations that in practice means that banks are expected to comply with them.

As a general example, many EBA guidelines require banks to produce policies that set out how the bank addresses different issues. The guideline provisions often set out the content of the policies in some detail and also specify what company body should adopt the policies in question. The combined effect of this is that the rules often require a company body such as the board (in a unitary structure) to adopt internal policies that address detailed, operational issues that would typically be the

domain of management according to national company law principles in for example Sweden. This also generates additional administration and costs.

This, in our view, reflects a general tendency that guidance such as guidelines from the EBA do not sufficiently take aspects of efficiency and competitiveness into account, and that the focus is on details rather than the purpose of the guidance. A result is also that overly restrictive and detailed rules are adopted even though they may not be warranted or compatible with national legal frameworks outside the prudential area.

Moreover, bank regulations adopted at the EU level can also create other risks for conflicts with national law. For example, as part of the banking package the Capital Requirements Directive (CRD) was amended to include a provision to the effect that if a bank finds that a member of the management body is not suitable for the position, the bank shall “remove” that member from the management body in a timely manner (article 91.1.b. of directive 2013/36 as amended). However, according to the Swedish corporate governance model it is not the bank as such that appoints or removes members of the management body (board members, in the unitary Swedish model). Instead, it is the bank’s owners acting through well-established nomination structures outside the ambit of the regulated bank as such. Consequently, in Swedish company law, the bank as such does not have the power to remove board members. Here, the wording of the pertinent CRD provision is not compatible with Swedish company law. Legal conflicts of this kind risk complicating the governance arrangements for banks, and banks may have to divert resources to address conflicts between national law and the EU regulatory regime even though it is claimed in the latter that no such conflicts are intended.

The new detailed requirements on mapping of duties in EBAs draft guidelines on internal governance is one example of additional administrative tasks that easily could be removed without undermining the institutions’ sound and prudent management. The same applies for different regulations requiring specific roles at branch level and preventing outsourcing, for example AMLR. Reporting requirements, both to supervisory authorities and internal, should in general be reviewed and reduced. Regulations requiring detailed operational rules from the management body or specific person at branch level should be reviewed, for example regarding AMLR and MCD.

As concerns EU remuneration rules, compared with other jurisdictions the EU remuneration rules are often more prescriptive and detailed which means that more limits are imposed on EU institutions but also that regulatory processes are unnecessarily complex (see answer to Q24 for a practical example of this).

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

In general:

- avoid detailed regulations and guidelines regarding roles and responsibilities, in order to respect national company law and reduce additional costs for the institutions. (see also questions 24 and 89 with EBA GL on internal governance as an example of this)
- avoid setting up specific roles and responsibilities, especially for branches in host countries (see also question 24)
- ensure that governance experts are consulted when drafting regulatory acts (such as AMLR) to ensure coherent corporate governance and respect for national company law (regarding AMLR as well as CRD, see also questions 24 and 89)
- ensure coherent use of regulatory definitions for example “critical functions” in different regulations (see DORA, BRRD and EBA GL regarding outsourcing) – incoherent terminology in this field creates operational challenges for banks when setting up processes relating to the governance, maintenance, documentation and follow-up of such functions
- avoid requirements on detailed internal rules from specific bodies/roles in the bank (see also question 89 with reference to AMLR and MCD as examples of this)
- do not prevent the possibility to outsource operations and tasks, especially within Groups.

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?*

The CRD requirements in article 76(2) have been implemented at a stage where there still is high uncertainty regarding data quality, methodological advances and evolution of international standards. By hard coding the requirement in primary law, the EU has limited its ability to recalibrate scope and granularity as practices mature.