

Targeted consultation on the competitiveness of the EU banking sector, april 2026

- Contribution from the Norwegian Ministry of Finance

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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))?

Banks are vital for the economy, providing savings, credit and payment solutions to households and businesses. Innovation in the banking sector (digitalisation) contributes to better services and also increased productivity and innovation in the rest of the economy. Banks must be able to adapt to changing needs and new competitors, and at the same time ensure operational stability. Norwegian banks are competitive and performing well, and access to credit for businesses and households is good, cf. question 2.

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? 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?

In general, the access to credit for companies and households in Norway is good and we can not see barriers affecting bank financing in support of the economy. We do not expect this to change going forward. Some entrepreneurs and innovative scale-ups may find it difficult to obtain financing, however the capital market is better placed than banks to provide equity-financing and/or long-term debt financing for these companies.

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.)?

The need for banking services and different banking products varies significantly between different customers. A diverse banking sector is necessary to meet different needs. A diverse banking sector may also be more innovative. Diversity may be beneficial for financial stability as similar institutions are likely to encounter problems at the same time. However, diversity may also entail inefficiency, if there are many small banks not taking the advantage of the economies of scale.

The Norwegian banking market is characterized by a limited number of large players—both Norwegian banks and branches of the major Nordic banks—combined with many regional

and local savings banks. In addition, there are a number of small and medium-sized commercial banks, including several newly established specialized banks over the past decade. Together, these institutions appear to meet the diverse needs of banking customers in Norway. Many of the small and mid-size banks are locally oriented and cooperate on operational aspects (IT-solutions etc) and shared ownerships in product companies.

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

Cross-border bank consolidation

Domestic bank consolidation

Banking services offered across the single market

Digitalised banking services

Other (please indicate)

The desired changes must relate to the current situation in each national/regional market and what the objective is. The current Norwegian market is highly digitalised and part of a larger Nordic market where the largest banks operate cross-border and smaller and mid-sized banks cooperate on operational aspects. Digitalisation of banking services entails more economies of scale, less demand for physical presence and results in consolidation, as seen in the market over time.

If the ambition is to have large European banks as “global champions” in investment banking, the Commission should carefully consider the experiences from the financial crisis in 2008, cf. also the Liikanen report in 2012. Increased complexity, size and scope was highlighted as one of the major problems that undermined the resilience of the European banking sector. In the years leading up to the crisis, banks increased significantly in size and complexity. For the largest banks, this increase coincided with an expansion of investment bank activity, such as brokerage, trading and market-making activities.

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

The current geopolitical situation entails high risk in several dimensions, including a risk of sudden and large price corrections in financial markets. Elevated energy prices over time will affect the economy of European households and businesses, increasing the credit risk. In addition, there is significant operational risk related to cyber events and other incidents.

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

The banking sector is essential for the economy, and any disruptions, whether it is related to financial matters or operational matters, may have severe implications for the rest of the economy. The interconnectedness in the system means that problems in one systemically important bank may quickly spread to the rest of the system.

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

The Norwegian banking market is characterized by a limited number of large players—both Norwegian banks and branches of the major Nordic banks—combined with many regional and local savings banks. In addition, there are a number of small and medium-sized commercial banks, including several newly established specialized banks over the past decade.

Norwegian banks are currently highly profitable indicating that banks in Norway operates under competitive framework conditions. Norwegian banks have maintained their market shares for both lending and deposits. They have also achieved at least as high a return on equity as banks headquartered in the other Nordic countries. Furthermore, analyses suggest that equity investors view the operating conditions for Norwegian banks as favorable, both relative to other major Scandinavian banks and to Norwegian non-financial corporations (References: Finanstilsynet (2025) [Norske bankers rammevilkår](#))

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

We cannot see that there are undue limitations to such activities today. It is difficult to assess whether the prudential framework adequately account for activities and the complexity in this area. The revised Basel standard is based on throughout analysis, discussions and compromises.

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.)?

Banks and non-bank financial intermediaries compete to some extent for the same customers. At the same time, these institutions operate under different regulatory frameworks and business models, reflecting differences in their functions and risk profiles.

The growing role of non-bank intermediaries contributes to the development of capital markets and may enhance the provision of financing and market liquidity. However, it may also introduce new channels for risk transmission within the financial system, underlining the importance of effective monitoring and oversight.

Question 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".

The Nordic market is highly integrated with large banks operating in several countries via branches. At the same time, we have seen that there may be a lack of integration in certain areas making it difficult to take fully advantage of economies of scale. The housing/real estate markets are different, the financing products differs due to national traditions, contracts and insolvency laws are different, customers have preferences for "tailored made" solutions etc. Some Nordic banks have withdrawn from certain national markets (i.e. Danske Bank from the retail market in Norway), referring to lack of profitability. Even if there are areas where banking regulation and supervision may be harmonised further, other national specificities remain.

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?

Cross-border activity contributes to innovation and increased competition in the market, and a diversified banking sector consisting of small and large banks, local, national and cross-border banks is beneficial for meeting the needs of different customers. Large international banks and a concentrated banking sector may pose risk to financial stability and be more challenging to handle in a crisis.

Question 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)						

Please explain your answers to question 18:

The Nordic banking region is characterized by extensive cross-border activity conducted primarily through branch structures, allowing large banking groups—such as Nordea, Danske Bank, and Swedbank—to operate across Denmark, Finland, Norway, and Sweden.

The Nordic experience indicates that EU regulation and supervision is not the main barrier to further market integration. Banks have shown they can comply with both EU-wide and national rules while maintaining extensive branch networks.

A bank's geographic scope should be driven by customer needs and the institution's capacity for prudent risk management. Effective risk frameworks adapted to local conditions are essential for ensuring safe operations across markets and for supporting the Commission's broader aim of a well-functioning single banking market. To preserve financial stability while enabling integration, supervision must remain consistent, proportionate, and coordinated across national and EU levels. Strong cooperation between authorities is essential to uphold regulatory standards—for instance in areas such as AML—without imposing unnecessary barriers to legitimate cross-border activity.

Overall, the Nordic region demonstrates that high regulatory standards, branch-based business models, profitable banks and integrated banking markets are fully compatible.

Please see also the responses to Questions 32, 49, 52, 69 and 70.

Question 19. Why have EU banks generally relied more on subsidiaries rather than branches and the free provision of services for their cross-border activities within the banking union and the single market?

Please note that banks in the Nordic region, also large banks, operate cross-border via branches.

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?

It is difficult to assess and compare the total effect of different regulatory systems, also because there are significant differences in banks business models.

Level playing field between EEA and non-EEA banks is important both for competition and financial stability. Internationally agreed standards, in particular those developed by the Basel Committee on Banking Supervision and the Financial Stability Board, play a key role in this regard. Consistent implementation of such standards across jurisdictions helps reduce regulatory fragmentation, limits opportunities for regulatory arbitrage and mitigates the risk of a “race to the bottom” in prudential regulation. From a policy perspective, maintaining robust and internationally consistent prudential standards remains essential for ensuring sustainable competition and safeguarding financial stability.

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

Digitalisation brings clear benefits to financial institutions, customers and society, but also introduces new risks and vulnerabilities. Serious incidents and disruptions to critical financial services may pose a threat to financial stability and have implications for national security, whether caused by financial crime, targeted attacks or operational failures. Financial services also depend on the resilience of other infrastructures, such as power supply and electronic communications.

The Norwegian financial system is among the most digitalised in Europe. Norwegian financial institutions have been at the forefront of developing efficient and customer-friendly services. In the Norwegian market, digitalisation has primarily affected banks' operational activities rather than their underlying business models. While a limited number of niche banks have emerged, the main change is that most institutions have benefited from more efficient and streamlined processes, particularly in lending and payments. Digitalisation has the potential to further reduce costs and improve efficiency in the sector. At the same time, banks must continuously assess the adequacy of their governance, processes and products, and authorities emphasise that institutions need sufficient resources and expertise across all lines of defence as digitalisation continues to evolve. Norwegian authorities support initiatives that promote an efficient and competitive banking sector, provided that they do not weaken the robustness of institutions, consumer protection or financial stability.

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

Digitalisation of core products and processes in the banking sector is emerging. For example, in Norway we see an increased use of automated models in credit assessments and credit decision-making, especially for loans to households and SMEs. The inherent risk related to the loans is unaffected by the digitalisation itself. Regulatory framework and supervisory practices should continue to focus on the underlying risk factors and contribute to sound and adaptive internal governance in the institutions.

Question 32. What are the benefits and the limitations of the current regulatory framework in terms of capital and liquidity requirements allocation within a banking group? What are the main concerns with the possibility to manage capital and liquidity at group level?

Applying capital and liquidity requirements both at consolidated level and at the level of individual entities, supports the resilience of banking groups and financial stability. While managing capital and liquidity at group level may improve the efficiency of internal resource allocation under normal or good conditions, it may raise financial stability concerns as group support is not ensured under stressed conditions.

Question 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)						

Please explain 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)).

See answer to question 32.

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

Large, cross-border banks can contribute to a more integrated and efficient single market by benefiting from economies of scale, particularly in IT infrastructure, risk management and capital markets operations. This may support lower costs and more efficient capital allocation across jurisdictions.

At the same time, the experience from the 2008 financial crisis highlights the risks associated with large and complex institutions, including systemic risk and cross-border contagion. It is therefore important that the regulatory framework adequately addresses these risks. Please see answer to question 7.

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

It is important to bear in mind that non-prudential “barriers” are closely integrated with the structure of the economy and the organisation of the public and private sector in each country.

Question 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		

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	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						

Please explain your answers to question 48:

Banking regulation in Europe has become significantly more extensive since the financial crisis in 2008. The reforms have strengthened the resilience of banks and reduced the risk of

financial crises, but have also resulted in a more complex regulatory framework with multiple layers of rules, reporting requirements and institutional structures.

This development largely reflects the implementation of international standards developed by the Basel Committee and the Financial Stability Board, which has contributed to a more harmonised regulatory framework across the EEA. At the same time, the development of an extensive “Single Rulebook” and the establishment of new European institutions and supervisory structures have added to the complexity.

While Pillar 1 requirements largely reflect internationally agreed Basel standards, the overall framework remains extensive. The EU’s relatively high reliance on advanced approaches such as internal models may add to the overall complexity for both banks and supervisors. Compared to the Basel framework, the rules governing the SREP and Pillar 2 are more formalised in the EU. In addition, supervisory cooperation requirements for cross-border banking groups, particularly in relation to internal models and the SREP, are necessary but relatively extensive.

The range of available macroprudential instruments may make it more demanding to form a comprehensive assessment of risks, and some degree of overlap between instruments may arise. At the same time, these instruments serve different purposes and are important for addressing systemic risks. Procedural requirements for the activation of macroprudential measures, including reciprocity arrangements, are relatively extensive, and relatively frequent periodic review requirements may add to the overall complexity.

The need to ensure that banks can be resolved without the use of public funds, while maintaining critical functions, results in detailed requirements, including resolution planning, EUs MREL-framework and assessments of resolvability. For cross-border banking groups, coordination between authorities is essential, and the related arrangements may be relatively elaborate in practice.

While some degree of complexity is unavoidable in a risk-sensitive regulatory framework, the overall level of complexity is considered high, particularly in areas where rules are detailed, layered and have developed incrementally over time.

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

The transposition of complex international standards into detailed legal provisions is inherently complex. The Single Rulebook with additional level 2 and 3 regulations may both provide guidance and add additional complexity with extensive cross-references within and across legal acts.

Complexity also arises from the interaction between different parts of the framework, in particular the combined application of prudential, macroprudential and resolution requirements, as well as from the multiple layers of legislation, technical standards and supervisory guidance.

While EU legislation and guidelines aim to harmonise regulatory interpretation and supervisory practices, national authorities must still exercise supervisory judgement when applying the rules. Hence, national authorities may need to provide clarification regarding the application of EU rules and supervisory expectations where this is necessary to ensure consistent implementation in practice. Such guidance is necessary and does not in itself create complexity, unless national practices diverge from EU legislation.

When EU rules are implemented in national legislation, it is important to distinguish between the use of national options and discretions foreseen in the framework and differences in implementation arising from other factors. The use of national flexibility may be necessary to address country-specific risks not otherwise captured in the framework, while reciprocity arrangements help preserve a level playing field. Differences in implementation from other factors may contribute to complexity where they are not justified by other national legal requirements or institutional arrangements.

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	No opinion
...less risk sensitivity within riskweighted 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	

Please explain your answers to question 50:

Efforts to reduce complexity in the regulatory framework are important. However, simplification should not come at the expense of financial stability or the resilience of the financial system.

The EU framework largely reflects internationally agreed Basel and FSB standards, and any simplification of the regulatory framework should therefore take place within the boundaries of these standards. Prudential requirements should primarily be designed to ensure financial stability and the resilience of the banking sector. The use of prudential rules to pursue other policy objectives, including preferential treatments that are not aligned with the Basel standards, may weaken the risk sensitivity of the framework and lead to an underestimation of risk. Deviations from internationally agreed standards may also contribute to regulatory

fragmentation and potentially lead to a “race to the bottom” (see also the response to Question 21).

However, it is important that national authorities retain the ability to address macroprudential risks specific to national financial systems and economies. Supervisory authorities close to the national market must also be able to exercise appropriate supervisory judgement when applying the regulatory framework (see the response to Question 49).

Risk sensitivity is important as it allows capital requirements to better reflect the risks associated with banks’ exposures. At the same time, highly risk-sensitive rules may become complex, particularly when they rely on advanced approaches for calculating capital requirements. It should be possible to maintain the principle of risk-sensitive capital requirements while reducing reliance on the most complex approaches.

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), 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 use of directly applicable regulations may, in some areas, contribute to greater consistency and reduce complexity by limiting divergent national implementation. This may be particularly relevant for technical and quantitative requirements where consistent application across jurisdictions is important.

At the same time, directives continue to play an important role in areas where national legal frameworks, institutional arrangements or market structures differ. The appropriate balance between regulations and directives should therefore be assessed carefully.

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

The concept of gold plating is used in different ways. It is important that the concept is clearly distinguished from the use of national options and discretions explicitly provided for in EU legislation. Such flexibilities are an integral part of the EU framework and allow authorities to take into account differences in financial systems and financial stability risks across the EEA-area. Similarly, supervisory guidance or clarifications issued by national authorities to support the consistent application of EU rules should not be considered gold-plating where they remain within the scope of the EU framework.

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

EU banking rules are enforced through a well-established supervisory framework involving both European and national authorities. In our view, this framework has contributed to a generally consistent application of prudential rules across the EEA area, while allowing authorities to take into account differences in financial systems and risks.

National authorities continue to play a central role in the enforcement of EU banking rules, reflecting their proximity to supervised institutions and their responsibility for safeguarding financial stability at the national level.

Continued efforts to promote supervisory convergence, cooperation and information sharing between authorities is important to further support consistent implementation of EU rules. At the same time, improvements should build on the existing framework and preserve the important role of national authorities in the supervisory system.

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?

The sources of complexity are multifaceted, as also recognised by the European Commission, and as discussed in the responses above. Some important drivers of complexity, as well as possible ways to address them, may be summarised as follows:

Scope and accessibility of the regulatory framework

- Make it easier to navigate the regulatory framework and improve the readability of the rules, including through a review and consolidation of the Single Rulebook.
- Consider whether the objective of harmonised rules and supervisory practices could be achieved with less prescriptive supplementary rules and guidelines at Level 2 and Level 3.

Reliance on advanced approaches

- Standardised approaches may be appropriate for banks that plan to use, or currently use, advanced models where the estimation of statistically robust risk parameters based on historical data is challenging, or where the size of the institution makes compliance with advanced approaches particularly demanding.
- A reduced reliance on advanced approaches in the EU framework could simplify the regulatory framework for both banks and supervisors. It would lower operational and supervisory complexity, enhance transparency and comparability, and reduce model risk.

Macroprudential tools

- The macroprudential toolbox could be simplified. Simplification should aim to improve the transparency and usability of macroprudential instruments.

Supervisory cooperation

- Enhanced supervisory cooperation and information sharing between authorities could contribute to greater convergence in supervisory practices.

Reference is made to Sections 3.3, 3.5, and 3.6 with regard to the questions on macroprudential instruments, interactions across parts of the framework, and proportionality, respectively.

In the ongoing international discussions on regulatory simplification, reference may be made, among others, to proposals put forward by the European Central Bank and the European Banking Authority.

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

Risk-weighted capital requirements should remain the primary component of the prudential framework, as they link capital requirements to the risk profile of banks' exposures.

Backstops such as the leverage ratio and the output floor play an important complementary role by limiting the risk of excessively low capital requirements resulting from model assumptions or low measured risk weights, cf. question 63.

Pillar 2 requirements allow supervisors to address risks that are not adequately captured by the pillar 1.

It is important that the interaction between these requirements remains clear and does not create unnecessary complexity.

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

Overall, the leverage ratio framework appears to function broadly as intended. Maintaining its simplicity and transparency is important for preserving its role as a credible backstop within an otherwise risk-sensitive framework. The leverage ratio can be particularly relevant in situations where model-based approaches result in comparatively low risk weights. Model-based approaches may lead to significant differences in risk weights across banks that are not always fully explained by differences in underlying risk. In such cases, a non-risk-based measure such as the leverage ratio can provide an important additional perspective on banks' resilience and help strengthen confidence in reported capital ratios. It may also contribute to improving the comparability of capital strength across banks.

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

The Pillar 2 Requirement is a bank-specific capital requirement which supplements minimum requirements and plays an important role in addressing risks not fully captured under Pillar 1.

Any efforts to simplify the framework should preserve the risk-based and institution-specific nature of Pillar 2. In this context, the ongoing work on the EBA Guidelines on SREP, including a greater emphasis on proportionality, is important.

Guidance should strike an appropriate balance between common expectations at EU level and the need for supervisory judgement by competent authorities, as Pillar 2 requirements are inherently bank-specific. At the same time, it is important to align supervisory practises in order to ensure a level playing field.

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

Pillar 2 Guidance plays an important role in providing forward-looking capital expectations based on supervisory stress testing and institution-specific risk assessments. At the same time, the determination of Pillar 2 Guidance may be relatively resource-intensive, and outcomes may in some cases show relatively limited variation across institutions.

There may be room to further streamline the framework, for example by placing greater emphasis on ensuring adequate capital margins through the ongoing supervisory dialogue, while preserving the role of P2G as a forward-looking supervisory tool.

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

Even if the NPLs are lifted out of the banking system, banks may finance the buyers of NPL and thus be subject to “NPL-risk”. It is important to have an overview of the banking exposures to NPL-buyers.

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

Question 67.1. What measures would you recommend for improving the functioning of AT1 instruments?

The regulatory framework for own funds instruments should ensure that these instruments are capable of absorbing losses effectively in stress. This applies both to Additional Tier 1 and Tier 2 instruments, which complement common equity in providing loss-absorbing capacity.

Recent experience with AT1 instruments has shown that these instruments can be complex, both in their contractual design and in their interaction with the regulatory framework. This complexity may affect how the loss-absorption features of these instruments are understood.

The AT1 conversion / write-down trigger was calibrated based on Pillar 1 CET1 requirement + 25% of Capital Conservation Buffer, at the level of 5.125%. Considering how the current EU framework is implemented, this trigger will not be reached while an institution is still going concern. Furthermore, there is very limited evidence that AT1 instruments ever absorbed losses in going concern as the framework intended either by the write-down or conversion or by withholding AT1 coupon payments. Furthermore, the role of Tier 2 capital as a gone concern capital in case a bank is subject to MREL requirements may be questionable.

Changes that affect the design or functioning of AT1 instruments should preferably be considered at the international level. Given the global nature of bank capital markets, maintaining a consistent framework for regulatory capital instruments across jurisdictions is important.

Question 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)						

The output floor is an important element of the final Basel III reforms, as it limits unwarranted variability in risk-weighted assets resulting from internal models.

In implementing the output floor, it is important to ensure a full and consistent implementation of the Basel standards. Transitional arrangements should therefore remain temporary and should not be prolonged or made permanent.

Applying the output floor at all levels of consolidation helps ensure that the constraint on model-based risk weights is effective throughout banking groups and prevents undue reductions in capital requirements at subsidiary level.

Further changes that would weaken the effectiveness of the output floor or introduce additional deviations from the Basel framework should be avoided.

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	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						

National authorities should have sufficient discretion to address country-specific risks not otherwise captured in the framework, while reciprocity arrangements must ensure that these instruments operate effectively across jurisdictions and support a level playing field. Procedural requirements for the activation of macroprudential measures, including reciprocity arrangements, are relatively extensive, and periodic review requirements may add to the overall complexity. While well-intentioned, these procedural requirements can be counterproductive if national authorities refrain from using macroprudential tools due to the administrative burden.

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?

There could be some merit in reducing the selection of tools to fewer, broader and less granular measures. Merging buffers into releasable and non-releasable buffers categories and reducing complexity in capital stacks may reduce unnecessary overlaps and complexity. Mandatory (automatic) reciprocity of macroprudential instruments is preferable. Simplifications should not compromise the resilience of the banking system or the national authorities' flexibility and power to address risks in their jurisdictions.

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

A buffer for sectoral systemic risk adds complexity to both the macroprudential framework and the capital adequacy framework. Other tools may be sufficient to tackle the risk related to real estate exposures.

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	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)						

There appears to be a degree of heterogeneity across countries in the identification of O-SIIs and the calibration of O-SII buffers. To the extent that such heterogeneity is not warranted, further efforts to promote greater consistency could be considered, including possible adjustments to the framework for identifying O-SIIs and guidance on the calibration of buffer rates. At the same time, it is important to preserve sufficient flexibility for national authorities to account for country-specific conditions in both the identification process and the calibration of buffers.

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?

The main objective is to ensure that banks are resilient and that a sufficient amount of releasable buffers are available. Both the CCyB and the SYRB are considered appropriate for this purpose.

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

Firstly, in the context of a streamlined buffer framework, it should be noted that buffer requirements (and capital ratios) are only credible if they are based on RWAs that adequately reflect the risks. To this extent, supervisory tools to address underestimated risk, particularly in the real estate sector, are necessary as harmonised risk weights and model calibration requirements may not capture the risks in all markets. However, the measures in CRR articles 124, 164 and 458 could be consolidated into one article. In a revised article 458 the threshold between measures that can be activated and prolonged without permission from EU/EEA authorities should be clarified and possibly increased.

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

The complexity of the MREL-framework is, among others, influenced by the elements of the capital stack in the prudential framework, please see the responses under Section 3.5, “Interactions across parts of the framework.”

Question 76. Are the current rules related to the determination of MREL targets effective, efficient, clear and predictable?

We find the current MREL regulation effective and efficient, ensuring banks hold sufficient capital and bail-inable debt to absorb losses and facilitate recapitalization during failure. It prevents taxpayer bailouts by ensuring investors and shareholders bear losses. Being fully based on existing capital requirements (being a mere function of existing capital requirement rules, rather than being based on resolution-specific calculation) reduces complexity for institutions as no new reporting regimes need to be introduced.

However, when it comes to whether the determination of MREL is clear and predictable, we see that national choices can lead to unpredictability with regard to which banks are subject to MREL and how stringent the requirements for subordination and MREL are.

Question 76 (2). How can the determination of MREL targets be rendered less complex, while preserving the resilience of the system?

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	No opinion
Better align MREL to TLAC, by making the calibration more automatic, predictable and transparent, and subject to less discretions by resolution authorities	X					
Better align MREL to TLAC by allowing MREL to be complied with more subordinated instruments		X				
Make the MREL framework for medium-sized and smaller banks more proportionate		x				

Introduce a minimum debt requirement where MREL should be complied with non-CET1 instruments			x			
Other (please specify)						

Please explain your answers to question 76:

We fully agree with statement one, aligning the MREL and TLAC frameworks would reduce the number of elements and stacks in the MREL framework. We somewhat agree with statement two, but see a potential increased funding cost if the requirements for subordinated debt increase. We fully agree with statement three, as we believe current regulation is too complex for medium-sized and smaller banks. Introduction of a minimum debt requirement could possibly increase complexity. As such, the introduction should not come as an addition, but an alternative.

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

We find it unnecessary to apply for the redemption and replacement of MREL debt when it is replaced with debt of at least equivalent quality.

Question 80 In your view, which of the areas below create inefficiencies and undue complexity in the interactions across the prudential, macroprudential and crisis management parts of the framework?

Some overlaps among the different capital stacks and different elements within each of the capital stacks may arise, also in the cross-border context where the methods for determination of the individual elements within capital stacks and the macroprudential tools, incl. the buffers may differ. Multiplicity of MDA restrictions is an issue especially for larger institutions, in particular for G-SIIs in case of the L-MDA and for banks subject to MREL requirements in case of M-MDA. In some cases, it may be counterintuitive that the gone-concern requirements incl. the M-MDA are breached before the going-concern requirements (for example either the MDA or L-MDA). This would usually signal roll-over issues rather than solvency issues, however the non-automatic nature of the M-MDA and discretion of resolution authorities in consultation with competent authorities prevents the automatic application of M-MDA.

The complexity among the capital stacks may also arise in determination of what capital may be used for which of the parallel capital stacks, i.e. parallel use of capital between risk-based and leverage-based stack is allowed, however there are limitations regarding the possibility to use capital among stacks, for example in case of the buffer requirements above MREL requirement.

Regarding issues related to cross-framework governance, this may be very relevant in times of crisis as the transition from competent authorities to resolution authorities may be blurred. In case the resolution authority and the competent authority are part of one public institution, the data sharing may be less burdensome. Crossframework governance and data sharing among several institutions across multiple Member States in case of cross-border groups may be subject to more operational and confidentiality requirements, making the cooperation more burdensome.

The composition and calibration of Pillar 1 capital stack was based on different premises than how the EU framework was implemented. For example, the AT1 conversion / write-down trigger was calibrated based on Pillar 1 CET1 requirement + 25% of Capital Conservation Buffer, at the level of 5.125%. It is clear that considering how the current EU framework is implemented, this trigger would never be reached while an institution is still going concern. Furthermore, there is very limited evidence that AT1 instruments ever absorbed losses in going concern as the framework intended either by the write-down or conversion or by withholding AT1 coupon payments. The role of Tier 2 capital as a gone concern capital in case a bank is subject to MREL-requirements may be questionable. Lastly, the current regulatory framework includes several derogations which increases the complexity– for example, the non-deduction of insurance participations subject to thresholds or subject to regulatory approval in case of financial conglomerates including further derogations about the applicable risk-weight in the latest amendments of CRR.

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

A relatively straightforward measure would be to introduce automated reciprocation of macroprudential measures, which would help ensure that these instruments operate effectively across jurisdictions.

It could also be considered to review the frequency of reassessments of macroprudential measures once activated, in particular for instruments addressing structural risks. As such risks tend to evolve gradually over longer periods, they could be assessed less frequently than under the current framework.

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?

The number of elements of the capital stacks and granularity could be reduced. Furthermore, the gone concern risk-based capital stack is dependent on determination of the going concern capital stack, including the capital buffers. This leads to many interactions in relation to the capital stack and governance arrangements which may contribute to the complexity.

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?

Effective governance arrangements across the microprudential, macroprudential and resolution frameworks require a clear delineation of objectives, sufficient coordination and information sharing between authorities, and a holistic assessment of the combined impact of different requirements on individual institutions.

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

While the regulatory framework includes elements of proportionality, smaller banks may still face a relatively demanding overall compliance requirements which are not always well aligned with their risk profile or business model. In practice, smaller banks may rely on cooperative structures or shared service arrangements to manage these requirements.

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

Caution should be exercised when considering a dedicated regulatory and supervisory regime for small banks. Although such a framework might enhance proportionality and efficiency, interconnectedness between banks — including alliances, mutual ownership structures and cross-holdings— increases contagion risks and may limit the effectiveness of a separate regime. Moreover, differentiating capital requirements between large and small banks could introduce undesirable threshold effects and incentivize regulatory arbitrage. A separate regime could also influence market structure, as it may affect incentives for consolidation and the number and size distribution of institutions.

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

The current definition appears to provide a stable and predictable basis for applying proportionality, without introducing unnecessary threshold effects or inconsistencies. Maintaining the existing definition may therefore support clarity, supervisory consistency and financial stability.

Question 88. Taking into account the need to put in place sound remuneration policies that do not provide incentives for excessive risk-taking behaviour, but also the need to remain competitive and reduce financial and administrative burden, how would you evaluate the following provisions on the pay of directors and other material risk takers?

We would exercise caution with regard to any relaxation of the remuneration rules, which were introduced in the aftermath of the 2008 financial crisis to curb excessive risk-taking and promote more responsible incentives. In this context, any potential adjustments to these requirements should be carefully assessed.

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?

The benchmark reporting and publications (high earner data collection, remuneration benchmarking, gender pay-gap reporting, diversity benchmarking, and reporting on approved higher ratios between variable and fixed remuneration) could be reviewed with a view to simplification, for example regarding reporting and publication frequencies and data templates.

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?

The harmonisation of supervisory reporting ITS and validation rules, as well as the development of EBA filing rules and standardised submission formats, are important measures to reduce complexity in reporting requirements.

At the same time, it is important to recognise that any changes to reporting requirements, both additions and reductions, may entail implementation costs for banks, as they require adjustments to systems and processes. In some cases, stability in reporting requirements may therefore be preferable to frequent incremental changes.

The ongoing work on semantic integration under the Joint Bank Reporting Committee is also relevant for reducing complexity. Future changes to reporting requirements should, to the extent possible, be aligned with and support these efforts.