Board Highlights

A competitiveness and growth regulatory mindset for Europe's banks

16 May 2025, Warsaw – As global dynamics shift, Europe must secure growth, prosperity, and safety. The EU needs an €800 billion annual investment gap and another €800 billion by 2030 for security and defense. The European Commission's Competitiveness Compass focuses on three priorities: boosting innovation, accelerating decarbonisation and competitiveness, and reducing strategic dependencies.

Europe's banks are crucial to this endeavour. By mobilising capital and offering innovative and secure solutions to citizens and businesses, they can help meet the continent's most urgent needs. A competitive Europe needs a competitive banking sector. At its meeting on 16 May, the European Banking Federation (EBF) Board discussed the main priorities to unlock this potential.

EBF President Slawomir Krupa stated*: "Bold and decisive action is essential to rebuild Europe's economic leadership and achieve results. Delivering real change in these areas demands a fundamental shift in mindset—away from a too defensive posture, based upon the flawed assumption that extreme resilience equals health and strength, towards a more proactive approach that embraces growth, appropriate risk-taking and investment as necessary ingredients for competitiveness, growth, and prosperity. Europe's banking sector remains at the centre of the EU's growth strategy and needs to be supported by a regulatory and supervisory framework that empowers it to finance Europe's vital needs: innovation, energy, defence, security, sustainability and strategic autonomy."*

Unlocking capital for growth and security

To unleash growth potential, Europe needs to unlock bank capital as a fundamental resource for supporting its economy and businesses. Now is the time to put that capital to work and ensure that the regulatory framework and supervisory practice move beyond a sole focus on extreme resilience, toward one that empowers the financial sector to act as a true catalyst for growth.

Since 2008, the continuous efforts of the banks and EU's financial regulatory architecture have ensured that European banks are resilient and well-capitalised. However, they are also subject to very high capital requirements and operate under the constant perspective of further increases, forcing overcautiousness, because the European banking system is weighed down by national discretions, capital add-ons and gold-plating over international standards.

Taking into account the already proven resilience and without questioning the fundamental objective of financial stability, it is time to reassess the capital requirements faced by European banks and notably the multiple layers of supervisory capital add-ons imposed at the EU level beyond the Basel minimum requirements. This assessment should also take into account international developments, where some major jurisdictions may not fully implement the Basel III endgame. This raises a critical issue of competitiveness for European banks, whose market share has already been declining compared to their U.S. counterparts, including in key areas such as wholesale and capital markets in Europe. It also presents the question of how much capital is being unnecessarily locked out of the financial system — capital that could otherwise be more effectively used to support lending to households and businesses. For the same reason—unlocking capital—reviving the securitisation market in Europe should be a key priority too, as it would increase banks' lending capacity. It would also provide professional investors with a broader range of secure, diversified investment opportunities and access to risk management tools.

Europe's banking sector: A strategic sector

As Europe shifts from an over-focus on risk avoidance to an agenda of growth, it must recognise its banking sector as a strategic enabler. As proposed in the Savings and Investments Union (SIU), the EBF supports the development of a dedicated report to assess the competitiveness of the European banking sector and guide future policy, as well as tangible measures to foster it, as soon as possible in 2026.

Simplifying & adjusting the regulatory and supervisory framework for growth

Banks' ability to serve efficiently future needs faces a complex and fragmented supervisory and regulatory framework, with proliferation of rules, standards, guidelines, supervisory expectations (level 2 and level 3), and national discretions, in all areas of banking activity, including rules governing retail banking, digital finance, and cyber resilience. Between 2019 and 2024, the EU issued approximately 13,000 new regulations, and EU's financial rulebook now exceeds 15,000 pages of directives and standards. It is therefore essential to examine what can be simplified and streamlined to enhance regulatory and supervisory efficiency going forward.

Regulatory complexity is affecting also Europe's sustainable and digital transitions, often coupled by insufficient analysis of costs, risks, and benefits, and inadequate consideration of unintended consequences that could disadvantage EU banks.

The European Commission's efforts to align regulation with both competitiveness and sustainability objectives are welcome and need to extend to digitalisation as well. The next step must be to reduce regulatory complexity and enhance the competitiveness of Europe's industry and banking system, fostering the financing of businesses and better servicing of consumers. The first omnibus is a welcome first step in the right direction and is fit for the current challenging and rapidly changing environment.

New ideas must pass the competitiveness test

A rigorous mindset should apply, even more urgently, to new proposals with the potential to heavily impact the financial services landscape. The legislative proposals for financial data sharing and digital euro, currently under review by the co-legislators, are cases in point.

Regarding FiDA: despite acknowledging the innovation potential of cross-sectoral data sharing, banks have serious concerns about the proposal's cost implications, divergence of resources without proven market demand, broad scope and unrealistic timelines, and unclear roles for non-EU actors. These should be addressed with robust provisions and a bold rethinking process: the ability of European banks to innovate and compete needs to be the filter for scrutiny within a changed (geo)political context, and withdrawal should remain an option if this scrutiny points to such result.

Regarding the digital euro: ensuring sovereignty in European payments is a highly strategic objective clearly shared by banks, central banks and authorities alike. Europe needs to get there fast and in the most cost-efficient way, and all options must be explored to that end. This includes a real public-private partnership in an ecosystem that makes room for and best use of all available and developing European-wide solutions, including the infrastructure that the industry has in place already.