DO EU FINANCIAL POLICIES STRIKE THE RIGHT BALANCE?

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Chairperson – European Banking Authority (EBA)

Financial resilience as a pillar of EU competitiveness and growth

Resilience: a fundamental value in uncertain times

Europe's banking sector continues to demonstrate resilience, banks enhanced their business models and balance sheet strengths, supported by the rigorous regulatory framework collectively built since the Global Financial Crisis.

Financial resilience is more than a regulatory target, it is a foundational value that supports the stability and growth of the European economy. According to the IMF, countries with resilient financial systems not only rebound faster from shocks but also incur significantly lower economic and fiscal costs during crises.

The essential role of banks in our economies further emphasizes the value of this resilience. Today, European banks actively finance the economy and drive the continent's strategic transitions. They are essential in financing the green transition, promoting digital innovation, and underpinning Europe's strategic autonomy.

Predictable and fit for purpose rules

Banks' ability to support the economy and financial resilience are underpinned by regulatory predictability. Predictability and clarity in regulatory adjustments facilitate innovation, long-term planning and stability.

At the same time, it is essential to ensure that rules be fit for purpose, proportional to the risks they need to address, and efficiently implemented.

Proportionality in regulation is always beneficial, but we should treat simply what is simple and address complexity where it exists. While simplification efforts are necessary, particularly for smaller institutions, they must neither compromise the integrity and depth of risk assessment frameworks nor financial stability.

Completing the Single Rulebook

Regulatory simplification can and should serve efficiency without eroding resilience. Convergence and deepening the Single Market should be one of the main avenues. A single regulation is by nature simpler for a single integrated market than 27 national regimes which are likely to lead to divergence and market fragmentation.

However, harmonization of regulatory differences is not enough. Major challenges remain to fully exploit the benefits of a Single Market.

First, consistency in implementation across Member Sates is crucial to ensure an effective Single Market. This is why the EBA is intensifying its work on supervisory convergence.

A second challenge is completing the Banking Union. Ensuring that citizens deposits within the Banking Union are considered equal across Member States remains a key missing piece of the project and differences in crisis management frameworks continue to fragment the Single Market. Completing the Banking Union will favor cross-border banking activity, consolidation and competition.

Beyond the banking sector, the EU must build a Savings and Investment Union to unlock the full potential of the financial sector and support the EU economy.

Continue to enhance global standards

The EU is implementing Basel III, and the EBA is supporting this trajectory through the delivery of mandates. While there is a clear pathway for EU implementation, it is essential this is mirrored across jurisdictions to ensure global financial stability and a level playing field. In that sense, besides playing an active role at BCBS and international fora to promote dialogue on the benefits of supervisory cooperation and convergence, we must also engage with global partners to maintain consistency while ensuring that national specificities are respected.

As we look ahead, we need to confront key challenges to preserve and enhance resilient open financial markets. Focus should not be about increasing or reducing regulation, but about fostering a stable, efficient and innovative financial ecosystem that is resilient and provides adequate services to the evolving needs of our economy and our citizens while facing adequately emerging risks related to geopolitics, cyber and climate. These are areas where regulatory enhancements, global standards and coordination are urgently needed.

Resilience is not an obstacle to competitiveness, it is precondition. By staying the course, finalizing the Banking Union, engaging constructively with global standard setters and tackling new risks head on, we will ensure that Europe's banks remain engines of sustainable prosperity.

CARLOS SAN BASILIO
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Unlocking growth and competitiveness through regulatory simplification

Over the past decade, the European Union has produced a substantial volume of financial regulation, to the point where it can appear excessively rigid and demanding. As a result, efforts to simplify the regulatory framework have intensified within European institutions.

Two main pillars support this simplification process. The most recent is the Simplification and Burden Reduction (SBR) programme, which has been implemented through the Omnibus packages. These proposals aim to streamline several areas: Omnibus I eases obligations under the CSRD, Omnibus II facilitates funding through the "InvestEU" programme, and Omnibus IV introduces new alleviations for small and mid-cap companies.

The second key reform is the Listing Act, approved last year. This package simplifies several important regulations—including the Prospectus Regulation, MiFIR/MiFID II, and the Market Abuse Regulation—with the goal of making public capital markets more attractive and accessible, particularly for small and medium-sized enterprises.

Regulatory production reached a peak in recent years—now is the time to simplify.

Simplification serves broad objectives: market integration, enhanced efficiency in financial services, and, notably, improved productivity. This last aspect is especially important, as European productivity has been declining relative to other developed economies—a worrying trend that threatens long-term competitiveness.

Simplification and burden reduction in EU capital markets will decrease compliance costs, reduce regulatory fragmentation, and improve market accessibility. This enables firms—especially SMEs—to raise capital more efficiently, invest in innovation, and expand across borders.

European institutions are deploying a comprehensive reform agenda aimed at boosting capital markets. More initiatives are expected in the near future, with the completion of the Savings and Investments Union being one of the most eagerly anticipated. Furthermore, the European Commission is exploring more measures, such as the harmonization of liability regimes across Member States—though the outlook for these initiatives remains uncertain.

However, achieving the objectives set at the European level also requires complementary efforts at the national level. There is a growing recognition among national authorities of the need to foster initiatives aimed at simplifying regulatory frameworks. This movement includes not only streamlining national regulations but also reducing regulatory particularities that may create unnecessary complexity for market participants.

The Spanish National Securities Market Commission (CNMV) is actively engaged in this process. CNMV must promote making capital markets more attractive for companies and savers. We are currently analyzing possible measures to simplify both the regulatory framework and our supervisory practices, aligning with broader European and international trends toward regulatory efficiency and clarity. This approach not only benefits market participants by reducing compliance costs but also enhances the overall competitiveness and attractiveness of the national financial market.

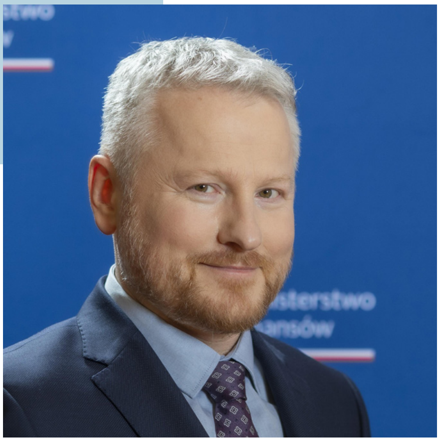
The current conditions for capital raising and market access will be reviewed to promote greater harmonization and simplification, with the aim of reducing administrative burdens, increasing process efficiency, and identifying possible modifications to enhance their attractiveness, while at the same time preserving a high level of investor protection and market integrity.

Despite all these efforts, cross-border fragmentation and limited access to capital markets remain two of the EU's key challenges. Without meaningful progress in these areas, the goal of achieving truly liquid and integrated markets will remain out of reach.

In a globalized financial landscape, where investors have multiple alternatives, Europe must ensure convergence and coherence in its regulatory approach. Failing to do so could mean missing the opportunity to lead the next wave of global economic growth.

The European Union stands at a pivotal moment. Sound decisions now are essential to avoid falling behind in global financial markets. As noted, it is time to simplify, boost efficiency, and enhance competitiveness. However, while simplification is important, we must not lose sight of pillars of our long-term strategy, such as ensuring effective investor protection, which remain the cornerstone of our supervisory mission.

Recent regulatory reforms suggest the EU is on the right path, striking a better balance between oversight and flexibility. By making financial markets more accessible and attractive—especially for retail investors—there is reason to hope for a renaissance of European capital markets, restoring the EU's position at the forefront of global financial influence.



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Balance and ambition: What priorities for the future of EU financial regulation to maintain stability and support growth and competitivenes

The EU has prioritized stability in the past decades. Harmonization, strengthened supervision, better capital buffers, and more effective bank resolvability mechanisms made the financial sector more resilient. It came at the cost of slower economic growth and capital efficiency. Such an approach not only undermines the competitiveness of the European companies but may also lead to deterioration of quality and availability of financial services.

Having acknowledged that, current European Commission, supported by the recent Polish presidency, have already started to act on the premise that it is impossible to eliminate all market-related risks. Now, three clear priorities lie ahead of the EU in pursue of growth and competitiveness: systematic decluttering of regulation, establishment of a functioning capital market framework and digitalization that opens up new sources of financing.

The EU needs not so much a change of direction as a shift in emphasis. Rather than adopting new overly ambitious and protective strategies and regulations, existing legal framework has to be scanned for duplicities, technological incompatibility and economic viability. Any new legislation should be based on impact assessments on the EU competitiveness and its user-experience. To focus solely on risk prevention is insufficient in view of the need to stimulate growth and competitiveness.

To improve the integration and strategic impact of financial services, the EU should make the completion of the SIU a political and economic priority. This entails simplifying product regulation across Member states, and ensuring full portability of pension rights and investment accounts. While economic convergence remains a legitimate objective, unlocking more than 27 500 billion euro in EU households financial net-assets for long-term investment requires addressing deep structural fragmentation within the single market.

The development of truly pan-European ecosystem for personal pensions and retail investing is essential for strategic autonomy and sustainable capital accumulation. A big challenge for the EU is to how alleviate regulatory asymmetries between member states that persist in areas such as product structures, and transparency requirements for long-term saving vehicles. This hinders both cross-border competition and the efficient allocation of capital. However, rather than focusing on a desired architecture of capital markets, we should aim to improve their attractiveness and returns as well as convergence of rules and practices.

A good opportunity to do so will present itself soon. Towards the end of the year the European Commission shall publish the recommendations on auto-enrolment, pension tracking systems, and the introduction of digital pension dashboards with the aim to harmonise the retirement savings landscape but also empower citizens to make informed decisions across Member States. In parallel, the upcoming review of the IORP Directive and the PEPP Regulation should the starting point to modernise the EU's pension architecture. These efforts, combined with broader structural reforms can reduce fragmentation and ensure more equitable access to the benefits of a truly integrated EU financial system.

Important part of strengthening capital markets is also the evaluation of the banking sector's competitiveness. Next year, the European Commission will publish a report assessing the overall situation of the banking system in the Single Market. EU' priority would thus be to quickly remedy any weak points of the system. The report should also address how to the ease the access to capital for SMEs and innovators.

Any new legislation should be based on impact assessments on the EU competitiveness and its user-experience.

All regulatory steps taken by the EU have to be conduct with digital innovation as a priority both on the regulatory and supervisory areas. The above mentioned recommendations on pension dashboards and tracking systems may be a starting point for significantly improving individuals' control over their long-term savings, fostering greater engagement and trust. Embedding proportionality into supervisory expectations would ease entry for smaller, innovative providers as the push forward digital infrastructure.

Digital assets, app-based investing, automated advice or e-ID integration, can make participation easier, more transparent and more scalable. These measures are vital for boosting retail engagement, increasing liquidity in capital markets and enhancing Europe's financial competitiveness in digital age. Regulation and supervision should enable, not stall, their quicker and safer adoption.

BJORN SIBBERN
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Too safe to succeed - Rethinking EU financial policies

In the aftermath of the 2008 global financial crisis, EU policymakers introduced a wave of regulation aimed at mitigating the risk of similar turmoil in the future. The goal of this regulatory approach in the EU was not only to restore confidence in the financial system but also to improve the resilience of EU's economy and create a safer framework for market participants. However, enhancing competitiveness and growth in the EU was only a secondary goal.

This tendency towards overregulation and overprotection of the investor, although well-intentioned in their origins, has come at a cost. The EU has succeed on risk management – as shown during the Covid-19 crisis – but failed when it comes to industry competitiveness and growth, especially compared to other jurisdictions such as the US. By focusing heavily on minimizing risks, the EU has unintentionally created an environment that is often too complex, restrictive and unattractive for key market participants – especially retail investors and smaller firms. This unintended disadvantage needs immediate action from the EU to transform Europe in a place of growth and attractiveness for EU companies and investors. Stock exchanges across the EU must become more appealing places for companies to go public and EU-based enterprises should be competitive on a global scale. Only by advancing on these fronts the EU can keep both capital and issuers from looking beyond its borders.

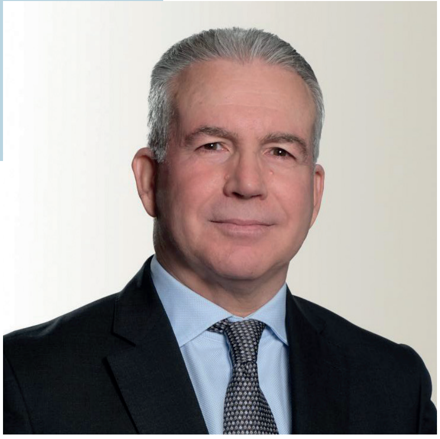
The million-euro question is, however, how to achieve this. Simplifying access to capital markets for investors – particularly retail investors – promoting incentives and fostering financial literacy across the Union is key for this purpose. Furthermore, compliance burdens for firms in the EU – particularly Small and Medium Sized Enterprises (SMEs) – derived from overregulation need to be significantly reduced, not only to make listing more attractive, but also to ensure companies remain competitive and thus appealing to investors. Fragmentation of capital markets should also be tackled by addressing the issues with non-transparent trading and harmonizing regulatory regimes. This includes establishing convergence and streamlining processes that aim at reducing the differences in national regimes regarding taxation, insolvency and company law. It also requires the introduction of depoliticized market access regimes for financial services providers from third countries. In addition, offering enough incentives to companies to remain within EU borders must be at the forefront of the policy agenda if the Union wants to be a competitive player on the global stage.

This said, the answer does not lie in drafting more regulation, but rather in shifting the mindset. The EU should move from excessive rulemaking and self-protection to trusting market participants to make their own decisions. A truly dynamic financial ecosystem is one where best practices emerge organically from companies which are the ones best suited to navigate the regulatory financial landscape. For regulatory measures to be efficient and pragmatic, they need to be driven by innovation and investor needs: this means ensuring that rules not only protect the stability but also empower market participants to grow, innovate and compete on a global scale in the long term.

Furthermore, in shaping the financial regulatory framework, the EU cannot afford to ignore the geopolitical and global market realities. The Union is clearly moving at a different pace compared to other major jurisdictions like the US or the UK, which have demonstrated far greater adaptability in responding to evolving market dynamics. Moreover, any new regulation should be guided by a long-term strategic vision, rather than being driven by short-term political pressures or reactive policymaking. A clear example of this misalignment is the Sustainability Omnibus package, which reflects how the EU's long-standing tendency to prioritize objectives other than competitiveness – particularly in its initial push towards the ESG space - has now required significant rollback efforts.

Moving away from excessive self-protection is not just a regulatory challenge but a strategic need.

If Europe wants its capital markets to thrive, it is time to shift gears. Regulation must evolve from being restrictive to being enabling. Rules in the EU should be simplified in order to alleviate burdens both for investors and companies. This does not mean supporting deregulation, but rather advocating for a more proportionate, market-driven and smarter regulatory framework. Ensuring transparency, a level-playing field and non-discriminatory access for all market participants is not just a regulatory challenge but a strategic need. That is what will make EU markets more attractive to all types of investors, channel more capital into European companies and restore the liquidity and competitiveness the EU urgently needs.



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No sustainable economic growth without competitiveness

Deep, efficient, and resilient capital markets are vital to Europe's ability to finance growth, drive innovation, and ensure long-term stability. While the EU has established a robust regulatory framework, it is crucial to complement its stability-focused approach with a stronger emphasis on growth and competitiveness. As the Draghi report puts it, a rules-based culture is insufficient to address Europe's economic and geopolitical challenges. We must now transition towards an ambition-based economic model—to foster innovation, enhance productivity, and facilitate capital formation, without compromising resilience.

The case for capital markets as a growth engine

Capital markets play a pivotal role in this ambitious vision. A more integrated Savings and Investment Union would make it easier for companies to access long-term investments, help investment funds grow across borders, and improve capital flows, key elements in achieving sustainable economic growth in Europe.

There is no economic growth without capital at work matching financing needs. No sustainable development without industrial competitiveness. What truly matters is the time horizon. If savings invested in equity markets is at risk in case of short-term target because of potential volatility, the more the time horizon is lengthening, the less money is at risk comparing with other asset classes.

Enabling the channeling of European savings into productive, long-term investments is essential. The ELTIF review and the promotion of the Finance Europe label by Member States will help channel savings into sustainable, growth-supporting investments.

Raising awareness of the importance of investing to people's financial future and to the national and European economies we all live in is crucial. But the enhancement of long-term investment solutions through occupational and supplementary pensions, is the best financial education possible.

The "retailisation" of private assets can also play a transformative role, offering higher long-term returns for investors and diversifying sources of financing for businesses, which include many of EU's most promising entrepreneurs and long-standing family-run enterprises.

On securitization, just recovering the pre-GFC level in the EU would yield €300 bn/year out of the €800 bn/year the Draghi report has identified as needed to finance the digital and sustainable transition. As asset managers, managing third-parties money, we need a critical mass from banks and insurance, which will only be interested if revised prudential rules provide enough leeway.

The EU has too long been traumatized by the Great Financial Crisis. For sure, financial stability is the bedrock of long-term development, it is the foundation of a sound economy able to grow. But safeguarding financial stability should be pursued in a way that also supports market vitality and sustainable growth. The recent AIFMD/UCITS review has already achieved a prudent balance, strengthening investor protection and resilience without suffocating innovation or flexibility. Therefore, calls from the Financial Stability Board and others for additional measures should be carefully evaluated to avoid unintended negative consequences. A dynamic, forward-looking regulatory approach will better enable the sector to fund innovation and the green transition, while maintaining the necessary safeguards.

No future for Europe without strong European financial players

Strong European financial players are instrumental to building Europe's future. Policymakers and regulators should facilitate fair competition rather than manage the market, allowing for consolidation and economies of scale.

EU asset managers are typically bank- or insurance-owned, they require capital to conduct the needed investments to thrive. Ensuring a global prudential level playing field for banks and insurers will have a huge impact on the way European savings are managed in Europe, enhancing capital formation for EU asset managers to thrive. Whereas US and EU banks were on par a decade ago, the largest US bank's market value now equals the combined largest 10 bank players in Europe.

Finally, as all key jurisdictions (US, Japan, Singapore, UK…), European and national regulators' mandate shall include "competitiveness and medium to long-term growth, including of financial players".

Conclusion: A moment to rebalance with a long-term vision for Europe

The EU financial policy is at a pivotal juncture. With a robust foundation now in place, it is high time to unlock Europe's savings, empower investors, and elevate the global stature of our financial industry. This requires a shift in focus—from merely controlling risk to investing in EU long-term competitiveness.

Through coherent, forward-looking policies that seamlessly integrate financial stability with long-term ambition, we can create a financial system that supports our citizens, bolsters our economy, and secures Europe's place on the global stage.