www.eurofi.net

VIEWS
THE EUROFI MAGAZINE

SEPTEMBER 2025



STEPHANIE LOSE

Minister for Economic Affairs, Denmark

Europe's security depends on a strong and competitive European economy



CHRISTIAN KETTEL THOMSEN

Breaking down barriers



LOUISE MOGENSEN

From complexity to clarity: Strengthening EU financial regulation through smart simplification



VALDIS DOMBROVSKIS

Building a stronger, more competitive and dynamic European economy

eurofi

EXPLORE OUR WEBSITE
WWW.EUROFI.NET



To get information on our events.

Download our most recent publications.

Access content on key topics in financial regulation and market trends covered by Eurofi.

THE EUROFI VIEWS MAGAZINE

SEPTEMBER 2025

The Eurofi Views Magazine, published twice a year alongside the Eurofi events, presents insights from a wide range of public, private and civil society stakeholders.

The articles explore Europe's key macroeconomic challenges and their implications for the financial sector, examine key industry trends such as digitalisation and sustainable finance, and address financial stability risks. The magazine also provides in-depth analysis of key policy initiatives in all areas of finance - including the Savings and Investments Union, the Banking Union, digital finance and sustainable finance - and assesses their potential impact on the industry, its customers and the wider economy.

CONTENT

1. ECONOMIC CHALLENGES AND PRIORITIES

Global trade and economic tensions 22

Policy priorities for the EU financial sector 28

Monetary policy in an uncertain inflation environment 32

Unleashing long term institutional capital 34

Global coordination and international perspectives 42

2. SIMPLIFYING AND ENHANCING FINANCIAL POLICIES

Do EU financial policies strike the right balance? 50

Simplifying EU financial regulation 56

Simplifying EU banking regulation 62

3. SIU NEXT STEPS

SIU: are we on the right track? 70

Key features and learnings from the Nordic capital markets 76

Capital market integration 82

Boosting the competitiveness of capital markets 90

Relaunching the EU securitisation market 96

Empowering retail investors 104

Long term retail investment products 110

Supporting the role of asset management in the SIU 118

Clearing and settlement priorities 126

4. BANKING AND INSURANCE REGULATION

Improving the competitiveness of the EU banking sector 144

Divergent global implementation of Basel 3 150

Measures to break the Banking Union deadlock 154

Macroprudential framework review 160

EU bank crisis management framework 166

Major emerging risks in the insurance sector 172
Insurance protection gaps 176

5. PAYMENTS AND THE DIGITAL EURO

Policy priorities for the payment single market 186
Retail payment innovation 190
Cross-border payments 196
Digital euro timeline and success factors 198

6. DIGITALISATION AND TECHNOLOGY

Conditions for a successful digital transformation 208
Cryptoasset markets and policies 212
Scaling tokenisation in the EU 216
Building the EU's digital financial ecosystem 222
How will AI transform financial services? 228
Scaling AI in finance 234
Cyber-resilience: first lessons from DORA 240
Open finance and FiDA next steps 248

7. RISK PREVENTION AND MITIGATION

Fraud, theft and AML prevention 256
Challenges raised by the setup of AMLA 260
Enhancing the NBFI resilience 268

8. EU AND GLOBAL SUSTAINABILITY AGENDA

Omnibus directive priorities and challenges 278
SFDR review timeline and priorities 284
Energy transition policies 290
Sustainability risk in a fragmenting world 294

INTERVIEWS

STEPHANIE LOSE
Minister for Economic Affairs, Denmark
Europe's security depends on a strong and competitive European economy 12

CHRISTIAN KETTEL THOMSEN
Chairman of the Board of Governors - Danmarks Nationalbank
Breaking down barriers 14

VALDIS DOMBROVSKIS
Commissioner for Economy and Productivity;
Implementation and Simplification – European Commission
Building a stronger, more competitive and dynamic European economy 16

MARIA LUIS ALBUQUERQUE
Commissioner for Financial Services and the Savings
and Investments Union - European Commission
Making the EU framework fit for purpose 18

LOUISE MOGENSEN
Director General - Danish Financial Supervisory Authority
From complexity to clarity: Strengthening EU financial regulation through smart simplification 48

JEAN LEMIERRE
Chairman - BNP Paribas
Enabling the EU financial sector: It is time for Europe to be bold 136

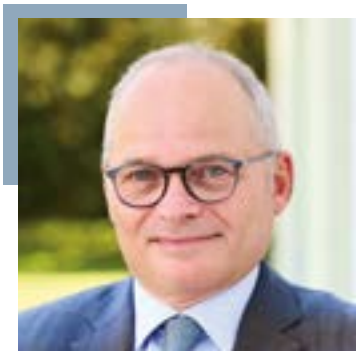
FERNANDO VICARIO
Chief Executive Officer, Bank of America Europe DAC & Country Head, Ireland
Consolidation and securitisation – what the EU's banking sector needs now 138

JÉRÔME GRIVET
Deputy Chief Executive Officer - Crédit Agricole S.A.
Completing Europe's Banking Union: path to financial resilience & competitiveness 140

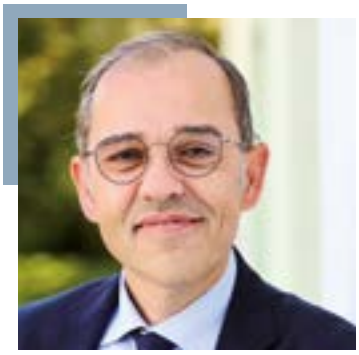
VITTORIO GRILLI
Chairman of Italy & of the CIB, EMEA – J.P. Morgan
Enhancing the EU single market by overcoming internal barriers 142

MARIANNE DEMARCHI
Chief Executive EMEA - Swift
Swift's role as a network of networks is more important now than ever before 184

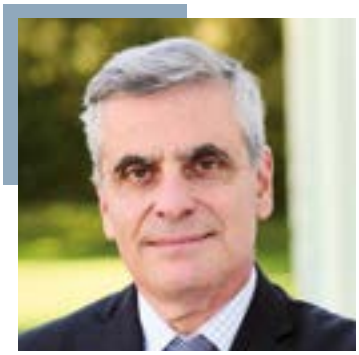
MARK JOPLING
Head of Global Financial Services, EMEA & APAC - Amazon Web Services (AWS)
Cloud & AI in finance: regulatory evolution and AWS's role in digital transformation 206



DIDIER CAHEN



MARC TRUCHET



JEAN-MARIE ANDRES

This edition of the Eurofi Views Magazine is published on the occasion of the Eurofi Financial Forum in Copenhagen, organised in association with the Danish Presidency of the Council of the EU.

The Forum will explore Europe's macroeconomic challenges, key regulatory and supervisory developments in the financial sector at both European and global levels, as well as key industry trends such as digitalisation and sustainable finance and their policy implications.

As the new European political cycle is still in its first year, discussions will also focus on the Commission's priorities to support economic growth and finance the green and digital transitions, against a backdrop of heightened global trade and political tensions.

In the following pages, you will find over 230 contributions from public, private, and civil society representatives participating in the Copenhagen Forum, providing valuable insights into the issues under discussion.

We are grateful to all the contributors for their valuable input, which together provides a rich and comprehensive overview of the current opportunities and challenges facing the financial sector and the policies needed to address them. We trust that you will find their perspectives both informative and thought-provoking.

In addition, the Eurofi Secretariat has updated the Eurofi Macroeconomic and Monetary Scoreboards, which provide a detailed overview of Europe's macroeconomic environment and its potential impact on the financial services sector.

All Eurofi publications are available on our website: www.eurofi.net
Contact: contact@eurofi.net



DAVID WRIGHT

President, EUROFI

Welcome to EUROFI, Copenhagen. Welcome to Denmark, the country who currently holds the Presidency of the European Union. On behalf of EUROFI, our Members and Secretariat, we thank the Danish Presidency for their extensive cooperation and help to establish this September 2025 edition of EUROFI - on our 25th anniversary.

I have the fondest memories of Copenhagen because one of my earliest missions for the European Commission in 1978 was to this city. I remember sitting in the Tivoli Gardens (founded in 1843) on a warm, long June evening and feeling that I was close to paradise! I look forward to another visit and especially to a very rewarding EUROFI week.

The new European political cycle is underway, but very complex domestic and external problems are piling up and political and economic progress, so far, seems slight at best.

What is progress? Emerging, real signs of a stronger European economy; dismantling internal and external barriers to trading (Draghi, Letta plus) leading to irreversible moves towards financial integration and the deepening of the internal market; the EU playing a major, influential, respected role in all the major global, strategic issues of our times; a quantum leap in defence cooperation, integration and pan-EU procurement thereof; and an EU displaying solidarity and cohesion, not fragmentation and division.

On the ground, the European economy is struggling to grow at anything like the level needed to sustain necessary levels of investment, environmental leadership and social cohesion. The European Commission's latest forecast posts just over 1% EU growth in 2025 and little more in 2026. Has the huge opportunity for Europe, given the wildly, erratic behaviour of this U.S Administration, to attract major flows of global capital and inward investment melted away? Are we seeing any signs of serious attempts by EU Governments who are under growing economic and financial stress, in particular some in the Eurozone, to begin to reduce their public sector debt burdens? Is the massive pension funding challenge in most Member States with ageing societies finally being tackled? Is EU competitiveness beginning to improve, particularly at the high-tech end of the business spectrum? Is European financial integration, a vital vector, (and in my view the vital vector) finally on the move? All these without mentioning the massively complex negotiation just beginning on the EU's next budgetary framework.

Regrettably it is difficult to be optimistic. The Commission's latest economic forecasts paint a slow picture, punctuated by only a few Member States performing better than average - Spain, Ireland, Luxembourg, Denmark, Greece and Poland are the « tête de peloton ». As Didier Caren's new book ("The Euro is in Danger") illustrates, public debt levels are flashing red in a number of Eurozone countries, France, Belgium and Italy among them. Interest payments on debt in some countries outweigh defence expenditure, or even education resources soon. The solutions however rest in our hands, in the European institutions and particularly in the Member States themselves.

Meanwhile the EU has been assaulted economically on the tariff front by the United States and the European Commission has accepted, reluctantly, a so-called "deal" (yet to be confirmed politically at the time of writing), whereby EU goods tariffs to the U.S will be about 8-9 times higher than the WTO bound U.S tariffs European manufacturers paid prior to President Trump's second mandate. The U.S arguments that their national security is at stake are fictive and spurious. Claiming that U.S trading goods deficits around the world equals « cheating », is also fictional. If the EU goods surplus is "cheating", then presumably, using the same logic, the very significant and almost equivalent U.S services and investment income surplus with the EU is as well! Or not?

The U.S., still a WTO member, has abrogated all basic global trading principles as well as destroying the WTO disputes settlement process which should have been used to deal with these issues. The EU now has a huge incentive, with others, to broaden its trade agreements, ex-USA, around the world and build, urgently, new institutions with like minded, cooperative countries who want to trade fairly and resolve disputes through binding arbitration. Another solution entirely in our hands.

Concerning financial integration, there has been no progress on banking union at all this year. On the savings and Investment Union (SIU) project more activity is underway. A securitisation proposal has been made and DG FISMA has been mandated to table all SIU proposals by the end of this year. This is welcome but prioritisation is needed because not everything can be dealt with at the same time in co-decision. New incentive mechanisms to channel inelastic retail savings into productive investment are surely a top priority along with pension reform. And non-revolutionary simplification of ESG reporting for example is sensible but must take into account that regulatory stability is very important for firms to plan and invest. The EU will come under fresh pressure soon to reduce its capital requirements as the U.S prepares to take a scythe or to push the delete button to the Basle 3 agreement.

Regrettably the overall SIU picture is still handicapped by 2 factors. First, by having no well-researched macroeconomic analysis, Member State by Member State, on the medium term benefits of European financial integration. Second, having no "finality" date leaving the negotiating process far too open-ended. I was pleased to read in the Financial Times that Enrico Letta now supports this idea, suggesting mid-2027 as the cut-off date in order to create political momentum.

One of the main reasons I strongly support European financial integration is that I believe it will provide optimal conditions to build future European global champions, particularly in tech, from our SME base. Intelligence, creativity and innovation are not per-se European problems. But the financing of fast growing smaller companies in the EU however is seriously deficient and has remained so for decades And another important thought from a former colleague who rightly argues that there are real barriers for securing funding for the SME's that supply big European defence companies who are now called upon to ramp up EU defence in order to fulfill new NATO commitments.

To repeat again, the solutions rest in our own hands.

The European Commission, without doubt, is facing a very tough set of constraints, in particular managing the divided Member States (MS) on many of the seminal political issues we face today. Some MS seem hell bent on opposing all reasonable, welfare enhancing European integration measures on every occasion. Indeed some continue to pursue anti-democratic politics, even siding with the EU's blatant enemies; praising as well illegal U.S trade unilateralism; and continuously hampering European political, legal and regulatory processes. The EU cannot be powerful or effective with these incessant contrarian forces at work. No team - football, rugby, tennis or any other sport - can be successful with some of its team members deliberately wrecking its performance and team spirit.

I ask myself, sadly, whether the rampant, endless negativity and blocking carried out by the worst offenders should mean that they should continue to remain as members of the European Union. The EU is not just about spraying around a "juste retour" pot of money.

These challenges, and others, for us to debate in Copenhagen are highly charged. But, as usual, I hope and trust that we will be strongly supportive of the European institutions and ready to offer creative, forward-leaning policy advice.

Unless we, Europeans, can cooperate and act together more, I fear that our position, our influence and our economies will continue to decline, ushering in, sooner or later, the snake oil politics from the extremist, hard right.

I refer once again, with no apology, to Président Jacques Delors great, defining European epithet:

What are our common interests?
What is the extent of our ambition?

The answers, fellow Europeans, are in our hands.

Nowhere else.



Q&A

STEPHANIE LOSE

Minister for Economic Affairs, Denmark

Europe's security depends on a strong and competitive European economy

What are the main priorities of the Danish Presidency in the economic and financial area?

Denmark's EU presidency takes place at a time where Europe is facing great economic and security related chal-lenges. The world is changing. And Europe needs to step up. We need to strengthen our productivity and com-petitiveness and at the same time we need to invest massively in our defence and the green and digital transition.

Therefore, the Danish ECOFIN presidency has two main priorities – European security and European competi-tiveness. These priorities go hand in hand. In order to finance our priorities related to security and defence, it is necessary to have a strong and competitive European economy. Conversely, a secure Europe that can defend itself is a fundamental framework condition for a competitive economy with strong and sustainable growth.

Ukraine's fight is a fight for freedom, democracy and security – and a matter of security for all of Europe. A top priority for our Presidency will therefore be to ensure continued support for Ukraine. Europe must lead the way together with other like-minded democratic countries. At the same time, Europe has committed to significantly increased spending on defence and security. Europe needs to be able to defend itself by 2030 at the latest.

For Europe to be a strong global player that can take care of its own security, it is paramount that we strength-en our productivity, competitiveness and economic performance, also in view of the Draghi report. The Danish Presidency will therefore give high priority to developing efficient and better integrated capital markets within the Savings and Investment Union, simplifying the EU regulatory framework and reducing burdens on our busi-nesses and authorities, as well as the promotion of structural reforms in member states.

To what extent are European economies affected by uncertainty, and what should be the key domestic policy priorities for improving competitiveness in the EU in a world of systemic uncertainty, low growth and high public debt?

European economies are greatly affected by uncertainty and, indeed, historical challenges. In 2025, the world economy has been characterized by turbulence in international trade and markets, increasing geoeconomic fragmentation and geopolitical challenges. Europe must address our challenges through coordinated and joint action at the EU level, but it is equally important to take determined action in terms of economic reforms at the national level.

Structural reforms in all EU member states are vital to ensure that our national economies are robust, resilient and competitive and have fiscal space for political priorities. Economic reforms are thus essential to handle the fiscal pressures from defence financing, the green transition, and other prioritized policy areas. Reforms enhanc-ing the flexibility and resilience of labour, product, and capital markets have proven to be important for foster-ing more competitive and dynamic economies and thus wealth and prosperity.

Differences across EU countries in terms of productivity and economic growth point to a significant potential in closing the gaps in economic performance through national structural reforms. I believe that all EU member states have work to do.

How do you see the respective roles of private and public financing in supporting the investments needed to achieve Europe's political priorities?

Overall, the European economies do need substantial investments in defence and security, the green and digital transitions, and other priorities. However, Europe's ability for public financing of investments is challenged by high debt in many countries. So the vast majority of new investments will have to be private investments, as also pointed out in the Draghi report. And Europe has great potential to mobilize and attract more private capi-tal. That is why we need to press ahead with the Savings and Investment Union.

It is well known that European households hold substantial savings in bank accounts at low interest rates that could instead be directed towards capital markets to foster investments in productive companies, new technol-ogies, and innovation. We must ensure better framework conditions that allow savings to work effectively in the capital markets to their most productive ends. This will help innovative companies to start up and scale up – in Europe. Our savings represent a significant, yet underutilised, potential for improving innovation and productivity growth. For the benefit of the individual European that invests, and for the benefit of businesses that need financing.

The Danish Presidency will thus give priority to initiatives related to the Savings and Investment Union, includ-ing the proposal to revise the securitisation framework to strengthen the lending capacity of banks, and the upcoming recommendations for European savings and investment accounts to name a few of the first initiatives in the comprehensive work plan.

Public investments also play a role. But again, this requires structural reforms in member states, so we build the necessary fiscal space for investments. Other than that, it is important to better utilise public financing – includ-ing the EU budget – to de-risk and crowd in more private investments, e.g. through a simpler design and in-creased use of guarantees within strategic areas.

The EU budget should be modernised to answer the challenges of the next decade and reflect our strategic pri-orities. The next long-term budget must be simpler and more impactful, setting an ambitious and responsible direction for Europe.

When it comes to common European debt it is important to say that even though a lot of people are talking about it, it is not a silver bullet. Every member state must take responsibility for its own economy through the necessary structural reforms that ensure sounder public finances across Europe. Situations where common debt might be relevant are confined to the most prominent European public good, namely European defence. Our loans for Ukraine and the new loan instrument (SAFE) reflect this logic.

How important is the simplification and burden reduction agenda to European competitiveness?

Strengthening European productivity growth is vital for competitiveness, growth and prosperity. To this end, a simple common rulebook with a minimum of burdens on businesses is key. The European single market with common and streamlined rules is a vital asset and an important driver of European innovation and productivity. And one common rulebook is better for trade and competition and thus also productivity than 27 different sets of rules. However, the advantage and potential of our common rules can be much greater if we succeed in sim-plifying the EU regulatory framework and reducing the burdens on our businesses.

A central priority of the Danish Presidency is therefore the simplification and burden reduction agenda. There is a great potential in simplifying EU rules while at the same time maintaining the underlying goals, i.e. of financial stability and a strong consumer and investor protection. Nationally, we also have to pay attention to implemen-tation costs and the issue of gold plating.

The Commission has already set ambitious targets for the reduction of administrative burdens, and the Danish Presidency is taking the burden reduction and simplification agenda forward, also on financial regulation. To complement the good work on reducing the stock of administrative burdens, the Danish Presidency will pro-mote a forward-looking approach to the flow of new EU legislation. We need to more actively monitor the over-all development of costs for businesses and public authorities of EU regulation.

In order to assess benefits and costs of EU proposals, costs need to be transparent, and impact assessments therefore have to be complete and accurate when the Commission puts forward a proposal. It is equally im-portant to be able to assess the impact of significant amendments to the Commission proposals made by co-legislators during the negotiations in order to have a clear view of the impacts of the final proposals. The Com-mission's work on the methodology on impact assessments, including methods that can be used throughout the legislative process, is therefore much welcome, and indeed a crucial step in our efforts to strengthen Euro-pean competitiveness.

New or revised rules should be relevant, entail a minimum of burdens and result in benefits that outweigh the costs. Simplifying existing rules is not enough: We have to ensure that any new regulation is simple and light in terms of burdens. And we need to make sure that we get the rules right the first time.



Q&A

CHRISTIAN KETTEL THOMSEN

Chairman of the Board of Governors - Danmarks Nationalbank

Breaking down barriers

Given the current geopolitical environment, how do you view economic threats and opportunities as seen from a small, open economy?

The current geopolitical environment is marked by a severe breakdown of rules-based international cooperation. One of the clearest examples of this is the increasing fragmentation of global trade. For small open economies like Denmark, this trend poses significant risks.

Protectionism, rising tariffs, and politically-motivated trade restrictions have steadily increased in recent years. Global supply chains are being reconfigured, as direct trade between countries with conflicting political interests is replaced by indirect trade through intermediary countries. This trend has been further amplified in 2025 by renewed tariff escalations, contributing to record-high levels of trade policy uncertainty. The resulting environment of unpredictability and fragmentation poses a significant challenge, particularly for small, open economies.

Denmark and Danish businesses have long benefited from globalisation and free trade. Free trade enables countries to allocate resources efficiently and specialise in their strengths. In contrast, tariffs and trade barriers distort resource allocation and raise prices. Increased fragmentation of world trade may also temporarily increase global inflation, making imports and production more expensive.

Ultimately, increased fragmentation of global trade tends to limit growth. The economics literature provides ample evidence that both tariffs and non-tariff barriers reduce global welfare. Small, open economies are particularly vulnerable as they depend heavily on international trade for growth, productivity, and price stability. In this context, preserving open and rules-based trade remains a key priority, albeit an increasingly challenging one in the current geopolitical climate.

How do you see the EU being able to turn the tide regarding the productivity of our businesses?

Boosting Europe's productivity is essential if we are to meet the major challenges ahead. Strengthening the flexibility and long-term growth potential of our economies is not just a matter of competitiveness – it is a prerequisite for financing the green and digital transitions, addressing the mounting pressure for defence investments, and the need to strengthen public finances. These are shared European priorities, and they require a stronger economic foundation.

A key lever to achieve this is improving the functioning of the Single Market. Reducing internal barriers, especially in services and financial markets, would allow firms to scale more easily, foster competition, and spur innovation. This is particularly important for small and open economies, which would gain access to larger markets and more efficient supply chains. A more integrated market would raise Europe's overall productivity and help generate the resources needed to fund our common priorities.

Despite progress, the Single Market remains incomplete. Barriers to the free movement of goods and especially services, including financial services, continue to hold back growth. Delayed or inconsistent implementation of common rules, national regulatory gold-plating and untapped potential in shared priorities, such as the Savings and Investment Union, fragment the market and reduce its potential. These issues have been highlighted by the IMF and are supported by recent analyses from Danmarks Nationalbank.

The European Commission's latest country-specific recommendations rightly place strong emphasis on productivity and competitiveness. But the challenges differ across member states and sectors. One size does not fit all. It is crucial that countries with the most pressing reform needs take action. Since we all share the European Single Market, national reforms generate European public goods. When member states "do their homework," the benefits extend across borders.

In the past year, focus has been on simplification and burden reduction as a first response to dwindling productivity. Do you agree with the approach taken so far?

Simplifying regulation and reducing burdens are smart levers to pull to strengthen productivity and our economies. This is also highly relevant for the financial sector with its key intermediary role in the economy. Many of the current rules were formed in the aftermath of the Great Financial Crisis and are rightly, prudent and detailed. That said, I believe that in some areas of financial regulation, the added complexity and burdens have become excessive, even though they aim for important objectives. Both private and public players have contributed to regulatory complexity, often through calls for exemptions or national options.

We fully support work to simplify financial regulation to strengthen competitiveness, while ensuring financial stability. Following Draghi's report and the European Council's conclusions on the importance of simplification, it is full steam ahead. We have to be smart about how rules are simplified. The core pillars of financial regulation, capital requirements, liquidity requirements and resolution frameworks must be preserved and not diluted. Work on simplification is being done in many places, and we need to agree on direction and principles to take this agenda forward. When simplifying regulation, we should adhere to principles of better regulation. Focusing on new legislation yet to be implemented and therefore costs yet to be incurred would have clear added value, but existing regulation also deserve scrutiny.

My conviction is that common rules are very important for a level playing field and cross-border activity in the Single Market and for providing a common good for companies and citizens. Simplifying the EU framework by e.g. removing redundant or futile reporting requirements would mean fewer options and less leeway for national regimes, but is important for a Single Market that supports high productivity and prosperity.

The Nordics, with their vibrant and integrated markets supported by large pension funds and successful consumer investment accounts, are often cited as a source of inspiration for the EU. What key lessons and pitfalls from their experience are most relevant?

Nordic and Baltic capital markets have taken steps toward each other and are now closely intertwined. The reasons are many. Looking at the current landscape, cross-border banking activity and common trading venues are important elements. Pensions and retail investments have also been mentioned in various places as sources of inspiration.

Our experience is that it takes time and active effort to get things off the ground. Both pensions and retail investments have been supported by private and public players. Another commonality is that citizens are actively involved in choosing their financial products and risk appetite benefiting both capital markets and the real economy.

Danish savings-based pensions have been built over more than 40 years and are still maturing. Total pension assets currently amount to around 200 percent of GDP, and the pension system is contributing to sustainable public finances and liquid capital markets.

Occupational pensions make up the largest part of Danish pension savings, largely due to auto-enrolment and relatively high contributions. Additionally, non-guaranteed pension schemes have become more prevalent than guaranteed pension schemes. This reflects a long transformation over the last couple of decades where pension savers that need a new scheme predominantly only have access to non-guaranteed schemes, and pension savers with guaranteed schemes have been given the opportunity to voluntarily shift their savings to these non-guaranteed schemes. This transition is allowing for a higher allocation to riskier investments. It shifts more risks to the pensioner, who has to take into account both the longevity risk and increased expected volatility, including the risk of losses. On the other hand, higher investment risk provides an opportunity for larger returns. These factors have played a significant role in the size of Danish pension savings and their investment allocation.

Another inspiration comes from our neighbour, Sweden, which has had success with a national investment savings account. This has created a closer link between retail investors and the financing of firms, including start-ups. Denmark introduced a similar concept in 2019, which is becoming increasingly embraced by Danes.



Q&A

VALDIS DOMBROVSKIS

Commissioner for Economy and Productivity; Implementation and Simplification – European Commission

Building a stronger, more competitive and dynamic European economy

With Member States facing different challenges — from indebtedness in France, to pressure on the German economic model, to fears of war in the Baltic and Nordic countries — on what basis can European economic and financial cooperation be revived and strengthened?

The EU and the euro area have shown remarkable resilience to a series of unprecedented shocks in recent years. Indeed, Europe is today navigating a period of heightened global uncertainty, with volatile trade and security conditions.

This overall context has weighed on economic growth. In parallel, while public debt has declined in many countries in recent years, overall levels remain close to historic maximum. This comes at a time when public spending faces intense and increasing pressures, including the urgent need to enhance Europe's defensive capabilities. Finally, productivity growth has also underperformed compared to other major economies for the last two decades.

These challenges share a common denominator: the need to improve competitiveness. Following on from last year's Draghi Report, the European Commission issued its Competitiveness Compass in January. It sets out our strategic roadmap aimed at restoring Europe's dynamism and enhancing economic growth.

The challenges we face can only be addressed through concerted and coordinated action. It is vital that the EU continues to coordinate the economic policies of its Member States effectively to enhance competitiveness and secure our long-term prosperity.

This year's country-specific recommendations, which provides tailored policy guidance to EU Member States, translate the priorities set out in the Compass into concrete policy actions. This guides Member States towards play their vital part in enhancing Europe's overall competitiveness. They include recommendations on, for example, improving and simplifying the business environment, fostering innovation, and increasing access to finance.

Our work to implement the Competitiveness Compass is already well underway. The challenge now is to stay the course and, working together with Member States, ensure that our competitiveness agenda delivers on its full potential.

How is systemic uncertainty — notably around tariffs and the global trade system — reshaping investment, inflation, and financial integration in the EU? What policy priorities at EU and Member State level are needed to safeguard resilience, competitiveness, and stability?

The high level of uncertainty when it comes to global trade policy has disrupted essential transatlantic supply chains, to the detriment of businesses, consumers and patients on both sides of the Atlantic, and indeed around the world. The heightened uncertainty has profound implications for economies worldwide, with the European Union being particularly susceptible given its high degree of trade openness.

The EU-US trade deal agreed at the end of July provides a framework for greater stability and predictability for citizens and businesses on both sides of the Atlantic. However, the EU will now have to navigate elevated tariffs while, more broadly, uncertainty surrounding global trade policy persists.

Trade uncertainty deters European firms from investing, expanding and creating jobs as they adopt a "wait and see" approach. Such investment restraint will have cascading effects on economic growth and the labour market, particularly in highly open economies like the EU. According to the European Commission's assessments, high uncertainty has been playing an important role in dampening the growth outlook in recent months and is set to continue weighing growth prospects and trade performance.

To counter these challenges and support sustainable prosperity, strengthening competitiveness and making the most of the EU's biggest asset - the Single Market - are essential. Here again, the Competitiveness Compass will be our lodestar, placing the need to enhance Europe's competitiveness at the centre of the EU's agenda for the next five years.

There is a real momentum for bold action and the work is already well underway.

We are making the most of our main economic asset, the Single Market of 450 million consumers, by tearing down its remaining barriers to boost the EU's economy, while attracting global talent and investment. We are simplifying rules and regulations to empower our business to expand, innovate and create jobs. We are integrating European capital markets through our Savings and Investments Union to better channel our household savings – estimated at €10 trillion – towards productive investments. We are closing Europe's innovation gap and mobilising financing for innovative businesses to scale-up. We are investing heavily in strategies to develop the skills needed for future labour markets, including digital skills. We are reducing Europe's energy costs while decarbonising our economies. We are also working hard to deepen our cooperation with existing trade partners and finding opportunities with new ones.

How can Member States shift from demand support to supply-side investment? What should be the priorities for reforms and could loose monetary policy and high deficits hinder long-term savings and capital formation?

The European Commission recognizes the crucial importance and urgency of supply side reforms.

Mobilising investment requires efforts to foster a more productive and innovation-driven economy, in line with the objectives of the Competitiveness Compass. This work is cross-cutting, including, for example, supporting a more business-friendly environment through simplified and predictable regulatory frameworks, investing in key areas such as infrastructure and research, improving access to finance, and developing skills.

At a European level, in line with the objectives of the Competitiveness Compass, the European Commission has issued policy guidance to Member States targeting persistent challenges to competitiveness such as low productivity growth, underinvestment in research and innovation, supply chain dependencies, skills mismatches, and barriers to business scale-up.

At the national level, EU Member States are playing their part. In plans presented to the European Commission, they have outlined key reforms and investments aimed at boosting productivity and competitiveness. They are taking steps, for example, to ensure the long-term sustainability of pension systems, streamline administrative procedures to reduce burdens on businesses, increase investment in research and innovation, and improve the quality of public spending.

Why has completing the Single Market in services, energy, and digital stalled for decades? Should there be a greater focus on innovation and productive investment in Europe?

Our Competitiveness Compass transforms the recommendations of the Draghi and Letta reports into a roadmap for action. One year on from the presentation of these reports, we remain focused on delivering on their promise.

The Competitiveness Compass places a special and specific emphasis on the need to lower barriers in the Single Market.

The Single Market is the EU's biggest economic asset. Global economic uncertainty underlines the necessity of taking all action within our power to strengthen our economy. Nowhere is this more important than in completing the Single Market and ensuring that it fulfills its full potential.

The Single Market is a key driver of productivity by providing scale for business to grow, and by stimulating knowledge spillovers, competition and innovation. It is therefore an important part of Europe's response to revamp competitiveness and increase economic security.

However, barriers persist. Estimates show that non-tariff barriers to trade remain between EU Member States, and that completing the Single Market could double the aforementioned gains. The bottom line is that to reap the full benefits of the Single Market, we must tear down its remaining barriers. The European Commission is determined to make this happen.

As we move to an increasingly service-based and digital economy, it has become all the more urgent and relevant to deepen the Single market for services. The European Commission has just issued a new Single Market Strategy to remove barriers to intra-EU trade, which has a special emphasis on services and SMEs. The focus is on a limited number of key barriers, the so-called "terrible ten". These include recognition of professional qualifications, restrictive and diverging national services' regulation, rules on packaging and labelling; or burdensome procedures for posting of workers, to name a few.

At the same time, building the Savings and Investment Union and continuing to implement our agenda of regulatory simplification will also be key elements to reducing barriers within the Single Market.



Q&A

MARIA LUIS ALBUQUERQUE

Commissioner for Financial Services and the Savings and Investments Union – European Commission

Making the EU framework fit for purpose

Does the EU prudential framework strike the right balance between stability, growth, and competitiveness? What should be the main policy priorities to foster the development, integration and efficiency of capital markets?

The EU's prudential framework has played a central role in preserving financial stability over the past decade. It provided resilience through the COVID crisis, the recent banking turmoil in 2023 in the US and Switzerland, helped contain recent geopolitical shocks. This robust framework is the result of continuous efforts over the last decade at EU and global levels. And it has served us well. At the same time, we must continue ensuring that our regulatory environment enables growth, innovation, and global competitiveness. In fact, financial stability is a pre-condition to sustainable growth and competitiveness, so I see no contradiction between the two.

The Savings and Investments Union – combining both a capital markets and a banking union perspective - marks a deliberate shift from crisis response to long-term strategic action on policy setting for financial services. This means putting the efficiency and integration of the EU financial system at the heart of our policy agenda. It is not about weakening prudential safeguards, but about ensuring that the rules are proportionate, predictable, and designed to support the real economy. It's about preparing for the challenges of the future having learnt from the past. Our goal is to create the conditions for investment to flow into the most productive areas of Europe's economy, from the green and digital transitions to security and defence. This requires more integrated and unified capital markets.

In that regard, market integration, development and efficiency go hand in hand, and we must act in various dimensions. There is no one single silver bullet measure that will deliver deeper and more integrated markets. I see the Savings and Investments Union as the next major leap forward, a chance to deliver similarly transformative benefits for citizens and companies. Scale matters in this discussion.

What are the main challenges to simplifying EU financial regulation and how can they be addressed? Are changes needed in governance or legislative drafting practices? How can proportionality be embedded in a more effective way?

Simplification is not about deregulation — it is about clarity, coherence, and purpose. A well-designed regulatory framework should enable effective robust supervision, support innovation, and foster trust. Yet too often, complexity itself becomes an obstacle to market participation, especially for smaller players, retail investors, and to cross-border activity.

One of the key challenges – as rightly noted in your question - is that meaningful simplification requires shared ownership across the entire legislative and regulatory process. It calls for a holistic approach that all adhere to. There is certainly room to make our financial regulation simpler and more conducive to growth, and we are already acting on that through omnibus proposals and targeted adjustments to existing EU frameworks. We will continue to review existing legislation in close dialogue with stakeholders to identify inefficiencies and eliminate unnecessary burdens.

The multi-level legislative structure we implemented, based on several expert reports, was a response to the complexity – and long delays – in adopting prescriptive level 1 rules. I believe it is still effective. Yet we often incorporate complexity in our proposals in order to secure consensus — even before the legislative process begins. That must change. To make real progress on that front, we need to anchor simplification in a few guiding principles.

First, we must recognise that simplification often requires change - and change can involve short-term adjustments for longer-term gains. Second, simplification must remain fully aligned with our fundamental objectives: investor protection, financial stability, and market integrity. In other words, we can aim to reduce costs but not lower our standards. Third, we need better data and transparency around compliance costs. Only with concrete

evidence can we prioritise reforms and measure progress. Finally, we need a shift in mindset, across institutions, regulators, and co-legislators. Too often, legislation reflects a patchwork of national preferences and other interests. If we want a regulatory framework that works for the Single Market, we must legislate with a European perspective.

Simplification also needs to happen at Member States level. Some of the complexity and burden stem not from EU rules themselves, but from how they are implemented - including insufficient harmonisation and national 'gold-plating'. That's why simplification must be pursued at both Union and Member State level. Simplification is not a one-off exercise — it is a continuous and laborious process.

How can the Banking Union deadlock be broken? What conditions are needed for an agreement on EDIS, free capital and liquidity flows, and binding cross-border group support?

Completing the Banking Union remains one of the most pressing and complex challenges in Europe's financial policy agenda. The rationale is clear: in a truly integrated banking system, capital and liquidity should flow freely across borders, supported by common supervision, consistent rules, and trust in a shared safety net. Yet despite the significant progress made over the past decade, fragmentation persists. National ring-fencing and domestic bias remain a reality, often driven by understandable concerns from local authorities who fear being left to shoulder the burden in times of crises. If we want a Single Market that delivers both resilience and scale, we must build greater trust among national authorities. That means putting in place credible EU-level safeguards that give host countries the confidence to allow greater capital and liquidity mobility, notably within banking groups.

A key element of that balance is the completion of a robust European deposit insurance. Such a framework would strengthen depositor confidence across Member States, enhance crisis preparedness, and contribute to a more level playing field for banks. We must build on the progress we have been achieving on the Banking Union, reflecting of the different interests at stake and making sure we provide solutions that cater for the challenges ahead.

In the context of reinforcing our Banking Union, the Commission committed to prepare a holistic report assessing the overall situation of the banking system in the Single Market, including the evaluation of the banking sector's competitiveness. This is one of the key deliverables of our Savings and Investments Union Communication and one that will be critically important to define further work. It will also be the opportunity to look holistically to the banking sector and the role of an European deposit insurance.

Why is progress on building a true Savings and Investment Union so slow, despite abundant private savings and major investment needs (green, digital, defence)?

What policy priorities should go beyond securitisation to unlock long-term capital and improve investment allocation across borders?

Like any major reform, delivering a true Savings and Investments Union requires collective buy-in. Since the beginning of this mandate, I've visited many Member States - and I intend to reach all by early next year. Across borders, across sectors, the message is clear: the Savings and Investments Union holds real potential to deliver tangible benefits for every European and every Member State. And yet, as your question rightly points, progress has been slow. Widely stated support for the SIU must now translate into concrete action.

Europe has the capital. Our households are among the world's top savers. We also have immense investment needs — in green and digital transitions, in defence, in innovation. But our financial intermediation is underperforming. Markets remain fragmented. Barriers remain high. And that is costing us — in competitiveness, in opportunity, in strategic autonomy, and in security.

Our strategy focuses on removing the structural obstacles that prevent capital from flowing to where it is most needed. That means improving citizens' access to capital markets through initiatives on financial literacy, pension adequacy, and savings and investment accounts. But we also need to make it easier for institutional investors to play a stronger role in financing growth. Our recent proposal on securitisation is a step in that direction. We are also looking at how to reduce barriers for insurers, pension funds, and banks to invest in equity and venture capital.

We are enhancing the efficiency of trading and post-trading infrastructure, and improving market interoperability. All of this will help reduce costs and increase liquidity — critical steps for scale. At the same time, we must ensure consistency in supervision. Providers offering the same financial service across Member States should not face divergent supervisory outcomes. That's why we are strengthening convergence tools and exploring the case for EU-level supervision in certain areas, to build trust and reduce fragmentation.

Finally, none of this can be done by the Commission alone. We need Member States to act as well — particularly in areas such as taxation, pension reform, and implementation of EU rules. The Savings and Investments Union is not about a single reform. It is a comprehensive agenda to modernise Europe's financial system and ensure it delivers for its people. We are ambitious — and we need our partners to be ambitious too.

1

ECONOMIC CHALLENGES AND PRIORITIES

GLOBAL TRADE AND ECONOMIC TENSIONS 22

Mario Nava - European Commission / **Alfred Kammer** - International Monetary Fund / **Carmine Di Noia** - Organisation for Economic Co-operation and Development / **Michael West** - Moody's Ratings / **Las Olsen** - Danske Bank

POLICY PRIORITIES FOR THE EU FINANCIAL SECTOR 28

Rimantas Šadžius - Ministry of Finance of the Republic of Lithuania / **Andreas Zachariades** - Ministry of Finance, Cyprus / **Pierre Gramegna** - European Stability Mechanism

MONETARY POLICY IN AN UNCERTAIN INFLATION ENVIRONMENT 32

Alfred Kammer - International Monetary Fund / **Johan Van Overtveldt** - European Parliament

UNLEASHING LONG TERM INSTITUTIONAL CAPITAL 34

Philippe Guyonnet-Dupérat - Ministry of the Economy, Finance and Industrial and Digital Sovereignty, France / **Harald Waiglein** - Federal Ministry of Finance, Austria / **Sebastian Thomasius** - Permanent Representation of the Federal Republic of Germany to the EU / **Sophie Barbier** - Groupe Caisse des Dépôts / **Ansgar West** - Munich Re / **Monsur Hussain** - Fitch Ratings / **Jean-Jacques Bonnaud** - EUROFI

GLOBAL COORDINATION AND INTERNATIONAL PERSPECTIVES 42

Emma Reynolds - HM Treasury / **Jean-Paul Servais** - IOSCO

GLOBAL TRADE AND ECONOMIC TENSIONS



MARIO NAVA
Director General, DG Employment, Social Affairs and Inclusion – European Commission

Putting people first to unlock Europe's competitiveness

Over the years, the EU has clearly demonstrated its resilience in times of crisis. The world of today asks once again to show that the EU is not only an economic and peace project, but our best bet for a safe and prosperous future.

The global order is shifting. The world of international cooperation turns into a race with increasing competition. It is imperative for the EU to increase its competitiveness, while considering the different opportunities and challenges in the Member States.

Respecting national, regional and local diversity is key for a fair and just transition. Member States are impacted by global shifts differently, depending on reliance on energy exports and global trade. Their economies also face specific transition paths, depending on industrial specialisation that leads to different labour market and skills needs.

President Von der Leyen outlined in her Political Guidelines *"Our threats are too great to tackle individually. Our opportunities too big to grasp alone."* The best way to do so is by leveraging the EU's unique assets – the single market, the EU's social model and its people.

People are at the centre of Europe's strategy for competitiveness, but the EU is still facing skills shortages and gaps. Despite a record high employment rate of 75.8% in 2024, European companies struggle to find the staff that they need. Four in five SMEs report skills challenges and 70% of businesses report that the lack of right skills hampers their investments.

This calls for a step up in ambition and action to invest in people. This is the objective of the recently adopted Union of Skills that sets out over 40 actions to upskill and reskill the workforce, underpinned by governance and investment. It provides a framework for action, but its success depends on a joint effort.

Member States play a central role in this. The persistent skills shortages must be addressed via structural reform, with skills strategies that link policy to skills needs and funding.

Empowering adults to upskill and reskill is a must. EU leaders agreed on the target of 60% of adults participating in training every year by 2030, today we stand only at 39.5%. Individual Learning Accounts – digital wallets with training entitlements – could help reach this target, with more than half of the Member States exploring this. Skills Academies – EU-wide training initiatives in strategic sectors - are also a powerful tool to help fill skills gaps, when traditional education and training cannot keep pace with the change, especially in strategic sectors, such as net-zero industries.

It is key to provide a platform to engage key stakeholders in industry and develop a sectoral perspective on skills. Employers lack resources to develop training content, especially SMEs. Creating partnerships between businesses, education and training providers and governmental actors in industries helps leverage resources. The Pact for Skills and its Large-Scale Skills Partnerships in all industrial eco-systems and across regions is an excellent example.

Another imperative is to activate everyone, especially those furthest away from the labour market. This calls for targeted support measures, with a central role for Public Employment Services, for high quality career guidance, and validation of skills.

> Investing in people's skills is key to Europe's competitiveness.

To be effective, these measures must be well-informed and funded. Currently, skills intelligence remains fragmented. Available data must be coordinated and used better, to help define skills needs across Europe. The European Skills Intelligence Observatory, part of the Union of Skills, will play an important role. Effective skills measures also need sufficient funding. The current EU budget invests 150 billion in skills, complemented by national and private funding. Looking ahead, the Commission proposals for the next EU multiannual financial framework put a strong accent on skills development and investment in human capital.

Work remains, and we can build on lessons learned over the years, adjusting coordinated action to the fast-paced reality of today. Skills are a high political priority, put centre stage at EU level already during the European Year of Skills 2023 – 2024. We continue our efforts to show that skills are an investment that pays off many times over.



ALFRED KAMMER

Director, European Department –
International Monetary Fund (IMF)

Europe's blueprint for higher and more resilient growth amid global uncertainty

A deteriorating external environment weighs on Europe's outlook. Sustained high trade policy uncertainty, tariffs, and rapidly shifting geopolitical developments continue to cast a shadow over the continent. Front-loading of exports to avoid tariffs lifted growth early in the year, but the underlying picture remains broadly unchanged. As this temporary boost fades, Europe is headed for a slow grind as the negative effects of fragmentation add to the long-standing decline of productivity growth and rising fiscal pressures.

Yet Europe has the blueprint for higher and more resilient growth. When access to foreign markets is curtailed, expanding Europe's internal market to its full scale would open new avenues for growth and enhance resilience through greater risk diversification. Over the past three decades, the EU has made remarkable progress in deepening its single market. But momentum was lost. Policymakers understand the untapped potential, but plans to complete the single market remain tentative, narrow, and lack ambition matching the challenge. In short, recognition still needs to be translated into action.

A deeper single market could unlock enough European growth potential to counter global headwinds. Divergent regulatory frameworks and a lack of political consensus have stalled progress toward fuller integration. Achieving a Savings and Investments Union (SIU)—one key ingredient—requires overcoming these obstacles. Capital could then be allocated more effectively across borders and spur innovation by offering risk funding for start-ups and upscaling. Reducing the still sizable remaining barriers to goods, services and labor mobility—another key ingredient—would provide startups and innovative firms a large market to grow at scale and use inputs more efficiently. A more integrated energy sector could also improve energy security and reduce dependency on non-European suppliers. An IMF recent study shows that such a package of tangible reforms could raise GDP by 3 percentage points.[1] It would also strengthen resilience against external shocks through increased EU interconnections.

Domestic structural reforms are a crucial complement to single market integration. Ambition also pays at the national level. Closing just half the gap to the most growth-friendly structural policy settings across EU countries could raise GDP in the EU over the medium term by almost 6 percent.[2] Combining domestic and EU-level reforms would amplify Europe's economic potential more than either alone. For example, making progress on the SIU would greatly magnify the benefits of domestic efforts to raise private investment by giving firms easier access to risk capital.

Another lever to raise Europe's growth and resilience is broadening its global trade partnerships. The EU has benefited enormously from the open, rule-based trading system. Policymakers should strive to preserve it and use trade defense measures judiciously. Meanwhile, the EU can forge deeper trade ties with others, encouraging investment and job creation. Examples include ratifying the trade agreement with Mercosur, building deeper relationships with the UK and Switzerland, and concluding the bilateral FTA with ASEAN member countries.

> **Plans to deepen the single market remain narrow; they need more ambition and need to be acted on.**

Turning this blueprint into action will take strong political leadership and bundling reforms to ensure shared gains. Much like the NGEU overcame deep-seated reluctance to share fiscal resources by packaging grants and loans with conditionality, EU growth reforms could also be bundled to offer net gains for everyone. In addition, the EU's Multiannual Financial Framework (MFF) needs to be scaled up. Our estimates suggest that to adequately support the provision of European public goods (EPGs), the spending on these should increase by 0.5 percent of GNI annually, more than in the current proposal. A small budget risks foregoing EPGs or pursuing them inefficiently through national budgets. On national reforms, the MFF's mainstreaming of performance-based budgeting is welcome. These efforts should be combined with strategies deployed in successful reform cases—such as, for example, Sweden on private savings and Germany on labor markets—including clear communication, strong institutional setups, proper sequencing, and buffering adjustment costs.

Europe should act now–when costs are still manageable–rather than deferring reforms until persistently sluggish growth and further rising spending pressures force disorderly adjustment.

This article was co-authored by Xiangming Fang (IMF).

1. *Lifting Binding Constraints on Growth in Europe: Actionable Priorities to Deepen the Single Market, IMF/WP June 2025.*
2. *Europe's National-Level Structural Reform Priorities, IMF/WP May 2025.*



CARMINE DI NOIA

Director of Financial and Enterprise Affairs – Organisation for Economic Co-operation and Development (OECD)

Systemic uncertainty: a threat to EU integration?

European economies are navigating significant systemic uncertainty largely related to trade policy and global conflicts. It is tempting to point to the exogeneity of these factors and describe European policymakers as simple "price-takers". However, this would be only one side of the coin. On the other side, past policy actions have determined how resilient the European economic system is to systemic uncertainty today.

A brief overview of the main European macroeconomic indicators reveals two main long-term trends that undermine the EU's capacity to face geopolitical and trade tensions: overindebtedness and underinvestment. It is important to note that borrowing poses fewer risks when used to boost growth-enabling investments, yet this has generally not occurred.

On indebtedness, the latest edition of the OECD Global Debt Report shows that public debt has been on a rising trend over the last decades. It increased sharply during the global financial crisis and the COVID-19 pandemic to fund countercyclical economic policy measures. The result is that many governments are concerned that additional borrowing to fund measures to tackle systemic uncertainty could deteriorate market confidence, widen spreads and, in the worst case, even trigger a sovereign debt crisis.

On investments, the volume of productivity-enhancing investments has been disappointing in the EU since the early 2000s, worsening following the global financial crisis. After the crisis, non-financial companies' total investments in capital assets and R&D declined and recently stagnated. At the same time, many governments restrained investments partly to avoid aggravating their fiscal balance. These were short-sighted choices which, in the long term, led to weak growth and, consequently, less sustainable debt burdens.

Geopolitical and economic fragmentation add to and may worsen high debt and low investment trends.

Geoeconomic fragmentation has steadily been among the top sovereign debt managers' concerns over the last few years. This is particularly important as foreign investors are a significant source of demand for European sovereign bonds. Global tensions may cause a sudden drop in demand from these investors and heightened volatility, resulting in higher borrowing costs and a shift in resources from growth-enhancing investments to interest payments.

In general, geopolitical and economic fragmentation can disrupt foreign investments. Foreign investors may be less inclined to invest in countries politically less aligned with their own. Moreover, recipient countries may want to limit investments from abroad when they perceive them as a threat to national security.

This trend is exemplified by the widespread adoption and strengthening of FDI screening mechanisms across the European Union, as well as the new EU Recommendation (2025/63) on outbound investments. Today, all EU countries adopt or are discussing whether to adopt screening mechanisms. This is also due to the encouragement from the Commission. It is important to utilise these instruments to effectively address national security threats, instead of pursuing unwarranted state interference in the economy.

It is not possible to foresee the evolution of international trade policy and global conflicts. However, we can observe that these tensions have already contributed to a change in mentality among European policy makers who now seem to no longer judge economic globalisation as an inherently beneficial trend driven by politically neutral market forces. It is plausible to expect that this new mindset will keep affecting European policymaking in the future.

Geopolitical and economic fragmentation add to and may worsen high debt and low investment trends.

National security is now a key factor in decisions of EU policy makers on themes such as fiscal discipline, capital markets liberalisation, and state economic interventionism. This is good, as being able to better leverage the national security exception makes the EU more resilient to future shocks. However, the risk is that security-driven policy stances may lead to excessive fragmentation of the Single Market, foregone investment opportunities, and capital misallocation.

Against this backdrop, international coordination among partner governments continues to be essential, and the OECD remains one of the best fora to this end.



MICHAEL WEST
President – Moody's Ratings

Will geopolitics catalyze decisive European reforms?

Europe's long-standing economic model - built in an era of increasing global trade and investment links and a relatively benign regional security environment - faces geopolitical challenges.

The European Union's size gives it a considerable advantage in navigating these challenges. It is the world's third-largest economy. At 16%, its share of global trade surpasses that of the largest two economies, US and China. The Euro's 40% share in international trade invoicing matches that of the US Dollar.

However, these statistics mask an underlying fragmentation among EU member states that has inhibited the economic benefits of Europe's scale. Geopolitics may well catalyze collective action that bolsters Europe's growth, by providing an imperative for overcoming narrow differences to meet broader common goals.

Higher US tariffs are an example of external pressures on Europe's growth. On the surface, Europe's size is a buffer. US-bound gross value-added exports account for just 1% of EU GDP. Looking deeper, however, reveals that tariffs will negatively affect some large, employment generating sectors in Europe.

Of the more than 900 companies we rate in EMEA, about 10% are highly exposed to tariff related disruption through their revenue exposure to the US, global supply chains and limited pricing flexibility. An example is the auto sector, which relies on the US market for 20% of exports. Its reliance on imports from the rest of the world exposes it to tariffs beyond Europe. Moreover, the European auto sector also faces considerable global competition as EV technology and pricing shift.

The security environment is another source of pressure. Europe's NATO members have pledged to raise core defense spending to a minimum of 3.5% of GDP, with total defense spending expected to reach 5% over time. This buttresses national security, but at a fiscal cost. We estimate it could increase debt-to-GDP ratios by 3.5-5 percentage points by 2029 across Europe's four largest economies - adding strain to public finances already stretched by the pandemic shock and unfolding demographic trends.

European defense manufacturers will benefit from this boost to spending, with spillover effects on growth in related sectors. However, Europe does not currently have the capacity to fully meet its defense needs, so some portion of this spending will go to imports, including from the US, rather than the domestic economy.

Each of the growth and security challenges outlined can be mitigated by channeling more private and institutional capital into productive investments. This, in turn, requires financial deepening that serves a three-fold objective: stronger growth and security, new investment opportunities for Europe's substantial pool of savings, and greater financial resilience to market volatility.

The recent securitization proposal, among the measures to develop the Savings and Investment Union, aims to support such financial deepening. It could also support Europe's private credit markets, and their interlinkage with the broader financial sector. Private credit already accounts for around $500 billion in assets under management in Europe —nearly 30% of global private credit AUM. Our survey of 32 global banks shows that while current exposure of banks to private credit is modest—just 4% of loans in Europe—it is growing in line with the expansion of private credit itself.

Geopolitics could catalyze collective action that bolsters Europe's growth.

With its access to long term funds, private credit brings the potential for matching long-term liabilities to long term assets. It also serves to diversify sources of funding for borrowers, alongside banks and public debt markets. However, compared to these financial segments, it is less transparent and has a more limited track record in multiple credit cycles. As in other areas, the role of policy and regulation will be to support private credit growth that increases long term investment and diversification while building guardrails against the risks associated with opacity and a shorter track record.

Today's juncture of geopolitical and market shifts offers Europe an opportunity to unleash its full potential. It will require collective policy actions that channel funds to productive activities while enhancing the European financial system's shock-absorption capacity.



LAS OLSEN

Chief Economist and Head of Macro Research – Danske Bank

Nordic economic outlook amidst global trade and economic tensions

While Donald Trump made his plans of imposing tariffs widely known well before last year's election date, few could have imagined the scale of trade uncertainty that followed in 2025. Particularly the Nordics, as small, open and cyclical economies have been exposed to the risks.

A pessimist sees the tariffs as another negative shock following years of pandemic restrictions, high interest rates, energy shortages and a war in Ukraine – all of which have affected the Nordics more than others. But at the same time, the renewed impetus for fiscal policy driven investments, whether for defence, alternative energy sources or shifting supply chains, have all sparked a welcome jolt of optimism particularly for the region's stagnant manufacturing sector.

Danske Bank continues to forecast recovering growth for the Nordic economies despite the trade war and seemingly high tariffs imposed by the US. We emphasize two factors that support the cautiously optimistic view:

1. While the US has played an outsized role in driving export growth over recent years, the growth outlook does not rely just on exports. Slowing inflation and recovering real incomes will provide support for households' consumption. With high share of variable interest rate loans in Sweden, Norway and Finland, the decline in central banks' policy rates has already begun to provide tangible support for households and businesses alike.

2. We believe the US will struggle with decreasing its import dependency given the limited labour supply. As Nordics and broader Europe seem to avoid the highest tariff rates relative to global peers, the trade war does not automatically weigh on export competitiveness as long as final demand holds up.

European politicians have shared varying opinions on the recent trade deal between the US and the EU, but at the very least, the easing uncertainty will allow businesses to finally start adapting to the new landscape. While parts of the deal related to tariff carveouts for specific sectors remain unclear at the time of writing, we estimate that the EU will face a trade-weighted average tariff of around 12-13%. This is below the trade-weighted average tariff on all US imports, which hovers close to 20%, meaning that the EU exports continue to face tariffs below the global average.

In our baseline scenario, we expect the euro area economy to grow by 0.9% this year and 1.2% in 2026. Similarly, we forecast Danish growth at 3.2% and 2.5%[1], Swedish at 1.6% and 2.5%, Norwegian at 1.7% and 1.6% and Finnish at 0.9% and 1.7%, respectively.

Further escalation in trade tensions could still weigh on the growth outlook indirectly, particularly if more expensive tariffs end up weighing on US final demand. The negotiations between the US and China were extended by another 90 days in late July, meaning the risk of renewed tensions persists. In a worst-case scenario, if the US were to reimpose the 145% tariffs that it held against China earlier in the spring, the average trade-weighted tariff rate of all US imports could rise above 30% - and tilt the US economy into a recession roughly comparable to the burst of the dotcom bubble in 2001.

In such a scenario, we would expect both Nordics and the broader euro area to avoid an outright recession, but the growth outlook would still be clearly downgraded. Within Nordics, Denmark faces perhaps the most uncertain situation given the country's large pharmaceuticals sector and its' still unclear tariff level. That said, while the US is by far the Denmark's largest export market, more than 75% of the exported Danish goods are actually manufactured outside the country's borders, and often within the US itself.

US is relatively smaller, though still important market for Swedish and Norwegian exporters, with a share of around 8-9 % of total export value. Sharp strengthening of the local currency has been an additional headwind especially for Swedish export competitiveness, with USD/SEK rate declining by nearly 12%. That said, we do not expect the SEK appreciation turning into a longer-term trend. Finland stands in the middle of the pack when it comes to US exposure in its exports, with a share of around 11%. The Finnish economy is recovering from a much more fragile starting point than its Nordic peers, as the end of trade with Russia as well as the steep downturn in local construction sector pushed the economy into an outright recession in 2023.

We expect the Swedish Riksbank to maintain its monetary policy unchanged over coming months, but if the escalating trade war would increase the downside risks for the economy, we see room for 1-2 more rate cuts. Norges Bank initiated its rate cutting cycle only this summer – significantly later than its peers. We expect rate cuts to continue later this year and into 2026 irrespective of the trade war, dampening further risks for the Norwegian economy.

1. *There has been a major revision to Danish historic data since this forecast was made in June. This implies that growth will be lower in 2025 than what is forecasted here. Our next forecast will be published in September.*

Forum organised with the contribution of the Eurofi members



POLICY PRIORITIES FOR THE EU FINANCIAL SECTOR



RIMANTAS ŠADŽIUS
Minister of Finance of the Republic of Lithuania

We need inclusive EU capital markets

The European Union is the greatest and the most successful peace and prosperity project in the world. Many who have contributed to its creation and sustainment can rightfully be proud. Nevertheless, this pride and satisfaction has, perhaps, created a false sense of completion, as lately most of our improvements and initiatives come only after major shocks or emergence of external challenges. The EU still has a lot of endogenous structural issues to overcome, one of the most important ones being the lack of an integrated capital market.

The EU enhanced the stability of bank financing through big steps in building the Banking Union. In contrast, the progress in integrating capital markets has been limited to date and the Commission's measures had little catalytic effect so far. Capital markets in the EU remain highly concentrated and strikingly heterogeneous between Member States. They vary significantly in size, maturity, average financial literacy of SMEs and businesses and even financial products available.

More progress on Capital Markets Union could have a substantial positive effect on EU economy, which is experiencing much lower growth rates compared to the US. The EU has a predominantly loan-based financial system relying strongly on bank-based financing with little alternative funding sources. It is one of the reasons why large discrepancies between Member States persist in the size of the SMEs' financing gap and the availability of funding sources. The so-called 'debt-equity bias' is a disincentive for the development and integration of capital markets. Other issues, such as a lack of harmonized insolvency proceedings and the general diversity of company law across the EU, are well known.

Having in mind that reaching EU-wide solutions takes time, while having divergent situation across the EU in terms of capital markets development, it is essential to push forward less advanced capital markets in parallel to their EU-wide integration into Single Capital Market. We have to unlock European private funding potential to invest in the real economy by overcoming key cross-border barriers to investment as well as ensuring better returns for citizens throughout the EU. Without political dedication in building a truly European and inclusive capital market and further measures to tackle key cross-border barriers, it will be difficult to deliver added value for EU businesses and investors.

> It is essential to push forward less developed capital markets in parallel to EU-wide initiatives.

Therefore, fostering efficient local capital markets would contribute to building a genuine CMU. The lack of development of capital market is best seen in the Eastern part of the EU, where its activity is only a small fraction of the one in the west. This has incentivised some regional initiatives, like efforts of three Baltic states to move forward by developing the pan-Baltic capital market. Thus, the first step should be to render local capital markets deeper, more liquid and better aligned with regional counterparts. This will require willingness, comprehension, substantive efforts and delivering real structural reforms. Commission should use more actively all available tools, such as technical support and country-specific recommendations, to incentivize and help build financial ecosystems across Europe, not relying solely on national initiatives or demand.

We should also not forget about stability and resilience of our financial system. We have made much progress with the Banking Union, but we need to implement European Deposit Insurance Scheme to finally finish it. This would further reduce fragmentation and potential volatilities of the banking sector. Of course, risk sharing when the risks are not evenly distributed is always politicly difficult. However, the whole EU would benefit from added stability of EDIS, even the Member States with low risks currently, as the EU economy is heavily interconnected and prone to positive as well as negative spillovers.

Lastly, I would caution against following the US example of deregulation, which seems tempting as it brings fast results and, in some cases, fast growth. Unfortunately, it also breeds crises with potentially much greater declines. We should avoid unwarranted booms as they are always followed by inevitable busts. Therefore, I am confident that in the EU we have to continue implementing our simplification agenda aiming to reduce administrative burden and excessive requirements but not compromising on financial stability.



ANDREAS ZACHARIADES
Permanent Secretary – Ministry of Finance, Cyprus

In the SIU we trust, but how is trust built?

Europe has ample savings, but insufficient investment. The channeling of private savings into investments is a necessary paradigm shift, given the public sector's limited fiscal space and the need to reduce bank-based funding.

It is a paradigm shift, because savings are currently largely held in deposits with credit institutions. Deposits are sums repayable on demand or at a contractually agreed point in time (with repayment of the principal being unconditional with or without interest), benefit from deposit-protection schemes and are used for the credit institutions' own account. Conversely, long-term investments typically involve an investment fund, an investment account or another investment arrangement. They also require an extended investment horizon, usually accompanied by liquidity constraints. In addition, the investment takes place for the benefit of the investor and the principal amount invested is subject even to full loss, without any deposit guarantee-like mechanism.

Given those diametrically opposed investment concepts, EU and national policy priorities should:

- Intensify financial literacy to enable citizens to familiarize themselves with their role as long-term investors and the benefits of the European Single Access Point (ESAP), which improves transparency and data availability;
- Provide tangible benefits for channelling deposit-held savings into long-term investments, such as tax incentives (e.g. for equity-based savings plans), while allowing Member States relevant flexibility; and
- Foster trust into such channelling by providing for co-investments by EU and national bodies.

A distinction needs also to be drawn between growth of capital markets as a result of additional pools of assets created by the said channeling, on the one hand; and improving performance of capital markets on the other hand. While the former can be supported through policies that encourage retail participation and channel private savings into long-term investments, the latter also depends on factors outside a policymaker's reach.

The Savings and Investment Union has been announced as a horizontal enabler that will create a financing ecosystem to benefit investments in the EU's strategic objectives. While there is unanimous support for the end objective, the way the said ecosystem will function and be supervised is the subject of policy debates and issues, such as the ones below:

- Will supervisory responsibilities for capital markets remain with National Competent Authorities, or will there be, through a more or less gradual centralising process, a shift towards a single regulator (ESMA)? Even the second limb of this question is a debate per se.
- Will there be a consolidation of stock markets, in particular of the post-trade environment by means of a single settlement platform, or will trading competition among national ecosystems continue?
- The simplification efforts, including simplification by means of non-action letters by the ESAs, to counter overregulation have not reached the desired scale.
- There is a pressing need to ensure a credible pipeline of green and digital investment projects, backed by reliable disclosures and transition plans.

Unlocking of long-term capital and improvement of cross-border investment allocation face the common challenges of asset accessibility and asset tradability. Bearing this key premise in mind, the following additional policies should be deployed beyond securitization:

- Incentivize the use of dedicated long-term investment vehicles, such as the European Long-Term Investment Fund (ELTIF) and of venture capital funds, by also recognizing these as eligible or privileged investment partners for projects co-financed by EU public bodies;
- Reallocate private savings into investments instead of deposits, given that banks usually avoid cross-border lending;
- Improve access to cross-border investment platforms, so that EU savers can benefit from EU-wide solutions;
- Promote further the use of crowdfunding platforms as a mini-IPO tool for SMEs and (innovative) start-ups;

Challenges and policy recommendations for the SIU

- Highlight the potential of tokenisation as a tool to enhance tradability of property and other illiquid non-financial assets. Tokenisation can also support SME financing through the issuance of utility tokens offering access to goods and/or services; and
- Communicate the importance of the Multiple-Vote Share Structures Directive (the **MVSSD'**). Its quick transposition can facilitate the public funding of SMEs, start-ups, even of mature companies, since founding owners can retain control while seeking liquidity on secondary markets (MTFs).



PIERRE GRAMEGNA
Managing Director – European Stability Mechanism (ESM)

Towards a stronger euro: Strategic priorities for the EU financial sector

The global financial landscape is shifting. In April, following the US's sweeping tariff announcement on "Liberation Day," U.S. Treasuries saw sharp price declines, and the dollar weakened further. The fall is partly driven by investor *outflows* from U.S. Treasuries and corporate bonds, which reached a record US$11 billion in the second quarter of the year. This stands in stark contrast with inflows that averaged US$ 20 billion over the previous 12 quarters. These recent outflows reflect growing uncertainty about the safe-haven status of the dollar, driven not only by the trade policies pursued by the U.S. administration but also by deepening concerns over the sustainability of the country's sovereign debt.

During the same period, the euro area has witnessed significant *inflows* from international investors. Since the beginning of the year, it has appreciated by more than 13 percent against the dollar. The euro is increasingly seen as a source of stability in an uncertain world, which provides an opportunity for the currency to strengthen its international role. Reaping the associated benefits requires concerted action by European authorities to seize this opportunity, by completing the euro area architecture, making Europe more resilient, and boosting economic growth. Deepening the single market, building a true savings and investments union (SIU), and pursuing a digital euro stand out as key strategic priorities.

Because of its high dependence on trade, the European economy is highly vulnerable to geoeconomic fragmentation. Deepening the single market is therefore key to enhancing Europe's strategic autonomy, securing supply chains, and facilitating effective resource allocation. A more integrated single market would lower transaction costs, allow businesses to scale up and strengthen EU competitiveness, thereby increasing the economy's attractiveness for foreign investors. Despite years of progress, trade barriers remain within Europe, notably for services. Many companies with the potential to become European champions are held back from operating efficiently across borders by local regulations.

A true SIU would provide more capital for investments to enhance productivity, optimise capital allocation, and generate higher returns on European savings. Broadening retail participation and pursuing pension system reform are key policy priorities to deepen capital markets. Banks can also play a key role; if European banks can reach scale and operate efficiently across borders, they will be able to support deeper and more integrated capital markets, e.g. through securitisation of their loan portfolios. As such, completing banking union is a critical success factor for the SIU. This requires reinforcing resolution funding arrangements, including through the backstop for the Single Resolution Fund, completing the crisis management and deposit insurance (CMDI) reform, and creating a European Deposit Insurance Scheme.

Now is the moment to strengthen the euro area financial architecture.

In addition, a digital euro would reinforce monetary and transactional independence and may also mitigate the threat posed by stablecoins. A swift rollout of the digital euro in combination with the Markets in Crypto-Assets Regulation (MiCA) is key to containing the dollarisation of euro area economies and promoting euro-backed alternatives, which would support strategy autonomy. A digital euro could also facilitate cross-border transactions, thus enhancing depth and liquidity in capital markets.

Finally, taking more decisive steps towards common financing of European public goods would increase the supply of euro-denominated safe assets, which are in high demand. Additional supply of such assets would help increase the euro's share in international reserves.

Now is the moment to strengthen the euro area financial architecture; it is a strategic opportunity we cannot afford to miss.

We thank the partner institutions
for their support in organizing
the Eurofi Copenhagen Forum

aws

BANK OF AMERICA

BNP PARIBAS

CRÉDIT AGRICOLE S.A.

Nordea

Swift

BlackRock

DEUTSCHE BÖRSE GROUP

euroclear

J.P.Morgan

kraken

LSEG

MOODY'S

Nasdaq

MONETARY POLICY IN AN UNCERTAIN INFLATION ENVIRONMENT



ALFRED KAMMER
Director, European Department – International Monetary Fund (IMF)

Setting Europe's monetary compass amid high uncertainty

Europe's economic landscape has changed markedly since the inflation surge of 2021. A prolonged period of elevated inflation caught forecasters off guard and exposed the limitations of traditional models, especially when inflation diverges significantly from target levels. In the fall 2022, amid soaring natural gas and commodity prices, inflation peaked at 8.7 percentage points above target.

IMF analysis shows that when inflation is persistently above target, expectations become stickier, amplifying the inflationary effects of any negative supply shock.[1] In response to this historical rise in inflation and expectations, the ECB undertook the steepest monetary tightening cycle in its history. This aggressive response was appropriate to prevent inflation expectations from de-anchoring, and it worked.

Today, headline inflation in the euro area is close to target, expectations are well-anchored, forecast errors have normalized, and the ECB's policy rate is broadly neutral—neither stimulating nor restricting economic activity.

However, renewed geopolitical and trade tensions have raised uncertainty. Significant and prolonged deviations from the inflation target—upward or downward—are once again possible. How should the ECB navigate this uncertain environment?

The current macroeconomic configuration—headline inflation near target, core inflation slightly above, and a mildly negative output gap—supports maintaining a neutral monetary stance. IMF projections suggest inflation will remain around target if the policy rate stays at the current level of 2 percent. Trusting in the improved accuracy of its forecasts, and given that monetary policy typically takes at least six months to influence price dynamics, the ECB should thus avoid creating market noise through fine-tuning policy in response to data that suggest only a small, temporary departure of inflation from the target.

> Monetary policy must embrace uncertainty, communicate with precision, and steer with a steady hand.

Instead, rate changes should be considered only if incoming data point to a material shift in the inflation outlook—especially if there's a risk that expectations could become de-anchored. If such a shift occurs, monetary policy should respond forcefully. IMF analysis shows that the welfare costs of underestimating inflation persistence outweigh those of overestimating it.[2] Once high/low inflation becomes embedded in expectations, the effort required to bring it back to target is significantly more costly. This approach anchors expectations, reduces market noise, and preserves flexibility in the face of future shocks.

To support this approach, one must define what constitutes a "material shift." Recent IMF scenario analysis offers guidance, highlighting how energy price volatility, wage pressures, or changes in external demand could affect the policy path.[3] For example, with inflation expectations currently anchored, it would take a cost shock that reduces core inflation by 0.2 percentage points for four consecutive quarters to justify a 25-basis-point policy rate adjustment. Such a shock could stem, for example, from a sustained 10 percent drop in oil prices. Similarly, a temporary demand shock of around 0.7 percent of GDP would have a comparable effect.

This approach also suggests a change in communication: as inflation stabilizes and uncertainty eases, the ECB should place greater emphasis on forecast-based communication, while reinforcing its readiness to act decisively if new shocks threaten to de-anchor inflation expectations. The recent high-inflation episode underscores the risk of large second-round effects on wages and prices triggered by temporary supply shocks.

Europe's monetary policy must be forward-looking, not merely reactive. That means embracing uncertainty, communicating with precision, and steering with a steady hand.

This article was co-authored by Francesca Caselli and Allan Dizioli (IMF).

1. *How Costly Will Reining in Inflation Be? It Depends on How Rational We Are, IMF/WP February 2023.*
2. *Monetary Policy with Uncertain Inflation Persistence, IMF/WP March 2024.*
3. *Interest Rate Sensitivity Scenarios to Guide Monetary Policy, IMF/WP May 2025.*



JOHAN VAN OVERTVELDT

Chair & MEP, Committee on Budgets – European Parliament

Monetary policy in uncertain times: Back to basics

Thornton and Bagehot laid the intellectual groundwork for modern monetary policy in the 19th century. The central bank needs to make sure that in good times the amount of money grows at a rate sufficient to maintain broad stability of the value of money and in bad times the amount of money grows at a rate sufficient to provide the liquidity for unpredictable swings in demand.[1] In 1998, the ECB was set up to conduct monetary policy in the EU with the primary objective of maintaining price stability and a secondary and subordinate objective of supporting the general economic policies in the EU.

Price stability

The ECB quickly interpreted the price stability mandate as an inflation stability mandate, with a reference value of 'below 2%'. In 2003, the ECB altered its objective towards an inflation rate 'below, but close to' 2% and rephrased it to a symmetric target around 2% in 2021. This evolution towards a symmetric target is quite fundamental. In a scenario where prices would be on average stable for the years to come, the ECB would still use its heft to try to stimulate the economy towards small inflation, whereas before that could be classified as 'below 2%'. For instance, in the period 2014-2019, the economy was rather calm and steadily growing, but inflation remained low. In hindsight, that time could have been used by the ECB to diminish its market influence and return to higher interest rates. Instead, its balance sheet more than doubled in size from 2014 to 2019.

When Janet Yellen asked Alan Greenspan how he defined price stability, he answered 'that state in which expected changes in the general price level do not effectively alter business or household decisions'. This definition was echoed by Paul Volcker, but he was sceptical about a precise numerical target as 'no price index can capture, down to a tenth or a quarter of a percent, the real change in consumer prices'.[2] He also noted that a 2 percent inflation rate, successfully maintained, would mean the price level doubles in little more than a generation.

The fear that lies behind the shift in the target is deflation. A 2% target allows for some room before countries reach deflationary numbers. However, the occurrence of protracted periods of deflation has been rare in the developed world. Deflation can also just be the benign consequence of technological progress. The dramatic U.S. deflation of the 1930s was shaped by the drastic decrease in the money supply.[3] In this regard, avoiding deflation spirals would benefit most from a strong lender of last resort, rather than a target that keeps room for manoeuvre. Volcker warned that encouraging inflation comes with increased risk-taking and the formation of bubbles, which might, in the end, bring about the feared deflation.

Supporting the EU's general economic policies

Since the sovereign debt crisis in the EU of the early 2010s, the ECB has gradually become more involved in sovereign debt markets. Here as well, the boundary has been shifting steadily, as documented by Cochrane, Garicano and Masuch.[4] From the Securities Market Program, over Outright Monetary Transactions to the Transmission Protection Instrument (TPI), the ECB's capacities to purchase sovereign bonds have been widening. Nowadays, the ECB gains a reputation as a fiscal backstop to ensure effective transmission of monetary policy. However, its large role in the sovereign debt market may turn up as an important consideration in the ECB's policy responses and thus complicate its role to preserve price stability.

The ECB has also ventured into green central banking, as climate change is deemed a threat to price stability. Even though this may well be true in the longer term, numerous other factors can thus be found to affect price stability. A war would evidently have an impact on prices, but that does not mean the ECB should have defence capabilities.

Conclusion

The ECB's independence is important for stable monetary policy and is linked to the popular consensus around price stability. In other cases, such as fiscal policy and how to tackle climate change, a political and democratic debate is essential. A return to the basic principles of conducting monetary policy is therefore due. In these uncertain times, we can conclude with the view of Friedman, that monetary policy can foremost prevent money itself from being another major source of economic disturbance.[5]

1. *Van Overtveldt J. & Rocher S. (2022) The mystic hand: how central banks shaped the 21st century global economy.*
2. *Volcker P. & Harper C. (2018) Keeping at it: the quest for sound money and good government.*
3. *Schwartz A. & Friedman M. (1963) A Monetary History of the United States.*
4. *Cochrane J.H., Garicano L. & Masuch K. (2025) Crisis cycle: challenges, evolution, and future of the euro.*
5. *Friedman M. (1968) The role of monetary policy.*

UNLEASHING LONG TERM INSTITUTIONAL CAPITAL



PHILIPPE GUYONNET-DUPÉRAT

Deputy Assistant Secretary for Insurance – Ministry of the Economy, Finance and Industrial and Digital Sovereignty, France

Addressing the EU long term financing needs

Make the substantial savings of EU citizens—nearly €35 trillion—fund long-term financing to support EU growth is critical. Admittedly, lower interest rates should stimulate long-term financing, by pushing investors to search for yield, therefore increasing the maturity they are ready to invest in. Still, several key measures, aligned with the European effort to build a Union of Savings and Investment (SIU), are necessary to better address the EU economy significant financing needs.

First from the retail investor perspective, the "Finance Europe" label, launched on 5 June in Paris—among Estonia, France, Germany, Luxembourg, the Netherlands, Portugal and Spain —aims to help savers identify investment products that contribute directly to financing the EU economy. To be eligible, savings products or funds must meet a set of criteria: a minimum of 70% allocated to European assets, a holding period of at least five years, and a focus on long period of financing for businesses, with a substantial part invested in equity. Preferential tax incentives, at each participating Member State's discretion, may support this initiative. France is looking forward to a swift labelling process and looks forward to additional Member States joining this initiative.

Second, the development of occupational pensions and auto-enrolment mechanisms also play a key role in supporting long-term financing, in line with the recent Commission consultation on the matter. By extending the duration of household liabilities, these schemes enable greater investment in less liquid assets. Auto-enrolment offers a powerful lever to broaden participation in retirement savings, especially among segments of the population less likely to engage with financial products. In France, the "PACTE" law (2019) has made occupational pension plans simpler, clearer, and more attractive and the Government now explores how coverage can be expanded and contributions to these plans increased. At the European level, a renewed approach to supplementary pensions should not rely on a brand-new pan European product, but come from building on and scaling up effective national frameworks already in place across Member States.

Third, expanding retail access to funds investing capital on a long-term horizon is also key. Current EU-labelled funds such as ELTIF, EuVECA and EuSEF[1] have played a useful role. Recent reforms to the ELTIF Regulation have sought to improve their accessibility and flexibility. The development of evergreen and semi-liquid vehicles has addressed the main liquidity issues by providing flexibility for retail investors, while preserving the long-term investment horizon. At national level, France has taken additional steps to lower barriers to accessibility of these products: key reforms have facilitated the inclusion of funds investing in unlisted assets within major savings vehicles such as the Equity Savings Plan (PEA), the Retirement Savings Plan (PER) and life insurance contracts. In 2023, the Green Industry Act ("Loi industrie verte") reinforced this approach by introducing a mandatory minimum quantum of unlisted assets within the default investment strategies of major savings products.

Fourth, on the institutional investors' side, the review of the Solvency 2 framework aims that prudential capital requirements better reflects the actual risks taken by (re)insurers, particularly in the longer term. The revised directive will significantly change the treatment of long-term equity investments (LTEI), currently underutilised by (re)insurers. The applicable criteria are, thus, reduced and simplified. In addition, verification of the (re)insurer's ability to retain equity over five years will be possible using two different alternative methods, according to the draft delegated regulation currently being finalised. These changes constitute tangible improvements. To the benefit of the whole SIU agenda, they could be further improved by expanding the list of directly eligible funds (beyond ELTIFs, EuSEFs, EuVECAs, and AIFs without leverage), notably by including some UCITS.

> **Channelling €35T of EU savings into long-term investment is essential.**

Fifth, on the firms' side, one possibility not to have arbitrage between equity financing against debt financing would be to equalize the accounting treatment of the two instruments. A debt bias may exist if interest expenses that a company pays to its creditors are tax-deductible up to a certain limit. The DEBRA Directive aimed to make "notional interest" tax-deductible. This type of mechanism, currently structured in heterogeneous ways across different countries, might have significant effects on corporate balance sheets, leading to an increase in equity financing. However, certain limitations should be considered, whether budgetary or related to potential gains, given the increasing restrictions on debt deductibility, as well as a focus on young companies and SMEs.

1. *European long-term investment fund, European venture capital funds and European social entrepreneurship funds.*



HARALD WAIGLEIN

Director General for Economic Policy and Financial Markets – Federal Ministry of Finance, Austria

Unleashing long-term investments: is our regulatory framework fit for purpose?

History shows that long term funding is essential for innovation and a prospering EU real economy. Consequently, prudential treatment in this context should avoid being excessively stringent, while at the same time, should not neglect possible risks which could negatively affect the situation of financial institutions and financial stability. With this in mind, long-term investments are unsurprisingly a focus in various regulatory areas.

Regarding the banking sector, the work of the experts of the Basel committee should continue to include regular assessments and reevaluations of the regulatory treatment of banks' exposures, including exposures in long-term funding, to ensure that the prudential legal framework is always up-to-date and appropriately reflects and balances the needs of the economy on the one hand and the related risks on the other hand.

Turning to institutional investors, in particular insurers and pension funds are often criticized for being overly cautious and refraining from directing financial flows towards venture and innovation financing. Taking more risks is supposed to allow for the scaling-up of promising enterprises and prevent them from leaving the EU to seek financing oversees. Indeed, both the Solvency II and the IORP framework adhere to the prudent person rule – and rightly so. But within the qualitative limits of this principle, mainly dedicated to ensuring a sound investment risk management, insurers and pension funds have ample possibilities. Already under the current framework, client funds must be invested in the best interest of policyholders and best long-term interest of members and beneficiaries. Making well-prepared venture investments is, therefore, not only possible, but may even be required. Maybe, some further guidance could help to make this more explicit. On the other hand, we should not use client funds to push for wider policy goals if the risk-benefit ratio does not justify the investment.

Looking closer at the insurance sector, insurers are naturally prone to make long-term investments due to their long-term business model. In 2019, a category of Long-Term Equity (LTE) investments was introduced at Level 2 into the Solvency II framework with the aim of encouraging long-term equity investments. Unfortunately, this initiative had only limited success, not least because of a lack of ambition and complex requirements. With the review of the Solvency II framework the issue was raised to Level 1 to strike a balance between a more favourable prudential treatment of equity investments held with a long-term perspective and compliance with sound and robust criteria that preserve policyholder protection and financial stability. As many of the criteria are still to be specified at Level 2, it remains to be seen whether the review will have a positive impact.

Long-term funding remains a key topic in various regulatory areas.

Due to recent amendments to EU fund legislation (AIFMD II, UCITSD Review and ELTIF Review) and considering that the main purpose of these amendments has been the strengthening of the liquidity of (alternative) investment funds, including EU-labelled funds, there is no need for urgent legislative changes in this context. Instead, the industry and regulators should be able to focus on adopting the new legal framework. Nevertheless, in accordance with the timelines of existing review clauses, legislators should analyze the status quo of fund markets and existing EU-labelled and national products and explore best practices by analyzing which products are well accepted by investors and for what reasons.

Finally, the role of accounting standards of course matters in this context but should not be overestimated. The key purpose of accounting standards is to provide users of financial statements with useful information about an entity's financial position and performance. Accounting standards should neither hinder nor promote long-term investments but should be neutral with respect to investment decisions and should only provide the necessary useful information. Their objective should not be to influence investment behavior, but to neutrally reflect the underlying economic substance. It is, nonetheless, important that accounting standards continue to evolve in response to new developments to ensure they remain focused on providing useful information for decision making. A recent example of such evolution can be seen in the application guidance of IFRS 9 to ESG-linked financial instruments. In addition, the IASB is currently dealing with accounting of long-term investments in rate-regulated industries. The envisaged approach intends to align accounting outcomes better with the economic reality of cost recovery in infrastructure sectors by improving the transparency of long-term investment returns.

To conclude, long-term funding remains a key topic in various regulatory areas, with the ongoing challenge of balancing unnecessary burdens against financial stability and transparency.



SEBASTIAN THOMASIUS

Head of Unit, Financial Services Unit – Permanent Representation of the Federal Republic of Germany to the EU

Unleashing long-term institutional capital: building on what works

Europe's growth potential hinges on its ability to mobilise long-term capital. The twin transition, ageing populations and the need to ensure Europe's competitiveness require more equity-based, patient investment. Both retail and institutional investors are looking for opportunities that provide the right long-term returns – whether for retirement or broader investment goals.

EU frameworks such as CRR/CRD and Solvency II already allow investments in infrastructure and venture capital. And large institutional investors, e.g. insurers, pension funds, are already active in these areas. The key challenge lies in connecting available capital with investment needs. How can regulation – at EU and national level – better enable these investments in practice?

First and foremost, risk-based and stable financial regulation provides the clarity and confidence investors need to commit large sums over extended periods. Institutions like pensions funds and insurers prioritize predictability. Any politically driven regulatory shifts can introduce uncertainty and distort market signals. By focusing on principles-based, risk-sensitive frameworks, regulators create a level playing field that fosters efficient capital allocation, enhances market resilience and avoids unintended consequences that could undermine the stability long-term investors rely on. At the same time, we should encourage savers to invest more and allow them to allocate a greater share of their savings to capital-market-based assets. This shift will have to be mainly driven at national level given each country's unique social, labor and tax frameworks. In Germany, we have introduced a social partner model for occupational pensions that will help to channel private investment into productive assets – without relying on costly guarantees that limit returns. In addition, we plan to reform our private pension product by introducing a new savings vehicle without mandatory guarantees. The reform will reduce complexity and administrative burden, streamline subsidies and improve accessibility.

Collectively, such reforms seek to harness untapped domestic savings, broaden participation in funded pension arrangements, and reinforce long-term investment pathways. At the European level, the Commission can support such initiatives by providing recommendations and sharing best practices.

Moreover, we should ensure that the legislative framework for EU-labelled long-term investment funds and their distribution is fit for purpose. The recent ELTIF reform was a step forward, showing that focused changes can make a real difference. Greater flexibility and improved alignment with investor needs have enhanced the attractiveness. From 2023 to 2024, the assets under management in ELTIF grew by around 38 % and fund launches increased substantially.

The overall European legislative framework for investment funds has already streamlined the EU-wide distribution of funds and has also created an efficient and well-functioning system of supervisory cooperation between the national competent authorities. We should carefully assess how to improve this framework to provide investors with better products and improve risk management while being mindful of unintended consequences.

Equally important is strengthening equity finance in Europe – especially for growing, innovative companies. This is also the objective of the Franco-German initiative Financing Innovative Ventures in Europe (FIVE), launched by Ministers Klingbeil and Lombard in July 2025. A Task Force led by Jörg Kukies and Christian Noyer, will present proposals by the end of 2025 to improve scale-up financing – including potential adjustments to EU law.

The involvement of public institutions (e.g. KfW, CDC, EIB) can also facilitate long-term investment projects, e.g. large-scale infrastructure and development projects. By stepping in as investors or guarantors offering favourable financing terms, public institutions can help to attract private investment. However, the objective must be that private capital is not displaced. More precisely, total private investment should be higher than without such a government intervention (additionality or crowding-in). Public financial support must be granted under market-based conditions and should always be linked to private co-investments, wherever possible, und must not distort the market. By doing so, public actors can effectively mobilize private capital, which leads to increased investment in necessary structural change and contributes to economic growth.

> Long-term capital needs long-term rules – coherent, enabling and forward-looking.

Unlocking institutional capital is not a technical fix. It is a strategic imperative. Adjustments to prudential, accounting and fund frameworks must be part of a coherent European agenda to support scale-ups, infrastructure and the transition.

In short: the challenge is not a lack of frameworks – but ensuring they are coherent, proportionate, and work in practice. Pragmatic improvements, based on evidence and experience, will help unlock more capital for Europe's future.



SOPHIE BARBIER

Director of the European Affairs Department – Groupe Caisse des Dépôts (CDC)

Public long-term investors: catalysts for long-term productive investments

Long-term productive investment projects involve infrastructure – including social infrastructure (housing, training, health) – and innovation, both types of projects being crucial for the competitivity of European companies. Their long-term nature and high initial risks can deter private sector involvement, making the role of National Promotional Banks and Institutions (NPBIs) indispensable.

Indeed, public long-term investors, with their unique characteristics, are pivotal in financing long-term productive investments. Firstly, NPBIs have a financial capacity and generally benefit from a lower cost of capital, allowing them to fund large-scale projects that private entities might find unfeasible. Secondly, these institutions are driven by public policy objectives, prioritizing societal benefits over immediate financial returns. Their risk-taking capacity enables them to absorb risks, making long-term projects more attractive to private investors. Moreover, NPBIs can provide patient capital, which is essential for projects that may not yield immediate returns but offer substantial long-term benefits. Their financial expertise further enhances their ability to select and manage these projects effectively.

A diversified ecosystem with different types of institutions assuming complementary roles is vital for the success of long-term investments. NPBIs can work alongside commercial banks, insurance companies, and pension funds, each bringing their unique strengths to the table. For example, for more than 200 years, the Caisse des Dépôts (CDC) has been instrumental in funding long-term projects in France, such as mobility infrastructure, energy efficiency projects in the housing sector or green energy.

But for public long-term investors to be able to play their role and to invest alongside private financial institutions, it is crucial to promote a regulatory framework that is adapted to the specificities of long-term investments. The current prudential and accounting frameworks often pose challenges to long-term investments: Basel III and Solvency II frameworks, while designed to ensure financial stability, impose capital charges and risk assessments that are misaligned with the long-term nature of certain assets. To address these issues, Mario Draghi has proposed reducing capital charges for long-term assets, suggesting lowering risk weights for productive investments such as infrastructure and social housing, as they have a lower default risk. Mario Draghi also proposes adjusting prudential requirements for securitized assets to better reflect their risk profiles.

> Public investors, with their unique characteristics, are pivotal in financing long-term investments.

A regulatory framework that encourages private investors to invest alongside public financial institutions is vital for supporting equity financing and long-term investments, ultimately driving economic growth. But European programs based on the open architecture, such as InvestEU and the European Competitiveness Fund under the next multi-annual financial framework (MFF), are also instrumental in facilitating long-term productive investments. These programs are designed to mobilize substantial investments by leveraging the unique capabilities of NPBIs and International Financial Institutions (IFIs). By relying on these institutions to implement and co-finance projects, the programs can effectively bridge the gap between public policy objectives and private sector involvement.

InvestEU provides an EU budget guarantee to implementing partners, IFIs and NPBIs to enable them to take on more risk and invest in projects that align with EU policy priorities, such as sustainable infrastructure, research and innovation, social investment, and support for small and medium-sized enterprises. By sharing the risk, InvestEU makes it more attractive for private investors to co-invest alongside NPBIs in long-term projects, thereby mobilizing significant additional investments.

Similarly, the European Competitiveness Fund, proposed under the next MFF, is designed to bolster Europe's strategic autonomy and competitiveness. This fund will focus on key sectors such as digital technologies, health, and green transition, where long-term investments are crucial for maintaining Europe's competitive edge. By leveraging the expertise and resources of NPBIs and IFIs, the fund can effectively channel investments into these strategic sectors. The open architecture approach allows for a flexible and responsive investment strategy, enabling the fund to quickly adapt to changing market conditions and investment needs.

By working with a network of implementing partners, it can pool resources and expertise, creating synergies that enhance the overall impact of investments. Furthermore, the involvement of NPBIs in these programs helps to ensure that investments are aligned with broader public policy objectives and that long-term investments contribute to sustainable and inclusive growth.



ANSGAR WEST
Managing Director, Global Head of Direct Credit – Munich Re

Fix the rules, finance the future

Over two decades, Europe's ambition for the green and digital 'twin transition', requiring significant financing, has been undermined by subdued capital formation and a persistent interest-rate gap versus the United States steering funds into dollar assets. Although keeping policy rates below U.S. benchmarks could narrow capital costs, cheaper money alone will not overcome the regulatory and structural barriers that deter institutional investors.

Public development banks, Germany's KfW, France's CDC and the EIB, can step in where private finance falters. Free from strict capital rules, they deploy first-loss guarantees, equity stakes and long-dated co-financing to crowd-in private partners. But banks, insurers and pension schemes face rules treating long-term, illiquid infrastructure, crucial for the twin transition, like speculative corporate lending.

Under Basel III, banks must hold heavy capital against extended loans; IORP II demands pensions keep liquid buffers for foreseeable outflows, capping illiquid allocations; IFRS standards exposes banks and insurers to volatile profit-and-loss swings; and Solvency II applies risk charges that penalise low-yield, long-dated debt, pushing insurers into highly liquid sovereign or corporate bonds. Together, these regulatory frameworks siphon institutional finance away from sustained productive investments.

Beyond these constraints, most insurers operate under a liability-driven investment approach. Investments must match liabilities in duration, inflation sensitivity and currency, limiting asset flexibility. Reinsurers, facing unpredictable claim cashflows and catastrophic events, must also maintain high liquidity. As a result, their investment strategy focusses on high-quality and liquid credit assets, whereas the high-yielding and illiquid investments are driven by long-duration and predictable liabilities. Thus, their sub-investment-grade and illiquid credit appetite often takes place on the liability side of their balance sheet through 'unfunded' credit insurance.

Obstacles multiply when assets are securitised in tranches. Solvency II's spread-risk rules assume all securitisation positions are traded, not held to maturity, and impose capital charges so high that some AAA-rated tranches charges exceed those for long-term equity. Thus, insurers avoid traditional securitisation —backed by infrastructure, corporates, SMEs or residential mortgages— and favour covered bonds, which support bank funding but leave risk on bank balance sheets.

EU banks have adapted by expanding synthetic securitisation under the Significant Risk Transfer (SRT) framework. The Commission boosted SRT in 2021 by relabelling part of the market as Simple, Transparent and Standardised (STS), lowering capital cost for banks. Yet insurers were unintentionally excluded as guarantors for 'unfunded' ST, limiting their ability to support bank lending.

Securitisation package: Where capital fears to tread, policy must lead.

To address these gaps, the Commission's Securitisation Package proposes targeted amendments to the Capital Requirements Regulation (CRR), the Securitisation Regulation (SECR), the Liquidity Coverage Ratio (LCR) and Solvency II Delegated Acts. These strike a positive balance between prudential conservatism and market growth, but success depends on precise drafting, level playing fields and consistency, for example:

On precise drafting, SECR requires that only undertakings with at least €20 billion in assets may underwrite STS SRT. This ignores cases where the insurer is a subsidiary of a much larger reinsurance group. With its €7 bn, Great Lakes Insurance SE's eligibility fails, while its parent, Munich Re, exceeds €280 bn. Besides, while 'total assets' is an appropriate metric for bank size, it is more volatile for non-life reinsurers subject to large claims, and thus gross written premium (GWP) would be a steadier 'size' metric.

On level playing fields, a liquidity issue arises in the LCR if the new 'Resilient position' concept uses parameters other than standardised approach ones. Without clear, harmonised criteria, resilience becomes subjective, akin to defining beauty in the eye of the beholder.

On consistency, risk weights for non-senior tranches should never fall below those for senior ones – a condition not always met in the proposed CRR. Also, to foster market resilience, risk weight floors should incentivise Resilient over Non-resilient positions, warranting scalar adjustments.

Market stability matters. Abrupt regulatory changes without grandfathering jeopardise existing deals. Lawmakers should limit new rules to future issuances to preserve legal certainty for today's existing structures, tomorrow's legacy ones.

By removing impediments on both supply (banks) and demand (investors and credit underwriters) - accounting for liquidity, credit quality and liability matching – Europe can rebuild a deep, sustainable market for long-term capital. A properly adjusted Securitisation Package can then underwrite the robust financing its green and digital future demands.



MONSUR HUSSAIN

Senior Director,
Head of Markets Research – Fitch Ratings

Unlocking Europe's long-term investment potential

The Draghi Report identified a long-term financing and investment gap of EUR750-800 billion a year by 2030 to address such challenges as climate change, rapid technological shifts and new geopolitical dynamics. Normally, most of this would come from governments, but in light of sovereign public finance constraints, the private sector will have to play a larger-than-usual part.

Europe's 5,000 or so banks, many of which are rated by Fitch, have traditionally had an outsized role in the provision of longer-term financing from their aggregate EUR27 trillion loan book, including project and infrastructure financing. However, changes in prudential regulation that aim to improve financial stability – especially the EU Capital Requirements Regulation – seem likely to increase costs on longer-term financing to unrated counterparties or for unrated project or infrastructure transactions.

European credit intermediation relies on the region's banks – unlike in the US, where capital markets play a big role. This highlights the importance of the ambitious Savings and Investments Union (SIU). The SIU, which launched in March, aims to make banks' credit provision more efficient, mobilise the EU's EUR10 trillion bank savings more efficiently into public and private markets, and unlock the EUR10 trillion insurance and EUR2.8 trillion pension fund sectors.

The initial signs are encouraging. The first SIU legislative proposal issued in June seeks to revive the European securitisation market, by reducing potential frictions and obstacles. A more risk-sensitive risk-weight floor for banks aligns capital requirements for the lowest risk tranches of simple securitisations towards covered bonds, with a greater proportion of similar bonds qualifying for banks' liquidity asset buffers. Streamlining banks' significant risk-transfer approval process should unlock greater "capital velocity" potential; by freeing up regulatory capital, more loans and investments can be issued from the same capital base.

Reforming due-diligence and disclosure requirements may improve investor participation, based on European Commission survey responses, and facilitate the transfer of more credit risk from banks to insurers, pension funds and investors generally. Proposals to better align conservative Solvency II charges to international regimes look set to increase EU life insurers' securitisation investments, which comprise around 0.3% of investment assets, against 17% for US life insurers.

> The growth of private markets invites questions on risk assessment, valuation and transparency.

The securitisation review joins existing EU reforms incentivising insurers to participate in long-term financing. The EU qualifying infrastructure framework recognises the historically low default rates in infrastructure finance, an asset class that offers the credit quality and predictability of cashflows that insurers require, allied to a more favourable capital treatment.

The UK has permitted its insurers to invest in assets with highly predictable (rather than fixed) cash flows within preferential matching adjustment portfolios. This can help reduce solvency requirements when matching long-term assets with long-term liabilities. Similar adjustments in EU rules may boost insurers' participation in infrastructure assets.

Private pension systems are a major pool of long-term capital, but assets under management in the big four EU economies only average just over 10% of GDP. European workers are half as likely to contribute to an occupational pension scheme as US workers. Boosting automatic pension enrolment to emulate the Dutch and Nordic approaches, combined with reforms to the IORP1 II Directive, could eventually create an EU version of the estimated USD44 trillion 401k pension pool, catalysing long-term investment and financing.

These regulatory shifts are contributing to a structural capital rotation, where longer-duration assets migrate from banks to non-banks. The growth of private markets invites questions on risk assessment, valuation and transparency. This is where rating agencies like Fitch Ratings can help.

Credit ratings help democratise access to risk assessment and can be used as a commonly understood way to benchmark credit between private and public markets, aiding price discovery and valuation. Investors without in-house credit capability can use third-party ratings and reports to help evaluate the risk associated with less transparent longer-term and often complex investments. In securitisation, Fitch's ratings can be used to help determine tranche-level risk weights and investor suitability.

We track historical performance and stress-test scenarios to aid transparency to complex transactions. As a leading rating agency, Fitch plays a foundational role in assessing credit risk across markets, reducing information asymmetries and helping investors and risk managers to optimise capital allocation.



JEAN-JACQUES BONNAUD
Treasurer – EUROFI

Changing the monetary, economic and regulatory paradigm in Europe to stimulate productive investment

Investment is the lifeblood of competitiveness and productivity. After the global financial crisis, net investment in the United States and Europe fell significantly, but the decline was particularly pronounced in Europe

Despite high levels of private savings and the existence of large insurance and banking sectors and the involvement of domestic and EU public financial institutions in long-term project financing (CDC, KfW, EIB...), the EU continues to struggle to channel sufficient long-term capital towards these priorities.

One of the structural reasons lies in the relative absence or underdevelopment of pension funds and sovereign wealth funds across most EU countries, especially compared to the United States, Canada, or the Nordic countries. This lack of large, stable, domestic long-term investors undermines the EU's capacity to support equity financing and scale up investment in strategic sectors.

At the same time, long-term investment remains constrained by other factors:

- Macroeconomic uncertainty, including economic and geopolitical fragmentation and zero short term interest rates in real terms.
- Regulatory and prudential frameworks, which do not always reflect the specific risk profiles and time horizons of long-term assets.
- Tax and accounting rules, which often favour debt over equity.
- And a fragmented European capital market, still lacking deep integration despite multiple action plans under the Capital Markets Union and the Banking Union.

Lasting negative real interest rates and demand-stimulating policies (high public deficits geared to redistribution policies) pursued in Europe over the past fifteen years contributed to reducing productivity in Europe, increased the already excessive indebtedness of certain EU countries, encouraged the development of liquid savings (in the absence of remuneration for long-term savings), the transfer of European savings to the United States and the postponement of structural reforms.

A change of monetary paradigm is critical. it is necessary to refrain from fixing administratively ("or directing" the market) long-term interest rates and to accept to let the market remunerate medium – and long-term savings – according to supply and demand – the only way to remunerate long-term savings, without which there can be no productive investment or productivity gains.

Moreover, the economic paradigm towards supply-side policies aimed at stimulating productivity (rather than demand needs to change radically in Europe particularly in the EU's over-indebted countries (Italy, France, Spain...) must be encouraged and implemented in all parts of Europe.

Every effort must also be made to ensure that venture capital, private equity and equity financing develop in EU countries and that companies, whatever their size and location in the Union, find the sources of financing they need in Europe. All regulatory, accounting and tax measures taken in Europe should be geared towards this objective. The European legal and regulatory system must agree not to discourage risk capital players, and even to encourage them.

In addition, the EU needs to design and implement a genuine industrial industry to boost its industry and to accelerate the single market while re-establishing a community preference. EU competition policy should be revamped to help companies scale up and better compete in global markets.

At the regional or local level, project preparation and technical capacity are often lacking. Many municipalities or regional authorities do not have the administrative or financial expertise to structure bankable projects, conduct impact assessments, or navigate complex public-private partnerships. The result is a limited and uneven pipeline of investable opportunities, which further discourages institutional investors from allocating capital at scale.

SMEs are particularly exposed to macroeconomic risks arising from the uncertainties of the current trade discussions. Not only can we see the majority of them stop any investment decisions, but in the long term, as they have often already spent most of their savings to cope with their rising costs to maintain their prices, many of them in Europe will sacrifice their margins and have no choice but to stop or sell their activities to a non-European buyer. Furthermore, they will invest some of the income received in US treasuries, thus accelerating the outflow of European savings due to the differential in remuneration between currencies.

Lastly, we need develop European projects financed by European companies. The multiplication of Important Projects of Common European Interest (IPCEIs) and collaborative projects between Member States is undeniably a way forward, given that they align their objectives, they identify qualifying and profitable projects and that they find adequate funding. This would facilitate and foster the emergence of competitive European companies, champions and SMEs, as they would benefit from economies of scale in the single market.

By addressing these core areas, Europe can create a more dynamic and resilient economic environment, capable of sustaining long-term growth and innovation.

EXPLORE OUR WEBSITE
WWW.EUROFI.NET



To get information on our events.

Download our most recent publications.

Access content on key topics in financial regulation and market trends covered by Eurofi

GLOBAL COORDINATION AND INTERNATIONAL PERSPECTIVES



EMMA REYNOLDS
Economic Secretary
- HM Treasury

Growth, regulation and the pendulum of risk

We face a new era globally. Governments across the world are confronting greater volatility, new security threats and the need to safeguard their citizens' living standards. But these challenges are also opportunities – to provide security for working people, stability for businesses and prosperity for national economies. The UK government is determined to seize this moment to deliver security, renewal, and higher living standards across the UK and beyond, driven by long-term growth.

Delivering economic growth has been our number one priority since coming into power last year and financial services have a critical role in that mission. The sector is an engine that powers the wider economy, channelling productive investment that will deliver sustainable growth for firms and citizens.

Earlier this year we launched our Modern Industrial Strategy – a ten-year plan to significantly increase business investment in eight growth-driving sectors. And in July, the Chancellor launched the Financial Services Growth and Competitiveness Strategy – our ten-year plan to unleash the potential of financial services in the UK – and the widest ranging package of reforms to financial services regulation in over a decade, the Leeds Reforms. Together these proposals seek to deliver growth throughout the sector and the wider economy by ensuring regulation supports growth, unlocking retail investment and embracing innovation.

We face many of the same challenges and indeed share many of the same opportunities with our European neighbours. A changing climate, economic volatility, providing security for working people and ensuring that our citizens share in the proceeds of growth. A successful financial services sector makes a difference to everyone in Europe on every one of these fronts. It enables people to buy their first home and save for their retirement, provides crucial lending to businesses and facilitates the investment needed to secure the transition to net zero and ensure the security of our continent. Our ambition is to make the UK – and indeed the European continent – the most attractive place for global financial services, to support investment in our economies, to meet our shared challenges and deliver for citizens across Europe.

Regulation that supports growth

To achieve the shared ambition of long-term growth, we are taking steps to improve regulation in the UK. When used effectively, regulation provides a mechanism to address varied risks and delivers positive outcomes in our economies. We want a regulatory system that enables innovation and supports investment, while maintaining necessary safeguards. The UK remains committed to upholding international regulatory standards as outlined in our Strategy. We will continue to play a leading role in shaping regulatory norms, including via international organisations and standard-setting bodies, as the UK has always done. The appointment of Bank of England Governor Andrew Bailey as Chair of the Financial Stability Board is a key indicator of the UK's ongoing commitment to international regulatory standards.

But when regulation is too complex and duplicative, it stifles progress and innovation, adding unnecessary burdens on businesses. For too long the ambitions for the economy have been held back by a regulatory system that has sought to eliminate risk, rather than take a more proportionate approach. The pendulum has swung too far and that must change to better serve businesses and consumers, at home and abroad, with better services.

Getting the balance right is crucial. The right regulation will uphold financial stability while also enabling banks to lend, invest, grow and compete internationally. That's why the UK government, Bank of England and Prudential Regulation Authority are taking significant steps to tailor the capital framework. We have committed to upholding the ring-fencing regime to protect financial stability while taking forward meaningful reforms to support growth, and the Financial Policy Committee is reviewing its assessment of the levels of capital needed to support financial stability. We are committed to implementing Basel 3.1 and are introducing the new requirements for lending and trading activities from 1 January 2027, with the exception of new modelling requirements for market risk which we will implement on 1 January 2028. This allows time for clarity to emerge in other jurisdictions, gives banks the certainty they need to plan and invest in the UK and minimises operational complexity for internationally active banks.

> The importance of global cooperation hasn't faded — it's as essential now as ever.

We have also committed to streamlining the Senior Managers and Certification Regime with the ambition – together with regulators – to reduce the overall burdens on firms by 50%. To achieve this, we are consulting on proposals to remove the Certification Regime from legislation and to enable the regulators to reduce the number of Senior Manager roles requiring their pre-approval before appointment. These proposals sit alongside a commitment to reduce the timelines for regulators to make Senior Manager determinations. A streamlined process and less bureaucratic hurdles make it easier for firms to recruit the right

people into positions of responsibility, whilst maintaining robust standards of individual accountability.

Unlocking retail investment

Growth requires investment. For that reason, it is essential that economies unlock the productive capital currently held in cash savings. This is a common challenge across Europe, with the EU taking similar steps to channel savings and pensions into more productive investments via its Savings and Investments Union Strategy. The UK government is also committed to establishing a culture of retail investment and challenging long-standing risk aversion to grow both consumers' savings and the economy. Alongside the Financial Conduct Authority, we are rolling out a system of targeted support to help customers in making better-informed financial decisions and growing their savings, rebalancing how we discuss the benefits and risks of investing. For example, UK banks will be able to suggest a ready-made investment portfolio to a customer with a large cash savings balance. This will represent the biggest reform of the financial advice and guidance landscape in more than a decade and will be a step change in the support available to consumers to begin investing.

Embracing innovation

Financial innovation has the potential to address many of the challenges facing consumers and businesses across the UK and EU. The UK's Fintech sector has led the way in financial services innovation, and our Strategy sets out our ambition to continue to drive progress in this area. Reforms include the launch of a new government concierge service – the Office for Investment: Financial Services – which will support international investors looking to establish or grow a presence in the UK's financial services sector, with a single front door to regulatory and wider business support, faster and simpler regulatory authorisation for new firms, and a regulator-led Scale-Up Unit to engage with fast-growing, innovative companies. The service will be a true public-private partnership with civil servants, regulators and industry working alongside each other to support businesses. These measures will enhance the UK's technologically advanced international financial centre and further improve the ability of Fintech firms to start, scale, and list.

Beyond this we are advancing groundbreaking technology and policy development, working closely with regulators and industry. We're advancing work on tokenised settlement instruments, including exploring the use of stablecoins for settlement in the Digital Securities Sandbox, and continuing our leadership in data sharing through a regulator-led Smart Data Accelerator that will help shape regulatory policy for Open Finance.

The UK has also updated our regulatory framework for central counterparties, enabling this framework to be updated in an agile and responsive way by the Bank of England. The existing UK framework effectively delivers on financial stability so much of it will remain unchanged. As with recently implemented changes to the EU's regulatory framework for CCPs, the proposed changes are targeted and intended to enhance resilience, with a focus on setting clear expectations, maintaining international standards and streamlining regulatory processes to further efficiency and foster innovation.

Working together to address shared challenges

Looking forward, the world is changing rapidly, and the UK's and EU's global leadership in financial services will continue to play an important role in the stable and effective management of global economic developments over the next decade. Open and globally connected financial markets, underpinned by strong international partnerships through bilateral and multilateral cooperation, will be crucial to our economic success.

Action has already been taken by the UK and EU agreeing to strengthen our relationship through the new EU-UK Strategic Partnership, agreed at the Leaders' Summit in May. This agreement is a milestone in improving our relationship with our closest trading partner and provides a platform to deepen our relationship even further.

Specifically in financial services, the UK government is committed to working together with the EU to mutual benefit – encouraging economic growth and innovation across all of our economies. You can see this in action through our synchronised approach to T+1 implementation in October 2027, minimising costs for firms across Europe, and in the constructive dialogue between the Treasury and the European Commission through the Joint EU-UK Financial Regulatory Forum.

But I believe there is more to do. Now more than ever, it is essential that the UK and EU work together to unlock much-needed growth across our continent, to ensure that we help the financial services sector to deliver capital and investment for our economies and our citizens.



JEAN-PAUL SERVAIS

Chair of the Board – IOSCO & Chairman – Financial Services and Markets Authority, Belgium (FSMA)

IOSCO's role in fostering international cooperation and coordination

Since the 2008 global financial crisis, IOSCO made significant strides in strengthening our financial systems in a globally consistent manner. The events of recent years and of recent months have underscored the critical importance of safeguarding financial stability and ensuring the consistent implementation of international standards.

The importance of global cooperation hasn't faded — it's as essential now as ever.

Given the ongoing uncertainties, it's clear that we need to further monitor developments and potential risks, and that we benefit from sustained global coordination to address emerging risks and ensure a resilient financial system.

More than ever, political priorities in many regions are focused on economic growth and competitiveness. In this respect, it is my view that supporting economic growth goes hand in hand with measures to protect investors, enhance the resilience of the global financial system, and safeguard market integrity. This is why IOSCO is working closely with other Standard Setting Bodies (SSBs) and the FSB.

IOSCO's wide membership makes it unique amongst other financial standard setters in its ability to reach jurisdictions. IOSCO's engagement with its diverse range of stakeholders is essential to ensure that its policy development is both evidence-based and outcomes-focused. Such inclusive engagement is particularly important in rapidly evolving areas where a variety of viewpoints can help identify emerging risks and support the development of policies that are both forward-looking and effective in promoting market integrity and investor protection.

IOSCO's role is to contribute to providing global solutions to global risks and issues within its remit. With that in mind, there are a number of global structural developments that are reshaping financial markets and where global coordination through IOSCO is instrumental, further building on its strong track record.

First, demographics and the rise of the digital retail investor. Younger generations are increasingly entering markets through digital platforms, mobile trading apps, and social media. Their sources of information—often influencers rather than licensed advisers—present new supervisory challenges. IOSCO has been at the forefront of analysing this shift. This year we published several reports which underscore the urgency of ensuring that digital engagement techniques—such as gamification—are used responsibly and that retail investors are not misled or manipulated. This is a fast-evolving space, and we continue to engage with social media platforms and other platform providers to see how we may collaborate to mitigate the risk of online investment fraud.

The importance of global cooperation hasn't faded — it's as essential now as ever.

Second, financial innovation. We are seeing signs that technological innovations such as tokenisation of assets could enhance processes, improve transparency, and lower operational costs. But we are equally aware that these innovations could create risks to investor protection and market integrity. That is why IOSCO has prioritised work in this space. In 2023 and 2024, we published a comprehensive toolkit for crypto and digital asset markets and decentralized finance. The goal is not to stifle innovation, but to enable it responsibly—on a level playing field and with adequate investor safeguards. We are now working with interested jurisdictions to implement these recommendations swiftly and consistently.

Similarly, Artificial Intelligence (AI) is increasingly embedded in the financial system—from predictive analytics and fraud detection to portfolio management and client interaction. Our latest work identifies several pressing risks to be addressed appropriately and proportionally: the malicious uses of AI, concerns related to the integrity of models, risks of hallucination, risks of concentration, and governance gaps.

Third, Non-Bank Financial Intermediation. IOSCO will continue to work on issues related to NBFI going forward. One area of focus is contributing to the work of the Financial Stability Board (FSB), addressing issues relating to non-bank data availability, use and quality. A high-level group within the FSB is now exploring how to close data gaps—to support risk monitoring, policy design and implementation, and cross-border cooperation. With IOSCO's input, this group will evaluate the extent to which progress can be achieved on this topic by conducting a test case focused on leveraged trading strategies in sovereign bond markets.

Given the interconnected nature of global financial markets, international cooperation and coordination remain imperative, also across sectors. My view is that IOSCO's international standards and guidance provide the foundations for resilient and sustained growth, support innovation, and mitigate regulatory fragmentation, in the interest of efficient capital allocation.



THE EUROFI HIGH LEVEL SEMINAR
NICOSIA - CYPRUS
25, 26 & 27 MARCH 2026



THE EUROFI FINANCIAL FORUM
DUBLIN - IRELAND
SEPTEMBER 2026

2

SIMPLIFYING AND ENHANCING FINANCIAL POLICIES

INTERVIEW 48

Louise Mogensen - Danish Financial Supervisory Authority

DO EU FINANCIAL POLICIES STRIKE THE RIGHT BALANCE? 50

José Manuel Campa - European Banking Authority / **Carlos San Basilio** - Spanish Securities and Exchange Commission / **Jurand Drop** - Ministry of Finance, Poland / **Bjorn Sibbern** - SIX Group / **Philippe Setbon** - Natixis Investment Managers

SIMPLIFYING EU FINANCIAL REGULATION 56

Harald Waiglein - Federal Ministry of Finance, Austria / **Jurand Drop** - Ministry of Finance, Poland / **Sandrine Ménard** - Ministry of the Economy, Finance and Industrial and Digital Sovereignty, France / **Anna Dunn** - JPMorgan Chase & Co. / **Francesco Ceccato** - Barclays Europe / **Denise Bauer-Weiler** - UBS Europe SE

SIMPLIFYING EU BANKING REGULATION 62

Nathalie Aufauvre - Autorité de Contrôle Prudentiel et de Résolution / **José Manuel Campa** - European Banking Authority / **Nadine Wiedermann-Ondrej** - Federal Ministry of Finance, Austria / **Eric Cloutier** - Forvis Mazars / **Stanislas Roger** - SMBC Bank EU AG / **Brent McIntosh** - Citi



Q&A

LOUISE MOGENSEN

Director General - Danish Financial Supervisory Authority

From complexity to clarity: Strengthening EU financial regulation through smart simplification

Does the EU prudential framework strike the right balance between stability, growth, and competitiveness? To what extent can simplification and proportionality make regulation more effective? What are the expected impacts of digitalisation?

The EU prudential regulatory framework has been instrumental in safeguarding financial stability and protecting consumers and investors. The strengthened rules introduced after the financial cri-sis have made the sector more robust and resilient. However, the growing complexity of regulation now presents real challenges for both market participants and supervisors. Excessive complexity can hinder market development, create barriers to cross-border activity, and divert resources from core risk management and innovation.

To counter these challenges, the EU should focus on transforming the single rulebook into a simpler and more usable framework. Simplification is not about lowering standards, but about making rules proportionate, coherent, and easier to navigate — especially for smaller and less complex institu-tions. Proportionality should be further embedded at all levels, so requirements better reflect the size, risk, and business model of each institution. This will help foster a more diverse and competi-tive financial sector, where smaller players can compete on fairer terms.

Digitalisation also offers significant opportunities to reduce administrative burdens and improve compliance. A usable digital overview of level 1, 2 and 3 legislations facilitated by the Commission – a so-called digital rulebook – could for example make it easier for institutions to access and under-stand requirements, and for supervisors to identify overlaps and inconsistencies in the legislation.

Ultimately, a simpler, more proportionate and digitalised regulatory framework will support innova-tion, facilitate cross-border activity, and improve access to capital across the EU. This is essential to deliver on the EU's broader objectives, including the green and digital transitions, and to ensure that European financial markets remain robust, competitive, and attractive for investment, support-ed by a well-functioning Single Market.

What are the main challenges to simplifying EU financial regulation? How can overlaps and inconsistencies across prudential, market, and ESG rules be addressed? Are changes in governance or drafting practices needed?

The main challenge in simplifying EU financial regulation is to achieve greater clarity and usability without compromising the core objectives of financial stability, market integrity, and investor and consumer protection. The EU's multi-level legislative structure—Levels 1, 2, and 3—offers flexibility but also creates risks of overlaps, inconsistencies, and unnecessary complexity. This can make the rulebook difficult to navigate for both market participants and supervisors, and we risk overlook-ing the essentials.

All the regulations are added for a reason. The individual rules or acts are seldom the issue – it is the sum of it all, that creates the real burden. So simplification is not just removing a few thorns. We need a broader approach.

To overcome these challenges, it is paramount to strengthen the quality and consistency of impact assessments at both EU and national level. Impact assessments should include realistic cost esti-mates, consider IT and digital requirements, and assess the effects across all relevant sectors. This will help ensure that new regulation achieves its objectives with the least possible burden and that existing rules are regularly reviewed for continued relevance and effectiveness.

A clear legislative hierarchy is also crucial. Level 1 rules should provide legal clarity and set the es-sential policy direction, while technical standards at Level 2 should remain technical in nature

and not be used to resolve political issues. This will help avoid situations where important decisions are left to be determined at a later stage, creating uncertainty and complexity.

Enhanced cooperation between EU institutions, national authorities, and stakeholders is needed to identify and address duplications, overlaps, and inconsistencies—especially as new policy areas such as digitalisation, data, and sustainability increasingly cut across traditional regulatory domains. The development of a digital rulebook could further support transparency and accessibility, making it easier to identify and eliminate redundant or outdated requirements.

Finally, changes in legislative drafting practices—such as clearer mandates, better alignment be-tween levels, and a stronger focus on harmonisation—can help ensure that simplification efforts deliver real results. By focusing on these priorities, the EU can create a more coherent, accessible, and effective regulatory framework that supports both stability and growth.

How can proportionality be better embedded in the EU regulatory framework while preserving risk sensitivity? How to avoid distortions or loopholes?

At the core, prudential regulation is about risk. The higher the risk, the higher demands we set as regulators. The risk profile is a mixture of many factors, but the regulation should set out a clear path for smaller entities with limited risk exposure to act under a simpler framework. In the pursuit of a true level playing field, we run the risk of overcomplicating the rule book.

The Danish banking sector consists of more than 60 credit institutions, many of them small, local and with a simpler business model. Proportionality is integrated in our supervisory approach, from the intensity and frequency of inspections to the calibration of supervisory reactions and the expec-tations we communicate. Proportionality is already embedded in the EU regulation, notably through the harmonized category of small and non-complex institutions mainly in regard to reduced regula-tory reporting requirements. However, the extent of proportionality in the EU regulatory framework could be broadened across levels 1, 2 and 3.

EBA guidelines that are generally applicable are designed to ensure a high and consistent standard across the EU. However, in practice smaller and simpler institutions may benefit from further clarifi-cation or supplementary national guidance to help them identify the most relevant areas of focus. Embedding such clarifications directly in level 3 products could further support proportionality and practical implementation.

Also, fewer, simpler, core regulatory requirements would often suffice for these institutions, rather than the finely calibrated and complex requirements that only the largest institutions are able to fully navigate within. On average, the prudential levels should be the same, but inevitably for some re-quirements and for some institutions, requirements could be allowed to be both below and above the current levels, without having any material effect on the aggregate soundness of the system due to the limited size, spillovers, and interaction of these institutions.

The distinction between the complex and the non-complex institutions could vary from risk area to area, and some flexibility could be administered by national competent authorities to define and su-pervise the delineation within reasonable and well-defined limits to strike the right risk-based bal-ance. The upcoming assessment by the Commission of the situation of the banking sector in the single market would be an opportunity to consider these issues and a stronger anchoring of propor-tionality in the regulation. The current work in EBA on simplification could also address these issues and provide a better basis for embedding proportionality in its regulatory products.

How can political consensus be built around targeted simplification initiatives with-out undermining broader regulatory objectives (e.g. investor protection, financial stability, sustainability)? How do we deliver concrete results when we talk simplifi-cation?

I often emphasize that simplification is not deregulation. The core elements of financial regulation—capital requirements, liquidity standards, resolution frameworks, and investor and consumer protec-tion—must be preserved. A simpler rulebook can, in fact, strengthen supervision by focusing atten-tion on the essentials and making rules easier to understand, implement, and enforce. The goal is to maintain robust safeguards while reducing unnecessary complexity, thereby supporting both stabil-ity and growth.

Moving forward, I suggest focusing even more om the following principles for simplification:

1. Impact assessments at both EU and national level.
2. A regulatory slowdown to allow recent rules to take effect before introducing new ones.
3. An accessible and navigable digital rulebook with a clear legislative hierarchy.
4. Less product-specific regulation and more harmonisation of existing rules.
5. Close cooperation between all stakeholders — EU institutions, national authorities, and the financial sector.

By adhering to these principles, we can ensure that simplification leads to tangible improvements for both market participants and supervisors, without compromising financial stability or consumer pro-tection. Ultimately, simplification should be seen as a tool to make regulation more effective and fu-ture-proof, supporting the EU's ability to respond to new challenges and opportunities in a rapidly evolving financial landscape.

DO EU FINANCIAL POLICIES STRIKE THE RIGHT BALANCE?



JOSÉ MANUEL CAMPA
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

Chair – Spanish Securities and Exchange Commission (CNMV)

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.



JURAND DROP
Undersecretary of State - Ministry of Finance, Poland

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
Chief Executive Officer – SIX Group

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.



PHILIPPE SETBON

Chief Executive Officer – Natixis Investment Managers

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.

LATEST *eurofi* SCOREBOARDS



Monetary Scoreboard

Update on monetary policies in the EU and OECD countries and their possible impacts on the economy and the financial sector.

Macroeconomic Scoreboard

Review of the economic performance and fiscal policies of the EU and its competitiveness compared to other economies.

AVAILABLE ONLINE ON
WWW.EUROFI.NET

SIMPLIFYING EU FINANCIAL REGULATION



HARALD WAIGLEIN

Director General for Economic Policy and Financial Markets – Federal Ministry of Finance, Austria

Simplification – a joint goal albeit difficult to jointly achieve?

The current financial services' regulatory and supervisory framework of the EU has just very recently brought to proof several times that it is able to ensure financial stability even in critical periods. The COVID-19 pandemic, rising energy prices and inflation, the Russian invasion of Ukraine, the international banking turmoil in 2023 and, most recently, the conflict in the Middle East have all put our economies under stress. However, EU banks largely managed to remain in a sound condition which in turn enabled them to continuously finance the (real) economy during these challenging times.

Undoubtedly, this satisfactorily stable banking environment is the outcome of many regulatory and supervisory measures which have been taken during the past 15 years as well as the corresponding and comprehensive efforts of the banking industry to steadily improve since the Great Financial Crisis. Once again, it became absolutely evident that a broad and substantial regulatory framework is key to ensure the soundness and resilience of EU banks and financial stability in the EU (while, for the sake of completeness, it should not remain unmentioned at this point that banks have also benefitted from the strong monetary and fiscal responses of EU Member States to past shocks, in particular during the COVID-19 pandemic).

Consequently, there seems to be a broad consensus of all involved parties that resilience of EU banks should by no means be weakened but that, at the same time, there is an urgent need for action to strengthen the global competitiveness of the EU financial industry. Thus, the common objective is „simplification, not deregulation". But what does this mean concretely?

Well, some first immediate and important steps have already been taken by the European Commission (and the EU co-legislators): The application of the new prudential requirements for market risk (Fundamental Review of the Trading Book - FRTB) has been deferred for a second time very recently to secure international level playing field, amendments to the CRR have been adopted as regards the treatment of securities financing transactions under the NSFR, and further amending proposals to mitigate regulatory pressure, in particular regarding the recently introduced "ESG-framework", are cumulated in several so called "Omnibus"-Directives, which are currently negotiated by the EU-legislators.

Furthermore, several additional initiatives are on their way or have already been finalized (non-exhaustive list): The ECB has established a "high level task force" on simplification which shall develop proposals to simplify the banking rules by the end of 2025. The European Supervisory Agencies are committed to increase their respective efforts and to play their part in simplifying the regulatory framework and in reducing administrative (reporting) burdens. Moreover, a lot of valuable content should be expected from two reports mandated by the CRR 3: Until 2028 at the latest (but most probably earlier), the European Commission will assess and report the overall situation of the banking system in the single market and on the appropriateness of the Union regulatory and supervisory frameworks for banking and, until 2027, the EBA is expected to prepare a report assessing the overall prudential framework for small and non-complex institutions (i.e. the "principle of proportionality"). Equally important as a basis for progress are the numerous elaborations and reports contributed by academics and/or the industry, as for instance, just to name one of them, the so called "Less is more"-report published in February 2025 and prefaced by Jacques de Larosière.

In order to simplify financial regulation, there is obviously no "silver bullet".

In order to simplify financial regulation, there is obviously no "silver bullet". As current financial regulation is characterized by a very high degree of complexity and granularity, identifying concrete areas which are suitable for further simplification will not always be simple. However, it is absolutely feasible to successfully fulfil this important task if we acknowledge that it will require serious and continuous dedication of all involved stakeholders, comprehensive and constructive work, and the willingness to perform complex analyses of the current status quo of the legal framework. But first and foremost, a successful completion of the project to simplify regulation will strongly depend on the readiness to incorporate all relevant sources and ideas into the discussion. This means in particular to discuss in detail – and in an open and unbiased way – input resulting from relevant activities of the European Commission, the ESAs, the ECB, other authorities and Member States but as well respective contributions forwarded by the banking industry, academics and other financial law professionals.



JURAND DROP
Undersecretary of State - Ministry of Finance, Poland

Towards simpler, more proportionate and consistent EU financial regulation

Over the past two decades, the EU has built a comprehensive regulatory framework for the financial sector, covering prudential, market, anti-money laundering and sustainable finance areas. While this architecture has strengthened the resilience of the system, it has also introduced significant complexity, duplication of responsibilities and interpretative difficulties. While stability and security has improved, market competitiveness and efficiency have suffered. Current regulatory framework can hinder innovation, limit market access and place a disproportionate burden on smaller players.

Moreover, it has a direct impact on economy. For example, European capital markets remain fragmented, underdeveloped, and less attractive to investors than the competitors from the US. This undermines the economic growth as nearly 45% of euro area investment fund assets, according to the ECB, were allocated outside the EU in 2023. This alone highlights a persistent preference for deeper, more integrated markets abroad.

EU policymakers are aware that it is time to react, and in fact the work has already been initiated both by the current European Commission and the Council presidencies. Policymakers are aware that simplification cannot mean "mechanical" simplification by rashly reduction of number of legal acts or provisions – we need smart deregulation, which reduces complexity without sacrificing stability. While the task at hand is very complex, there are several design challenges that need to be addressed.

First, the main barriers to effective simplification stem from the structural features of EU regulation. The system of legislative tiers in the EU, i.e. the multi-level legislation of level 1, 2, and 3, was a reasonable response to the need for flexibility and speed, but in practice it has also led to a stratification. Levels 2 and 3 acts - besides being too many and too detailed - sometimes extend the scope of regulation beyond the original mandate of Level 1. This stratification is ripe for a review in three areas:

•the scope of delegation: substantive content should be placed directly in the primary legal text and the mandates given to the European Supervisory Authorities should be clearly defined therein,

•the sequencing: level 2 texts should be known by the market participants at a time when they are working to adjust their businesses to legal requirements stipulated by the Level 1 texts

•the number of level 2 and 3 measures should be reduced.

> We need smart deregulation, which reduces complexity without sacrificing stability.

Second, broader participation and transparency, including input from market participants and national authorities in the regulatory process would enhance legal clarity. This should be implemented not only in regard to Level 1 legislation but also to technical standards and ESA guidelines, whereby public consultations, impact assessments and feasibility studies relating to these acts should be disclosed.

Third, insufficient coordination when it comes to regulating various financial sector aspects, such as ESG and MiFID II, AML and CRD, leads to duplication of compliance requirements and unclear points of competence. The efforts on the EU level to identify and address redundant or duplicative requirements are already ongoing. A more horizontal and interdisciplinary approach, involving supervisors, financial institutions, and other relevant stakeholders from adjacent sectors would be more effective. Such cross-sectoral coordination mechanisms should also be strengthen within the European Commission and the ESAs to oversee consistency between regulations both on the EU and national levels.

Fourth, when creating regulatory framework, the impact assessment should be strengthened, especially in two areas. Cumulative Impact Assessment as a mandatory element of the legislative process could be carried out, not only ex ante for new acts, but also ex post for sets of existing regulations. This evaluation should also took into account how new laws impact competitiveness in general and how they will influence the operations of small and medium-sized enterprises.

Finally, we need to the conception of any new legal proposal. Laws should be drafted with the customer, or investor, in mind. Legal complexity leads to cumbersome services and products. Filling in lengthy questionnaires or ticking of boxes, be it in the MiFID, ESG or KYC areas, puts off potential users and investors, does not fulfill the original purpose and creates political backlash.

Simplification is not an end in itself, but a tool. It does not mean compromising on system safety – on the contrary, it means greater transparency, effectiveness, and resilience in the long term.



SANDRINE MÉNARD

Deputy Assistant Secretary, Financial Markets and Corporate Financing – Ministry of the Economy, Finance and Industrial and Digital Sovereignty, France

A European approach to simplification in the financial sector

Over the last fifteen years, the EU legislative corpus grew in significant numbers. There have been at least 370 new laws in each of the past five legislative terms, with an increase of 14 % to 16 % from each term to the next, with the sole exception of the Juncker term, where the rate of new production decreased by 24 % (Marcus JS,2024). Logically, the production of European standards in the financial services sector (banking, financial markets, insurance) did not follow a different path, neither at the level 1, nor at levels 2 & 3. The last fifteen years saw the development of a very complex, resource consuming, volatile and sometimes non-operable set of rules which tried to indirectly maintain the spirit of the Lamfalussy process as it has been thought back in 2001.

Let us be clear. The EU's decision to regulate financial services more stringently after the 2008 crisis was a necessary and prudent move. The global financial crisis exposed significant vulnerabilities and weaknesses in the financial system, highlighting the need for robust regulatory frameworks to prevent future crises. The EU's proactive approach to financial regulation has not only restored confidence in the financial system but also laid the foundation for a more stable and attractive single market. With the finalisation of Basel III in sight, coupled with the key steps achieved on, to mention a few, EMIR 3.0, MiFIR, MiFID or Solvency II, it is now time for the EU to come up with a serious, holistic and ambitious plan for simplifying financial services regulation.

Simplification in itself is far from being simple, especially in financial services. This is why we need a fully-fledged European approach to simplification. Such a European way to implement simplification in financial services doesn't mean a prioritization of deregulation. Rather, simplification could go with an optimisation of the current rulebook by making its current functioning and implementation much more efficient. As underlined by the Draghi and Letta reports, the extent to which regulatory simplification could act as a key lever for European competitiveness cannot be ignored anymore nor dealt with file-specific contingent add-ons.

Many steps have already been taken on this matter. On one hand, co-legislators are striving to simplify the current Retail investment strategy and FiDA proposals. On RIS, it is crucial to continue simplifying the text which all in all remains very complex. Further work is needed especially on the various tests created or made more challenging and demanding by the current proposal, especially on the customer journey. On FIDA, all stakeholders now recognize the complexity of the text and the necessity to avoid undue burden on the financial sector. Both sides of the coin need to be taken into account and, for open finance to be a success, FiDA needs to be deployed in a way that meets effective market demand on the data users' side while limiting the significant market adjustment costs for data holders.

Simplification in itself is far from being simple, especially in financial services.

On the other hand, DG FISMA has started reviewing a list of technical norms that could be postponed. While this review is in principle welcomed, it risks becoming yet another file-specific contingent initiative falling short of what's needed to meet the simplification targets. We can also mention the task-force the ECB has assembled or the sectoral projects undertaken by the EBA, ESMA and EIOPA whose sectoral focus will bring valuable insights on what would be needed but overall, all miss the holistic lenses needed to really address the issue.

Therefore, the European approach to simplification in financial services regulation cannot be limited to files currently under discussion nor level 2 & 3 improvements. Now, more than ever, we need level 1 simplification. What is being done on sustainability reporting is a good example of the constructive mindset colegislators have adopted, and should be confirmed in the swift finalization of the Omnibus legislation. Furthermore, an additional simplification effort for the digital sector is also underway. We do not see any reasons as to why the financial sector would be left alone from this horizontal endeavour.

On the banking front, work is already on the way ahead of the Commission's 2026 report on the competitiveness of the EU banking sector. In that regard, priorities should be simplifying the multiple capital requirements for banks, as well as removing barriers to cross-border banking integration, including waivers for local liquidity and capital requirements. Along with targeted simplification of existing rules, we should also look into how we can simplify the rule-making process within our Banking union, in order to make sure that future rules do not add excessive administrative costs or go beyond the spirit of level 1 texts.



ANNA DUNN
EMEA CFO & UK CEO –
JPMorgan Chase & Co.

Simplification via 28th regime

The European Union was founded by treaty and animated by regulatory bodies, with all its vaunted achievements effected via law and regulation. Europe, by virtue of its history, has a penchant to perceive regulation as an answer rather than a problem. And indeed there has been a snowball effect in EU financial regulation and supervision that continues and we are at the center of it: 25% of Delegated Acts in the Union as of September 2023 concerned financial stability and financial services. A snapshot of the challenges:

- 431 legislative texts over the 2019-2024 period have added to the 378 legislative texts written between 2014 and 2019.
- The 1,000 page CRR3/CRD6 banking package additionally assigns 139 mandates to the European Banking Authority including 60 new mandates for technical standards and 29 for guidelines.
- Level 1 texts are often ambiguous. This results in the delegation of significant issues to Level 2 acts, which should in theory only address technical details and should not imply strategic decisions and policy choices. This Level 1 ambiguity also leads to inconsistent interpretations and applications across Member States.
- Furthermore Level 2 rules often end up being published close to, or after, the application date. Without any assurance of a non-enforcement period, financial firms require predestination for timely regulatory compliance.
- Meanwhile the European Supervisory Authorities (ESAs) have become quasi-legislative bodies, being both drafters and interpreters of regulations through layers of soft law. Soft law (Level 3 in the form of guidelines and Q&As generally) is often treated as de-facto binding by supervisors, leading to the enforcement of highly specific requirements with a vague legal basis.
- On the topic of supervision, the Single Supervision Mechanism (SSM) views "intrusive" financial supervision as part of their mission statement. They have increased their supervisory fees by 145% over the past decade to EUR 680 mm.
- Within J.P. Morgan, we clearly see the impact of the SSM budget and mandate, with the ECB having approximately double the hours of time spent in supervisory meetings than the United Kingdom relative to both bank assets and revenues.

This unwieldiness and complexity are specific to the European Union and arguably are a consequence of the compromises resulting from seeking to preserve cherished local banking institutions in 27 countries while pursuing an ever closer union.

Measures for regulatory simplification include changes that align to practical commercial reality.

Some incremental and modest measures for regulatory simplification include changes that align to practical commercial reality. Regulatory compliance should be considered relative to Level 1 texts with the industry given minimum implementation periods to adhere to new Level 2 and Level 3 texts. Level 2 and 3 acts, including supervisory expectations, should have pre-litigation remedies, and be drafted with more inclusive and transparent consultation and impact assessments. The European Commission's commitment to reduce reporting obligations by 25% should be fully implemented, as well as the 'one in one out' principle that was announced. Supervisors should need to explain how any supervisory expectations beyond regulatory requirements are proportionate to observed financial risk.

How can the monumental and complex European regulatory machine be simplified in a more radical manner? Perhaps by being repurposed: the creation of a 28th regime, as suggested in the Competitiveness Compass, for corporate and insolvency law could provide the foundation for pan-European capital markets. There is no political mandate nor desire to homogenize European financial services, but there is real determination to encourage the scale for European financial institutions that enables international competitiveness. Attempts to create an EU banking union to date have been hobbled by the national consequences of pan-European legislation, which also results in a thicket of national transposition differences for any financial institution that wishes to utilize their EU passport. European countries would benefit from paring back EU financial regulation to more principles-based prudential standards aligned with the Basel Committee on Banking Supervision, and allowing National Competent Authorities to supervise and simplify their own domestic banking regulation whilst maintaining alignment with those international standards. Allowing sizeable pan-European banks to opt in to a new 28th regime instead of being subject to national laws would be a groundbreaking means of simplifying the EU financial regulatory landscape. This two-tiered system would promote both vibrant domestic European banks that are responsive and reflective of their local communities, and leverage the rule-making capabilities of the EU to provide the regulatory framework for internationally competitive European banks.



FRANCESCO CECCATO
Chief Executive Officer – Barclays Europe

Simplification through principles-based legislation and regulation

It is obvious that our banking system is exponentially more robust than it was fifteen years ago and therefore equally clear that simplification is not and cannot be about a general weakening of standards. That needs to be stated at the outset.

What simplification needs to address is the proliferation of rules that pose a challenge to industry, regulators and supervisors alike, and that in many cases do little to reinforce the solidity of an already robust financial ecosystem.

There are undoubtedly changes that can be introduced to the Lamfalussy structure to improve its functioning and to create more regulatory certainty, in particular in ensuring final Level 2 rules are available well before implementation dates. Certainly, greater efforts should be made to adhere to existing Better Regulation principles, including that Member States should refrain from "gold-plating". The core of the debate, however, needs to be about what the system is trying to achieve rather than the minutiae of how it is set up. In chasing a Single Rulebook we have ended up with an excess of rules, often not actually applied in a uniform manner. The EBF has highlighted, for example, that the 2024 Banking Package consisted of approximately 1,000 pages and conferred 139 mandates to the European Banking Authority (EBA) for drafting technical standards and guidelines. This compares to 500 pages and 62 mandates for the 2019 Banking Package. Should we not instead be striving for a more principles-based framework?

The current approach seems to focus on prescriptive legislation which needs to be complied with. On-site inspections by regulators test whether (a) there has been compliance, (b) whether the compliance by a bank has led to proper risk management. But if the main objective of prudential regulation is risk management, should we not have more principles-based legislation and regulation which allows the banks' executive teams to manage effectively, with supervision focused on substance and material risks rather than line by line reviews, and the variety of tools at disposal of regulators, such as inspections, applied proportionately?

The maturity of a prudential regulation system advances when it goes from a rules-based, compliance-with-rules approach, to a principles-based, step-back from the detail approach. This is not easy as it requires less enforced compliance and more judgement. It also needs to recognise the diversity of bank business models – and be proportionate to them, not penalise any given business model, but appropriately judge whether they are being implemented and managed in a risk-conscious way.

> **The proliferation of rules poses a challenge to industry, regulators and supervisors alike.**

If this approach is embraced, simplifying the framework or even withdrawing legislation becomes easier – you are shifting the burden from process to people. It is not without risks, but deserves to be debated particularly in light of the evident maturation of the regulatory framework.

Another important aspect is a comprehensive overhaul of reporting requirements. There is duplication and surfeit of data supply to multiple layers of regulators. A bank's reporting universe is vast and has been expanded massively by the new climate and environment reporting requirements.

A start has been made in this area with the ESG Omnibus proposals but these do not always target the most critical areas. For examples, it should be recognised that for many organisations, sustainability is managed at a group level, with strategies, targets, risk management and transition planning occurring primarily at the Group level. To this end, we strongly support the approach of the International Sustainability Standards Board (ISSB) and call for the option to report at the top-level of consolidation. Climate and environment are, after all, global concerns. We are all tasked with doing our part to protect the planet and encourage the transition. There are also obvious questions about using the taxonomy as a disclosure framework and the appropriateness of applying rules such as the CSDDD to the financial sector.

Shifting to a simpler, more principles based, framework is not something that will be achieved overnight. It requires a robust analysis of what are the core standards essential for financial stability, then a focus on principles-based regulation and avoid being overly prescriptive. It also raises questions about the sharing of data between supervisors and the division of responsibilities between EU level and national bodies.

Done correctly, simplification improves the experience of industry, supervisors and clients alike without undermining the broader regulatory objectives of investor protection, financial stability, and sustainability. It is worth discussing.



DENISE BAUER-WEILER

Member of the Management Board – UBS Europe SE, Head EMEA Group Compliance Regulatory & Governance

A sharp focus on policy goals is key to delivering simpler regulation

The EU is a regulatory superpower. This can be a source of strength. Harmonising rules across member states underpins the single market and simplifies firms' cross-border compliance.

In financial services, the recent trend in the EU has been towards much more harmonisation. Legislation (Level 1) is complemented by technical standards (Level 2) and guidance (Level 3). This helps to provide certainty for firms, but too many prescriptive rules also create a significant compliance burden.

The Digital Operational Resilience Act (DORA) is a good example. While it will deliver an important upgrade to firms' operational resilience, firms are required to complete more than 90 data fields for each third party ICT provider, much of which has to be requested from vendors. I am sure that a case can be made for each data point in isolation. But the reality is that individually they will not deliver equal value to supervisors; while the cumulative cost for firms will be higher than for a more targeted data set.

Moreover, legislative proposals are not always sufficiently well connected to evidence-based objectives. This can impede the legislative process and lead to sub-optimal outcomes.

For example, the proposed Financial Data Access (FiDA) Regulation, which aims to promote data-driven open finance, is not supported by a sufficiently rigorous assessment of actual client demand and use cases. EU legislators have rightly scrutinised these aspects of the proposal. Without major changes, this legislation risks mandating unnecessary and expensive private sector investments to establish IT infrastructure that will potentially not be utilised.

To take another example, the most noteworthy measures proposed under the EU Retail Investment Strategy focus on consumer protection and lack a clear linkage to the stated goal of improving retail investor participation in capital markets. Legislators need in particular to address MiFID II rules that currently prevent sophisticated clients with capital markets expertise from accessing a broader range of capital markets products.

Fortunately, the limits to the effectiveness of ever-increasing regulatory productivity have been recognised by EU policymakers, as the US has embarked on a significant deregulatory agenda, while the UK has adopted a renewed emphasis on regulation supporting competitiveness and growth.

> **Effective regulation demands a disciplined focus on outcomes, with proportionality at its core.**

In this regard, the EU simplification agenda will be absolutely key in allowing firms to refocus resources from compliance towards financing growth and Europe's strategic investment needs. We welcome the focus on 'Omnibus' packages to simplify the rulebook, starting with sustainability reporting, as well as the simplification and burden reduction initiatives of the ECB Task Force and the European Supervisory Authorities.

But a focus on simplification is easier to agree in principle than to deliver in practice. Europe has a highly complex policy-making process with multiple stakeholders; and it takes time to deliver change.

If that change is to be achieved, it is important not just to look at simplifying existing rules. Effective regulation demands a disciplined focus on outcomes, with proportionality at its core. New rules need to be better calibrated, avoiding over-specification at the outset. This does not necessarily mean deregulation, but it should mean smarter, more streamlined rules that facilitate less burdensome compliance.

In practical terms, this means focusing closely on what regulation is setting out to achieve, with particular emphasis on:

Thorough impact assessments that deliver clear answers to a problem statement that Level 1 legislation is designed to solve for;

Ensuring Level 1 legislation limits and prioritises Level 2 mandates to the minimum necessary to deliver the policy objectives, setting clear boundaries around what those mandates are required to deliver, while ensuring that new Level 1 obligations with Level 2 dependencies only take effect after a realistic amount of time and avoid delegating politically contentious points to Level 2;

A more proportionate and outcomes-oriented approach to Level 2 rules and Level 3 guidelines. European Supervisory Authorities should provide clear explanations as to how proposed Level 2 rules reflect the mandates outlined in Level 1 legislation, with a focus on options explored and rationale for the proposed approach, including a specific analysis of the impact on regulatory burden and competitiveness;

A more structured dialogue between European Supervisory Authorities and the industry, not limited to feedback on Level 2 proposals but on an on-going basis, could facilitate greater understanding and better rulemaking outcomes.

Delivering better regulation will inevitably involve more discipline around policy goals and potentially trade-offs between objectives. And for this sort of approach to work, it needs to be supported by all stakeholders. We in the industry stand by to support policymakers in this endeavour.

SIMPLIFYING EU BANKING REGULATION



NATHALIE AUFAUVRE

Secretary General - Autorité de Contrôle Prudentiel et de Résolution (ACPR)

EU banking prudential framework: with wisdom comes simplification

In the aftermath of the great financial crisis, the EU succeeded in building a robust banking sector through the implementation of the Banking packages and the Banking Union. At the time, the elaboration of detailed rules was a necessity to ensure a harmonized implementation at EU level. Over the last 15 years, the body of regulation has nonetheless grown into an intricate landscape that would certainly benefit from simplification.

Simplification should uphold the principles that make the EU banking sector strong. EU must safeguard its two precious assets: the Single Market and its resilience. Two guidelines should therefore steer our action: preserve Basel compliance and remain capital neutral. Concretely, this means avoiding three pitfalls. First, simplification does not mean deregulation. The EU sound prudential framework has shielded its banking sector in recent years, from Covid to the 2023 banking turmoil. The second trap is the status quo: the Noyer and Letta reports have clearly shown the pressing need to alleviate undue burden on EU financial institutions, and we are expected to transform this momentum into concrete changes. Lastly, the work on simplification is not about increasing capital requirements; in a context of global uncertainty, recent stress-tests prove that the EU banking sector is sufficiently capitalized.

Now, we should also beware of simplistic solutions that would prove to be detrimental to the overall soundness of the banking sector down the road. In this regard, introducing a tailoring regime in the EU is not an appropriate solution. Indeed, increasing proportionality may be appropriate when it comes to supervisory process and reporting, but we should be very cautious with proposals to water down regulatory requirements: small bank does not mean small risks. We have seen in other jurisdictions how lighter requirements prevented action on vulnerable banks and we should not give rise to fragmentation of the single market.

Similarly, we should be cautious with abstract solutions. Conceptual proposals, such as a strict separation of going and gone concern capital may not pass the reality test. We should stay in line with the intent of standards and international developments.

Our priority should be to eliminate EU goldplating and unnecessary complexity of rules and supervision, while maintaining financial stability. For instance, the current architecture for microprudential, macroprudential and resolution requirements should be reviewed in a holistic manner to neutralize overlaps and reduce uncertainty in institutions' capital planning. There are low-hanging fruits that could be implemented right away, such as removing MREL and leverage MDA triggers, dropping supervisory expectations for management buffers or aligning MREL over TLAC.

Other more technical issues warrant resolute action: dismiss any increase of Pillar 2 requirements that would come from the mere arithmetical increase of risk-weighted assets brought by the output floor, review the O-SII methodology to better take into account the level of integration of bank activities, and drastically streamline macroprudential tools such as the Systemic risk buffer.

Supervision and reporting could also be greatly simplified without being detrimental to close monitoring of banks. We support initiatives for prioritization in the delivery of the many standards and guidelines mandated by CRR3, tangible results in risk-based SREP and quantitative objectives in reduction of the reporting burden.

Simplification is not a brutal reversal, but an intelligent adjustment of existing foundations.

Above all, simplification is an opportunity to strengthen further the Banking Union and the Savings and Investment Union. In spite of significant progress, the Banking Union remains incomplete due to insufficient financial integration. Ring-fencing policies count as a major obstacle toward banking integration as they unduly duplicate requirements and hinder the management of capital and liquidity at group level. The conditions are now met to ensure a safe implementation of the cross-border waivers that are needed to support cross-border consolidation. This would allow for better risk diversification and more flexible and efficient resources allocation in response to shocks. In parallel, we should continue to work towards a fast and pragmatic response mechanism to crises in the EU.

Finally, let us remember that simplification of the banking framework could also benefit the whole EU financial sector, for instance through the Commission's proposal for a more risk-based approach on securitization, which could unlock great financing potential for tomorrow's challenges.



JOSÉ MANUEL CAMPA

Chairperson – European Banking Authority (EBA)

Fostering simplification while preserving financial stability through efficiency

Over the last decade, Europe has taken decisive steps to strengthen its financial institutions. Today, our banks are better capitalised, more profitable and far more resilient than before the global financial crisis. This reflects the determined implementation of internationally agreed standards, including the Basel framework.

However, confronted with a complex regulatory landscape and challenging global environment, regulators and supervisors are tasked with a seemingly contradictory mission: maintaining financial stability while supporting competitiveness through simplifying the prudential framework. In my view, this is not a call for deregulation, but a plea for greater efficiency, clarity, and proportionality. These goals actually lie at the heart of the EBA's priorities.

Financial stability as a precondition for growth

Our first duty must be to preserve the resilience and credibility of the EU financial system. This means staying committed to the Basel standards, which have served us well in episodes of stress. From a global pandemic to recent banking turmoil originating from overseas, our financial institutions remained stable, shielded by our sturdy regulatory and supervisory setup. Rolling back our rules could lead to weakening this resilience by reintroducing new risks. Furthermore, the EU framework provides legal certainty, predictability and credibility to our economic actors. These are preconditions to the conduct of sound, sustainable and growth-enabling business.

At the same time, there is latitude to help financial institutions take full advantage of the Single Market. Regulation should not be a barrier to cross-border activity or innovation. The time is ripe to take a long look at our framework, not to lower standards, but to ensure they are implementable, proportionate, and conducive to integration.

Preserving and deepening the Single Market and Banking Union

A well-functioning Single Market requires a coherent and fit for purpose regulatory framework. Rules must work in practice for both institutions and citizens. We can observe in some instances that complexity has prevented this from happening. For example, capital and liquidity waivers are consistently underused, reflecting not a lack of tools, but the difficulty of applying them on the ground. Similarly, last year's EBA report on the stacking order shed light on the intricate layering of capital and leverage requirements that banks must face. In this particular case, rules are further complicated by a complex institutional setup. Overall, this indicates that well-intentioned regulation can sometimes miss the mark when not sufficiently tailored to market realities.

> It's not whether we have too many rules but whether we have the right rules for the outcomes we seek.

In light of this, a key component of our approach to simplification is making full use of proportionality. This has been a guiding principle in the EBA for years. For instance, since the establishment of its Advisory Committee on Proportionality in 2020, the EBA receives input on how to better embed this notion in regulatory products. Another example to our commitment to proportionality is the development of a prudential regime tailored to investment firms. It ensures that rules cater to the risk profile and size of these actors. The EBA also produced two reports on the cost of reporting, identifying actions towards its reduction, with a focus on small and non-complex institutions.

What we must avoid, however, is tinkering with the framework until it becomes a patchwork of divergent interpretations. This would fragment the rulebook and ultimately undermine the Single Market.

This is why the EBA is engaging in broad reflection on all of its regulatory mandates. It will assess its Level 2 and Level 3 products with the aim of focusing efforts where they most improve clarity, efficiency, and implementation. This includes prioritising essential mandates, reviewing reporting requirements and increasing their predictability, as well as supporting supervisory convergence across the EU.

We are also engaging with EU co-legislators and stakeholders to contribute to a holistic assessment of the EU prudential framework. The question is not whether we have too many rules but whether we have the *right* rules for the outcomes we seek.

In conclusion, our goal is clear: maintain a robust and credible financial system that empowers institutions to operate efficiently across borders, thereby supporting economic growth. That means embracing efficiency without losing sight of effectiveness.



NADINE WIEDERMANN-ONDREJ

Deputy Director General for Financial Market Regulation – Federal Ministry of Finance, Austria

From burden to balance: Streamlining the EU's banking regulation

Over the past decades, the regulatory framework governing the banking sector has evolved into an increasingly complex and multi-layered system. This evolution has been triggered by horizontal expansion across various policy domains and vertical stratification across different levels of legal instruments, resulting in regulatory overlaps, inconsistencies, and redundancies. The fragmented nature of this framework imposes significant compliance costs, particularly on smaller and less complex financial institutions. While the overarching objective of this regulatory density is the implementation of common policy goals, the administrative burden is widely perceived as a constraint on the international competitiveness of European banks.

First it is important to understand that the complexity of the regulatory framework is an outcome of the process and procedures of the EU's law-making process. Because of differing national interests, EU financial rules often reflect political compromise, leading to the inclusion of country-specific provisions or the delegation of technical detail to Level 2 and Level 3 instruments. What the Lamfalussy Process initially envisioned as a mechanism to improve legislative efficiency has, over time, resulted in a complex regulatory hierarchy.

The formulation of a rational and a systematic approach to simplification is therefore imperative starting point for any simplification efforts. Simplification must be understood not merely as the reduction of reporting requirements, but as the elimination of regulatory inconsistencies, duplication, and overlaps, and promoting a coherent regulatory approach. A comprehensive review should consider the cumulative impact of regulatory requirements on financial institutions of varying sizes and complexity, assessing not only their contribution to financial stability but also their implications for market efficiency, innovation, and competitiveness. Only through such a holistic and system-wide evaluation can regulators identify unnecessary burdens, conflicting provisions, and disproportionate compliance obligations.

The European Commission, as the initiator of legislative proposals, bears primary responsibility for ensuring that new regulatory initiatives are grounded in empirical evidence and accompanied by rigorous impact assessments. Effective interdepartmental coordination within the Commission—particularly among the relevant Directorates-General—is essential to produce coherent and integrated legislative proposals. While the development of individual legislative acts benefits from subject-specific expertise, a successful simplification initiative demands a cross-sectoral and interdisciplinary approach.

Clear, coherent, and proportional rules are essential for effective regulation.

The principle of proportionality must be rigorously applied. However, regulatory frameworks that adopt a uniform "one-size-fits-all" approach or rely exclusively on quantitative financial thresholds overlook the systemic relevance of the regulation concerned. Accordingly, the application of the principle of proportionality must be considered within the scope and objectives of the relevant regulatory framework.

Regulatory texts should be clear, simple and predictable. Insufficient clarity at the Level 1 legislation often leads to additional Level 2 and 3 measures that tend to add to the overall complexity of the regulatory framework. Furthermore, unexpected regulatory changes—especially those introduced before evaluating the effects of prior reforms—can add to compliance uncertainty.

A well-balanced and thoroughly prepared Commission proposal can facilitate negotiations with the co-legislators. While the legislative process remains inherently complex and subject to political contingencies, it is essential that both the European Parliament and the Council uphold the objectives of coherence, proportionality, and regulatory quality throughout the negotiation process.

Importantly, the simplification agenda is both prospective and retrospective. When evaluating existing legislation it must be acknowledged that any change—even one aimed at simplification—entails implementation costs. Nonetheless, a coherent and robust regulatory framework can itself constitute a competitive advantage for the European banking sector.

Finally, the role of digital innovation must not be overlooked. The integration of technological tools into the regulatory and supervisory processes has the potential to reduce compliance burdens through automation, improved data quality, and real-time monitoring. Digitalisation, when strategically implemented, can enhance regulatory efficiency.



ERIC CLOUTIER
Partner, Group Head of Banking Regulations - Forvis Mazars

Simplifying Europe's regulations and supervision as competitive necessity

The global financial regulatory framework has entered a phase of accelerated divergence and fragmentation. The US is moving away from gold plating regulations to placing competitiveness at the centre of its policymaking. In parallel, the UK has launched its own regulatory and policy review, anchored in its competitiveness and growth agenda for the financial sector.

Despite strong ambitions, EU remains slower to adapt as it is tied to its rule-dense, multi-layered architecture. The challenge is twofold: to recalibrate its regulatory and supervisory approach without compromising stability or fragmenting the Single Market, while responding with speed and coherence to avoid falling behind.

Calibration conundrum: speed without compromising the EU model

As Draghi warned, Europe's challenge is not just inertia, but also fragmentation and a lack of strategic focus.

The publication of the Draghi report initiated a robust discussion at the EU level. This led to recent actions, such as the Commission's launch of the Competitiveness Compass in January 2025, the securitisation reform package of June 2025, and the ongoing ESG Omnibus proposals – which all signal a shift toward more risk-sensitive regulation that supports growth and competitiveness.

But these remain targeted fixes. Progress remains slow and uneven, and changes must go further. They must be embedded structurally across the regulatory and supervisory framework and must look across the whole ecosystem of requirements (e.g. ESG) to deliver a coherent set of complementary and simple policies.

The credibility of the EU's financial system now depends on its ability to shift from reactive adjustment to timely, coherent and impactful delivery.

The missing link of the Banking Union

Both the Banking Union and capital markets integration remain stuck in circular discussions, making the costs of fragmentation increasingly visible. Years after the launch of the CMU, cross-border issuance, IPOs, and securitisation remain constrained by divergent insolvency rules, withholding-tax frictions, and fragmented supervision. Without resolving these barriers to integration, Europe risks falling further behind in attracting capital and scaling innovation.

While full centralisation may not be politically achievable, pragmatic steps can still deliver tangible benefits. These include finalising CMDI, harmonising key aspects of insolvency, introducing a single EU banking licence for cross-border groups, and reducing national gold-plating.

> To stay competitive the EU must urgently recalibrate its regulatory model with strategic intent.

Meanwhile, the rapid proliferation of technical standards and guidelines has blurred the line between binding and non-binding rules, creating uncertainty and compliance friction. More structured policymaking, especially for Level 2 and Level 3 measures, must be anchored in early impact and cost-benefit analysis. The process should also include recalibration triggers and sunset clauses to address unintended asymmetries over time.

Embedding proportionality without weakening standards and competitiveness

Proportionality remains inconsistently applied, and smaller banks still face a compliance burden implementing regulations designed for significant institutions.

Some have argued for a dual rulebook, but this could fragment the Single Rulebook, complicate supervision, and create incentives for arbitrage. Another option is introducing a calibrated tiered approach, backed by quantitative thresholds. This would preserve a single legal structure, applying obligations gradually based on institutions' size, complexity, and risk profile. This could be complex to implement and would require strong coordination mechanisms and tailored guidance to support supervisory convergence and ensure harmonisation across jurisdictions.

Beyond proportionality calibration, another proposal is to embed a competitiveness test in every new EU financial-sector rule, benchmarking its impact against peer markets before adoption. A complementary idea is to introduce a supervisory-efficiency test to map oversight models against levels of market integration — helping policymakers assess whether current arrangements remain fit for purpose.

While no definitive solution has emerged yet, such ongoing industry dialogues reflect a recognition of the need for reform.

Looking ahead: from ambition to execution

The case for simplification, reform, and a sharper focus on competitiveness is clear. The EU must cut red tape, not the rules, and deliver with urgency. We are at a decisive juncture: failure to act now risks Europe's permanently falling to second tier financial markets behind the United States and the fast-advancing Asian centres.



STANISLAS ROGER

Deputy Head of EMEA Division – SMBC Group & Chief Executive Officer – SMBC Bank EU AG

Strengthening the EU regulatory framework by proportionality and simplification

In his 2024 report into European Competitiveness, Mario Draghi identified that regulatory burdens have an impact on the competitiveness and that the burden on European companies is high in comparison to similar economies. The EU Institutions have risen to this challenge, and it is welcome that the Commission has placed simplification at the heart of its 2025 Work Programme. The Savings and Investment Union, the Commission's flagship financial services initiative, lists simplification and burden reduction as key principles.

As a Japanese headquartered G-SIB bank with a growing footprint in the EU, we share this vision for a simpler regulatory framework, which we feel is best achieved by closely following the principles of proportionality and alignment with international standards. For both third country and EU banks, maintaining an international level playing field on regulation can help to reduce duplication, prevent deregulation and boost competitiveness.

Simplifying regulation

The EU is a global leader in sustainable finance and has developed a strong regulatory framework. However, it is also acknowledged that this is an area that could benefit from streamlined regulation. The Commission's recently published Sustainability Omnibus package reduces reporting burdens on firms while seeking to maintain a robust framework to address emerging risks. However, any regulatory change will lead to challenges for firms operating across different EU Member States, where existing rules may differ. For example, the changes proposed in the Omnibus to the Corporate Sustainability Reporting Directive (CSRD 2.0), while well intentioned, have provided a challenge for institutions established in Member States where the original iteration of CSRD (CSRD 1.0) has yet to be transposed into national law. This underscores the importance of coordination within the EU, especially for firms operating across different Member States.

Some recent regulatory initiatives, such as the implementation of the Basel Endgame rules on capital and reporting, can fail to consider the global nature of many banks in the EU. For internationally headquartered banks such as SMBC, the most effective way to simplify the EU's regulatory framework without compromising on the strength of EU regulation would be to align to international standards and maintain a level-playing field.

> Maintaining an international level playing field on regulation can help to reduce duplication.

Simplifying supervision

The establishment of the European Supervisory Authorities has improved harmonisation of rulemaking across the EU, reducing barriers for firms operating within the Single Market. However, there remains work to be done on completing the Banking Union and Savings & Investment Union, which have the potential to reduce frictions and deliver positive outcomes for consumers. Europe's largest banks, whether headquartered in the Union or not, are global businesses. The system of Supervisory Colleges for banks classified as G-SIBs provides an effective means for cooperation and sharing of information between home and host supervisors. However, the same banks continue to face challenges from overlapping and extraterritorial regulations in both home and host jurisdictions, leading to additional complexity and cost. We would urge policymakers to consider the benefits of strengthening the supervisory college approach while identifying and removing unnecessary duplication.

Evolving regulation

While it is important that banks keep pace and adapt to changing regulation, it is also important that the regulatory framework remains up-to-date with the changing nature of risk and market practices. Through the recently released proposals on securitisation, we see encouraging signs of regulators seeking to reduce unnecessary burdens and recalibrate capital requirements to appropriately reflect risk. We hope that a similar approach can be applied to other parts of the prudential framework where risks have evolved over time and where current rules are limiting banks' ability to finance key infrastructure in the EU and leverage public finance commitments. For example, the risk weights for project finance guarantees remain high, despite data pointing to very low defaults, which is limiting banks' ability to support financing in areas of the economy deemed strategically important. We would encourage policymakers to address these points through international agreements at Basel Committee level.

By streamlining and reviewing regulations against the Commission's simplification mission, the EU's regulatory framework will remain resilient in the long term, while ensuring that the EU continues to be an attractive destination for international banks providing greater choice to European businesses and consumers.



BRENT MCINTOSH
Chief Legal Officer &
Corporate Secretary – Citi

Rethinking complexity: A more effective Banking Union through simplification

Banking union has significantly strengthened the resilience of the banking sector in the EU. Capital and liquidity buffers have improved, and supervision has become more consistent across the Euro area. Yet the regulatory framework remains unduly complex and marked by overlapping rules, divergent practices and growing implementation burdens. With a stated commitment to increase EU competitiveness, the challenge now is to ensure that regulation and supervision work better for the broader economy. A more risk-based framework focused on safety and soundness would free up capacity, within both banks and supervisors, that could be redirected toward financing priorities such as defense, support of SMEs, the twin transitions and boosting EU competitiveness.

Across the European Supervisory Authorities, a mass of regulatory material has accumulated and become increasingly problematic for banks operating in Europe, both in terms of risk management and for compliance and IT functions. The European Banking Authority has issued more than 200 Implementing Technical Standards and Regulatory Technical Standards, as well as thousands of Q&As. Adding in European Central Bank (ECB) guides and letters, the system has become unnecessarily burdensome and difficult to navigate. To avoid duplication and administrative strain, the EU framework should be simplified and refocused.

Regulation should not lead firms to build overly granular compliance processes simply to satisfy formalistic requirements. Instead, it should be more outcomes-focused and promote growth while allowing room for proportional implementation. Such a shift would encourage a more responsive compliance culture, aligned to evolving risks rather than static formalities.

Supervision should evolve in parallel. The Single Supervisory Mechanism (SSM) has brought important convergence, and recent efforts to streamline the Supervisory Review and Evaluation Process (SREP) are also a welcome step. Nonetheless, in practice SREP remains resource-intensive, with its range of additional supervisory activities such as on-site inspections, exams, thematic reviews and data requests that occur outside the regular oversight of SSM Joint Supervisory Teams. Continued progress is needed to ensure that supervisory engagement remains risk-based and proportionate.

Regulation should prescribe a less granular compliance process that is more outcomes-focused and promote growth while allowing room for proportional implementation.

Also needed is greater attention to avoiding unwarranted duplication across the regulatory framework. In the area of resolution preparedness, the interaction between the EU's Minimum Requirement for Own Funds and Eligible Liabilities framework and the global Total Loss Absorbing Capital standard presents challenges for cross-border banks. While both aim to ensure that institutions hold sufficient loss-absorbing capacity, differences in calibration, scope and subordination requirements often lead to duplication. For banks subject to both, this can result in higher issuance volumes, increased funding costs and greater structural complexity. A similar issue arises with capital requirements, where elements of Pillar 2 overlap with those already addressed under Pillar 1, resulting in inflated capital demands not proportionate to underlying risks. A more harmonized approach that removes double-counting and improves clarity and consistency for institutions would support more efficient planning.

The Single Resolution Fund (SRF), now funded beyond its target size, is another area that would benefit from simplification. With its €80 billion target reached, the case for continued annual contributions is increasingly tenuous. Allowing banks to retain these resources, subject to clear prudential safeguards, could reduce strain on long-term funding plans without undermining resolution readiness and unlock usable capital.

Across the board, the emphasis should be on proportionality and clarity. Efforts by the EU to simplify reporting obligations, prioritize mandates and reduce Level 2 and 3 overlaps are welcome. Refocusing regulatory attention on what is material, moving from "nice to have" to "need to have" should be the focus.

All of this said, simplification does not weaken the framework. The strength of the banking union lies in its credibility. The next phase of its development should focus on making rules coherent, predictable and risk-aligned. A regulatory environment that embraces principles over prescription, and risk over redundancy, will better serve supervisors, banks and ultimately the broader European economy.

3

SIU NEXT STEPS

SIU: ARE WE ON THE RIGHT TRACK? 70

Verena Ross - European Securities and Markets Authority / **Alexandra Jour-Schroeder** - European Commission / **Gerassimos Thomas** - European Commission / **Karen Dortea Abelskov** - Ministry of Industry, Business and Financial Affairs, Denmark / **Ingo Bleier** - Erste Group Bank AG / **Stéphane Boujnah** - Euronext

KEY FEATURES AND LEARNINGS FROM THE NORDIC CAPITAL MARKETS 76

Karen Dortea Abelskov - Ministry of Industry, Business and Financial Affairs, Denmark / **Roland Chai** - Nasdaq / **Jyrki Katainen** - Nordea Bank Abp / **Jens Henriksson** - Swedbank / **Christian Hyldahl** - BlackRock / **Hege Bakke** - DNB Carnegie

CAPITAL MARKET INTEGRATION 82

Stefano Cappiello - Ministry of Economy and Finance, Italy / **Marie-Anne Barbat-Layani** - Autorité des Marchés Financiers / **Harald Waiglein** - Federal Ministry of Finance, Austria / **Niels Brab** - Deutsche Börse Group / **Nicholas Bean** - Bloomberg Trading Facility BV / **Yann Le Pallec** - S&P Global Ratings / **Nick Dutton** - Cboe Europe

BOOSTING THE COMPETITIVENESS OF CAPITAL MARKETS 90

Hanzo van Beusekom - Dutch Authority for the Financial Markets / **Paloma Marín Bona** - Spanish Securities and Exchange Commission / **Līga Kļaviņa** - Ministry of Finance of the Republic of Latvia / **Christoph Berger** - Allianz Global Investors / **Francis Malige** - European Bank for Reconstruction and Development

RELAUNCHING THE EU SECURITISATION MARKET 96

Christian Noyer - Banque de France / **Fausto Parente** - European Insurance and Occupational Pensions Authority / **George Theocharides** - Cyprus Securities and Exchange Commission / **Philippe Bordenave** - BNP Paribas / **Edwin Wilches** - PGIM Fixed Income / **Vince Marriott** - Apollo Global Management / **Alexander Batchvarov** - Bank of America

EMPOWERING RETAIL INVESTORS 104

Michael J. McGrath - Department of Finance, Ireland / **Mariana Kühnel** - Austrian Financial Market Authority / **Alison Martin** - Zurich Insurance Company Ltd / **Timo Toenges** - BlackRock / **Cosimo Pacciani** - Poste Italiane / **Karolin Schriever** - Deutscher Sparkassen- und Giroverband

LONG TERM RETAIL INVESTMENT PRODUCTS 110

Marie-Anne Barbat-Layani - Autorité des Marchés Financiers / **Carla Díaz Álvarez de Toledo** - Ministry of Economy, Trade and Business, Spain / **Fausto Parente** - European Insurance and Occupational Pensions Authority / **Signe Krogstrup** - Danmarks Nationalbank / **Christian Staub** - Fidelity International / **Michele Rendine** - Generali / **Clara Adiceom** - Aéma Groupe

SUPPORTING THE ROLE OF ASSET MANAGEMENT IN THE SIU 118

Sébastien Raspiller / Autorité des Marchés Financiers / **Marco Zwick** - Commission de Surveillance du Secteur Financier / **Gerry Cross** - Central Bank of Ireland / **Vasiliki Lazarakou** - Hellenic Capital Market Commission / **Ann Prendergast** - State Street Investment Management / **Agathi Pafili** - Capital Group / **Simon Janin** - Amundi

CLEARING AND SETTLEMENT PRIORITIES 126

Klaus Löber - European Securities and Markets Authority / **Birgit Puck** - Austrian Financial Market Authority / **Giuseppe Grande** - Banca d'Italia / **Bernard Frenay** - Euroclear S.A. / **Michalis Sotiropoulos** - The Depository Trust & Clearing Corporation / **Haroun Boucheta** - BNP Paribas / **Julien Jardelot** - London Stock Exchange Group

SIU: ARE WE ON THE RIGHT TRACK?



VERENA ROSS
Chair – European Securities and Markets Authority (ESMA)

The first pieces of the SIU puzzle – market integration and supervision

The Savings and Investments Union is not just another turn of the CMU wheel; it is a statement of intent for Europe's competitiveness. It is a deliberate strategic commitment to drive Europe's capital markets forward.

The SIU Strategy instils a stronger sense of purpose amongst policy makers, regulators and actors across the financial system – from investors, to banks, to stock markets. For the first time, the SIU brings together the legacy initiatives of Capital Markets Union and the Banking Union into a single, more coherent narrative about how to mobilise private capital across Europe and support the EU's broader economic goals. It's also rooted in serious strategic reflection – most notably in the reports led by Mario Draghi and Enrico Letta.

Underpinning the SIU is a clear hybrid-approach, with EU-level reforms focused on framework legislation, market infrastructure and supervision, and Member States entrusted to act where national action is needed to break down remaining barriers to the single market in finance (e.g. taxation, insolvency, retirement schemes). This is a step forward from past initiatives. It reflects the institutional realities of the EU, acknowledging that success depends on coordinated action from the top down and the bottom up. Both tracks must advance in parallel – and in sync – if the EU is to deliver a capital market that functions for all.

From ESMA's perspective, the momentum at EU level is encouraging. It builds on solid progress made in recent years through legislative reforms. The introduction of the long-awaited consolidated tape, the European Single Access Point and the reforms under the Listing Act mark a significant step toward better and more efficient market functioning. The move to T+1 settlement is similarly important, aligning the EU with international peers and improving efficiency – though it also underscores the need for strong operational coordination across market participants and national authorities.

At the same time, structural and regulatory barriers for market infrastructures remain a brake on integration. These operational frictions limit competition, increase costs, and reduce the ability of market participants to operate seamlessly across borders. ESMA's vision is for an environment where trading, clearing and settlement connections can be established more easily, with fewer procedural and other barriers, and where market participants can choose the most efficient services regardless of national boundaries. In an age of rapid technological advancement, we should also seize the opportunities of innovation and digitalisation (such as DLT).

Yet greater interoperability and efficiency in market infrastructure alone will not be enough. For an integrated market to realise its full potential, it must be matched by a single rulebook that is clear and harmonised, and by consistent supervision across the EU. Divergent supervisory practices risk creating ambiguity and an unlevel playing field, raising costs, slowing time to market, and discouraging cross-border activity. A more coherent supervisory approach offers greater certainty, while embedding a common risk-based perspective and supervisory approach to minimise unnecessary regulatory burden.

This is why supervision must be a central part of the SIU agenda. ESMA's existing work on convergence has delivered real value. But experience shows that supervisory convergence has its limits, and to move past those limitations, bolder moves must be considered. With a legislative proposal anticipated by the end of the year, we therefore support an ambitious approach to strengthen both supervisory convergence and EU-level supervision.

EU-level supervision is particularly important where the scale, cross-border reach, or systemic importance of an activity demands consistent pan-European oversight. This includes critical market infrastructures like CCPs, CSDs and Trading Venues, but also extends to novel areas such as the provision of crypto assets across the EU. The European funds sector, an integral and valued part of our capital markets, could also benefit from a more cohesive form of supervision.

Ultimately, EU-level supervision should focus on those entities and activities that are not exclusively nationally orientated, and where more EU-wide integration is needed. This means that the vast majority of financial market firms should remain under national oversight, preserving the benefits of proximity and local knowledge. Supervisory convergence will continue to provide the necessary alignment between both.

Together with national supervisors, ESMA will continue to strengthen its duties as a direct supervisor and a convener and coordinator – building a more coherent supervisory model that can enable competitive capital markets.

At this pivotal moment, as the first pieces of the SIU puzzle are being put in place, it is crucial that we start as we mean to go on – with creativity, ambition and vision for our common and unique EU capital market.



JOUR-SCHROEDER
Deputy Director-General, DG for Financial Stability, Financial Services and Capital Markets Union – European Commission

The EU's Savings and Investments Union: A collective strategy for growth

The EU's Savings and Investments Union (SIU) Strategy is designed to empower individuals with greater opportunities to build wealth through investing their savings. This project also aims at making our financial system more efficient to help mobilise these savings into productive investment to enhance Europe's competitiveness and unlock its economic potential. While Europe is home to vast pools of private savings and vibrant businesses, financial intermediation remains underdeveloped. This means that investors are unable to access the best investment opportunities to get returns on their savings, while businesses struggle to secure the full extent of funding they need to grow. The SIU aims to bridge this gap.

The SIU strategy adopted earlier this year focuses on four key pillars: (1) Citizens and Savings, (2) Investments and Financing, (3) Integration and Scale, and (4) Efficient Supervision.

The first priority is to empower citizens as investors. Approximately €10 trillion of EU households' money sit in low-yield deposits, despite the availability of higher-return investment options. Through initiatives on financial literacy, savings and investment accounts, and supplementary pensions, we aim to foster a more investment-savvy culture and to broaden citizens' access to further investments options. For example, in the autumn, the Commission will put forward a recommendation on a European blueprint for savings and investment accounts drawing from best practices from Member States and internationally. User-friendly accounts, especially when such accounts are matched with simplified taxation or tax incentives, can offer retail investors an easy access to investment products and investments that support wealth creation while funding EU priorities. The Commission will also put forward a package of reforms to boost participation in supplementary pensions, to support citizens' financial security in retirement and help mobilise long-term capital for investment in the real economy.

The second pillar focuses on increasing capital availability for businesses, including SMEs, scaleups, and firms driving the green and digital transitions and contributing to meeting our security and defence needs. We are taking measures to remove regulatory barriers that hinder institutional investment in equity, including venture capital, and will support exit routes for private investors – so that further capital can be easily reinjected in the economy. To unlock more bank lending, the Commission has recently proposed measures to improve our securitisation framework.

For capital markets to thrive, integration and scale are crucial, and this is the third pillar of SIU. Currently, our trading and post-trading infrastructures remain fragmented, increasing costs and limiting liquidity. We are working to remove barriers that hinder the integration and efficiency of market infrastructures and to the cross-border distribution of investment funds. We also aim to modernize our capital markets, by leveraging digital technologies, such as the distributed ledger technology and tokenisation. We will come forward with a package of legislative proposals by the end of 2025. The aim is to create scale, deepen market liquidity, and reduce frictions for businesses and investors alike.

Finally, consistent and efficient supervision is essential to the functioning of a true single market. Currently, diverging national supervisory practices create obstacles for doing business and invest in the EU —even when rules are harmonised. We aim to strengthen supervisory convergence tools and will examine whether some supervisory tasks—particularly those related to cross-border infrastructures and large market players—are better handled at EU level. This approach will preserve national expertise while delivering more uniform supervisory outcomes across the EU.

The SIU is not a "rebranding" of the Capital Markets Union. It's a more holistic approach – covering both capital markets and banking, as banks are critical providers of finance and play a crucial role of intermediaries in capital markets between savers and companies. That's why the Commission will renew efforts towards completing the Banking Union – which is paramount for financial stability and market integration.

Crucially, the SIU is not a project built in Brussels alone. Delivering on this ambition requires decisive action by Member States. Tax incentives, pension reforms, financial literacy, to name but a few, are largely national competencies. That's why the SIU aims to combine EU-level action with national measures. This approach ensures that all levels contribute to developing EU capital markets while preserving momentum, coherence and integration. A genuine single market for capital can be bigger than the sum of its national parts.

The Commission is fully committed to delivering on its part—concrete proposals, close cooperation with the co-legislators, and continued engagement with stakeholders. But building a genuine Savings and Investments Union requires collective leadership and political will across institutions, Member States, industry, and society.

By transforming our financial system into an engine for investment, we can create better opportunities for citizens, enhance our competitiveness, boost our economic growth and resilience and position Europe as a global leader.



GERASSIMOS THOMAS
Director General, DG Taxation and Customs Union – European Commission

Building a Savings and Investment Union now - Fiscal aspects and incentives are key

European citizens are among the world's most diligent savers, with around EUR 10 trillion currently held in savings accounts. There is broad consensus on the need to better mobilise these substantial EU savings into productive investments. Doing so would not only provide EU citizens with the potential for higher long-term returns, but also unlock vast capital to support innovation, growth and resilience across European economy. Fiscal incentives can play a relevant role by reducing perceived risks and increasing expected returns.

To substantially change the way in which Europeans save their money and increase the supply of long-term capital in the EU, bold measures are necessary. Measures to widen retail investment need to be paired with more structural reforms of pension schemes to achieve scale and to incentivise savers to invest their money. The EU is trying to achieve this through the promotion of retail investment as one of the cornerstones of the Savings and Investments Union (SIU) Communication.

The Commission believes more needs to be done to make investing in capital markets easier and more profitable. Retail savers already play a central role in financing the EU economy, indirectly via their bank deposits, but miss out on higher returns from capital market investments. Aside from a few Member States, EU citizens invest less in capital markets than citizens from the UK, Canada or the US.

In its SIU Communication, the Commission committed to present a European blueprint for savings and investments accounts (SIAs) based on existing best practices, including in the field of taxation. As a result, by Q3 2025, the Commission intends to issue a recommendation that will support the development of SIAs by Member States and outline key features to facilitate their take-up.

The Commission recommendation will call on Member States to introduce SIAs and will be based on best practices in the EU and internationally. The Commission recommendation will encourage the introduction in each Member State of a trustworthy and simple tool for citizens to access investment opportunities in capital markets and foster innovation and competition. At the same time, SIAs should exclude high risk speculative products.

The Commission is also considering the scope of EU-regulated financial service providers that should be able to offer SIAs. Cross-border competition among them is a strong driver of innovation and quality of service for customers. Lessons learned from other financial services (e.g. insurance and mortgage markets) and some SIAs show that low-cost portability can foster competition among SIA providers, which can lead to better services, more innovative products, and improved overall customer experience. Moreover, it would be beneficial if national taxation regimes do not hinder portability. SIA taxation should remain neutral for asset transfers to another SIA when the tax residency of the investor doesn't change.

Tax incentives such as tax deductions, exemptions, or deferred taxes can significantly enhance the appeal of equity investments, making them more attractive compared to consumption or low-risk savings options. Capital gains tax rates affect whether investors are willing to lock money into equity versus fixed-income products. Lower taxes on capital gains incentivise risk-taking and long-term investment.

Targeted tax incentives in addition to simplified tax compliance while not sufficient alone, are essential tools in creating an environment where savings are directed towards equity investments in innovative and high-growth firms. The Commission will monitor closely the uptake by Member States.

The European Commission launched its EU Startup and Scaleup Strategy, 'Choose Europe to Start and Scale', to make Europe a great place to start and grow global technology-driven companies. The Strategy aligns with the broader 'Choose Europe' initiative, launched by President von der Leyen. Startups and scaleups need better access to funding, a deeper and more integrated EU venture capital (VC) market, and greater participation from European institutional investors. The Savings and Investments Union initiative will be instrumental in unlocking additional financing and broadening investment opportunities in the EU.

To substantially change the way in which Europeans save their money and increase the supply of long-term capital in the EU, bold measures are necessary.

The FASTER (Faster and Safer Tax Excess Refunds) Directive in the EU, which will streamline and shorten the procedure for withholding tax refunds as from 2030, is a major contribution to making cross-border investments more attractive.

Finally, the Commission's proposal for a Directive called DEBRA (Debt Equity Bias Reduction Allowance) from 2022 has to be seen as yet another contribution to the creation of a Savings and Investment Union in the EU. Yet, the support for it is lacking.

The Commission relies on Member States and all relevant stakeholders to reach agreement on bold and forward-looking measures. Without decisive actions now, the creation of a Savings and Investment Union risk being delayed for another decade - or even more.



KAREN DORTEA ABELSKOV

Deputy Permanent Secretary – Ministry of Industry, Business and Financial Affairs, Denmark

Mobilising private savings: Targeted and balanced approach to EU capital markets

Strengthening EU competitiveness and mobilising more private capital are central priorities for the coming years. Efficient and integrated capital markets have the potential to support the green and digital transitions and foster innovation. Europeans hold substantial savings that could be channelled into capital markets and invested across borders in companies, new technologies, thereby contributing to sustainable growth and job creation across the EU.

The European Commission's Savings and Investment Union (SIU) strategy is a welcome step in this direction, aiming to unlock the potential of European savings and strengthen the internal market for financial services. The hybrid approach—combining top-down EU action with bottom-up Member State involvement—offers a promising way forward, building on the strengths of both EU-wide initiatives and well-functioning national systems. New SIU initiatives, including recommendations for European savings and investment accounts and auto-enrolment pensions schemes, are important elements and could help further mobilise private capital for productive investment.

However, it is important to recognise that, in recent years, almost all major EU capital markets legislation has already been revised. This has resulted in a robust regulatory framework, but also in significant complexity and implementation challenges for authorities and market participants. Against this backdrop, there is no general need for another wave of legislative revisions. Instead, the focus should now be on targeted changes and effective implementation of existing rules, while supporting the development of strong national savings systems, including pension systems, which are key to long-term investment.

Experience from the Capital Markets Union (CMU) shows that harmonisation across Member States can be challenging, especially where well-functioning national solutions already exist. It is essential that EU regulation does not undermine robust and well-managed national systems, which have proven effective in mobilising long-term capital and providing economic security for citizens. Preserving the diversity of national approaches is a strength for the EU as a whole.

The SIU strategy's hybrid approach can be particularly effective in areas such as exchanging best practices and developing "blueprints" for successful national setups. These initiatives can promote long-term savings and investment while respecting national competences and supporting the diversity of national models. At the same time, measures that improve the business environment—by advancing the EU's simplification agenda and supporting national reforms to boost productivity—are also crucial to making European companies more attractive to investors and ensuring the EU remains globally competitive.

It is also essential that any new initiatives are accompanied by thorough impact assessments at both EU and national levels. Regulation should be simple, proportionate, and targeted, avoiding unnecessary burdens and supporting innovation and competition. A regulatory slowdown would allow time for the many new rules already adopted to be properly implemented and for their effects to be evaluated in practice, ensuring that the intended benefits are actually realised.

When considering further integration of supervisory structures at the European level, it is important to maintain a clear focus on initiatives that deliver tangible added value for citizens and businesses. Efforts should be directed towards measures that enhance market outcomes and investor protection. The primary objective must remain the creation of efficient, resilient, and accessible capital markets that serve the real economy and support sustainable development.

We should prioritise initiatives with clear added value that does not add complexity.

To further strengthen EU capital markets, the focus should be on supporting Member States in developing robust pension and savings systems. Well-designed pension schemes, as seen in several Member States, have the potential to channel significant private savings into capital markets, supporting growth and the green transition, while still keeping long-term value creation for the customer at the core. At the same time, it is important to respect that pension systems are closely linked to national labour market and welfare models, and that reforms in this area must be tailored to national circumstances.

In conclusion, the SIU strategy should prioritise initiatives with clear added value that does not add complexity. The EU's role should be to facilitate cooperation, remove concrete cross-border barriers, and ensure that existing rules function as intended—while respecting and building on the strengths of well-functioning national solutions.



INGO BLEIER

Chief Corporates and Markets Officer –
Erste Group Bank AG

Mobilizing private capital – Moving beyond the expected

Europe is facing very large challenges which require substantial financial resources to address effectively. To give one example: according to the Commission's Competitiveness Compass the EU needs annual investments of around 750-800 bn EUR by 2030 to modernize its underperforming economy. Since public finances will not suffice and states should keep a certain fiscal discipline, mobilizing private capital will be essential. In this context the SIU should be the main facilitator.

It is still too early to say with certainty whether the SIU will truly set us on the right path towards mobilizing the required private capital. However, some preliminary observations can be made.

To begin with, the right priorities have been identified. There is now a clear political consensus that making capital markets more attractive to EU citizens and corporates is crucial. There is significant potential in the approximately 11 tn EUR currently held in low-yield bank deposits across the EU. To encourage Europeans to consider capital markets and thereby make some of their cash available for direct investments into corporate investments, 3 elements are vital: targeted incentives, financial education and smart regulatory adjustments. What matters most, however, is that we move forward boldly.

Incentives: Taxation is the most powerful lever for capital market investments. While the EU lacks direct tax authority, the Commission should use its initiative on the savings and investments account to send a clear message: Member States should enhance the tax attractiveness of long-term investments — wherever this is not yet the case.

Financial literacy: Boosting citizens' understanding of the benefits and functioning of capital markets is another key element in mobilizing more private capital. Financially literate citizens recognize that, over the long run, investing, rather than merely saving, is the only viable path to growing wealth. The Commission's upcoming strategy will serve as a valuable complement to existing public and private initiatives.

Smart regulatory adjustments: The framework for PEPP needs to be overhauled substantially and simplified. Burdensome reporting requirements, country fragmentation (again in tax treatments) and a market-unfriendly design have rendered it largely unattractive. With its recent proposal to amend the EU's securitization rules, the Commission has demonstrated its ability to listen to the market. It's now time to follow suit in this and other areas, e.g. a radical MiFID simplification and harmonization.

In addition to these largely expected measures, the Commission should also aim for the unexpected by pushing for bold and forward-looking initiatives, such as introducing a 'welcome package' for newborns in the form of a securities account. The concept would work as follows: a publicly-funded cash donation would be made at birth, which parents shall invest in capital markets instruments for a minimum holding period. The investment would be tax-free and administered free of charge by financial institutions. This initiative could lay the foundation for long-term wealth creation, foster early capital market participation, and promote financial literacy from an early age.

Another bold move would be to effectively address the challenges faced by mobile EU citizens, who are often subject to multiple national pension schemes and disadvantaged by diverging rules and conditions. A potential solution could be the development of a joint, capital-based EU pension scheme specifically designed for mobile citizens. This scheme would streamline entitlements by consolidating individual rights from the first and second pillars into a unified, Union-wide system. In doing so, it would create a common capital pool, enhance portability and foster long-term financial security across borders. When it comes to pensions more broadly, increasing capital-funded pension provisions has the potential to mobilize the largest volumes of capital across Europe's financial markets.

Three elements are vital: targeted incentives, financial education and smart regulatory adjustments.

There is also a clear link to venture capital. It poses a real challenge for Europe when institutional investors rarely allocate funds to European venture capital or prefer established US funds instead. As highlighted in the comprehensive Draghi report, between 2008 and 2021, approximately 30% of EU unicorns relocated their headquarters abroad – undermining Europe's scale-up potential. Pension funds could play a transformative role in this context, as evidenced by the US, where the private equity market has largely developed thanks to significant investments from pension funds.

To sum up, we have made a strong start but a long way is still ahead of us. Let's be bold and do the unexpected.



STÉPHANE BOUJNAH

Chief Executive Officer and Chairman of the Managing Board - Euronext

Savings and Investment Union – Breaking barriers to integrating European capital markets

As European capital markets continue to face structural barriers, the urgency of completing the Savings and Investment Union (SIU) has come sharply into focus. As economic uncertainties loom and market dynamics shift, it is imperative to take decisive steps to strengthen the EU's capital markets and ensure the future competitiveness of the EU.

As the leading European capital market infrastructure, Euronext represents the largest continental liquidity pool, with nearly 1,800 listed issuers, €6.3 trillion in market capitalisation and 25% of European lit equity trading as of June 2025. Operating 7 regulated exchanges, 4 CSDs and 1 clearing house, Euronext fully embraces the European Commission's vision for SIU.

Efficient capital markets are vital for Europe's strategic autonomy, aligned with the priorities that the EU sets for the years ahead. Our recent launch of European Defence Bonds and Indices, along with the European Aerospace and Defence Hub, reflects our commitment to supporting this goal, a necessity in today's world.

A key component of transforming European capital markets is to drive investor demand and to increase retail participation. Initiatives like the EU Investment and Savings Account with appropriate fiscal incentives and pension reform are essential. At Euronext, we have invested significantly in our pre-IPO and Elite programmes which educate companies on their funding options and brings local ecosystems closer to public markets.

It is urgent to unlock much needed capital to drive Europe's growth. Alongside efforts to incentivise investor demand, we believe financial markets infrastructures can operate in a more efficient manner and work better for deeper, more liquid markets. However, three priority areas require fundamental reform.

Access to liquidity

Attracting more liquidity to EU capital markets, whether from new EU investors, in particular retail, or from overseas, requires a robust and efficient market structure.

The current state of the market is worrying: two-thirds of cash equity trading in the EU in 2024 was opaque, hidden from the eyes of many investors. Moreover, more than half of that trading was executed on bilateral pools of liquidity which are inaccessible to a broad audience, and which are not regulated as trading venues. This imbalance threatens financial stability and orderly markets, and it undermines effectiveness of the SIU project as the whole as it increases risks to price formation and market integrity.

Consequently, we need to re-orient competition and innovation incentives towards transparent, widely accessible and non-discretionary markets by revising the applicable regulatory framework.

Addressing post-trade fragmentation

The fragmentation of custody and settlement activities remains a significant challenge within the EU and translates into inefficiencies, complexity and increased costs. To address this, a bold consolidation of CSD activities is essential, through (i) extending Europe's single settlement platform (Target2-Securities) across all EU CSDs and (ii) facilitating multi-currency settlement on that platform.

In addition to public policy measures, the post-trade industry itself has a key role to play in delivering such consolidation. Euronext is taking the lead by rolling out a truly European CSD model. Thanks to this heavy investment, in one year, market participants will be able for the first time to manage multiple EU equity markets in one single competitive post-trade infrastructure.

By reducing post-trade fragmentation, the EU will fundamentally lower friction costs and therefore enhance liquidity which in turn will improve the overall efficiency of our capital markets.

Centralised supervision

Today, fragmented supervision and varied implementation of EU rules are the most important obstacles to real consolidation of the market. I believe that ESMA, with a new governance model and stronger resources, should supervise financial market infrastructures across Europe under a harmonised, risk-based framework.

Centralised supervision would not only bolster investor confidence but also mitigate systemic risks by ensuring uniform compliance with financial regulations. This is essential for creating a level playing field and fostering fair competition.

Finally, regulatory group recognition is key to allowing groups of financial market infrastructures operating across EU markets to deliver even more integrated and scaled-up services, in a more streamlined and efficient manner.

KEY FEATURES AND LEARNINGS FROM THE NORDIC CAPITAL MARKETS



KAREN DORTEA ABELSKOV

Deputy Permanent Secretary – Ministry of Industry, Business and Financial Affairs, Denmark

Danish experiences and priorities in capital market development

Denmark's approach is shaped by a tradition of broad participation, strong institutions, and a focus on long-term savings—particularly through occupational pensions. The Danish capital market offers experiences that are relevant in the ongoing European dialogue on the development of European capital markets and cooperation.

The Danish capital market is marked by relatively high market capitalisation compared to GDP, a well-established mortgage bond market, and a significant institutional investor base, particularly pension funds. The market is open to international investors, and Danish shares are actively traded abroad, in particular reflecting the international interest in Danish life science companies.

Broad participation as a Nordic and Danish strength

A positive feature in Denmark—and across the Nordics—is the broad participation of citizens in capital markets, mainly through pension savings. These occupational pension schemes are typically based on collective agreements between employers and employees, ensuring that a large share of the workforce makes regular contributions. Pension funds pool these savings and invest them on behalf of members, providing professional management and risk diversification. Over time, this system has built up substantial long-term savings that benefit both individuals and the wider economy.

Furthermore, the introduction of the investment savings account (Aktiesparekonto, ASK), inspired by the Swedish ISK, has made it easier for individuals to invest directly in equities and funds. This helps foster a culture of investment and strengthens the link between the financial sector and society. However, there is still potential to further increase direct retail investor engagement.

Best practices and relevance for Europe

One Danish experience that may be of particular relevance at the European level is the development of robust, mandatory occupational pension schemes. Over several decades, Denmark has built up a pension system where a large share of the population saves for retirement through collective agreements and mandatory contributions. This has created a stable, long-term source of capital for the Danish capital market and contributed to financial stability.

A key prerequisite for the success of this model relies on the trustworthiness of the pension providers. Danes are generally willing to make significant pension contributions because they trust that pension companies will manage their savings responsibly and act in the customers' best interests. This trust is supported by strong regulation, transparency, and effective supervision, but also by a tradition of social partnership and dialogue between the labour market parties.

The Danish experience suggests that building and maintaining this trust is essential—not only for the functioning of the pension system, but also for the willingness of citizens to participate actively in capital markets through their pension savings. This may offer valuable lessons for other European countries seeking to strengthen long-term investment and public engagement in capital markets.

As such, we are especially pleased with the parts of the SIU Strategy that focus on creating recommendations and sharing best practices. Particularly, recommendations for European savings and investment accounts and auto-enrolment pension schemes are important elements in this process and could help further mobilise private capital for productive investment.

Broad participation and trust in occupational pensions are central to Denmark's capital market model.

Nordic similarities and differences

The Nordic countries share many strengths, such as high investor participation and strong institutions, but there are also differences. For example, Sweden has experienced a higher number of IPOs in recent years compared to Denmark, reflecting differences in market structure and the availability of risk capital. In Denmark, the IPO market has been more modest, but recent initiatives aim to make it easier for growth companies to access the stock market and for individuals to invest in equities.

These differences underline that national approaches are shaped by local conditions and regulatory frameworks.

Contributions to the further dialogue

The Danish capital market experience highlights both strengths and areas for further development. By sharing experiences—especially regarding occupational pensions and the importance of trust—Denmark hopes to contribute constructively to the evolution of a more integrated, competitive, and inclusive European capital market that serves investors, entrepreneurs, and society as a whole.



ROLAND CHAI
President European Market Services – Nasdaq

Empowering growth and security: The Nordic capital markets integration

The integration and development of the Nordic capital markets offer a compelling blueprint for Europe, showcasing how harmonizing legislation, promoting competition, and addressing post-trade access gaps can create a more integrated and resilient financial landscape. Over the last two decades, the Nordic region has embarked on a transformative journey that not only fortified local economies but also crafted a more interconnected financial ecosystem benefiting all stakeholders.

Sweden's ecosystem: A beacon of success

At the heart of this success is Sweden, whose financial ecosystem has unlocked capital for high-growth, innovative companies. From 2019 to 2024, Nasdaq Stockholm facilitated financing for over 600 companies, raising approximately 65 billion euros in equity. Of this, 16 billion euros were primary capital, with the remaining 49 billion euros raised in the secondary market. According to the European Innovation Scoreboard, Sweden now leads the EU as its top innovator.

Several pivotal features drive the Swedish ecosystem's success. Swedish pension funds act as anchor investors, injecting substantial long-term capital, while retail investors have shifted their savings from deposits to active Investment Savings Accounts. These factors enable companies to access public markets for financing at earlier stages than in most countries, with more than 80% of listings valued under €1 billion. Between 2013 and 2022, First North listed growth companies created four times as many jobs as their unlisted peers and achieved over 100% higher revenue growth. The combined market capitalization has increased fourfold since 2012, outpacing the stock market capitalization in Western Europe, which only doubled during the same period.

Competition, innovation, and liquidity

Promoting competition, innovation, and liquidity on multilateral secondary trading platforms, exchanges, and MTFs addresses fragmentation challenges posed by extensive bilateral trading. This is crucial for maintaining trust in the market, especially among retail investors. Swedish households hold an average of 36% of their investments in equities, the highest in Europe. Retail participation on Nordic regulated exchanges is the highest in Europe, increasing liquidity by attracting institutional and offshore investors who want to engage with trading. On Sweden's multilateral trading platforms, this not only boosts individual wealth but also encourages companies to tap public markets for financing.

> The integration and development of Nordic capital markets offer valuable lessons for Europe.

Capital markets: A pillar of security

When capital markets function optimally, they support growth across sectors. In today's geopolitical climate, robust defense capabilities are paramount, and capital markets play a vital role in enabling financing for the defense sector. This strengthens national security and contributes to regional stability. By providing access to diverse investors, capital markets channel funds into defense-related projects and companies, benefiting both large enterprises and SMEs. Through equity and debt financing, defense companies can secure capital for R&D, infrastructure modernization, and technological advancements. Inspired by the successful sustainable bond market, Nasdaq has established guidelines for "labelled" defense bonds on Nasdaq's European Bond Markets, supporting defense investments while ensuring transparency and accountability.

Addressing post-trade complexity

As demonstrated by the Baltics, rationalization of post-trade infrastructure is possible and can drive down investor costs. EU post-trade settlement is generally fragmented across national franchises and urgently needs simplification and rationalization. Addressing gaps in post-trade access for cross-border transactions requires effective links between CSDs and brokers. Transactions often falter due to non-existent or inefficient post-trade links, even within the otherwise well-integrated Nordic region.

Centralized supervision: A unified approach

Centralized supervision is key to ensuring consistency and efficiency across EU capital markets. It streamlines regulatory processes, reduces compliance costs, and enhances investor protection. A unified regulatory framework fosters a more integrated and resilient capital market, facilitating fundraising for companies and diverse investment opportunities for investors. This approach strengthens the EU's financial system and enhances global competitiveness.

In conclusion, the integration of Nordic capital markets offers valuable lessons for Europe, as harmonizing legislation, promoting competition, and addressing post-trade access gaps can create a resilient capital market that supports growth, enhances security, and bolsters stability.



JYRKI KATAINEN
Head of Group Public Affairs – Nordea Bank Abp

Lessons to be learned from the development of the Swedish capital market

Unlike many other EU economies that remain reliant on bank-based financing, Sweden has developed a dynamic capital market that complements traditional bank financing in supporting Swedish businesses and citizens. This paper introduces the three developments to why the Swedish capital market has reached this level of maturity.

Sweden's capital market stand out for its depth, retail inclusivity, and resilience through strong liquidity. This system did not emerge instantaneously, but through decades of consistent reforms with broad political support, prudent crisis responses, and strategic financial innovation investments. The political economy behind Sweden's reforms, such as broad-based stakeholder engagement from for instance unions and public legitimacy, allowed for long-term reforms even under a changing political landscape.

1. Long-term policy coherence across governments

The true evolution of Sweden's capital market began in the late 20th century, shaped by a series of deliberate reforms and responses to economic crises. The financial crisis of the early 1990s acted as a catalyst to structural reforms, demonstrating the importance of institutional trust, closeness of public and private institutions, and broad political support to ensure decisive action – the government restored stability, enhanced market confidence, and laid the foundation for a regulatory regime that emphasized long-term resilience with dimensions of flexibility.

Post-crisis restructuring was complemented by strong fiscal frameworks with high credibility during different governments and a transparent central bank, comforting both national and international investors. Additionally, tax reforms established a dual income tax system that taxed capital income at a flat rate, encouraging investment whilst reducing distortions. These reforms established a robust legal and macroeconomic environment that Swedish citizens, and both national and international investors still benefit from.

2. Retail investor inclusion

Sweden has succeeded in mobilizing household savings into productive investments, thanks largely to the strategic introduction of user-friendly investment vehicles. The Investment Savings Account (ISK), introduced in 2012, is maybe the best example to this approach. It simplified tax returns, allowed flexibility in investment choices, and replaced a complex gain/loss capital gains tax with a standardized tax based on the nominal amount of assets.

By 2024, ISK assets had reached the equivalent of est. 30% of GDP.

By 2024, ISK assets had reached the equivalent of est. 30% of GDP, with over two million Swedes participating. The broader shift away from cash deposits and into both equity and mutual fund holdings marked a profound cultural transformation in investor behavior. Retail ownership of stocks and mutual funds became widespread, aided by a competitive and digitalized financial sector, effective public awareness campaigns, and long-term political support.

3. Institutional depth through pension reforms

Sweden's pension system is a base of its capital market success. The three-pillar model – comprising public, occupational, and private savings – is designed to harness long-term capital for investment purposes while ensuring retirement security. The system's design with automated enrolment, low fees, high citizen engagement, and public information portals also fostered trust and accountability. This is enabled by the high level of assets under management (almost €1 000 billion) across the pillars.

Key reforms include the introduction of the premium pension system in 2000, which allocates a portion of social contributions to individually managed accounts, and the liberalization of occupational pension schemes. The system channels high volumes of capital into diversified and long-term investments public pension institutions. These exhibit high allocations to equities, both domestic and international, and alternative assets compared to European peers. This long-term investment capacity enhances market liquidity and supporting capital market development.

Lessons for the Savings and Investments Union

Sweden's experience offers critical insights for the EU as it seeks to deepen its Capital Markets Union and build a truly integrated Savings and Investment Union. Sweden's equity culture is not only retail-led, but more importantly institutionally anchored with robust governance standards and strong risk-adjusted returns at a low cost. The Swedish case highlights the importance of aligning stakeholders, regulatory frameworks, and public trust in building inclusive and resilient capital markets with broad political support.

Key takeaways for EU policymakers include reforms that are broadly anchored and long-term political support such as:

Designing saving vehicles that are simple, flexible, and with possible tax-incentives.

Pension reforms that foster long-term, equity-based investments.

Ensure structural reforms and responses to crises that reinforce confidence and market discipline.



JENS HENRIKSSON
President and Chief Executive Officer – Swedbank

Sweden's capital market model: making retail investment easy is key

As Europe faces an unprecedented need to raise capital at both scale and pace, Sweden's capital market model might be of interest.

Sweden accounts for just over 3% of the EU's GDP. Yet, the total Swedish equity market cap is estimated to represent more than 5% of the EU's equity market cap. For the past decade, Sweden has had more IPOs than France, Germany, Netherlands and Spain combined. It ranks fourth in Europe for tech investments. And it has, so far, delivered the world's highest average real return on equities over the past 50 years — above 8 % annually.

Some features underpinning the Swedish success are the following:

- **Responsiveness:** A small and open economy which forces market actors to follow international capital market developments.
- **Structural reforms:** Capital markets have evolved over several decades and include important structural reforms for the financial system.
- **Societal reforms:** Several societal reforms over the last decades have contributed to the development of the capital markets.
- **Business environment:** Business environment ranks high in a global context which supports Swedish companies to innovate and to expand internationally.
- **Culture:** A culture of learning by doing. The Swedish pension system encourages pension savers to make active choices as regards their future pensions.

A much-needed diagnosis

With Europe's competitiveness at a crossroads and global instability rising, further strengthening capital markets provides a route to long term prosperity. Major investments in infrastructure, digitalization, and defense demand a faster, more integrated European capital market that can deploy funds quickly and reliably.

In this context, strong regulation is essential for stability and investor protection. Focus should be to regulate for growth. Fragmentation and legal uncertainty continue to hold back capital market development in EU. Financial regulation should be simplified and more streamlined, with the aim of making rules clearer and more effective.

Better prerequisites – Europeans are saving more

The crises of the early 2020s have reshaped economic behavior across the EU. Household savings are significantly higher than in the previous two decades, and so are investment levels. Europeans are saving for uncertainty — a natural response to inflation, volatility, and geopolitical risk.

> Sweden's experience shows that broad participation in capital markets can make a difference.

Today, EU households hold EUR 33.5 trillion in savings — twice the EU's GDP — much of it remains parked in low-yield bank accounts.

Similarly, companies are holding back. Investment levels are at a decade low as geopolitical tensions and trade risks delay long-term decisions. This build-up of capital could become the catalyst the EU needs. There is a need for cultural change, from a savings culture to a savings and investments culture. The unlocking of this capital could be facilitated if the EU anchors the Savings and Investment Union around growth and not risk. Also, it is important to recognize that one size does not fit all.

Lessons from Sweden

What can the EU learn from Sweden to build stronger capital markets?

1. **Facilitating retail ownership:** The deep pool of retail (and institutional) investors has established Sweden as the continent's deepest capital market. To set this in perspective, more than a quarter of Swedes own shares directly, half own investment funds directly, and almost everyone owns investment funds indirectly.
2. **Simple and low-cost access:** To support retail ownership in capital markets, accessibility must be high and pricing low.
3. **Easy and attractive savings options:** A successful savings and investment account, such as the Swedish ISK, need to be national to provide genuine opportunities to each individual, and optimal to other components of the overall tax and pension system of the individual's home country.
4. **Financial health:** Engaging a broad retail investor base requires that investing is easy to grasp. Financial literacy is fundamental to personal financial health — it empowers individuals to make informed decisions, manage risk, and improve their long-term economic well-being. Learning the fundamentals at an early age goes a long way.

A successful development of the Savings and Investment Union will be dependent of the freedom of choice of Europeans. EU policy makers should not regulate what individuals should invest in. Instead, Europeans should be given the right incentives and prerequisites to save in capital markets and take part in its value creation.



CHRISTIAN HYLDAHL
Head of Nordics – BlackRock

Balancing capital supply and demand: Lessons from Denmark's pension system

All markets rely on supply and demand, and capital markets are no different. For capital markets to flow into Europe's broader economy, Europe must simultaneously address both sides of the equation: capital supply (including long-term savings) and capital demand (productive investment opportunities). This dual lever approach is essential for fostering innovation, job creation, and sustainable growth.

Among the most compelling examples of capital markets development in Europe is the Nordic region. One reason often cited is the region's pension systems, which have contributed to the development of capital markets by providing a significant supply-side source of capital. However, it is critical to acknowledge an important distinction:

There isn't one Nordic model. Each country has developed at its own pace, with distinct strengths and policy choices. Careful consideration will be required to recognise these differences, and identify which elements can be extrapolated to other countries.

Against this background, I will focus on the Danish pension system, examining its strengths and considering which aspects could be adopted by other countries.

A Multi-Pillar System Built on Broad Coverage and Flexibility

The Danish pension system combines a strong public pillar with robust occupational schemes, ensuring nearly universal coverage. Since the 1990s, occupational pensions have evolved from defined benefit (DB) to collective defined contribution (CDC) plans, offering a mix of lifelong payouts, lump sums, and time-limited annuity options that pay out over a fixed term. This layered structure has allowed the system to provide both security and adaptability across different income levels and employment types.

Incentives for Longer Working Lives and Inclusive Participation

To address demographic shifts, the focus over the last years has been to adjust the system to incentivise people to retire later. Denmark introduced automatic retirement age adjustments and made certain pension savings exempt from means-tested welfare benefit reductions – encouraging later retirement while maintaining fairness. The system also expanded mandatory savings to include unemployed individuals and is encouraging increased participation among the self-employed, pushing coverage above 90%. A pending discussion on early retirement for certain groups of workers (e.g. having worked for more than 45 years), and how to continue indexation of retirement age fueled by the latest increase in the retirement age to 70 years by 2040, will materialise over the coming years.

Trusted Governance, and Strategic Investment

High public trust has been maintained through strict fiduciary standards, with pension funds regulated under the 'prudent person principle' and overseen by the Danish Financial Supervisory Authority (DFSA). Transparency in fees and returns, along with individual choice in risk and sustainability preferences, helps to reinforce confidence and engagement.

Importantly though, Danish pension funds invest globally, guided by risk-return principles rather than geographic preference. While local investment is welcomed, it must meet competitive benchmarks. Policymakers recognize that stimulating attractive European investment opportunities is just as essential to match the system's capital supply with productive demand.

Conclusion

To achieve widespread—and ultimately mandatory—participation in pension systems, close collaboration between governments and social partners is essential. Long-term alignment will require all stakeholders to see mutual benefits: employees accepting that part of wage growth is allocated to pensions, employers committing to contributing into the system, and governments providing tax incentives with an understanding that they will benefit from future tax revenues on pension payouts. This shared responsibility model, as demonstrated in Denmark, supports both individual security and fiscal sustainability.

There isn't one Nordic model. Each country has developed at its own pace, with distinct strengths.

Three key conditions are necessary for this alignment:

1. Acknowledging that current pay-as-you-go (PAYG) systems will become increasingly inadequate.
2. Strengthening trust in social partners to manage pension schemes effectively.
3. Ensuring tax incentives are material, stable, simple, and transparent.

Where full consensus is difficult, incentivised voluntary schemes ("opt-out") with automatic enrolment can serve as a practical alternative. Additionally, tax-advantaged savings accounts can help individuals build wealth and channel capital into financial markets—an approach already showing positive results in several countries.



HEGE BAKKE
Executive Vice President
FICC – DNB Carnegie

Nordic bond markets: A scalable model for SME and sustainable financing

The Nordic bond market has emerged as a dynamic and resilient platform for corporate financing, setting itself apart through accessibility, efficiency, and investor confidence. With its unique ability to serve a diverse range of issuers, the market has established itself as a leading model in Europe and beyond.

At the centre of this success is the Nordic bond platform's ability to serve a wide range of issuers, including unrated SMEs and companies in transition sectors, without compromising market discipline. For issuers, the platform's lean documentation, absence of mandatory credit ratings, and fast time-to-market (typically 4–6 weeks) result in streamlined, cost-efficient access to capital. Small and medium-sized companies, which are relatively larger in the Nordic market than in a global context, may especially benefit, as these cost savings represent a larger proportion of their overall expenses. Furthermore, the Nordic bond market has demonstrated resilience in default situations, supported by a committed and experienced investor base. This track record has earned the trust of issuers and helped establish the market as a preferred platform for raising capital.

The data underscores the model's momentum. As of July 2025, the Nordic high-yield market has seen a record EUR 13.8 billion in new issuance. The average deal size has increased significantly from EUR 65 million in 2022 to just under EUR 120 million year-to-date. Importantly, the market continues to attract international capital, with EUR and USD-denominated deals accounting for nearly 70% of volume, underscoring its market's global relevance. For instance, interest from non-Nordic companies in the Norwegian high-yield market has surged, with their share of issuance rising from 38% in 2023 to 53% in 2024, outpacing Nordic issuers for the first time since 2017. Crucially, Nordic high-yield bonds have delivered strong long-term performance, with average returns north of 8% since 2017. This is supported by recovery rates of around 57% and rising, similar to those of higher-rated US companies.

Over the past decade, the Nordic high yield bond market has shifted from being heavily concentrated in the Norwegian energy sector into a more diversified and resilient landscape. Today, it features a broad mix of issuers across real estate, industrials, consumer goods, technology, and healthcare. When real estate issuance slowed due to interest rate hikes in 2022, other sectors stepped in to sustain market activity.

Critical to this success has been the role of banks, not only as deal arrangers, but as active ecosystem builders.

The Nordic market supports not only scale but also sustainability. Nordic companies have been in the forefront of the green transition, and Nordic investors supported the first sustainable bonds issued, soon 20 years ago. For issuers, a clear and credible sustainability agenda can help attract capital at favourable terms from Nordic investors where ESG is deeply embedded in many investment mandates. In 2020, sustainable bonds accounted for 6% of the total outstanding volume of Nordic high-yield. By end-2024, the share had increased to 17%, demonstrating strong resilience even as global green investments faced headwinds.

From a regulatory perspective, the Nordic experience offers valuable lessons. The EU's Capital Markets Union (CMU) and Saving and Investments Union (SIU) aim to deepen and harmonise capital markets, and the Nordic model shows that simplicity, speed, and trust are powerful triggers for success Critical to this success has been the role of banks, not only as deal arrangers, but as active ecosystem builders. Key focus areas have been standardising processes and documentation, enhancing execution efficiency, and building long-term investor confidence.

Banks play a critical role in ensuring liquidity in secondary markets, both through market making and by holding bonds on their balance sheets. Accordingly, regulatory frameworks such as the Fundamental Review of the Trading Book (FRTB), still pending in the EU, should be implemented with care. Stricter capital requirements for trading books could constrain market makers' ability to provide liquidity when most needed. Though well-intentioned, the framework would benefit from a more proportionate and flexible approach to ensure it supports, rather than undermines, the financial stability it aims to protect.

In conclusion, the Nordic bond market is rapidly expanding across multiple sectors, providing a trustworthy platform for efficient capital access, including for sustainable financing. As the EU continues to refine its capital markets strategy, it could do well to draw inspiration from the Nordic experience - not to replicate it entirely, but to adapt its foundational principles to a broader European and global context.

CAPITAL MARKET INTEGRATION



STEFANO CAPPIELLO

Director General for Financial Regulation and Supervision – Ministry of Economy and Finance, Italy

Four cornerstones to underpin the SIU

Fifteen years ago, the market capitalization of Europe's banks exceeded that of US banks; however, current data reveals a stark contrast: US banks now significantly exceed their European counterparts in market capitalization. Following the great financial crisis, the U.S. economy rebounded robustly, while the Euro area faced a prolonged recession due to the sovereign debt crisis and the lack of an EU safety net.

This has contributed to the underdevelopment of the EU financial system, whose fragmentation and less efficient intermediation role have hindered the European recovery and growth. Paradoxically, although Europeans save nearly four times more than their US counterparts, their capital is not efficiently allocated, with limited flows into European innovative businesses and infrastructures.

Therefore, a fundamental KPI to assess the success of the SIU is the creation of an integrated liquidity pool where the needs of companies and investors can efficiently meet.

Achieving this objective requires a coordinated mix of top-down and bottom-up policies. Four strategic cornerstones are key to build an integrated liquidity pool across the Union: completing the Banking Union, consolidating interoperable financial infrastructures, integrating supervisory systems, and developing an EU "safe asset".

First, a vibrant SIU cannot exist without completing the BU, as banks play a pivotal role in capital markets: they make them deeper and more liquid, by acting in various roles to that end. As the necessary reforms to the second pillar of the BU, i.e. crisis management, are finally being ratified, significant progress can be achieved through three main priorities:

- ensuring that covered deposits of all banks within the Eurozone rely on equivalent protection, by means of the third pillar of the BU, the European Deposit Insurance Scheme (EDIS), which could be achieved through intermediate steps, i.e. starting with a liquidity arrangement and then gradually move onto a fully-fledged EDIS;
- removing outdated regulatory barriers that hinder cross-border financial flows within European cross-border banking groups, so to reduce fragmentation and facilitate risk diversification and improve risk management across Member states. To this end, we could work on an ad hoc legislative initiative, leveraging the mutual trust built among authorities and Member states over the past decade;
- simplifying banking regulation while preserving stability and sustainability. A leaner and more proportionate regulatory framework would strengthen the competitiveness of EU markets, while some caution is necessary to prevent regulatory uncertainty, and to avoid dismantling key safeguards introduced in the aftermath of the GFC.

Second, since well-integrated trading and post-trading systems are essential for market liquidity, priority should be given to removing tangible and intangible barriers to market-driven consolidation and, in the interim, fostering interoperability. At least for the time being, issuance, admission to listing/trading and execution of the transactions still occur on national or federated markets. Thus, to further support the development of European market infrastructures, we should first focus on addressing those divergencies in national company, securities, tax, and insolvency laws, which significantly hamper consolidation in the market infrastructures industry, and in the supervisory architecture. Also, the potential of DLT-based solutions should be further explored to improve the efficiency and innovativeness of the market infrastructures. In this context, key steps to encourage experimentation by EU market participants will include pursuing interoperability among different blockchains, broadening the scope of the DLT Pilot Regime, enabling settlement in central bank money and introducing a retail CBDC.

Third, the EU should advance toward a more integrated supervisory system, while preserving the benefits of proximity. Integration in this context can be achieved by establishing legal arrangements enabling more effective cooperation between ESMA and NCAs. Key priorities include fostering binding convergence in the implementation and enforcement of EU law.

Fourth, we should create an EU "safe asset", represented by European debt issued to finance joint projects and public goods. It would help banks manage liquidity, diversify sovereign holdings; at the same time, it would embody the reference liquid asset that the European capital markets are now lacking, and strengthen the euro's international role.

Four strategic cornerstones are key to build an integrated liquidity pool across the Union.

In conclusion, while no single 'silver bullet' will deliver a genuine SIU, we should focus on these four strategic cornerstones and do it in a pragmatic way, *i.e.* designing our initiatives having in mind the fundamental KPI (since we should anchor ourselves to tangible results) of building an integrated liquidity pool across the Union.



MARIE-ANNE BARBAT-LAYANI

Chair – Autorité des Marchés Financiers (AMF)

European supervision is a necessity and it is time to move!

After a decade of discussions, political tepidity and sluggish progress, it is high time to act quickly and ambitiously to unify the EU capital markets. The SIU is the opportunity to reap the benefits of a true single market for financial services. It is the project of our generation and we should all make a priority to achieve what our predecessors did with the single currency.

The Commission has rightly identified a number of priorities: alongside long-term retail investment and securitization, integrated supervision is a key driver to achieve tangible results. But there is a risk to fail, for lack of motivation or short-termism.

As a national supervisor, a member of ESMA Board and of several supervisory colleges, the French AMF has a strong experience in supervising financial market participants, including those operating cross-border. Based on this experience, moving towards a unified supervisory architecture of EU capital markets appears to be a priority.

Supervision remains highly fragmented within the EU, which has severe detrimental impacts on the financial sector and Internal Market. It creates deep level playing field and enforcement issues, as supervisory convergence is still limited. It raises major issues in terms of risks and financial stability, especially for large cross-border entities and market infrastructures, due to the dilution of supervisory responsibilities. Divergences in rules' enforcement also create risks for investor protection, undermining confidence. The current architecture of supervision is also a drag on the EU financial sector competitiveness, as fragmented implementation/enforcement of EU rules implies unnecessary operational complexities and costs for firms. Finally, without tangible progress on supervision, the EU will not achieve its simplification agenda.

In this context, empowering the EU level of supervision is necessary. Entities and products must be treated separately, as they raise different problems and call for different solutions.

Regarding financial entities, the model followed for banking supervision should inspire markets' supervision: direct supervision for large cross-border entities and delegated supervision of smaller or national entities. Moreover, direct supervisory powers should be granted to ESMA over global cross-border crypto-assets services providers (CASPs) as a matter of priority: regulatory shopping and diverging practices have already started to develop, and it is an accident waiting to happen! Direct supervision by ESMA should also include large pan-European market infrastructures, as well as large asset management groups, whose specificities should be acknowledged in EU law with a consolidated supervisory approach. For reasons of cost-efficiency and proportionality/subsidiarity, the supervision of smaller and purely national entities should be delegated by ESMA to national supervisors, according to the "indirect supervision" model which currently applies to EU small and medium-sized banks ("*less significant institutions*") under the SSM. The Banking Union has delivered progress in terms of financial stability in the banking sector, that we can no longer overlook in markets' supervision, since non-bank finance is developing very rapidly. Conversely, product supervision at EU level is a much more mature subject, that would require a closer scrutiny, and its supervision at ESMA level should not be prioritized at this stage.

Such a bold move towards a European supervision of infrastructures and asset managers should be coupled with a fundamental adaptation of ESMA's culture and governance. We should reflect on changes to ESMA's governance keeping in mind the role of NCAs and the importance of having an innovative approach to make sure that competitiveness is taken on board. The governance model of ESMA needs to simultaneously achieve the necessary inclusion of all NCAs' competence in markets' functioning, and the capacity to deliver swift decisions and to embody the European interest. It would make sense to envisage a governance set-up composed of two main bodies: a Board of Supervisors including the 27 NCA chairs, competent for all regulatory and policy-related issues; and an Executive Committee made up of a small number of high-level personalities from the public or private sector, appointed on the basis of their skills and experience and in charge of individual decisions in ESMA's direct supervisory remit, as well as providing advice on policy issues.

Let us decide on a date when ESMA will take responsibility and stick to it.

The structure and sources of ESMA's funding should also be reviewed as ESMA must be able to adapt quickly to market developments, finance important projects and fulfil its missions, including with increased supervisory powers. An ESMA Board-level task force has recently analyzed the subject and made proposals with these objectives in mind.

It is necessary and possible to make this bold move, and we should not wait for another financial crisis to make it! So let us decide on a date when ESMA will take responsibility and stick to it.



HARALD WAIGLEIN

Director General for Economic Policy and Financial Markets – Federal Ministry of Finance, Austria

Integration of EU capital markets – a guide to the completion of the SIU?

The further integration of EU capital markets is often seen as a stand-alone objective and a solely political issue. Although the completion of integrated EU capital markets is indeed highly political, its success is highly dependent on the addressed topics such as developing retail investment, improving the diversification of the funding of small and medium enterprises (SMEs) or growing local markets. Instead of starting a race of objectives, it is evident that the ambitious goals are intertwined, and their individual success is depended on the overall combined output.

From larger to smaller markets, highly to less liquid, there is different focus as some rely on securitization markets while others focus on equity markets building upon loans. Fragmented markets and different interests on how an integrated market should function complicates not only a harmonized option of feasibility but also forces to compromise. Leaving the technicalities aside and focusing on key political issues, major factors are supervision and market consolidation.

While some advocate for a centralized EU-level supervision, others favor retaining supervisory powers at the national level through National Competent Authorities (NCAs). However, a far-reaching single supervisory reform alone will not change the EU capital markets. Given their complexity and diversity a more effective approach would be to promote supervisory convergence and consistent national supervision across EU Member States. The same considerations apply to market consolidation. Any efforts to consolidate different market segments, should not be enforced on a regulatory basis, thus should be driven by market dynamics allowing synergies and efficiencies to develop organically. A regulatory mandate for market consolidation would benefit larger markets and could create a pull effect, causing smaller EU capital markets to vanish. It is evident, that there is no universal solution that satisfies all stakeholders or Member States.

NCAs are undeniably the backbone of our financial system, having built trust in the national markets, gained experience and built-up competencies. They maintain close relationships with supervised entities and engage with local investors. Their experience and knowledge may take years for a centralized institution to achieve, potentially causing uncertainty among Member States if their national competent direct contact is no longer available. Additionally, centralized systems often favor large market players and risk jeopardizing the diverse financial landscape of EU capital markets.

Instead of starting a race of objectives, it is evident that the ambitious goals are intertwined.

Beyond market development and creating the perfect supervisory framework, it is essential to educate and enable EU citizens to invest their savings. Financial literacy is a key factor for integrated capital markets to better channel household savings into productive investments. A financially literate citizen is more likely to invest in capital markets, supporting liquidity, demand, and contributes to economic growth and development of wealth. Strong and diverse capital markets appeal to investors from all over the world, supporting further development and strengthening financial stability by broadening the investor base beyond institutional players.

The success of integrated EU capital markets depends on several factors:

- A proportionate supervisory system.
- Harmonized EU-regulation alongside integrated non-EU cases to foster cross-border activities.
- Efficient cross-border activities, accompanied by targeted protective measures to strengthen EU markets.
- Resilient and competitive capital markets that are allowed to foster its diversity while maintaining harmonized application of law.
- Experienced NCAs that are connected to their markets representing the "first line of defense" to lower the burden on one central supervisor.
- Financial Literacy.

Ultimately, progress on the SIU as well as effective EU capital markets integration depends on different factors which are efficient supervision, diverse yet harmonized landscape of financial markets and investors and last but not least political consensus and compromise between all Member States.

All of these topics are addressed in the SIU Strategy communication. It is now up to the EC to ensure fair and implementable policies. The Strategy's overarching principles act as horizontal enablers, allowing further measures to take effect. Most importantly, it recognizes that the integration of EU capital markets is not a stand-alone issue but a complex process that requires balancing developing capital markets without undermining financial stability.

At first glance and without yet knowing on how the measures in the Strategy will unfold, it seems to be a well-balanced and thoroughly assessed plan on how to further integrate EU capital markets considering not only technical aspects but also controversial political aspects without ignoring the most important asset of EUs capital market: its citizens.



NIELS BRAB
Chief of Staff/Head of Group Corporate and Regulatory Strategy – Deutsche Börse Group

Integration ahead: Tackling fragmentation to boost growth and competitiveness

With the Savings and Investment Union (SIU), the EU is currently well on track to deliver a key pillar of a much-needed growth and competitiveness agenda. In light of geopolitical realities, monumental financing needs and structural questions around our societal future, the stakes have never been higher.

Reducing the high level of fragmentation across the EU's capital markets remains a key ingredient to fully unleash the potential of the single market, transforming the Capital Markets Union (CMU) project into a structural success story.

Especially the capital markets infrastructure universe should continue to be supported by targeted changes to current frameworks to bolster market-driven consolidation, paired with a broader reflection as to how existing single market barriers can be tackled.

This notably concerns the EU's M&A rules, where the intended review could make a significant positive contribution in order to allow for more scale while supporting the emergence of EU champions at global level. This should include a reflection around the definition of the most relevant market at product and geographical level – but stretch to include further work around efficiency defenses and a true level playing field with other key jurisdictions.

In parallel, the EU should continue to address various single market barriers to boost consolidation and cross-border business realities with an improved competitive operating landscape that remains conducive to growth and underpins the fundamental political objectives.

This holds particularly true for the EU's trading landscape where the MiFID framework has been a key driver of fragmentation. Paired with a drastic shift of liquidity from lit regulated markets to dark-trading and off-exchange venues, this has not only reduced transparency and negatively impacted price formation – but also comes with a more profound question around the ecosystem for primary markets and the EU's attractiveness as a business location.

A recent study[1] found that about 70% of volumes are split across MTFs, and dark, bilateral and non-addressable channels including SIs and over-the-counter (OTC). The empirical data also underpins: Cross-market fragmentation is marginal, at less than 2% of the total. By contrast, the fastest approach to unlocking more liquidity is by reducing intra-market fragmentation.

Though we have two eyes, the vision is one!

This ultimately questions if the historical approach taken might still prove to be a viable strategy moving ahead, or if this might imply that the MiFID framework needs a more holistic reassessment around the underpinning market structure vision, including overly complex waiver, transparency and deferral regimes. Should the EU intend to be attractive from a listing and business perspective, it occurs critical to profoundly reflect on the interplay of strong primary markets and secondary markets' structure.

On the post-trading end, the EU would materially benefit from a more integrated market structure and a structural reduction of existing national barriers impeding the provision of effective cross-border services. Next to a much-needed roadmap that essentially benchmarks current realities against the background of the famous Giovannini barriers, an optional and voluntary 28th regime should be explored, ideally combining elements of securities, insolvency and corporate law – starting for example in the field of digital emission of securities. Another crucial lever concerns the ECB's Target2Securities, where more reflection should be carried out as to how the EU's current system can be made more effective, increasing volumes and reducing prices.

Let us not forget: A successful SIU will not only depend on reduced fragmentation in the infrastructure world. In fact, the EU's general ability to deepen liquidity pools by mobilizing and transforming private savings into productive investments will continue to constitute the core focus of this cycle's exercise. With more than €33trn of savings held in currency and deposits across the EU, we should be bullish in light of a huge untapped resource to boost growth, competitiveness and innovation.

However, when it comes to the discussion around an EU savings and investments account, Member States should avoid a continuation of the currently high level of fragmentation – the unique window of opportunity, building on the increased EU attractiveness from an investor perspective in H1 25, should be seized now in a constructive manner.

Working together and jointly delivering a visionary approach that guarantees meaningful progress for our societal future has never been more important in light of global realities and a critical moment in European history. The discussions around fragmentation and integration will continue to accompany us well beyond individual SIU subjects. The challenge rather lies in understanding what Empedocles already taught us: Though we have two eyes, the vision is one!

1. *The Liquidity Matrix: Addressing fragmentation in European equity markets, Oliver Wyman, July 2025*



NICHOLAS BEAN
Chief Executive Officer – Bloomberg Trading Facility BV

Bringing about the vision for a savings and investment union: Quality over speed

Advancing the integration of EU capital markets through the Savings and Investments Union (SIU) is a vital step to boost growth and competitiveness. However, realising this vision is a considerable endeavour. It would be prudent to approach it progressively, building on well-identified market failures with defined objectives in mind. Whilst the overarching vision is clear, a coherent strategy is now required. It is important to learn from recent experience, prioritising the quality of regulation over its speed to avoid any setbacks.

Building on the EU's diverse market ecosystem

European financial markets are a complex ecosystem where vast amounts of instruments are traded to serve varying needs of investors and borrowers. While tackling unjustified market fragmentation is critical, the SIU must account for the specific characteristics of different asset classes, venues, and trading protocols. A predominant focus on equities and central limit order book trading risks evolving into a uniform regulatory approach overlooking such key distinctions.

For instance, the concept of aggregating liquidity pools in the SIU does not apply to Over-the-Counter (OTC) and Request-For Quote (RFQ) trading in the same way as listed regulated markets. While equities trade on exchanges, bonds do not trade in a centralised location but mainly on RFQ-based Multilateral Trading Facilities (MTFs) and OTC. In these markets, liquidity is the property of the market-maker or the instrument, rather than the venue. Preserving this diversity is essential to maintaining an efficient and resilient market structure serving investors and issuers. A differentiated regulatory perspective enables policymakers to focus legislative action where genuinely needed.

A nuanced approach to centralised supervision

Similar concerns arise around more centralised supervision. The identified fragmentation barriers are more typical of national regulated markets for equities, not of cross-border MTFs for fixed income and derivatives. Measures towards more centralised supervision should rest on a rigorous assessment identifying areas where such approach could add value, and remain proportionate, targeted, and aligned with clear supervisory outcomes.

> The SIU's success will be measured not by the speed of its policies but by their effectiveness.

The current decentralized model presents recognised challenges, yet it is not self-evident that a shift to a single supervisor would yield automatic efficiency gains across all market operators. Rather, better supervisory convergence and joint European Supervisory Authorities (ESAs) supervision should be explored to harmonise rule interpretation, capitalising on regional hubs of expertise and supervisory culture.

Supervisors should also consider adopting a more proportionate and agile approach to oversight, including revisiting the use of no-action letters. When appropriately structured and transparent, they can serve as valuable tools to address situations where the strict application of a rule originally designed under different circumstances leads to unintended outcomes, particularly where there is no clear benefit to market integrity or investor protection.

Bringing Europeans to financial markets

Retail participation in EU capital markets remains low. The EU's goal to lift it is timely, but short-term solutions are misplaced. Encouraging individuals to pick stocks would require significant financial sophistication.

For years, EU retail investor policy prioritised risk aversion, at times attempting to regulate risk out of existence. While well-intentioned, this inadvertently contributed to public mistrust in financial markets and a weak investment culture. Incentives such as new product wrappers or tax advantages may help but can't replace the needed long-term cultural change.

What is required is a shift in focus: from shielding retail investors from risk to equipping them to understand and manage it. Better financial literacy and an investment culture will enable individuals to make informed decisions aligned with their own risk appetite and financial goals. Only then can retail participation in EU markets grow.

Conclusion

Realising the SIU is not a race for immediate solutions, but a commitment to a well-designed, long-term strategy that addresses root causes, leverages the strengths of the EU's financial ecosystem, and delivers lasting outcomes. Structural challenges such as fragmentation or low retail participation can't be resolved through quick fixes or reactive measures. The SIU's success will not depend on how rapidly policies are introduced, but on how effectively they are shaped, sequenced, and implemented to foster trust, efficiency, and inclusion. This will allow meaningful progress toward the vision of a deeper, more integrated and globally competitive European capital market.



YANN LE PALLEC
President – S&P Global Ratings

Capital markets integration: A crucial enabler for the SIU's success

Despite the promise of the EU single market, internal barriers to the free movement of workers, goods and capital, remain alarmingly high. According to recent IMF research, these barriers are equivalent to tariffs of 44% on manufactured goods and 110% on services.[1] The Savings and Investment Union (SIU) employs a multi-track strategy in which capital markets integration is a key enabler. Without deeper integration, it will be far more difficult and less impactful to boost retail investor participation, enhance access to financing for SMEs, and ensure effective supervision.

The Reality of Cross-Border Capital in the EU

Intra-EU movements of capital reveal persistent fragmentation. While outstanding cross-border capital grew rapidly from the inception of the single market until the global financial crisis of 2008-09, it has since stagnated at roughly 100% of EU GDP—compared to just 60% in 2001. Currently, intra-EU cross-border capital accounts for only one-fifth of the total assets managed by the European financial system. This is notably less than the 33% share held in non-EU foreign assets held in Eurozone financial portfolios, with the US dollar representing most of these foreign positions.

European investors and savers exhibit a strong home bias, often overlooking opportunities in neighboring countries. A previous analysis by S&P Global Ratings Economics highlighted the sluggish growth and uneven distribution of cross-border capital within the EU.[2] Cross-border financial claims in the EU (excluding the public sector) primarily originate from a few large economies, such as Germany and France, and large financial centers, including Luxembourg, Ireland, and the Netherlands. According to the ECB, investment funds domiciled in Luxembourg and Ireland hold approximatively 40% of the euro area's cross-border equity and debt securities. Additionally, 33% of all intra-euro area cross-border holdings of corporate bonds are in securities issued in these three countries.[3]

Our research not only found that cross-border capital within the EU concentrates at the point of origin, but is also distributed unevenly at the point of destination. It predominantly invests in core and Nordic EU countries (up to 130% of their GDP), while southern EU nations receive only about 50% of their GDP's worth, and Eastern and Central European countries receive as little as 20%. This concentration of cross-border capital hinders the real convergence of EU economies and perpetuates regional imbalances.

Why capital markets integration matters

Therefore, integrating European capital markets is critical to allowing European savings to move more freely across EU internal borders and to achieving other SIU objectives. Fragmented markets lead to high capital costs and eliminating barriers to cross-border trading and post-trading activities could significantly reduce these costs. Additionally, offering a wider and more diverse range of financial products on a larger scale would lower fees and provide better investment options.

Capital markets integration plays a vital role in encouraging retail investor participation by delivering more value for money. It also incentivizes SMEs to invest and grow by diversifying their funding sources and lowering financing costs, thereby fostering innovation and job creation.

Although full capital market integration is more difficult to achieve and less feasible than promoting retail participation or pension sector development—two other areas of focus in the SIU strategy—it remains indispensable. The SIU's comprehensive roadmap appropriately advances integration alongside these other priorities.

A call for swift, coordinated action

The SIU strategy emphasizes that integration enhances the benefits and feasibility of its other objectives, creating a resilient, dynamic financial ecosystem across Europe. Realizing this vision requires a concerted effort. Competent authorities and all stakeholders in the financial community must collaborate closely and swiftly remove barriers and harmonize regulations.

Capital markets integration lowers costs, boosts investment, and fosters EU economic convergence.

In sum, deepening EU capital markets integration is imperative, not just desirable. It will unlock the EU's single market for capital's full potential, to benefit savers, investors, SMEs, and the broader economy.

1. *See: "Europe's declining Productivity Growth: Diagnoses and Remedies", IMF – Europe Regional Economic Outlook, published November 2024.*
2. *See: "Thirty Years of the EU Single Market: Why Cross-Border Capital Flows remain Sluggish, despite positive developments", S&P Global Ratings Economics, published May 2023.*
3. *See: "Financial Integration and Structure in the Euro Area", especially Box. 3, ECB, published June 2024.*



NICK DUTTON
Chief Regulatory Officer – Cboe Europe

Improving integration across European markets

For European markets to reach their full potential, market integration is pivotal. Integrated markets improve capital efficiency, deepen liquidity, and lower transaction costs. Progress has been made but more can be done. This will involve simplifying rules, improving harmonisation, and reducing gold-plating. This also requires us to prioritise market structure initiatives that will drive better outcomes for savers, investors and issuers. In our view, European markets will thrive through interoperability, innovation, and better access for retail investors.

Post-trade equity infrastructure - Interoperability to drive integration

Under MiFIR's open access provisions, market participants trading on nearly 50 European venues can, in principle, choose which CCP clears their transactions —unlocking significant capital and operational efficiencies. Yet, several major platforms still resist open access or impose discriminatory "preferred" clearing models that restrict user choice and reinforce the fragmentation caused by uncompetitive vertical silos.

Mandating genuine user choice through CCP interoperability would be a pivotal step toward integrating post-trade workflows across Europe. It would also mitigate the impact of a fragmented CSD landscape by enabling risk-netting and settlement compression—driving both operational and capital efficiency.

Too often, vertically integrated gatekeepers steer flows to suit their own interests rather than prioritising cost-effective, client-centric outcomes. Enforcing CCP interoperability would shift control back to users, fostering a more competitive and integrated clearing landscape.

Trading venues – Innovation to drive integration

While some argue that the trading venue landscape is unnecessarily complex, the reality is that for the past 20 years European equity markets have been working toward an open system that rewards innovation and competition. We must lean in to this. Market integration does not require forced interconnectedness, or the restriction of existing trading mechanisms that participants benefit greatly from. The continued integration of trading simply requires supporting multilateral venues in their efforts to innovate and attract order flow. Over time, brokers will connect to those venues that solve problems and offer products of interest, regardless of where those brokers sit. It's inappropriate and inefficient to reward complacent venues by requiring some form of mandatory interconnectedness between venues. The necessary broker infrastructure for connectivity between markets is in place, and it is trading venues' role to incentivize brokers to connect.

Retail participation – Exchange access to drive integration

In the US, nearly all retail equities trading occurs off-exchange. We believe this dynamic weakens public price formation and should be avoided in the EU. While public price formation in Europe has not yet been degraded, the accelerating trend is a source of concern. If we sit back and allow the segmentation of benign retail trading away from public order books, the outcomes achieved in those order books for other users will worsen, which in turn will lead to more flow leaving public, multilateral markets. If we take steps now to ensure that individual retail orders continue to be executed on multilateral venues, both retail investors and the wider market will benefit from a healthier multilateral environment that, by definition, brings together multiple parties in a way that promotes price competition and price formation.

Improving price discovery by encouraging retail to be traded on multilateral venues will also support efforts to attract investors to public markets. Cboe is working hard to grow retail participation by lowering barriers to access European markets through our pan-European equities and derivatives exchanges, making it simpler and more cost-efficient to access financial instruments from across Europe. As part of this effort, our equities exchange will soon launch a new service tailored to retail investors, enabling brokers to execute retail orders for free at the European Best Bid and Offer (EBBO), across 18 European markets. Our service is designed to build highly liquid, diverse on-exchange order books by allowing retail flow to interact with both dedicated retail liquidity providers and broader sources of liquidity - benefiting all investors.

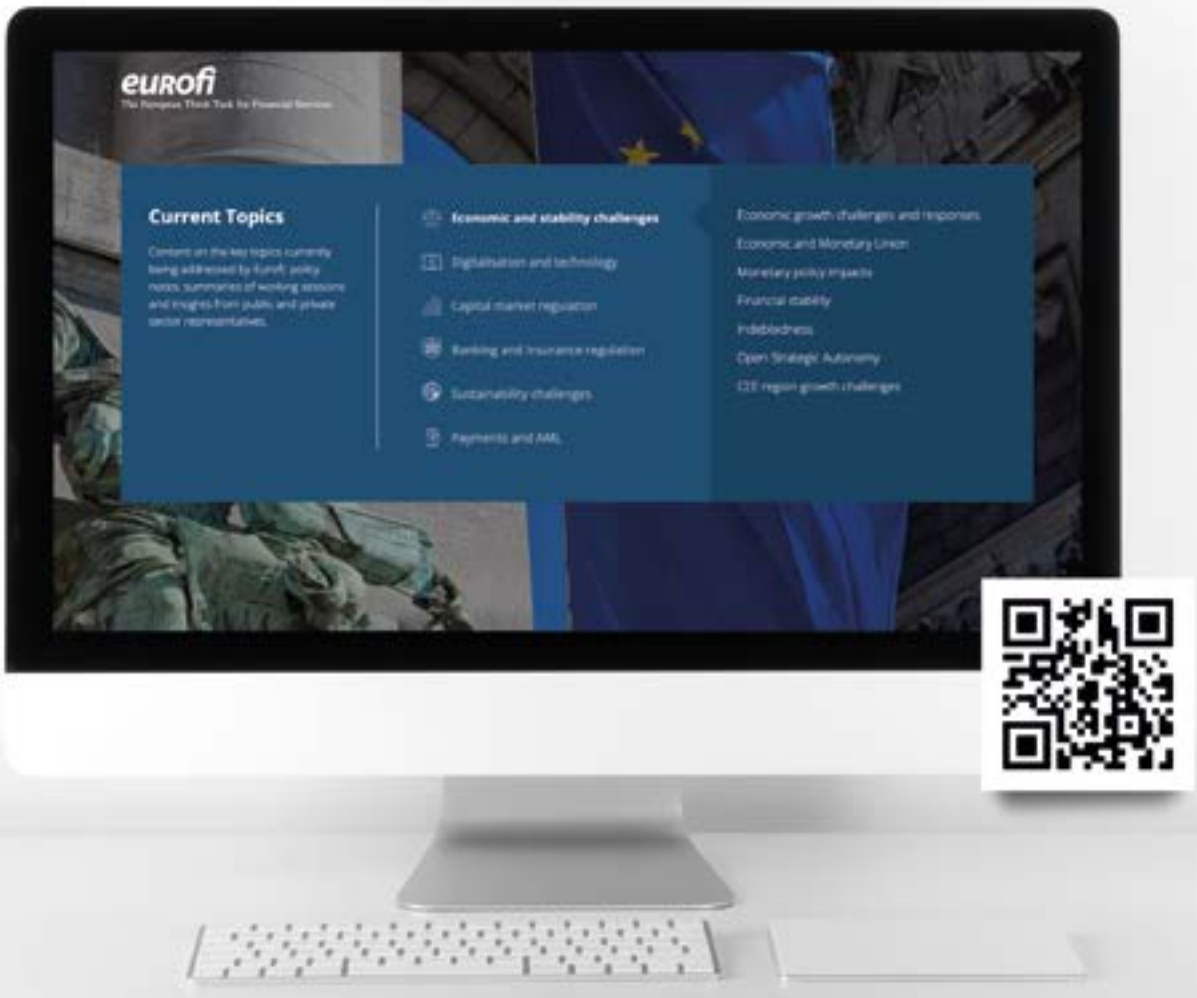
Market integration thrives through interoperability, innovation, and better access for retail investors.

But we must go further and build a savings culture where individuals are empowered to invest for the long-term while also enabling them to manage the inherent risk of investing in markets. This can only be achieved if investors have access to a suite of transparent and liquid investment products that attract them to public markets. Exchange-traded, centrally cleared options are one of those products. We must support the ability of investors to access exchange-traded options rather than drive them exclusively toward opaque structured products.

EXPLORE THE CURRENT TOPICS SECTION ON WWW.EUROFI.NET

Access content on the key topics addressed by Eurofi, including policy notes, working session summaries, and insights from public and private sector representatives.

- **Economic and stability challenges**
- **Digitalisation and technology**
- **Capital market regulation**
- **Banking and insurance regulation**
- **Sustainability challenges**
- **Payments and AML**



BOOSTING THE COMPETITIVENESS OF CAPITAL MARKETS



HANZO VAN BEUSEKOM

Member of the Executive Board – Dutch Authority for the Financial Markets (AFM)

Strengthening Europe's Capital Markets: Time to deliver

Despite years of initiatives, Europe's capital markets remain too fragmented and shallow. The EU accounts for just over 10% of global market capitalization, less than a quarter of the United States. The European Commission's strategy for the Savings & Investments Union (SIU) identifies the core challenges facing Europe and offers a constructive path forward. These plans provide a solid foundation for creating the integrated capital markets needed to boost competitiveness.

Implementation is the real test. To finance the green and digital transitions, support SMEs, and attract global capital, the EU must simplify and integrate its market structures, by reducing regulatory complexity, enabling more coordinated supervision and establishing a central data hub. Without decisive action, the SIU risks becoming another strategy that falls short in practice.

Evolving Market Patterns and the case for more coordinated supervision

In its *State of the Capital Markets 2025*, the Dutch Authority for the Financial Markets (AFM) highlights persistent frictions that hinder EU market integration. Trading clusters increasingly at the end of the day, while major price movements are often driven by overnight developments outside the EU. Liquidity is concentrated in a few large players and venues, particularly in less-traded stocks, and retail orders are mostly executed on a handful of platforms. Meanwhile, a large share of trading in Dutch-listed equities is conducted by firms based outside the Netherlands. These trends reflect markets that are more cross-border, yet supervision remains fragmented and national. Diverging supervisory mandates and approaches result in inconsistent rule application, hinder oversight of cross-border activity, and increase compliance costs.

Supervision must align

One possible avenue to enhance supervisory consistency is a gradual shift of certain responsibilities to the European level, starting with systemic entities and large entities with cross-border activities. Further exploration of this option within the SIU context is warranted, provided it is accompanied by adequate resources, a risk-based mandate, and a clear governance framework.

Shared data is essential

To support such a shared supervisory model, effective and consistent access to data is essential. However, Europe's current reporting landscape remains fragmented, with national authorities operating separate systems and formats. While the creation of the European Single Access Point (ESAP) is a welcome development, it targets public disclosures but not the broader inefficiencies in supervisory data collection and use. The AFM therefore sees merit in a more ambitious approach to data centralization. This includes developing a common data dictionary, establishing a central EU data hub, and using shared supervisory tools. Hosting these at the European level, ideally within ESMA, could promote harmonized reporting, reduce duplication, and enhance timely, risk-based oversight.

Simplification is key

The objective should not be deregulation, but smarter and more effective regulation. The AFM has consistently emphasized the importance of proportionality in EU rulemaking, particularly for small and mid-sized entities that do not pose systemic risks. Regulatory frameworks should be tailored to the size, complexity, and risk profile of firms, with clearer thresholds and more targeted requirements. A single rulebook, combined with consistent supervisory interpretation and implementation across Member States, is essential to ensure a level playing field. Further alignment of reporting regimes, such as under AIFMD and UCITS, as well as greater harmonization of insolvency and tax rules, would help reduce legal and operational barriers to cross-border activity and improve the overall functioning of EU capital markets.

EU Capital markets need action: aligned supervision, integrated data, bold implementation.

Europe's moment of truth

The SIU strategy rightly identifies the core challenges facing Europe's capital markets: limited scale, low retail participation, and regulatory complexity. But recognizing these issues alone is not enough. Meaningful progress requires coordinated action to centralize data collection, modernize market infrastructure, align regulatory frameworks and supervision. These are not radical shifts, but necessary steps to create capital markets that are competitive, resilient, and capable of financing Europe's long-term priorities. The AFM remains committed to supporting this process.



PALOMA MARÍN BONA

Vice Chair – Spanish Securities and Exchange Commission (CNMV)

Equity markets as a strategic lever for investment and innovation

Europe is facing an unprecedented challenge in the volume of investments required over the next years. Ageing demographics, geopolitical fragmentation, defence, the green and digital transitions, and the growing fiscal constraints demand a bigger mobilization of private capital. According to the Draghi report, an additional €750–800 billion per year will be needed to raise EU investment from 22% to 27% of GDP and meet the strategic objectives.

Equity markets can play a key role in achieving those objectives by enabling companies, and particularly, innovative firms to access long-term financing. However, the picture across Europe shows the underperformance of our equity markets in terms of depth and scale. The EU equity markets remain shallow compared to those of other developed economies. Over 70% of corporate funding in the EU still comes from banks, versus around 30% in the US.

This over-reliance on bank financing limits access to funding for these firms, which often lack credit history or publicly available information, making it harder for banks to assess their risk accurately.

Additionally, retail participation in equity markets is significantly lower than in the US, and IPO volumes have dropped considerably in recent years. All of this hinders the flow of capital from savings to productive investment.

Three main factors are behind the underdevelopment of European equity markets:

First, regulatory fragmentation reduces incentives to issue and invest in equity in the EU and discourage the development of pan-European players. Companies seeking to expand across borders still face major challenges due to differences in insolvency regimes, company laws, and tax treatments. While significant progress has been made in harmonizing market rules, further alignment in the market infrastructures domain and in supervisory practices is needed.

Second, the complexity of the legal frameworks and overregulation in some areas make it harder for companies—especially smaller ones— to access capital markets. These firms can easily become overwhelmed by the complexity and costs involved.

Finally, lower levels of financial literacy and limited tax incentives prevent household savings from being channelled into equity instruments.

From diagnosis to execution: Priorities for action

To overcome the underperformance of the equity markets in the EU, action should focus on two fronts: making access and participation in capital markets more attractive for both the supply and demand sides and strengthening institutional and supervisory alignment.

This can be translated into the following four essential elements which in principle are identified in the SIU Strategy:

First, streamline the process to access equity markets to make it easy and more accessible for companies, particularly smaller and innovative firms, to finance themselves in these markets.

The initiative "BME Easy Access", recently introduced in the Spanish market, is an example of a new Initial Public Offering (IPO) procedure designed to make it easier and more flexible for companies to list on regulated markets. Unlike the traditional model, companies can now list shares without immediately meeting the minimum free-float requirement. This procedure grants companies a period to comply with the free-float requirement, allowing them to better plan the timing of the placement and reduce risks. This is particularly relevant in the current volatile and uncertain geopolitical context.

Second, incentivise retail participation by encouraging equity-based investment via easy procedures, tax incentives and a financial literacy strategy.

Third, enhance institutional investment participation in long-term equity investing by among other measures, avoiding undue regulatory barriers and removing the Debt-Equity bias in tax systems.

Europe needs deeper equity markets to fund its strategic goals and regain competitiveness.

Fourth, remove barriers to cross-border activity in trading and post-trading infrastructures and ensure better quality of execution and price formation on EU trading venues.

Lastly, a more integrated and harmonised supervisory framework and more consistent implementation of rules are essential to attract both issuers and investors to the European equity markets and for our companies to gain in scale. In this regard, centralizing the supervision of certain cross-border activities—such as CCPs, systemic market infrastructures, or crypto-asset platforms—within ESMA would contribute to meet that objective.

All these reforms are crucial to revitalize the European equity markets and be able to finance Europe's strategic priorities and support long-term growth. They are to some extend contemplated in the SIU package, but we should not delay its execution.



LĪGA KĻAVIŅA
Deputy State Secretary on Financial Policy – Ministry of Finance of the Republic of Latvia

Small market opportunities from Savings and Investment Union

To drive economic growth and competitiveness, Latvia along with other two Baltic countries navigate its journey towards enhanced capital market development in alignment with the goals of the EU`s Savings and Investment Union (SIU).

Boosting competitiveness and ensuring economic security in the region are particularly important in the context of current geopolitical situation. Mobilizing private capital for productive investments is also essential to ease the fiscal burden while increasing defence expenditures and supporting double transition. A strong, liquid and integrated capital market will serve as a building block for the SIU, paving the way for further reduction of cross border barriers, capital market deepening and integration, providing more investment opportunities and expand EU wide access to capital and SME financing.

Latvia's capital market has been gradually developing, supported by regulatory reforms and integration within regional and EU financial systems. Development of the capital markets benefited from the integration within the well-functioning Nordic capital market infrastructure and through extensive public and market-led regional cooperation with other two Baltic countries. This effort is supported by the EBRD as a partner in development of the Pan-Baltic capital markets.

Through this successful cooperation more harmonized approach in the Baltic region has been achieved in different areas, including the regulatory environment. The Baltic market trading and post-trading infrastructure is fully integrated with a single platform and a single post-trade infrastructure, including a single central securities depository in Riga. For the market classification (MSCI index), the size and liquidity requirements are assessed on a consolidated basis for whole Baltics. Despite the modest size of the market, achieved common principles and functioning model is outstanding.

Latvia has an active bond market, including government bonds used for public financing and infrastructure projects. Other capital market development supportive elements are well functioning – three pillar pension system with auto-enrolment, savings and investment account etc. To complement the SIU from domestic perspective further development of national capital market continues in different areas.

Retail investment and long-term savings

Retail investment plays a fundamental role in capital markets development, channelling households' savings into the real economy. To encourage households to participate more actively in capital markets and take advantage of increased returns, policy measures are mainly targeted towards incentivizing long - term savings products with simplified, flexible and user-friendly investment process, tailored tax incentives, automated investment solutions and low fee structure. Due to relatively limited offer in the home market our retail investors could benefit from a wider range of European savings and investment products since other elements of private investor friendly infrastructure are in place.

Improved liquidity and depth of capital market

High dependency on bank lending is shaping our economic structure. Equity financing accounts for less than 2% of GDP. Although the bond market has grown faster in recent years, it still provides limited opportunities to invest in domestic companies. The lack of capital market development has been linked to a lack of scale and of market liquidity. This creates a vicious circle that hinders the development of smaller and less liquid markets that struggle to attract international investors, thus reinforcing the gap in capital market development. In response, the policy measures are targeted towards creation of right incentives for market makers and liquidity providers for development of the new capital market instruments, ensuring that stocks and other financial products can be bought and sold easily.

Despite the modest size of the market, achieved common principles and functioning model is outstanding.

Latvia's progress in capital market development reflects a strategic and forward-looking approach to unlocking growth and investment potential. While challenges remain, especially around market liquidity, investor engagement, and structural depth the groundwork has been laid for meaningful and sustainable progress. By continuing to expand retail participation, and align with the broader SIU objectives, Latvia is positioning itself as a proactive contributor to a more integrated European capital market. In doing so, it not only strengthens its own economic foundations but also reinforces the collective resilience and competitiveness of the Baltic and EU economies.



CHRISTOPH BERGER
Chief Investment Officer Equity Europe – Allianz Global Investors

A bold SIU strategy as key enabler for European (financial) sovereignty

European competitiveness and sovereignty are rooted in financial sovereignty, underpinned by two key factors:

1. A strong local investor base ensures access to (public) equity for fast-growing, innovative corporates and strategically important sectors such as critical infrastructure and digital industries. Private equity remains a key capital provider as well but ultimately relies on exit opportunities at public equity markets. Sweden is a positive example, with more than 500 IPOs between 2013 and 2024, demonstrating how a vibrant local investor base can fuel innovation, entrepreneurship, and growth.

2. Only a small part of the population in the EU has participated in the long-term, robust development of European equity markets. Over the past decade, these markets have delivered solid returns, yet the benefits have not been broadly shared. In key EU economies like Germany, for instance, there has been a modest increase in the retail investor base – by the end of 2024, 12,1 million citizens were invested in equities, funds, or ETFs. However, this fraction remains too small to democratize wealth creation across the continent. Much of the Europeans remains on the sidelines, missing out on the wealth generated by Europe's innovative companies and strong market performance.

Infrastructure investments and equity, both public and private, are the lifeblood of economic innovation and growth. By elevating key sectors to strategic prominence, the EU can unlock vast potential for economic expansion. For example, in industries such as semiconductor lithography, enterprise resource planning (ERP) software, aerospace and digital/AI, European companies hold global champions potential and play a vital role in strengthening European sovereignty. Public-Private Partnerships (PPPs) and tax incentives are powerful tools to engage the public sector and stimulate investment. These are set to enable a ripple effect of confidence and opportunity across the continent.

Yet, the journey to competitiveness demands more than targeted investments; it requires regulatory reforms. The EU must shed the shackles of gold-plating and engage in a thoughtful regulatory decluttering.

A few practical suggestions:

The upcoming Package for cross-border Asset Managers from the EU Commission (Q4 2025) presents a golden opportunity to reassess existing UCITSD and AIFMD requirements, enhancing cross-border capital flows.

An equity-friendly and simplification-driven SIU can spark innovation and wealth for Europeans.

Furthermore, UCITS is a robust label for EU investors and the world's gateway to EU capital markets. European policymakers should avoid pushing UCITS towards plain vanilla solutions and be very intentional in not restricting its eligible assets and keep innovation and diversification flowing. The current issuer limits ("5/10/40") are too restrictive and there should be a level playing field for active and passive investors.

The Savings and Investment Union (SIU) strategy's success hinges on its simplicity, flexibility, and customer-centricity. It could redefine capital markets by championing an inclusive, product-agnostic "Savings & Investment Accounts" that encompass UCITS, Insurance-Based Investment Products (IBIPs), and ELTIFs. The concept of "Savings & Investments Accounts" as introduced in Sweden in 1978, proves that tax incentives and administrative simplicity are key for success. The EU should learn from this model and adapt it to local needs, making it easier for citizens to invest.

Effective ESG rules must strike a delicate balance – ensuring ESG integration without stifling innovation—by easing overly burdensome reporting requirements and allowing for responsible investment in sectors of social necessity such as defense. Key ESG metrics, such as portfolio carbon footprint, should reflect genuine real-world decarbonization progress and remain agnostic to market price fluctuations. Looking ahead, the focus should be on supporting the "transition", recognizing that greenhouse gas-intensive sectors are not only part of the challenge but also essential to the solution. Many regulatory frameworks acknowledge this transition but do not yet prioritize it in a global context.

Finally, institutional investors are the architects of long-term capital infusion. Hence, regulatory frameworks for such investors should support appropriate allocation in equities. For instance, by pragmatically recalibrating Solvency II Level 2 risk measures, the EU can help unlock institutional investors' capital to fuel European long-term growth without compromising on policyholders' protection.

In conclusion, by prioritizing infrastructure, public and private equity, streamlining regulatory frameworks, and nurturing an investment culture, the EU can choose to redefine its role on the global stage. The untapped potential of European capital markets is vast, and with bold action, the EU can ignite growth and create wealth for a broad population.



FRANCIS MALIGE

Managing Director, Financial Institutions – European Bank for Reconstruction and Development (EBRD)

Leveraging capital markets to boost competitiveness in CEE

The legal and institutional frameworks of financial markets in many CEE countries have reached similar levels of development to those in more advanced markets. But public securities issuance and market liquidity have not improved. Investors are still wary. Why?

First, in terms of issuance and transaction costs, CEE markets are perceived to be relatively less competitive compared to more developed markets. Second, there are not enough issuers. And those big enough and ready to place securities on public markets often choose to list them in other venues, in search of higher valuations, investor interest and liquidity.

Ensuring access to finance for innovative and growing companies is crucial to achieve the EU's strategic priority of enhancing competitiveness. This is true regardless of where the companies are in their life-cycles or where they may be located on the continent.

The European economy depends heavily on small- and midsized companies, especially so in CEE countries, and European capital markets should be able to serve the needs of such smaller companies. While for some larger corporates a foreign listing may be optimal, small- and midsize companies mainly rely on their local and regional investor bases. This could be due to scale, brand recognition, currency mismatch, costs, or other reasons.

While a decline in both primary and secondary capital market activity can be observed globally, relatively lower liquidity and valuations make offering securities on smaller exchanges even less attractive. CEE markets remain modest in scale, with average market capitalisation standing at just over 15 percent of GDP (compared to 198% in USA, 84% in the UK or 51.5% in Germany).

However, a closer look reveals significant variation among CEE countries. Croatia leads the region in equity market capitalisation relative to GDP, with a figure slightly above 30 percent. In contrast, Bulgaria and Slovakia report ratios below 10 percent. Poland stands out as a regional leader in several respects. As of May 2025, Poland had over 800 listed firms, and its turnover ratio exceeded 40 percent. Despite this, its exchange remains smaller by market capitalisation than even the most modest stock exchange in Western Europe.

The ratio of outstanding corporate bonds to GDP paints a similar picture. With an average of 3.61% in the CEE region they range from less than half a percent in Romania to 15.6% in the Slovak Republic. This compares to 37% in Germany and close to 60% in France.

Regional integration of capital markets is an essential stepping stone towards EU-wide consolidation.

Still, there have been a number of success stories in the CEE region over the last decade. High profile IPOs have increased retail investor participation in markets significantly and paved the way for other companies to raise funding successfully, helping to put savings to productive use at home.

The EBRD's vision for the way forward is that of creating a landscape of interconnected local ecosystems: easy to access for investors while still catering to the needs of local issuers. Stock exchanges are often the focal point of the local capital markets ecosystem, taking on tasks around financial literacy of both companies and investors, corporate governance and market ecosystem development in the broadest sense.

It is true that development in capital markets can be a slow process. It involves elements of building trust, educating corporates and potential investors, cultivating intermediaries, and strengthening the local investor base by channeling savings into investment vehicles – and getting the timing right. Building regional market ecosystems can ensure increased attractiveness to both investors and potential issuers. These aims are fully in line with the objectives of the Savings and Investment Union.

The regional integration of capital markets is an essential stepping stone towards EU-wide consolidation. It will build larger regional pools of liquidity and develop scaled-up investment products. The EBRD, with its unique business model combining financing, advice and policy, has already supported the integration efforts of the Baltic states in this area. More recently, it did the same for those of eight CSEE stock exchanges that aim to achieve operational integration of capital market infrastructure, and activate retail investors by promoting long-term investing, improving market liquidity, and reducing barriers to investment on regional exchanges.

Much more needs to be done. But if we can make more progress on the above, those wary investors will look much more closely at the many opportunities in the CEE region.

The Eurofi Copenhagen Forum
is organised in association with the
Danish Presidency of the Council of the EU



RELAUNCHING THE EU SECURITISATION MARKET



CHRISTIAN NOYER
Honorary Governor – Banque de France

Reviving EU securitisation: overcoming regulatory conservatism to finance growth

Contrary to a widespread perception shaped by the 2008 financial crisis, the EU securitisation market has never been a source of systemic instability. Unlike in the US, where opaque structures triggered widespread financial turmoil, EU securitisation maintained a robust performance throughout the crisis, with virtually zero defaults recorded between 2008 and 2015 on senior AAA-rated tranches of EU residential mortgage-backed securities (RMBS). This resilience stemmed from the quality of underwriting standards and structuring.

Securitisation is not risk-free, of course, but its specific risks, like moral hazard, agency and model risks, justify targeted safeguards, not excessive constraints. The EU's regulatory response after the Great Financial crisis focused on mitigating these vulnerabilities, by introducing relevant provisions, such as risk retention rules, the ban on re-securitisation and the strict oversight of credit rating agencies. The creation of the STS (Simple, Transparent and Standardised) regime also stemmed from the idea of promoting a "best-in-class" approach, to restore confidence in this financial structuring method.

However, while well-intentioned, the cumulative effects of other additional safeguards imposed on originators and investors, especially following the adoption of the Securitisation Regulation in 2017, have resulted in an excessively conservative regulatory and prudential environment. Disproportionately high capital charges on securitisation exposures compared to actual observed risks, both for banks and insurers, coupled with overly prescriptive due diligence and reporting obligations, have not only dampened the attractiveness of securitisation per se. They have limited market access, especially for smaller players, and deprived the EU of a key channel to finance its strategic priorities. As a result, public issuances remain 80% below pre-crisis levels in the EU, whereas other jurisdictions, such as the US and UK, have successfully continued to use securitisation effectively.

In this regard, the European Commission's recent legislative proposal, outlined in June, does not aim to completely overhaul the regulatory and prudential frameworks, but rather to introduce the necessary adjustments needed to unlock the market's potential without compromising on financial stability, and to allow securitisation to effectively compete with other funding tools in a low-rate world. These include greater risk sensitivity in capital requirements, especially for securitisations that present low agency and model risks – the so-called new category of "resilient securitisations" – through refinements such as risk sensitive risk-weight floors, and a drastic simplification of due diligence and reporting rules, to cut issuance and investor costs. By activating both supply and demand levers, this proposal aims to make securitisation more attractive for both originators and investors, without weakening investor protection.

While the general direction of the Commission's proposal is sound, several adjustments will be needed to ensure its objectives are fully met. In particular, the prudential calibration for banks remains a concern, since the current design risks falling short of making mortgage and SME securitisations economically viable, although these asset classes are critical in terms of financing the economy. The definition of "resilient securitisations" and the calibration of risk-weight floors might need revisiting in this regard. On the regulatory side, it will be essential to ensure that newly created reporting requirements do not nullify the proposed simplification efforts. The proposed extension of the definition of public securitisations will require further scrutiny from this perspective. This is where the legislative process matters: refining these points, to make sure that securitisation becomes an effective tool for funding the economy.

If appropriately calibrated, securitisation can once again deliver its full value.

Reviving securitisation requires collective engagement: banks to supply quality assets; insurers and pension funds to provide long-term investment; asset managers to diversify portfolios. Aligning incentives across these actors is essential. If appropriately calibrated, securitisation can once again deliver its full value: freeing up bank capital, channelling institutional savings into the economy, and strengthening Europe's strategic autonomy. The question is no longer whether securitisation poses systemic risk — it clearly does not in Europe — but whether we can create a framework that recognises this reality. The Commission's proposal sets the tone; it is now up to co-legislators to complete the job.



FAUSTO PARENTE

Executive Director – European Insurance and Occupational Pensions Authority (EIOPA)

Securitisation in Insurance: Balancing securitisation growth with prudence

The relaunch of the EU securitisation market remains a political priority on the Capital Markets Union (CMU) agenda, intended to mobilise private capital and strengthen financial integration. However, for insurers—key long-term investors in the European economy—this market continues to play only a marginal role. It is essential to assess securitisation's role with a clear prudential lens, ensuring that any efforts to revitalise the market do not compromise financial stability or policyholder protection. Policyholder protection must guide any evolution of the prudential framework.

Securitisation can offer benefits, including portfolio diversification and risk transfer. Yet, these benefits must be carefully weighed against the structural complexity and historical vulnerabilities inherent to these products. The global financial crisis showed how securitisation can act as a channel for systemic contagion. It is with these lessons in mind that the current Solvency II framework takes a balanced approach—rewarding high-quality securitisation with reduced capital requirements while maintaining a rigorous, risk-sensitive prudential treatment.

While some argue that capital charges should be further reduced to make securitisation more attractive for insurers, such calls must be met with robust scrutiny. Any rebalancing of capital requirements should be based on sound, empirical risk analysis—not driven by market demand or competitive considerations. The Joint Committee of the ESAs confirmed the current level of capital requirements for insurers' securitisation investments in 2022. No new evidence has emerged that would justify further changes in capital calibrations. We would be concerned if reviving the securitisation market introduces more risk into the insurance sector, while at the same time reducing capital to deal with potential impact of the risk. Prudence is not resistance to innovation—it is a safeguard to ensure that investor confidence and policyholder security are not undermined by a push for short-term market growth.

Improvements to the Securitisation Regulation are certainly possible. The Joint Committee has made recommendations to enhance the requirements, including to advance proportionality of the due diligence and transparency requirements. We find a lot of that reflected in the legislative proposal. But also with regard to the Securitisation Regulation EIOPA has reservations about unfunded credit protection by insurers for synthetic securitisation. Compared to funded protection, unfunded protection increases the counterparty default risk, may increase the systemic risk and could be detrimental to policyholder protection. Limiting the scope of the insurers that can provide unfunded credit protection would address that concern only partially.

Policyholder protection must guide any evolution of the prudential framework.

A fundamental question also persists: does securitisation, in its current form, genuinely meet the asset-liability management needs of insurers? The relatively short-dated, often illiquid nature of securitised assets, combined with complexity and limited issuance volumes, makes them a less natural fit for insurers' long-term commitments. Encouraging demand through eased prudential treatment would not resolve these structural mismatches—it would simply introduce new risks.

Supervisory authorities must remain vigilant. EIOPA's focus remains firmly on ensuring that prudential standards are respected, risks are appropriately priced, and policyholders remain protected. At the same time, EIOPA is supportive of measures that improve market functioning, increase transparency, and foster convergence across the EU—measures that strengthen the securitisation market without lowering the regulatory bar.

In the broader CMU context, progress must be consistent with the EU's stability and consumer protection objectives. Deepening capital markets and diversifying sources of funding should not come at the cost of diluting supervisory safeguards. EIOPA remains committed to a strong, stable, and transparent securitisation framework—one that earns investor trust and reinforces the resilience of the financial system.

In conclusion, securitisation may play a role in insurers' investment strategies—but only to the extent that it aligns with their long-term horizons and meets the prudential standards of Solvency II. The road to CMU must be built on solid ground. As the EU reflects on the future of securitisation, it should do so with prudence, perspective, and the unwavering principle that financial stability and policyholder protection are non-negotiable.



GEORGE THEOCHARIDES

Chairman – Cyprus Securities and Exchange Commission

Proposed reforms under the STS directive

Effective securitization markets are at the centre of the drive to boost Europe's capital markets capabilities which are urgently needed, so it is very encouraging that this was amongst the first legislative actions taken by the Commission under the new mandate.

The ongoing revision of Regulation (EU) 2017/2402 on securitisation and the Simple, Transparent and Standardised (STS) framework is anticipated to introduce significant reforms to the operational environment of EU securitisation markets. The Cyprus Securities and Exchange Commission (CySEC), in its role as the competent authority for capital market supervision, recognises the potential of this revised framework to support the development of the domestic capital market and to enhance the capacity of its supervised entities to participate in structured finance mechanisms.

The revised framework is expected to generate benefits for Cyprus by:

- Enhancing access to alternative sources of financing for the real economy, particularly small and medium-sized enterprises (SMEs), through improved credit risk transfer mechanisms.
- Freeing up regulatory capital on bank balance sheets, facilitating increased lending capacity.
- Attracting institutional investors by establishing a transparent and standardised market for securitised instruments, thereby creating secondary market depth for CySEC-supervised asset managers, investment firms (IFs), and collective investment schemes (UCITS and AIFs).

The framework has the potential to complement traditional bank lending and reinforce Cyprus's efforts to establish itself as a regional investment services and fund management hub.

Under the current framework, the complexity and compliance costs associated with securitisation remains a barrier to entry for many smaller or mid-sized market participants. The proposed harmonisation and standardisation of reporting templates, due diligence procedures and legal documentation, are anticipated to support the effective participation of CySEC-supervised entities in securitisation transactions.

This can be affected through a number of ways:

- UCITS and AIF managers will be able to invest in securitised products with greater confidence given the proposed improvement in transparency, leveraging uniform information standards.
- Investment firms may see opportunities to assume roles as arrangers, advisors, or investors in STS-compliant transactions, expanding their service offerings.
- Institutional investors will benefit from improved comparability, enhanced risk assessment capabilities, and lower due diligence overheads.

CySEC remains committed to monitoring European regulatory developments.

Standardisation is also expected to enhance cross-border capital flows, from which Cyprus, as a small open economy, stands to benefit considerably.

The Role of the Regulators

ESMA, together with the National Competent Authorities, which include CySEC, has a pivotal role to play in promoting the use of the STS label, reducing issuance complexity, and building market confidence.

The National Competent Authorities will also have a role in the provision of technical guidance and regulatory clarity on the proposed reforms to their regulated entities participating in the securitisation market and organise capacity-building activities, such as workshops and information sessions.

Regulators will also have an active role as intermediaries between supervised entities and ESMA, particularly with regard to notification and compliance procedures for STS transactions; and monitor market practices to ensure both investor protection and market integrity.

ESMA's actions to facilitate broader market participation include automated tools for STS compliance and notification, maintaining a public STS transaction register and issuing detailed technical standards to ensure consistent application across jurisdictions. This will assist markets such as Cyprus, where the securitisation ecosystem is still developing and regulatory certainty is critical to foster market growth.

The prioritisation of STS is a good example of effective targeting of the issues that are most needed, for which all member states can benefit, and for which EU regulation is the right tool to address the obstacles, which in this case are not tax or cultural, but simply regulatory.

In conclusion, the revised EU securitisation framework can serve as a catalyst for expanding the Cypriot capital market, with measurable benefits including, improved financing channels for the real economy, enhanced investment opportunities for CySEC-supervised entities, and greater operational and regulatory efficiency through standardisation.

CySEC has a key role in ESMA and remains committed to monitoring European regulatory developments and supporting its supervised market participants in effectively integrating the revised securitisation framework into their operations.



PHILIPPE BORDENAVE

Senior Executive Advisor to General Management and the Chair of the Board – BNP Paribas

Securitisation: EU at the crossroads

Europe must trust itself

The Commission's proposal of 17 June is its second attempt to revive Securitisation, after the 2017-2019 framework review. The latter strengthened transparency and investor protection, by creating the Simple, Transparent and Standardised (STS) label, but it also produced excessive regulatory and prudential obstacles, in contrast with the safety of EU securitisation products: in Europe, defaults remained extremely low, before, during and after the Global Financial Crisis. The framework is safe but the market is asleep.

The Commission's new ambition is to address the rules hindering market developments and to boost the EU securitisation market. It is indeed high time to catch up with the other regions and create the conditions for a buoyant SIU, able to play its full part in the 1 trillion euros annual additional financing needed for the EU transition, in the areas of defence, innovation, digital, energy and transports. A new failure would be very detrimental for the EU economy.

The Commission is very right when it says that *"the main goal of securitisation is to allow banks and other financial institutions to use the loans and debts they grant or hold (), to pool them together, and turn them into different types of securities that investors can purchase. By doing this, banks free up their resources, allowing them to lend more to businesses and citizens, while making it possible to move portions of credit risk to interested investors beyond the banking system."* And while in the EU, banks remain the main source for financing the economy, they are indeed stifled by ever increasing capital requirements, contrary to other regions.

Given the stakes, the Commission's proposal is surprisingly lukewarm. Its timid measures, further hampered by administrative safeguards, will in the opinion of professionals not be powerful enough to have the required impact.

As regards the prudential capital treatment for banks, the proposal introduces measures to recalibrate the risk weight floors and the non-neutrality factor for certain categories of transactions. These undoubtedly go in the right direction; however, the proposed calibrations will still not allow banks to securitise certain types of assets in viable economic conditions (notably low risk-weighted assets and high risk-weighted assets). These limited improvements come at the price of an additional level of complexity, differentiating between bank roles. To make the reform impactful, the prudential parameters must be further improved for banks and better aligned between originators and investors' roles.

What is the purpose of being shy in such a safe framework?

The proposals of the LCR Delegated Regulation, which define eligibility criteria for banks' liquidity buffers, remain in the middle of the river. If securitisation assets are not usable for LCR purposes, the conditions for banks to decisively increase their involvement as key secondary market participants in this asset class will not be met. Yet this is critical, as a deep secondary market is a prerequisite to attract new investors, such as insurers.

The positive moves in the Securitisation Regulation, notably in terms of simplification of transparency and due diligence requirements, are outweighed by several dissuasive measures, such as disproportionate administrative sanctions (up to 10% of global revenues!) imposed on institutional investors for failure to comply with due diligence requirements, or the new definitions enlarging too much the scope of public transactions. These dissuasive measures must be removed as they are in themselves a poison pill for existing and new investors, despite the additional asset quality requirements introduced by the Commission.

In the same spirit, despite the Commission's clear ambition on the key role to play by EU insurers in the financing of the economy, including through securitisation, improvements proposed in the Solvency II Delegated Act review consultation are not sufficiently bold. The proposed full alignment of capital charges when investing in senior STS securitisations and when investing in covered bonds is a necessary but not sufficient condition to convince EU insurers to come back to the Securitisation market. Capital charges should be decreased and aligned with those for loans and bonds across the whole spectrum of credit ratings and for both STS and non-STS tranches.

To avoid dependence on foreign financing (mostly US) for its vital needs, the EU needs a true relaunch of its securitisation market. The current framework has produced very good securitisation assets with excellent track record throughout global crises and the proposed reform will further improve this via the 'Resilient' criteria. What is the purpose of being shy in such a safe framework?

At this critical juncture, Europe and all policymakers must trust themselves and transform the Commission initial proposal into a true 'Ariane launcher' of the new European securitisation market.



EDWIN WILCHES

Managing Director, Co-Head of Securitized Products – PGIM Fixed Income

From banks to investors: A policy reset for securitisation

The European Union's ambition to build a globally competitive Savings and Investments Union (SIU) hinges on its ability to unlock capital, deepen markets, and empower investors. The ongoing review of the European Securitisation Regulation (SECR) is a critical test of this ambition. Done right, it can revive a once-vibrant market and support the EU's broader goals of economic growth, market resilience and strategic autonomy. Done poorly, it risks entrenching fragmentation, failing to support greater economic growth, decreasing financial stability as overreliance on banks is exacerbated, all while undermining investor confidence.

However, the debate around SECR reform has disproportionately focused on the banking sector—particularly on the role of originators and sponsors—while neglecting the perspective of end investors. Institutional investors such as pension funds, insurance companies, and asset managers (as fiduciaries for other asset owners) are critical to the success of the Savings and Investments Union. Their ability to access diversified, high-quality securitisation assets is essential for delivering long-term returns to European savers. A regulatory framework that overlooks their needs risks undermining the very goals it seeks to achieve.

Securitisation—when functioning effectively—offers a powerful tool for risk transfer, credit intermediation, and portfolio diversification. Yet, despite the EU's efforts to revive this market post-crisis, European securitisation volumes remain a fraction of their global peers. The regulatory framework, particularly the investor due diligence regime under Article 5 of the SECR, has played a central role in this stagnation.

PGIM, like many institutional investors, supports the European Commission's intention to simplify the SECR. However, the current reform proposals fall short of what is needed to level the playing field for EU investors. While the Commission proposes easing due diligence requirements for EU-based issuers, it leaves intact the burdensome and prescriptive requirements for non-EU securitisations. This asymmetry effectively acts as a "backdoor ban" on the €2.5 trillion global securitisation market outside the EU, limiting EU investors to a much smaller €1.1 trillion pool.

This is not just a technical oversight—it is a strategic misstep. By failing to address Article 5(1)(e), which requires EU investors to obtain full Article 7 transparency from non-EU issuers (who are not subject to SECR), the EU is placing its own investors at a competitive disadvantage. Investors in the US, UK, and Asia face no such constraints. The result: reduced diversification, lower returns, and diminished capital efficiency for EU funds.

If EU investors are not empowered to compete globally, the entire reform effort risks falling short.

Moreover, this approach undermines the EU's asset management industry and discourages global capital inflows into EU-domiciled funds. It also sends a contradictory signal: while the EU champions open markets and simplification, it imposes duplicative and overly cautious rules on its own investors—rules that are not mirrored in other jurisdictions.

Importantly, the SECR's investor due diligence regime is not only excessive but redundant. Sectoral legislation such as UCITS and AIFMD already imposes robust risk management and due diligence obligations across all asset classes, including securitisation. There is no compelling reason to single out securitisation for additional scrutiny—especially when this scrutiny disempowers investors rather than protecting them.

The introduction of an administrative sanctions regime under Article 32(1) further complicates matters. It duplicates existing supervisory powers and risks chilling investment activity. Rather than simplifying the regulatory landscape, it adds another layer of uncertainty and compliance burden.

To truly revive European securitisation and support the SIU, reforms must be bolder and more balanced. PGIM recommends the following:

Remove the prescriptive "tick-the-box" due diligence model in favour of a principles-based approach.

Amend Article 5(1)(c) to make template-based reporting optional for both EU and non-EU issuers.

Allow EU investors to assess risk, based on sufficient information, rather than requiring full SECR compliance from non-EU entities.

Clarify the role of sanctions to avoid duplication and ensure proportionality.

These changes would not weaken the EU securitisation market—they would strengthen it. By expanding the investable universe, they would boost demand, encourage issuance, and enhance the EU's role in global capital markets. Crucially, they would restore confidence that the EU is serious about building a competitive and investor-friendly SIU.

The SECR reform is more than a technical adjustment—it is a litmus test for the EU's broader financial strategy. If EU investors are not empowered to compete globally, the entire reform effort risks falling short. The EU must act now to ensure that its capital markets are not only resilient—but also globally competitive and investor-driven.



VINCE MARRIOTT
Financial Regulation – Apollo Global Management

Unlocking the full potential of EU insurer investment in securitisations

Securitisation represents a powerful means of mobilizing private capital. Private capital mobilization, in turn, offers a compelling economic symbiosis – promoting greater real economy investment and generating improved returns for policyholders and investors. Securitisation facilitates financing for the full breadth of the real economy – in the U.S., for example, securitisation markets finance a broad array of assets, including solar, fibre optic, data centres and a myriad of other assets. The U.S. issued ~$58B of data centre and solar securitisations from 2018 to 2024.

We applaud the European Commission's proposed measures to facilitate increased securitisation activity in the EU, including its proposed updates to Solvency II, which demonstrate recognition of the economic benefits of securitisation and the importance of insurer participation in securitisation markets. In our view, further updates could encourage even greater insurer participation.

In our response to the Commission's December 2024 consultation, we highlighted the need for a holistic examination of the EU's Securitisation Framework and Solvency II capital charges. We noted that since the Global Financial Crisis, securitisation has been underutilized in the European economy, contributing to a current ~€12.7T gap vs. the U.S. in private capital formation, including a ~€3.3T gap in capital provided by insurers alone. By reinvigorating its securitisation markets, the EU can capture what we estimate to be a €1T+ financing opportunity.

Insurers play a critical role in supporting vibrant securitisation markets. Insurers invest in securitised assets to capture safe incremental yield, while in turn providing the real economy with financing backed by stable, long-dated liabilities. Specifically, insurers are important holders of investment-grade mezzanine tranches (i.e., tranches rated AA to BBB). In the U.S., approximately 40% of institutional holdings of AA to BBB rated securitisations are held by domestic insurers. A strong insurer bid is therefore critical to support the economic viability of the entire securitisation "stack." In the EU, however, insurers are not meaningful participants in securitisation markets due to current Solvency II Standard Formula capital charges for securitisations that make them uneconomical as investments. Today, securitisations comprise only ~0.33% of EU insurer assets (vs. ~17% in the U.S.).

The Commission's current proposal to reduce Solvency II capital charges goes a long way to address the insurer bid for investment-grade securitisations. However, while the proposed updates would materially lower capital charges for STS and senior non-STS tranches, non-senior, non-STS tranches – which comprise the bulk of U.S. insurer securitisation holdings by way of example – remain challenging for insurer investment.

By reinvigorating securitisation markets, the EU can capture a €1T+ financing opportunity.

Historical performance data bears out that investment-grade tranches are not inherently riskier than comparably rated corporate bonds – years of data from before and after the Global Financial Crisis demonstrate that many investment-grade securitisations experience lower impairment rates than comparably rated corporate bonds.

The current changes considered by the Commission pertaining to the Securitisation Framework and Solvency II demonstrate encouraging recognition of the benefits of securitisation for private capital formation and real economy investment, as well as the importance of insurer participation in securitisation markets. However, they may limit the EU's potential to fully unlock the €1T+ financing opportunity offered by vibrant securitisation markets.

In our view, the Commission has two avenues through which it can further help the EU capture the full €1T+ opportunity:

Expand the STS perimeter to include a broader array of well-understood, historically high-performing securitizations, including CLOs and CMBS assets.

Materially lower Solvency II capital charges for investment-grade non-senior, non-STS securitisations so that capital charges reflect the true economic risk of these assets.

We applaud the Commission's efforts to revitalize EU securitisation markets. By making one or both of these updates alongside the changes it has already proposed to Solvency II Standard Formula capital charges, the Commission would further enable EU insurers to fulfil their natural role as key owners of investment-grade securitisation tranches in line with their U.S. peers, thereby incenting greater capital formation throughout the European economy and greater returns for policyholders.



ALEXANDER BATCHVAROV

Managing Director and Head of International Structured Finance Research – Bank of America

EU securitisation regulation amendments: the jury is in recess

Securitisation is a technique that allows pools of illiquid assets to be funded via tradeable bonds. The credit performance of such bonds depends on the credit performance of the securitised asset pools and the structural features of the bonds. The GFC revealed sources of risk associated both with the securitisation bond structures and the underlying assets. The latter were addressed via EU legislation (e.g. mortgage and consumer loan lending standards, consumerprotection). The former risks were addressed at the global level by BIS securitisation guidelines adopted after the GFC (e.g. higher risk weights, mandatory risk retention, disclosure and due diligence). Subsequently, the BIS realized that one size risk weight (RW) does not fit all types ofsecuritisations, and it dialled back somewhat via the introduction of an STC (simple, transparent, comparable) securitisation regime.

The EU subsequently 'steel-plated' the BIS guidelines by establishing, in our view, overly prescriptive sector regulation unparalleled in any other market with severe penalties for non-compliance. While the regulatory capital for banks is broadly aligned with the BIS, regulatorycapital for insurers is well above levels applied anywhere else. The EU is the only jurisdiction to introduce the STS regime with numerous strict criteria, notification, verification and disclosure requirements. The EU due diligence requirements are so time consuming that many European investors do not venture onto the secondary market, thus reducing securitisation bondliquidity. As we have mentioned before, from a regulatory perspective it is easier for EU investors to buy a 10yr NPL or HY portfolio than a 1yr AAA STS auto ABS.

Overall, the EU adopted the most onerous securitisation regime (EUSR) globally, without much justification in our view for this in any referenced period before, during and after the GFC. Overall, we think the EU regulatory regime imposes imbalances between capital and non-capitalrequirements, between bank and insurer capital requirements, between risk sensitivity and proportionality, and undermines the much-needed EU capital markets level playing field. This is the starting point for the reform initiated by recently published EComm amendments of EUSR and CRR, and the consultations on amending LCR, Solvency II and UCITs.

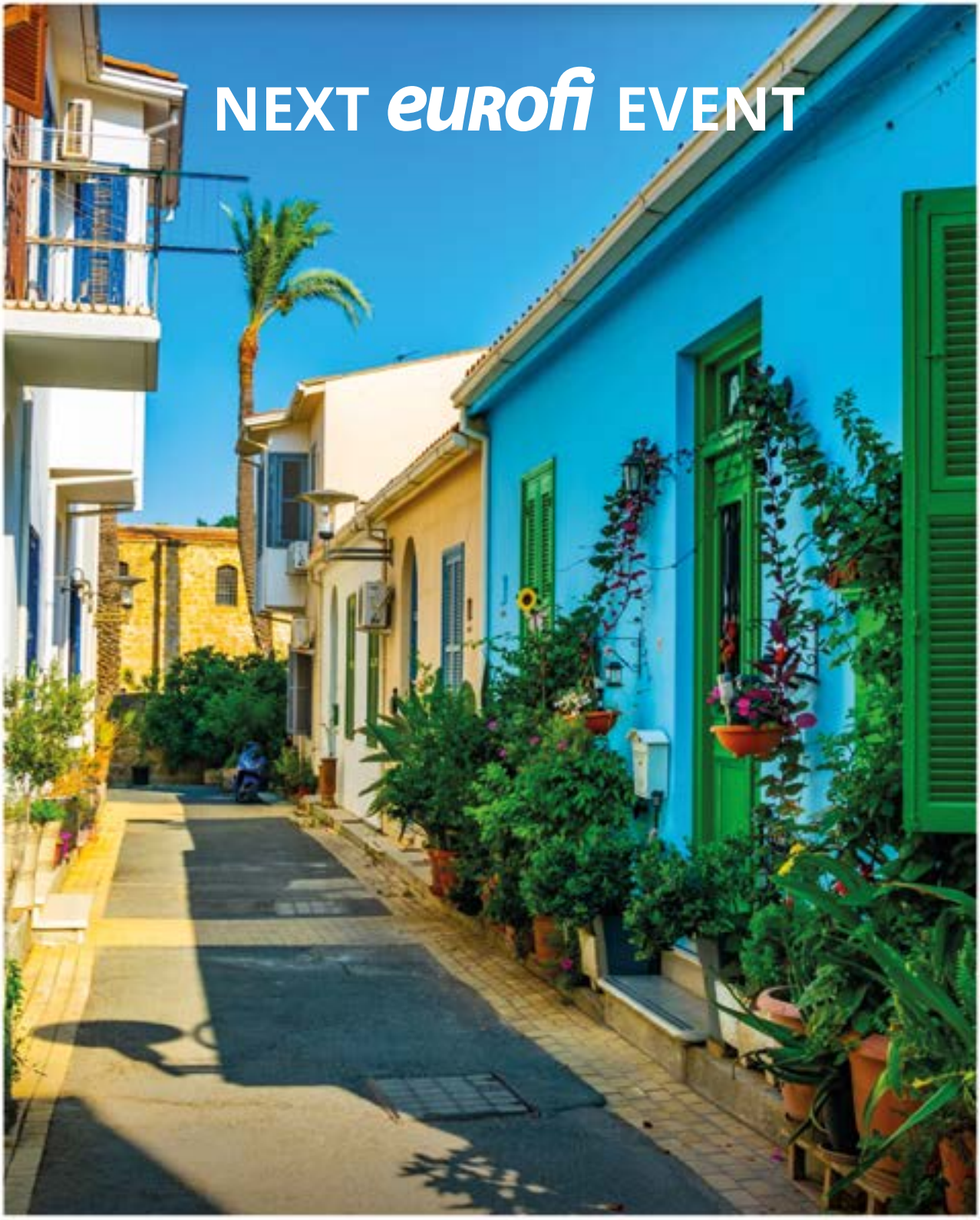
Our analysis suggests that the proposed amendments are likely to stimulate only a modest EU securitisation market recovery, falling short of the ambitious targets set by the EU, and the Draghi, Letta and Noyer reports. Why is that?

Proposed amendments are likely to bring only a modest EU securitisation recovery.

In our view: 1/ the regulatory capital reduction favours mostly the STS and senior most tranches of securitisation; 2/ the introduction of 'resilient' securitisation not only adds to the complexity of the CRR capital framework, but also the 'formula' for resilience may introduce volatility in the capital treatment; 3/ the reduction of p-factor and capital floor favours mostly the originator bank and the execution of synthetic securitisations; 4/ the growth of synthetic securitisation does not offer safe investments to bond hungry EU demographics; 5/ the shift to principle-based duediligence is countered by heavy penalties for non-compliance as determined byNCAs; 6/ the flexibility to delegate due diligence to an EU registered asset manager is countered by the retention of legal responsibly/ penalties by the delegating party; 7/ the reduction in Solvency II charges is unlikely to stimulate strong demand by insurers for IG mezzanine tranches; 8/ the implicit assumption of sufficient foreign demand for EU Mezz tranches is unjustified; better EU treatment for mezzanine tranches is needed; 9/ the failure to create a deep functioning EU securitisation market is likely be offset by the growth of the non-transparent and highly concentrated private credit.

If the above hurdles are overcome, more banks and insurers venture down the securitisation route, and at least a conditional capital relief is granted to mezzanine tranches, we believe the primary market will pick up volume and pace, and provide more financing to the EU economy. The higher issuance volume, the extension of due diligence documentation timing for secondary market trades and the improvement in LCR treatment for securitisation bonds would likely stimulate secondary market activity and boost liquidity.

This is the desired scenario, but there are many uncertainties to be addressed before the new EUSR is voted on, with timing unclear. Many details must be worked out once the new EUSR is adopted, for example the RTS for SRT, and new templates for public and private securtisations. Will the EU market have a fully functional and functioning new securitisation regime by 2027? Global capital markets are evolving rapidly and other countries are modifying their regulations to gain economic advantage. We believe that the risk of EU capital markets falling further behind is a close and real danger.



THE EUROFI HIGH LEVEL SEMINAR
NICOSIA - CYPRUS

25, 26 & 27 MARCH 2026

EMPOWERING RETAIL INVESTORS



MICHAEL J. MCGRATH

Assistant Secretary, Financial Services Division – Department of Finance, Ireland

Unlocking the potential of the retail investment strategy

Increasing retail investor participation across the EU is essential for building a more dynamic, inclusive, and future-proof Savings and Investments Union (SIU). Empowering households to invest with greater confidence, understanding, and security is not only a matter of market efficiency; it is a question of economic resilience, fairness, and societal inclusion. As Europe seeks to deepen its capital markets and strengthen its financial sovereignty, the role of the individual investor must not be underestimated.

Yet despite the scale of private wealth across the EU, retail participation in capital markets remains comparatively low. This underutilisation points to deep structural and cultural barriers that need to be addressed with ambition, coordination and pragmatism.

It is vital to recognise that strengthening retail investor participation is not a quick fix, but a long-term structural reform. It demands sustained political commitment and coordinated policy efforts. Success will require a concerted effort at both a national and EU level, from regulators, industry, and civil society alike, grounded in a shared understanding of the challenge and a common vision for progress.

Changing the culture of household finance in Europe requires more than regulatory adjustments: it requires building trust in the financial system, addressing knowledge gaps and demystifying financial products. This transformation must be outcome-driven; it is crucial to ensure any changes lead to real-world outcomes, not just procedural outputs.

At present, too many retail investors face an opaque landscape marked by complex product disclosures, unclear fees, and inconsistent advice. Cutting through this complexity is critical. Simplifying disclosures, streamlining investor journeys, and improving access to high-quality advice are necessary steps — but they are not sufficient in isolation. What matters most is that reforms translate into real-world outcomes; the number of documents produced, or compliance boxes ticked is not a meaningful measure of success. Success lies in whether retail investors feel more confident, better informed, and more included.

The EU's Retail Investment Strategy (RIS) has the potential to be transformative in contributing to the broader goals of boosting retail investment, and the objectives of the SIU in general – if it is done right. The RIS' stated aims – to encourage more individuals to invest, to empower and protect them, and to build their trust in financial markets – are broadly supported by stakeholders, as currently drafted. However, some of the compromises reached may inadvertently hinder these very goals. For example, proposed measures on the Value for Money and the design of the investor journey, while well-intentioned, risk becoming overly complicated and burdensome. If not calibrated correctly, they may increase compliance costs and disincentivise providers from offering simple, accessible products — or even reduce product availability altogether. In such cases, regulation risks undermining the very inclusivity it seeks to foster.

This is why we welcome the ongoing trilogue negotiations and commend the European Commission and co-legislators for taking the time to get the RIS right – by refining proposals, in the name of simplification and burden reduction.

A willingness to improve the RIS reflects a healthy recognition that meaningful, lasting reform must be evidence-based, proportionate, and oriented around users' real needs. Retail investors are not a monolith — their needs, experience, and risk appetites vary widely. It is crucial that the final legislative outcomes reflect this diversity, offering flexibility and avoiding a one-size-fits-all approach.

> **The destination must remain clear: delivering better outcomes for people, not just more rules.**

Moreover, the RIS does not operate in a vacuum, but is part of a broader ecosystem of financial and regulatory reform. Its success will depend on how well it connects with parallel efforts in financial literacy, digital finance, product design, and consumer protection — at both EU and national levels.

In this light, we remain strongly supportive of the RIS as a cornerstone of the EU's long-term financial architecture. It is a project of strategic importance — and one that is well worth getting right. By taking the time to consult, align, and deliver meaningful reform, the EU has a unique opportunity to reshape retail finance in a way that genuinely benefits citizens. The destination must remain clear: delivering better outcomes for people, not just more rules. A truly successful RIS will be measured not by the complexity of its framework, but by the simplicity, clarity, and fairness it brings to the financial lives of our citizens.



MARIANA KÜHNEL
Executive Director – Austrian Financial Market Authority

Empowering retail investors through feasible regulation and financial literacy

The Retail Investment Strategy represents a significant step towards greater clarity, enhanced investor protection and improved financial literacy. This progress is driven by updated disclosure requirements, increased accountability of intermediaries in marketing, measures to address conflicts of interest and more effective supervision. Simplification is emerging as a key goal in the ongoing negotiation process that will add significant value to the outcome.

From my point of view a strong capital market requires clear rules, informed investors and supervision that keeps pace with change.

Feasibility in capital market regulation

When it comes to clear rules, simplification measures should lead to a reduction in information overload for retail clients, while also reducing regulatory complexity for both supervised entities and supervisors to enhance feasibility. Therefore, future efforts should concentrate on streamlining and reducing existing regulations rather than introducing additional layers of regulation.

At the same time, proportionality remains a key principle in capital market regulation. This is especially relevant for markets such as the Austrian one, which is characterized by a large number of banks and small investment firms. However, the focus should not be limited to assessing whether rules are proportionate. The rules need to be implementable and feasible for the market, customers, and supervisory authorities.

Regarding potential improvements, ESMA has proposed several amendments and adjustments to the proposed RIS framework, which should definitely be considered in the ongoing negotiations — such as the legal anchoring of the PRIIPs online comparison tool. Moreover, in light of increasing digitalization in the retail investor market, the RIS could however be strengthened in the area of digital advice. A particular focus could be placed on simplifying the "investor journey," including the onboarding process for retail investors and the effectiveness of regulatory disclosures. In this regard, ESMA published a call for evidence in May 2025, which received a high number of responses.

Financial literacy as a cornerstone of investor empowerment

I believe that, in addition to feasible regulation and clear rules, financial literacy plays a crucial role in effectively empowering retail investors and removing – at least perceived – barriers to capital markets.

Since regulation alone cannot meet all investor needs, individuals must be equipped with basic financial knowledge to make informed decisions. Understanding risks, opportunities, and economic interrelations — as well as key concepts like returns and interest — is essential to navigate through taking investment decisions confidently. At the same time, as financial services are increasingly offered online, digital literacy becomes equally important: investors must be able to navigate platforms, critically assess online financial information and protect themselves from digital fraud.

However, financial and digital literacy must be addressed at a broad policy level, well beyond the scope of financial supervision. Financial education should be firmly embedded in school curricula. Furthermore, a diverse network of authorities, media and companies is needed to jointly strengthen financial education across all age groups including pensioners, who are often particularly vulnerable to digital manipulation and financial scams. Current priorities should tackle current trends and should include raising awareness about the influence of social media, financial influencers, artificial intelligence and marketing strategies. In this context, the European Commission's initiative to establish the European Financial Literacy Strategy represents an important step forward.

A strong capital market needs clear rules, informed investors & supervision keeping pace with change.

Digitalization and the rise of young investors

In parallel, supervisory authorities must monitor, follow and adapt to recent developments. One such development is the emergence of "young investors". Over the past five years the number of investors in Austria aged 18 to 24 has increased more than sixfold. Their trading behaviour differs significantly from that of older demographic groups, introducing new players and products into the market. Younger investors increasingly trade via neo-brokers and no longer seek investment advice, which makes the information provided on investment products and the way the information is presented in apps and on websites particularly important. Given its significance for consumer protection, the Austrian FMA has accordingly made this topic a supervisory priority for several years.

Ultimately, the key to empowering retail investors lies in comprehensive financial literacy efforts, while supervisory authorities must ensure that information on investment products is clear, and not misleading. This enables investors to make rational investment decisions based on sufficient information.



ALISON MARTIN
CEO EMEA and Bank Distribution – Zurich Insurance Company Ltd

Empowering retail investors and investing in Europe's future

Negotiations of the proposed Retail Investment Strategy (RIS) are in the last mile. Published by the European Commission (EC) on 24 May 2023 as part of what became the Savings and Investments Union Action Plan, RIS seeks to address the historical gap in investment between European retail investors and their global counterparts while further enhancing consumer protection and the competitiveness of EU financial markets.

Since May 2023, there have been many complex debates about RIS, but now there is an opportunity to achieve an outcome that works for citizens and EU capital markets. By agreeing a regulatory framework that is both simple and competitive, we can ensure easy access to investment, protection and advice for all.

This matters because people in the EU are underinvesting compared to the US, which in turn impacts Europe's economic growth. The first step to changing EU citizens' attitude to investment has to be building their confidence that their interests will be served and protected. In line with the EC's principles of simplification, RIS must achieve this by reducing rather than adding to the current information overload and complicated sales processes that discourage EU citizens from investing.

This means improving disclosure, allowing for transparency to prospective customers on cost structures, and fully utilizing the scope of digitization to simplify and streamline sales processes. Finetuning RIS is also an opportunity to achieve smarter, more harmonized legislation. I believe simplification should begin at the earliest stages of the EU legislative process as each legislative mandate has real-life impacts on our industry but also supervisory responsibilities. Avoiding excessive details in technical implementing measures (level 2) would reduce legal uncertainty and improve technical input by consultative bodies.

Finally, retail investors have to be confident that they are getting fair value from their investments. This can be achieved through smart use of benchmarking by national supervisors to identify (and address) outliers in the market, without further complicating Product Oversight and Governance processes for firms or opening the door to potential price regulation.

Integrating Europe's capital markets to better channel high household savings towards productive investments in the EU will be essential for future competitiveness and growth. A strong RIS framework is essential for building the Savings and Investments Union (SIU), but we should also focus on other important building blocks. For retail investors, it will be decisive that the new savings and investments accounts - a flagship deliverable of the SIU – benefit from inclusion of insurance-based investment products (IBIPs). IBIPs already represent the majority of retail investment in Europe and offer not just investment returns, but also critical protection such as disability cover—benefits that provide valuable protection for our customers. As such, IBIPs are well placed to help achieve an SIU which is "designed to be more inclusive and citizen-focused".[1]

How can we advance inclusion and focus on citizens' interests? Access to new savings and investment accounts should not depend solely on employers. Many people, particularly women and those with non-traditional employment, need flexible ways to invest—through banks, advisors, or directly with insurers.

Also, our experience shows that tax incentives are the single most effective way to encourage people to start saving and investing. Where these incentives exist, we see much higher uptake—and this is helping close the pensions gap and strengthen financial security.

An often-mentioned criterion in building the new savings and investments accounts is the presence of a minimum amount of EU investment. In practical terms we are confident that we are able to manufacture IBIPs that have a significant (or even 90% or 100%) share of EU investment. In this respect, a practical approach is to leverage existing products: Zurich already offers IBIPs in certain EU countries that are predominantly EU focused. However, it is important to keep in mind the need to balance customers' specific expectations (most of all a reasonable return on investment) and the benefit to the EU economy. If products do not offer customers an attractive return on investment, then ultimately, they will not be successful. Broadening the geographical scope of EU investments to include the extended single market with EEA EFTA States could help in this respect.

A strong RIS framework is essential for building the SIU.

Finally, let us not forget that investing can feel daunting, especially for those who have no experience of financial markets. We must combine new regulatory frameworks and national measures such as tax incentives with clear, targeted financial education — empowering everyone to ask the right questions and make informed choices.

1. *See EC Q&A Questions and answers on the Savings and Investments Union, 19 March 2025*



TIMO TOENGES
EMEA Head of Digital Distribution – BlackRock

The next frontier for EU retail investors: digital advice made simple

Retail investor participation remains low, despite a promising 11% increase in investors since 2022, as highlighted in our People & Money Survey. This growth has been largely driven by the rise of digital platforms offering accessible and easy-to-understand investment solutions, empowering millions of European savers to start investing.

While many of these new investors begin their journey through self-directed investing, they often encounter barriers as they seek to deepen their investments. Europe's current regulatory framework for investment product distribution is barbelled—offering either full financial advice or execution-only services, with little in between. As a result, many individuals fall through the cracks: overwhelmed by the complexity of financial products or deterred by high upfront advice costs.

This highlights a growing need for accessible and trustworthy financial guidance. Simplified advice emerges as a compelling bridge—offering a middle ground between full-service advice and self-directed investing. With digital innovation as a key enabler, there is a unique opportunity to scale this model and better guide investors on their wealth journey.

Simplified advice is streamlined, targeted advice that helps individuals make decisions on specific financial needs— saving for retirement or building an emergency fund. Unlike holistic financial planning, it focuses on a single goal and a limited range of non-complex products making investing more digestible and cost-effective.

Simplified advice could benefit investors without the need for extensive analysis and detailed recommendations typical of full advice, reducing the scope of the current suitability assessment. By lowering barriers to entry, simplified advice can democratise access to targeted insights and empower more citizens to take control of their financial futures.

Despite the opportunity, hurdles remain. Complex financial products and regulatory disclosures can deter even motivated individuals. Low financial literacy and limited trust in financial institutions further undermine engagement. Many digital experiences are fragmented, unintuitive, and lack personalisation.

Therefore, to succeed, a simplified advice proposition must be built digitally around the individual investor's needs. A successful solution would include:

- A user-centred design: interfaces should be intuitive, mobile-friendly, and plain-spoken. Visual tools like sliders and progress bars can help users understand trade-offs and outcomes.
- Modular advice journeys: rather than overwhelming users with lengthy forms, advice should be broken into bite-sized steps. For example, "help me invest €5,000 for 5 years" becomes a guided journey with clear milestones.
- Smart onboarding: "nudges" and dynamic questioning can tailor the experience in real time, making it feel personal and relevant.
- Embedded compliance: suitability checks, disclosures, and audit trails must be seamlessly integrated into the user flow—ensuring regulatory alignment without disrupting the experience.

Trust is earned through transparency and support. Clear, upfront fee structures and realistic projections help investors feel in control. Offering human fallback options—chat, phone, or in-branch—can reassure individuals who need extra guidance. Ongoing nudges, reminders, and progress tracking can keep users engaged and motivated over time.

Several platforms across the EU are already exploring this opportunity. Most FinTechs offer easy to use investing journeys based on users' goals. Meanwhile, traditional banks are piloting digital tools that blend digital advice with human support—extending reach to a broader audience.

To fully unlock these opportunities and empower retail investors, simplified advice should be recognised in regulation. The MiFID framework should introduce this concept, accompanied by proportionate requirements that reflect its limited scope. Information and advice rules should prioritise clarity, relevance, and delivery format—especially for digital channels. Equally important is reforming the current suitability test, which assumes investors have a single, uniform risk appetite. Therefore, overlooking the reality that different goals—such as emergency savings versus retirement—carry different risk tolerances. This one-size-fits-all approach often leads to overly cautious choices, particularly as many struggle to grasp the risk-return trade-off over long investment horizons. The Retail Investment Strategy now under negotiation offers a unique opportunity to adapt the regulatory framework and support the roll out of simplified advice propositions.

Simplified advice can democratise access to targeted insights and empower citizens.

Simplified advice, delivered through well-designed digital propositions within a clear regulatory framework, has the potential to unlock a new wave of retail investors across the EU. But success will require collaboration—between regulators, fintech innovators, and banking institutions—to ensure solutions are compliant, scalable, and genuinely helpful to those they aim to serve.



COSIMO PACCIANI

Head of Unit, Group Research Hub & Chief Economist - Poste Italiane

Revamping the RIS, or the pursuit of knowledge

The current proposal from the European Commission, alongside the ongoing trilogue, focuses mostly about the concept of clarity and simplification of investment options, hoping this will support the retail investors on their decision making and introducing benchmark and peer comparisons' concepts. The same Value for Money (VfM) framework seems to address the need for a clearer and easier to approach set of financial products (as also well represented by Fausto Parente in the Eurofi's magazine for the April's session in Warsaw[1]).

These negotiations happen in a crucial moment where a potential retail investor has new solutions and 'nearly-liquid' products to invest, like the growing crypto-stable coin markets and within a proliferation of financial advice, also through non-orthodox channels (e.g. social media). We are witnessing an acceleration-proliferation of new opportunities, though often titillating short-term volatility vs. long-term and annuity style investments.

Recent documents, like the Letta Report and Bruegel's research[2] highlight well how the European market is still concentrated in deposits or life products, with a little variety if compared to other geographies like the UK and the US and a growing demographic split int terms of retail investment decisions. Therefore, there is a sense of appetite for investment variety and, as so far as Bruegel recommends, the creation of paneuropan, portable and risk-differentiated products (e.g. the Deep Tech fund advocated also by Letta).

Insofar the EU's proposal goes are focused on improving transparency, reducing complexity, and facilitating product comparability — crucial elements for retail investors who face a maze of financial jargon and complex disclosures – there is a growing need for financial knowledge and education as well.

In addition to these key elements, there is also a growing need to channel and address the ESG risks, long-term impacts, and the real environmental or social effects of investments – whenever the investor may opt for sustainable finance options. There is also a growing requirement for protection against false or misleading sustainability claims. The lack of uniform standards and definitions increases the danger of greenwashing, impairing investor confidence and potentially misleading those seeking genuine sustainability investments.

The current proposals primarily emphasize technical disclosures and standardized labels, yet there is a need to tackle more behavioral biases, misinformation, and varying levels of financial and sustainability literacy among retail investors. Without a strong emphasis on education, even the best-designed regulations risk being ineffective if investors cannot interpret or trust the information provided.

Some ideas on how to empower more European small savers, more comprehensive policies are needed alongside EU proposals, or how to match the demand for returns with the corresponding "pursuit of knowledge":

1. Financial and Sustainability Literacy Campaigns - Education must be prioritized to bridge knowledge gaps. Public campaigns, tailored educational programs, and digital tools should educate small investors on fundamental investment principles, ESG concepts, and how to evaluate sustainability claims. Those campaigns may be addressing different demographic and social needs, with the capacity to address different needs in each stage of life or the individual's preference for sustainable products.

2. Standardization and Simplification of Information - The EU should push for clear, standardized labels, summaries, and scores that allow savers to quickly understand the sustainability profile, risks, and costs of products. Simplified, accessible language is especially vital for small savers, many of whom prefer straightforward solutions and risk-averse approaches.

3. Enhancing Advice and Consumer Protection - Trusted, transparent, and ethical advice—whether from human advisors or digital platforms—is key. Financial advisors should be required to incorporate investment considerations transparently and avoid misleading claims.

4. **Leveraging Digital Innovation** - Digital tools - robo-advisors, apps, and online platforms - can democratize access to sustainable investing. These solutions must incorporate also detailed ESG analytics and clear explanations to build trust. Policy should promote innovation that aligns with high standards of transparency and consumer safety.

5. **Continuous Monitoring and Feedback** - The investment landscape evolves quickly. Regular review mechanisms, incorporating feedback from small savers and consumer associations, are vital. This ongoing oversight ensures policies adapt and sustain relevance, addressing emerging challenges in sustainability and financial literacy.

While the EU's current proposals and trilogue discussions mark significant progress, they are only part of a larger puzzle. For Europe's millions of small savers to truly benefit from sustainable finance, policy responses must go beyond regulation—investing in education, simplifying information, strengthening advice and fostering digital innovation.

Empowering small savers isn't just about creating better rules; it's about cultivating a financial culture rooted in knowledge, trust, and clarity. By prioritizing these areas, the EU can ensure that the development of a stronger European capital market includes everyone, from the largest institutions to the smallest individual investors, safeguarding their financial futures and reducing the risks of 'shallow' and short-termed investment trends.

1. *RIS Value for Money benchmarks and simplification – boosting consumer outcomes - EIOPA*
2. *EU savers need a single-market place to invest*



KAROLIN SCHRIEVER

Executive Member of the Board - Deutscher Sparkassen- und Giroverband (DSGV)

The RIS at a crossroads: A plea for more courage in cutting red tape

In an international comparison, Europe – including Germany – has a lot of catching up to do when it comes to establishing an investment culture that sees investing in securities as a natural part of asset formation. In 2021, for example, only around 17% of private household assets in the EU-27 were held in the form of financial instruments, while private households in the USA held around 43% (!) of their assets in securities.[1] The (few) investors who are already active on the capital markets are largely dissatisfied with the excessive bureaucracy that makes access to securities more difficult.[2]

The EU Commission has recognized the urgent need for action and has presented a comprehensive legislative package with its proposal for a Retail Investment Strategy (RIS) in 2023, which is intended to introduce more retail investors to the capital markets. Unfortunately, many of the proposals presented with the RIS are not suitable for achieving this fine goal. This is because many of the envisaged measures provide for a considerable increase in bureaucracy in the securities business, which is likely to deter clients.

It is therefore very positive that the discussions about avoiding new bureaucracy and cutting existing bureaucracy have also reached the RIS: The EU Commission's simplification paper of 2 May 2025 is a first step in the right direc-tion. However, the simplification proposals do not go far enough. It is particularly critical that the EU Commission is only proposing modifications to details. On the other hand, core elements of the RIS proposal that entail particu-larly high implementation costs and whose benefits for investors are questionable (such as, in particular, induce-ment test, best interest test, extension of the appropriateness test and the implementation period) are not recon-sidered.

Clearly, avoiding unnecessary bureaucracy in advance is better than reducing it afterwards. We would like to see bolder steps in this regard. Even a possible withdrawal or postponement of the RIS should not be taboo. Rather, it must be ensured that adjustments to the securities business, which in practice have a major impact on clients and institutions as well as the central political objectives of the EU, are thoroughly thought through.

Avoiding bureaucracy in advance is better than having to cut it afterwards.

Instead of rushing the RIS, it could, for example, be part of a more fundamental review of the requirements for the securities business within the framework of the Savings and Investment Union (SIU). In this context, other topics – which have so far been excluded from the RIS – should be addressed in addition to the (simplification) proposals discussed at European level. These include the urgently needed reduction of information requirements, which is one of the main drivers of client dissatisfaction. In representative surveys, 77.3% of clients stated that the extensive information was not helpful; 62.3% even felt overwhelmed by the amount of information. It would be in the interests of investor protection to reduce the mass of information to a level that makes sense for clients and not – as envisaged in the RIS proposal – to significantly expand it again. ESMA's recent, wide-ranging consultation on the retail investor journey should also be taken into account. It addresses many important areas not covered by the RIS. These include facilitating investment advice, reviewing existing information requirements, and improv-ing PRIIPs KIDs. Another important point is the abandonment of voice recording, to which many clients object.

Promoting financial literacy is another key pillar for strengthening retail investor participation on the capital mar-kets. A successful EU financial literacy strategy should enable lifelong learning, foster coordination of national initiatives and spread proven best practices. One example is the 'Stock Market Learning' powered by the German Savings Banks Association, which is Europe's largest simulation game about the stock market with already 5 Eu-ropean countries participating. Strong partnerships, involving national ministries, central banks, consumer organ-izations, charities, and the financial sector, are essential for advancing financial education. Especially financial institutions with a public mandate or a strong commitment to the common good can play a key role and should be actively involved. Only joint efforts can build lasting financial confidence and resilience across Europe – which is a key factor for the capital market readiness of private households with small and medium incomes.

1. *Proposal for a Directive of the European Parliament and of the Council amending Directives (EU) 2009/65/EC, 2009/138/EC, 2011/61/EU, 2014/65/EU and (EU) 2016/97 as regards Union rules on the protection of retail investors of 24 May 2023.*
2. *MiFID II/MiFIR/PRIIPs Regulation Impact Study: Effectiveness and Efficiency of New Regulations in the Con-text of Investor and Consumer Protection, A qualitative/empirical analysis, Final Report, February 2019.*

LONG TERM RETAIL INVESTMENT PRODUCTS



MARIE-ANNE BARBAT-LAYANI

Chair – Autorité des Marchés Financiers (AMF)

A multi-faceted approach to developing long term retail investment in Europe

The EU is facing the challenge of two simultaneous transitions, ecological and digital, and needs to strengthen its defense capabilities at the same time. Addressing these priorities implies substantial funding needs, estimated around 1,000 billion euros per year.

The good news is that there are ample private savings in the EU. In recent years, European households collectively saved around 1,400 billion euros per year, but a third of this amount was kept in the form of bank deposits. It should be possible to channel those savings more efficiently towards the long-term financing to the EU's real economy.

Several avenues have been flagged to harness private savings and increase the proportion invested over the long term in support of the European priorities. The high-level reports on SIU all recommend the development of long-term savings products to better channel private savings into financing investment in Europe. Enrico Letta calls for the pan-European Individual Retirement Savings Product (PEPP) to be improved by the addition of an automatic enrolment clause and preferential tax treatment, while Christian Noyer promotes the creation of a European label applicable to national savings products.

Judging by the success of employee savings schemes in France, and in particular company investment funds (FCPE), or by the development of retirement savings products in the Netherlands, one may infer that an individual savings product could benefit from a strong knock-on effect and a high participation rate if it operated on the basis of automatic enrolment by each employer. French experience shows that subscribing within the framework offered by the employer is reassuring for the investor and the sums paid in by way of profit-sharing, incentive schemes and employer contributions can be channelled directly into this type of product (in addition to voluntary payments). In France, employee savings products allow employees to invest in the markets via FCPE-type funds, in return for a matching contribution from the employer and reduced management fees negotiated between the employer and the fund manager.

As for the European retirement savings product, the experience of the PEPP shows that it only takes a few calibration errors at the legislative stage to turn away private players. At a time when the Commission is preparing to reform the PEPP, this argues in favour of ensuring that the characteristics of such a product are not rigidly fixed at legislative level. Insofar as it operates on the basis of a long accumulation phase up to the subscriber's retirement, it makes particular sense for such a product to offer the possibility of life-cycling management that progressively reduces exposure to risk over time (with a pocket of risky assets that decreases as the retirement date approaches), which can guarantee better returns while meeting the needs of the saver.

There are, of course, other options for encouraging the development of long-term savings, notably compulsory individual pension funds, as it exists in a few Member States, but the creation of such systems is part of a wider national political debate on retirement funding.

As the ESMA report on SIU emphasized in May 2024, a favourable tax regime is perhaps the best tool for channelling the savings of European households towards the productive and long-term financing of the European economy and the EU's strategic priorities. Tax incentives can be made conditional on a minimum holding period, specific types of asset classes and a minimum direct or indirect investment in securities issued by companies domiciled in the EU. In this context, one should welcome the initiative of the seven Member States which announced last June the launch of 'Finance Europe', a European labelling of national investment wrappers offering this type of tax incentive. Designed around a minimum holding period of 5 years and a minimum quota of 70% of European assets, this label should have the virtuous effect of modifying the overall allocation of European savings by reducing the proportion of liquid and guaranteed savings in favour of long-term savings.

Long-term savings product with automatic enrolment could benefit from a knock-on effect.

But the effort must not stop there. The development of long-term savings products must also be encouraged by a real effort to simplify the rules applicable to the investor journey (investor profiling questionnaires) and by greater use of the possibilities offered by digitalization, in order to make the subscription of such products more fluid. In addition, financial education needs to be enhanced to better integrate awareness of the risks and long-term objectives of investors. A promotion plan associated with the Finance Europe label, involving raising awareness and educating European retail investors, will be particularly useful in this respect.



CARLA DÍAZ ÁLVAREZ DE TOLEDO

Director General of the Treasury and Financial Policy – Ministry of Economy, Trade and Business, Spain

Advancing the SIU: action plans at multiple levels towards a common goal

Within the broader strategy on the Savings and Investment Union, enhancing retail investor participation in European capital markets is a priority. Companies will be encouraged to access capital markets only if they expect to find sufficient demand for their issuances, and without sufficient liquidity in capital markets, our efforts to reduce barriers and improve market infrastructures may be in vain. We need to offer investors attractive investment opportunities in Europe, with competitive financial products that preserve their trust. This will mobilize the savings needed to fund the EU's strategic and competitiveness goals.

There is no shortage of savings in Europe, but evidence shows that European households (although there are large variations between countries) invest a disproportionately low share of their savings in financial markets, which undermines their opportunities for wealth accumulation. The Commission proposals for mobilizing retail savings include making attractive and competitive savings products available, such as savings and investment accounts or complementary pension schemes.

In the case of savings and investment accounts, it is crucial that savers are able to mobilize their savings easily. Investment accounts should be simple and intuitive and should allow retail investors to access a wide range of investment opportunities and assets, in accordance with their preferences. There are a number of successful cases in Europe from which we can draw useful lessons.

Promoting complementary pensions is also key for improving citizens' retirement prospects. Current demographic trends in Europe make supplementing income in retirement essential to ensure greater economic security and higher standards of living. This is also an opportunity to mobilise savings with a long-term perspective, which can support financing for innovative companies and business models in Europe.

Successful examples in Europe show that there is not one single factor for success, but a wide array of mutually reinforcing measures that are needed. In particular, financial literacy plays a key role in mobilizing savings and boosting investor confidence. Other measures aimed at reducing the complexity of the investment process and improving its accessibility also contribute to an investment-friendly environment.

EU initiatives must be complemented by national and multi-country coordinated actions.

This illustrates that EU initiatives must be complemented by national measures and multi country initiatives in areas where several Member States may have an interest in moving forward in a coordinated manner. A number of measures needed to create a constructive environment require that Member States use their national competences, and a coordinated approach would ensure that national measures do not lead to a fragmented landscape.

In this spirit, Spain proposed the Competitiveness Lab: a mechanism to jointly explore additional measures, deepen the EU's financial integration, and pursue high-potential projects, always with an inclusive approach that remains open to any Member States willing to join. The projects do not interfere with Commission legislative proposals, and the Commission remains involved in the discussions. After a project has been implemented the Commission could recommend a broader extension to the EU.

The first project launched under this initiative is the label "Finance Europe", which aims to mobilise savings towards investment opportunities in strategic European assets, benefiting both European investors and companies. Following an agreement by participating Member States on a termsheet with a minimum set of characteristics for investment products that can benefit from the label, Member States are now moving towards national implementation. The Lab is an open and flexible framework that can be used by all Member States, and the objective now is to continue exploring new projects. Progress is urgent — and for that, we also need the vision and ideas of the private sector.

In conclusion, mobilizing retail investment requires a broad set of initiatives to create a supportive environment. European and national measures can be mutually-reinforcing, but national measures are more effective if coordinated among a number of Member States to ensure that they do not create fragmented markets. The Competitiveness Lab has the potential to change the mindset in the EU and we should be decisive in making full use of it, with an increased focus on competitiveness and delivering tangible results. In the current international context, it is urgent that we move forward decisively, and the Savings and Investment Union is a key pillar for building Europe's resilience and competitiveness.



FAUSTO PARENTE

Executive Director – European Insurance and Occupational Pensions Authority (EIOPA)

The Savings and Investment Union: An opportunity to close pension gaps

The European Commission's strategy for a Savings and Investment Union provides an opportunity to make progress on two compelling needs.

On the one hand, major initiatives, such as the green and digital transitions, as well as defence and infrastructure require significant funding.

On the other hand, Europe is facing a very large pensions gap, increasing the risk of old age poverty.

Can the SIU solve both these problems? It is a solid proposal with the potential to harness the power of retail investors to help drive competitiveness and investment, as well as closing the pensions gap.

In the EU, occupational pensions and supplementary (or personal) pensions play a crucial role in delivering future income to supplement statutory pensions provided by the state. While each complements the other, they have different dynamics.

Occupational pensions benefit from economies of scale and tend to deliver better outcomes as a result of greater scrutiny especially when sponsors and members are actively involved in the pension fund decision-making. Personal pensions complement occupational pensions offering flexibility and portability, as well an opportunity to take on more risk.

The IORP II and PEPP reviews are an opportunity to strengthen the European retirement framework. For the IORP II review, proposals to extend the scope to supplementary pensions could create scale and efficiency opportunities for providers to supplementary pensions, and to create a level playing field encouraging providers of supplementary pensions to focus on what they do best.

Participation in both should be encouraged since, for most people, an adequate retirement income is dependent on all three pension pillars, i.e. statutory, occupational and personal.

For defined contribution (DC) pensions, EIOPA is already working on a toolkit that will offer practical guidance on best practices in DC pensions, covering both occupational and personal pillars.

For personal pensions, one way to increase uptake is to widen the range of savings products on offer. More specifically, simple, reliable products that offer value for money and are suitable for long-term savings. Products designed with retirement in mind could offer tax advantages or restrict access until retirement, yet should still retain portability and some flexibility.

Europe may be a continent of savers, but it is not yet a continent of investors.

In this regard, the fundamental thinking behind the Pan-European Pension Product, or PEPP, remains valid and its review is an opportunity to maintain some of its key principles, i.e. a safe, simple and portable product, whilst simplifying the framework to facilitate the offering and increase uptake.

Real success for the SIU however depends in (large) part on changing Europe's savings culture. Europe may be a continent of savers, but it is not yet a continent of investors. For example, EU households still hold around 70% of their savings in bank deposits with low to no yields.

Financial literacy initiatives are important here, but transparency, fair treatment and trust will also be key drivers in shifting this mindset.

First of all, savers need access to clear information on what their future retirement income might look like. Understanding the outlook for tomorrow is key to influencing savings and investment decisions today.

The SIU's renewed focus on pension tracking systems is welcome, since tracking systems are important tools in raising awareness among consumers. This is also one area where EIOPA has already provided advice on best practices for the set-up of national tracking systems to the European Commission in the context of the Capital Markets Union.

Second, fair treatment is needed around costs, so that people are better aware not just of costs they pay, but also what they are paying for. While a recent survey indicated that consumers value low costs and good returns when it comes to saving, the reality is more nuanced and a broader focus on value for money as a whole is needed.

EIOPA's work on IBIPs has shown that, for the most part, products do offer value for money. For the handful of providers with products that raise value for money concerns, it is essential that they improve their product oversight and governance processes. Supervision also plays a role and EIOPA's work on regulatory and supervisory efforts, such as benchmarking and mystery shopping, aim to raise overall standards in product design and distribution.

For the SIU to work, people must trust in the products that are offered and the providers that offer them. Only then will savers feel comfortable moving their money from bank deposits to longer-term retail investment products.



SIGNE KROGSTRUP
Member of the Board of Governors – Danmarks Nationalbank

Building up capital through the development of the Danish pension system

This note presents the evolution and key characteristics of the Danish pension system.

Denmark is one of the few countries in Europe that has developed a large savings-based pension system. The Danish savings-based pension system broadly follows the SIU recommendations for supplementary pensions. Measured relative to GDP, pension savings in Denmark have grown to be among the largest in the world. A key factor behind this growth is auto-enrolment. The growth in pension savings has contributed to long-term investments in the financial market over the past twenty years. At the same time, the risks associated with these investments have also increased.

The development of a savings-based pension system takes time

The Danish pension system has evolved over many years through a series of reforms, and notably the 1987 agreement on establishing a general auto-enroled savings-based system. It took approximately 20 years from 1987 to reach the current contribution rates of 11 per cent of wages. Payouts from the savings-based pensions have also gradually increased, reaching approximately 40 per cent of all pension benefits today. Maturing a savings-based pension system takes time, however. The share of pension benefits originating from the savings-based pensions is expected to increase and reach around 62 per cent in 2080. While the payouts are already now a cornerstone in securing sustainable public finances, tax-financed benefits are still an important part of the Danish pension system, covering roughly the residual share of pension benefits.

The transition away from defined benefit schemes increases risk taking and expected returns of investments

Historically, the Danish pension system was predominantly characterised by schemes similar to defined benefits that offered guaranteed returns. With declining interest rates and other structural factors in the 2000s, the sustainability of the guaranteed pension products was put into question. New pension agreements were hence increasingly without explicit guarantees. This shift towards non-guaranteed products was accelerated by voluntary conversions of existing pension agreements to non-guaranteed products, incentivised by bonuses upon conversion that reflected the monetary value of the abandoned guarantees.

The shift from defined benefit-like products toward defined contributions without guarantees has helped channel capital into more risky investments, notably in stocks, private equity and infrastructure, while investments in safe bonds have declined. More risk-taking results in a higher expected return for the pension savers.

> The Danish pension system broadly follows the SUI recommendations for supplementary pensions.

The Danish savings-based pension system contributes to the financing of domestic as well as international investments

The geographic distribution of equity investments from pension capital largely mirrors the MSCI World Index. The Danish pension companies do, however, invest with a significant home bias as Danish companies take up 9 per cent of the investments in listed equities for the most common non-guaranteed products. The home bias in the bond portfolio is even stronger. The investment of pension capital in that sense contributes disproportionately to the financing of domestic investments, relative to the world portfolio.

Increased risk-taking in investments increases uncertainty about the pension payouts

Pensions based on defined contributions without guaranteed payouts have, in the past decades, benefited from comparatively higher rates of return, leading to increased pension wealth and higher expected pension benefits. Persistently higher rates of return to risky assets in the future cannot be taken for granted, however, and higher expected returns come with higher volatility.

This results in higher uncertainty regarding pension savers' retirement income. In Denmark, several measures are in place to address this risk. First, only a share of the pension savings is paid out at retirement, while the pension company keeps investing the remaining share. This is in contrast to converting the pension savings to a fixed annuity upon retirement, as a fixed annuity would be vulnerable to the market conditions at that exact moment in time. Second, buffers are typically established by pension companies to manage market volatility and help prevent short-term negative returns from immediately affecting pension benefits. Third, investment risk is reduced with age in the most common non-guaranteed pension products.

In conclusion, the build-up and design of a savings-based pension system is a long and complex process. It nonetheless comes with critical benefits to the sustainability of public finances, to capital markets and for the standard of living for retirees.



CHRISTIAN STAUB

Head of EMEA & Global Client Propositions – Fidelity International

Cultivating a retail-investment culture: Evaluating SIU strategy measures

The Savings and Investments Union (SIU) Strategy offers a promising framework for fostering long-term retail investment within EU capital markets. With substantial savings currently languishing in low-yield cash deposits, the strategy aims to redirect these funds into more productive investments. Remarkably, the value of assets held in these accounts across the EU could reach between €1.5 trillion to €4.8 trillion within the next decade[1], highlighting the transformative potential of this initiative.

Central to the SIU Strategy is the introduction of savings and investment accounts akin to Sweden's ISK, as highlighted by the European Commission. Historically, these accounts have successfully incentivised savers to engage more actively with capital markets. By offering tax incentives and simplified processes, they encourage EU citizens to allocate their savings towards diverse investment options promising higher returns.

Another crucial element of the SIU Strategy is supplementary pensions, particularly occupational pension schemes. Recommendations for auto-enrolment, appropriate contribution levels, and fit-for-purpose investment solutions provide a robust framework for increasing participation and enhancing the quality of retirement savings. These schemes, especially when designed with life-cycling investment strategies and meaningful exposure to equities, can significantly impact long-term savings mobilisation. However, their success relies heavily on regulatory support and harmonisation across Member States. The European Commission's role in offering guidelines and promoting common features is essential to ensure a cohesive approach that encourages take-up and optimises the design of these pension schemes.

Yet, product design alone cannot unlock a robust retail-investment culture. Behavioural and educational barriers, fear of loss, low financial confidence, and a lack of understanding of long-term opportunity costs often deter savers from moving beyond cash.

Research indicates that risk warnings can adversely affect consumer engagement, particularly among women[2]. This is evident in the disparity between gender participation in investment accounts compared to cash savings. To address this, risk disclosures should evolve from generic "capital at risk" warnings to balanced narratives. These narratives should elucidate both potential downsides and long-term rewards of investment, contextualising choices, explaining volatility over an investment horizon, comparing likely inflation impacts on cash, and illustrating the compounding benefits of participating in capital markets.

The SIU Strategy requires a holistic approach to effectively transform the EU's retail investment.

Complementing these efforts, adopting a "targeted support" regime can offer guidance based on personal characteristics. This approach includes light-touch "guided journeys" or digital nudges to assist first-time investors in navigating choices without the complexity and cost of regulated advice. Empowering distributors to better guide consumer outcomes and simplifying access to financial advice are essential steps in enhancing financial confidence.

To foster participation among lower-income savers and encourage healthy financial habits, account design should promote regular, small-scale contributions, ideally monthly, rather than incentivising lump-sum investing. By encouraging habitual investing, participation becomes more accessible to a broader population, smoothing market entry through euro-cost averaging and reducing exposure to short-term volatility, thereby supporting long-term engagement.

In conclusion, while the SIU Strategy lays a strong foundation for enhancing supplementary pensions and savings and investment accounts, further initiatives are essential to unlock the full potential of EU capital markets. By focusing on improving financial literacy, expanding tax incentives, and harmonising efforts across Member States, the EU can foster a thriving retail investment environment. Additionally, refining risk disclosures and offering accessible advice will empower investors to make confident, well-informed decisions. These steps will not only strengthen individual financial security but also support the sustainable growth of the European economy. Therefore, a holistic approach that addresses all these elements can ensure that the SIU Strategy successfully transforms the retail investment landscape in the EU.

1. *Designing savings and investment accounts in the EU https://www.newfinancial.org/reports/designing-savings-and-investment-accounts-in-the-eu*
2. *How Do Risk Warnings Impact Investment Choice? Technical Report 2024. https://www.tisa.uk.com/wp-content/uploads/2024/03/2024-2902-FINAL-TISA-Technical-Report.pdf*



MICHELE RENDINE
Group Chief Life & Health Officer – Generali

Enhancing financial safety in Europe: The role IBIPs and supplementary pensions

Mario Draghi's report identifies unlocking dormant capital held in current accounts and addressing the pension gap as two pressing issues for the financial well-being of European consumers and the competitiveness of the EU's economy. For this reason, we welcome the European Commission's initiatives on Savings and Investment Accounts (SIA) and the promotion of supplementary pensions, also through a potential revision of the Pan-European Personal Pension Product (PEPP) and IORP II. These instruments collectively offer a comprehensive approach to enhancing long-term financial security across Member States.

Insurance products offer a robust solution for long-term savings and are well-positioned to help address the pension gap.

In 2023, Insurance-Based Investment Products (IBIPs) accounted for approximately 20% of all retail investment assets in Europe, with over €2.5 trillion in assets under management and €400 billion in gross collections, underscoring their central role in long-term savings and capital formation.

IBIPs are well-suited to risk-adverse and less financially savvy consumers thanks to their long-term focus, built-in rider protections and personalized advisory services. They meet both savings and protection needs, offering peace of mind and serving as gateway to financial planning. These products are easy to understand, adaptable to life goals (e.g., education, retirement, health), and increasingly aligned with sustainability preferences. This is particularly important in times of financial uncertainty, when consumers increasingly seek products which offer safety and confidence.

Similarly, supplementary pensions solutions offered by insurance manufacturers offer structured and regulated options which support retirement planning and capital formation, levering on the extensive experience our industry has in asset management. Supplementary pensions products are also increasingly important in managing the transition toward defined contribution (DC) pension systems and the gaps in public healthcare and pension systems. Among the different pension products, PEPPs offers a standardized pension solution that complements national systems and enhances retirement savings for mobile workers and younger generations. This solution still has limited success today, notably due to the fee capping, required portability and fragmented national tax treatment, but the ongoing consultation on its revision should unlock its full potential, provided that the fundamental parameters are fixed.

> Insurance Products are a robust solution for long-term savings and can help address the pension gap.

Furthermore, the insurance sector has demonstrated a strong commitment to delivering value for money (VFM) and enhancing customer outcomes. This is supported by a robust regulatory framework that prioritizes consumer protection and product governance, ensuring prudent asset-liability matching and risk management. Insurance products play a key role in mobilizing consumer savings and supporting national economies through also risk mutualization.

Instead, pure financial products (e.g., mutual funds, ETFs, pension funds) play a complementary role, generally focusing on shorter investment time horizons. However, they present a potential point of concern; when distributed on an execution-only basis, they may not always align with consumers' needs and risk profiles.

Advice and distribution networks are instrumental in ensuring the success of these initiatives and serve as essential safeguards for consumer protection.

Advice is essential to ensure compliance and suitability, especially with aging demographics coupled with low financial literacy. Digital and hybrid distribution models enhance accessibility, positioning advisors as facilitators rather than barriers to investment. They help consumers identify goals, assess risk appetite and sustainability preferences, and understand available solutions. The insurance sector benefits from a wide array of distribution channels and a large network of experienced local distributors. This proximity to consumers enables insurers to play a key role in promoting EU investment uptake.

Financial education and digital platforms are critical to enhancing public awareness and engagement with long-term savings and pensions solutions.

Raising awareness on the pension gap is critical to encourage voluntary savings; digital and physical platforms which help seeing the gap can contribute to it. Public awareness campaigns and digital tools can also support the uptake of supplementary pension solutions by simplifying product comparisons and enhancing transparency. Educational campaigns can help the public become more confident and informed about supplementary pensions solutions. The introduction of auto-enrolment mechanisms for occupational pensions, as encouraged by the Commission's SIU Communication, can further support this goal.



CLARA ADICEOM
Director Life Insurance Strategy & Governance – Aéma Groupe

SIU strategy: the "fast fashion" of finance?

Saving investment accounts (SIA) aim to democratize access to capital markets. Yet, by seeking to standardize too much, the EU should beware of promoting superficial savings to the detriment of genuine support for long-term economic, demographic, and economic transitions. Behind the promises of SIU, without safeguards, hides the increasing risk of social and wealth inequality.

For several decades now, we have seen the rise of fast fashion, and even ultrafast fashion: it is now possible to easily access a wide variety of clothing at unbeatable prices, at the expense of quality, often disastrous working conditions for the workers who mass-produce the garments, and a significant carbon footprint. However, for some, it is the only affordable way to dress. Some would even say that fast fashion democratizes fashion.

One effect of the rise of fast fashion has been to create a gap between entry-level fashion and luxury fashion, leaving less and less room for mid-range and premium brands, whose production costs are not getting any lower and whose customer base is shrinking, with consumers increasingly opting for one of the two extremes depending on their beliefs and financial means.

What about SIA?

One of the main purposes of SIAs is to make investing in capital markets more accessible and easier, particularly for young European citizens and for the middle classes. However, SIA could easily fall into the trap of fast fashion: products that appear accessible to all, but the underlying assets and risk levels of which are not understood, or the impact of which would go against European convictions, such as restoring European economic sovereignty while respecting the commitment to carbon neutrality by 2050... As a result, there is a risk of creating a two-tier investment market, leading to unequal access to financial performance: those who are best informed or best advised (by a paid financial advisor, for example) will continue to receive tailored support in managing their financial assets and will retain access to high-quality products (aimed at capitalizing on opportunities and giving meaning to their savings). Meanwhile, those with more modest means will have to settle for index replication and continue to place their trust in the system.

> A "ready-to-wear" savings approach that leaves high quality products to the wealthy.

Value for money: do not mix up "value" and "money"

In fashion, a "dupe" is not a counterfeit, but a product inspired by a luxury model, at a reduced cost. It satisfies the desire for appearance, but not necessarily the search for quality or durability. In a way, a parallel can be drawn with passive fund management in finance: low-cost, it consists in replicating an index 's performance (often through ETFs). If the primary objective of SIAs is to offer low-cost savings, then investing in passively managed funds can be advantageous. However, passive fund management has its limitations: it follows trends but does not drive them; it does not seize market opportunities; and it mechanically reinforces the position of large and well-established companies.

Conversely, active fund management, if done well, implements strategies to identify market opportunities and benefit from them. Its cost, which is higher in comparison to passive fund management, is due to the human and technical resources required to carry out the due diligence and research necessary to identify these opportunities. Active fund management also gives meaning to investments by directly supporting small and medium-sized enterprises (which are rarely represented in indices but are yet essential in supporting the emergence of European champion companies) or by demonstrating shareholder engagement on boards of directors. In this way, active fund management plays a greater role in building a new model of European economic sovereignty.

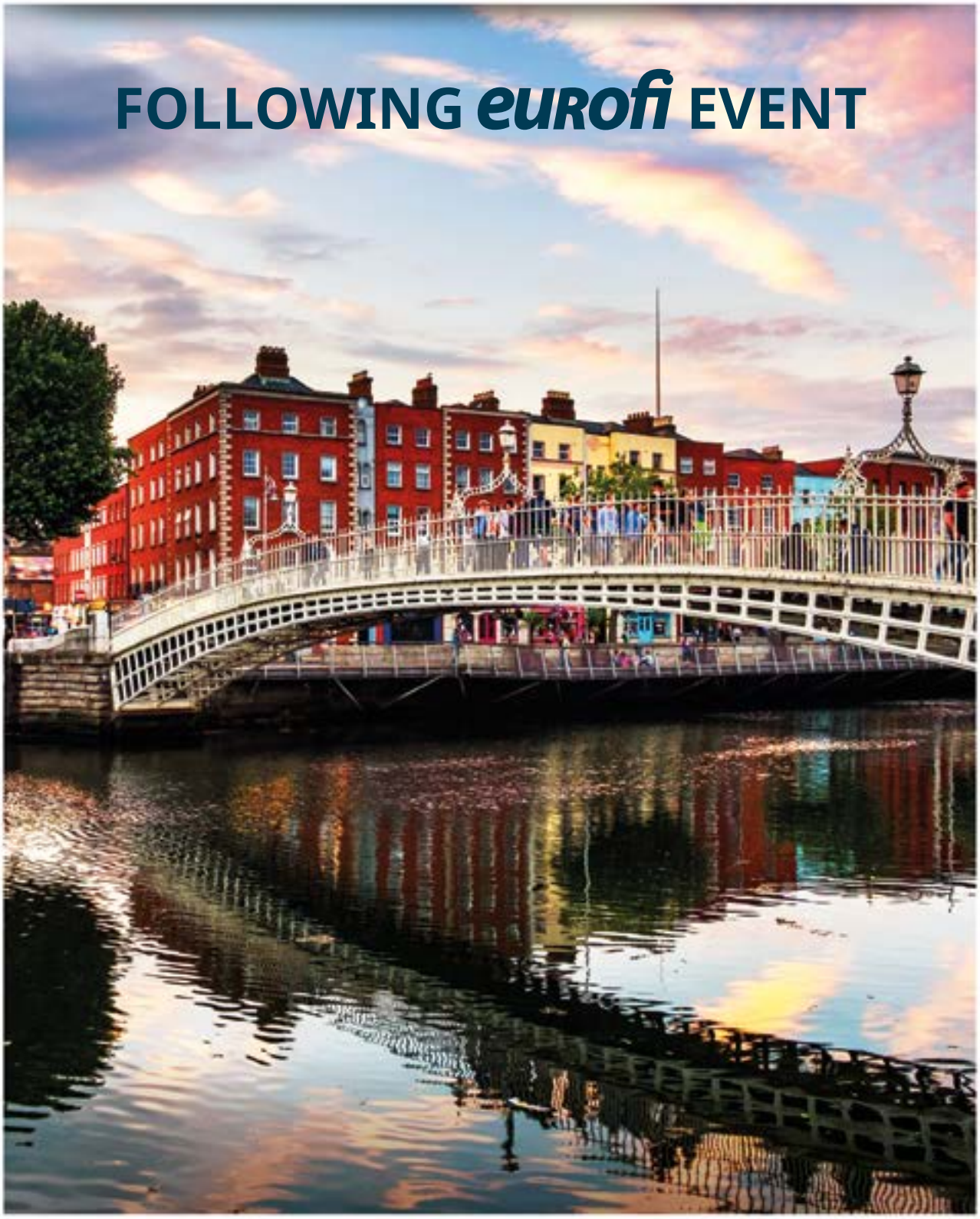
How to avoid falling into the fast fashion trap of finance?

First, a major financial education effort is needed, starting at an early age, to enable citizens to make enlightened investment choices and empower them.

Second, the range of SIA-eligible products must include both passive and active fund management and incorporate economic and extra-financial quality criteria that are clear and understandable to the public. This can be achieved through rigorous fund certification, but also through requirements in terms of governance, fee transparency, and access to information.

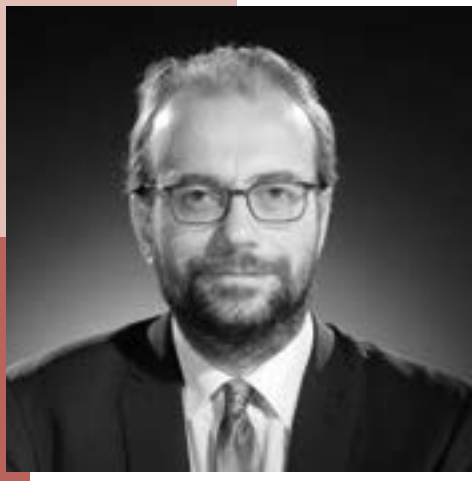
In any case, the success of SIAs and SIU should not only be measured by the number of accounts subscribed or amounts collected, but also by their ability to reduce inequalities in access to diversified, high-performing savings that are aligned with European goals.

FOLLOWING *eurofi* EVENT



THE EUROFI FINANCIAL FORUM
DUBLIN - IRELAND
SEPTEMBER 2026

SUPPORTING THE ROLE OF ASSET MANAGEMENT IN THE SIU



SÉBASTIEN RASPILLER

Secretary General – Autorité des Marchés Financiers (AMF)

Time for bold changes to enhance asset manager's competitiveness

The recent UCITSD and AIFMD reviews will help, once implemented by asset managers, to reinforce the resilience of investment funds, primarily in terms of liquidity risk management; the reviews were not completed with a competitiveness mandate in mind. The ELTIF Regulation review, however, was conceived to make ELTIFs more appealing to retail investors and facilitate the funnelling of their savings into longer-term investments. Now that the ELTIF Regulation has entered into application, only time will tell whether it ignited appetite from retail investors to move into these investment products.

The SIU strategy, as presented by the European Commission in March, goes beyond the well-known rules of collective asset management to support investor protection and financial stability. It aims at tackling potential operational barriers created by regulation that hamper the growth of the asset management sector.

The first barrier to eliminate lies with the diverging supervisory practices between EU jurisdictions. This is a plea constantly made by cross-border asset managers. As a national competent authority ("NCA"), we call for the elimination of regulatory arbitrage and for the prevention of a race to the bottom fed by this lack of supervisory convergence. Since the creation of ESMA, NCAs have been working collectively toward this goal of convergence, but it has become clear that the tools at our disposal are so time- and resources-intensive that we cannot expect to make sufficient progress on this front.

Diverging interpretations of the European Rulebook take root, for a part, from the choice to regulate by way of Directives instead of Regulations, from the persistence of national options, and sometimes also from a form of "constructive ambiguity" in the very language of some legislative provisions. While such ambiguity may be convenient to achieve compromises among co-legislators, it then plays against a clear understanding of the rules, which consequently requires long and detailed level 2 and 3 texts, such as Regulatory Technical Standards, Guidelines and Q&As.

In an ideal world, centralised supervision of cross-border asset managers would guarantee that only one interpretation of the Rulebook prevails, enabling those managers to operate smoothly within the Single Market without divergent requirements.

Establishing an integrated reporting could be coupled with creating a European single data hub.

A second operational barrier that could be addressed concerns the delegation of investment management functions, such as portfolio or risk management, within the same group in the EU. As of today, the authorisation and supervision of an asset management group are performed in silos, at the level of each legal entity with a UCITS or AIFM license. This framework implies an unnecessary duplication of resources and costs for large EU groups, who would legitimately wish to be able to centralise functions to benefit from economies of scale.

The recognition of a group structure taking into consideration all the legal entities within the EU that perform the collective management of UCITS and/or AIFs would allow asset managers to allocate resources more efficiently and reduce costs. Accordingly, NCAs involved in the supervision of the group would gain access to a consolidated picture of the group structure, its organisational resources and its systems and controls, thus facilitating a more global understanding of risks and potential conflicts of interest.

A third initiative is related to regulatory reporting. As part of the UCITSD and AIFMD reviews, ESMA and NCAs are currently working on the possibility to integrate the different regulatory reports that assets managers are subject to, at European and national levels. The integration and harmonisation of these reports would, again, benefit managers' efficiency and reduce costs.

Establishing an integrated reporting could be coupled with creating a European single data hub to facilitate data sharing among authorities. Access to a common repository of reporting data would facilitate the exchange of information among NCAs, especially in relation to pan-European groups.

If we want a legal framework that supports our European groups and helps them compete on equal par with their non-European competitors, we need to be bold and make important changes to the supervisory architecture of the asset management sector. These changes should focus on making asset managers more efficient by eliminating unnecessary operational costs, without affecting the capacity to supervise them adequately.



MARCO ZWICK
Director Executive Board – Commission de Surveillance du Secteur Financier (CSSF)

The review of the ELTIF, UCITS and AIFMD framework supporting the SIU strategy

As stated by the European Commission, "the savings and investments union (SIU) aims to create better financial opportunities for EU citizens, while enhancing our financial system's capability to connect savings with productive investments. This will lead to more choice for savers who wish to grow their household wealth and allow businesses across Europe to grow."

In line with this objective, ELTIF 2, alongside updates to the Alternative Investment Fund Managers Directive (AIFMD) and Undertakings for Collective Investment in Transferable Securities Directive (UCITSD) (both being referred together as AIFMD 2) introduce transformative reforms aiming to channel capital into European markets.

ELTIF 2 makes ELTIFs a more versatile and attractive investment vehicle, unlocking capital for long-term projects across Europe. It further enhances flexibility for master-feeder and fund-of-funds structures by allowing feeder ELTIFs to invest in master ELTIFs and permits ELTIF fund-of-funds to invest in a wider range of underlying funds, including UCITS and European AIFs managed by European AIFMs, in addition to ELTIFs, EuSEFs, and EuVECAs, subject to specific conditions. By significantly widening the scope of eligible investment assets, ELTIF 2 is designed to allow for more global investment strategies. While ELTIFs remain primarily closed-ended to support long-term investments, managers may now offer open-ended ELTIFs with tailored redemption policies, enhancing liquidity without fixed minimum holding periods, provided investor fairness is ensured, asset diversification requirements are respected by ELTIFs distributed to retail investors and appropriate liquidity risk management is taking place.

Most importantly, ELTIF 2 provides for enhanced retail investor access, in that the €10,000 minimum investment requirement and the 10% aggregate investment cap for retail investors with portfolios below €500,000 have been abolished, lowering the entry point for retail participation. Suitability assessments are now aligned with MiFID II requirements, eliminating additional ELTIF-specific checks and reducing administrative burden for investors and distributors. In addition, the need for local facilities to support distribution in each Member State has been eliminated, simplifying cross-border marketing and reducing costs for fund managers.

Real success will be measured with the effective and harmonised adoption of the new measures.

AIFMD 2 refines the AIFMD and UCITSD frameworks to support non-bank lending in the alternative space, enhance liquidity management, and broaden ancillary services. These changes aim to strengthen Europe's investment ecosystem. AIFMD 2 establishes a standardised EU-wide regime for loan-originating AIFs, addressing the growing role of non-bank lending in financing the real economy. The AIFMD 2 framework further enables AIFMs to originate loans across EU Member States as part of the core functions available under the AIFMD passport.

AIFMD 2 introduces mandatory liquidity management requirements to strengthen the resilience of open-ended funds during periods of market stress. As part of these requirements, open-ended AIFs and UCITS (excluding money market funds) must select and implement at least two liquidity management tools (LMT) from a prescribed list, such as redemption gates, extended notice periods, swing pricing, or anti-dilution levies. Money market funds are required to adopt at least one LMT. National competent authorities can require AIFMs or UCITS management companies to activate LMTs in exceptional circumstances, hereby ensuring proactive management of liquidity risks.

This suggests that the changes in relation to ELTIF 2 and AIFMD 2 strengthen the legal framework by making – subject to strong governance and risk management requirements – investment vehicles more flexible, accessible, and appealing to both professional and retail investors. They aim to foster sustainable growth and long-term investment in key sectors like infrastructure, real estate, and small and medium-sized enterprises (SMEs).

However, real success will be measured by the effective and harmonised adoption of these changes at European and national level. Meeting the following key objectives will certainly contribute to a successful SIU:

- Make investment products available to savers/retail investors by (i) not limiting the investment possibilities of those products, such as UCITS which are trusted investment products, have had a proven positive track record for decades and which constitute one of the rare European financial products benefitting from a true and unprecedented cross-border distribution success and by (ii) opening, in a controlled manner, alternative investment products to savers who are in search of new investment possibilities;
- Make an effective and efficient use of the existing EU passport for products such as UCITS and ELTIFs and for alternative investment fund managers and completely abolish national barriers hindering the free distribution and management of investment funds and leading to market fragmentation.



GERRY CROSS
Director, Capital Markets and Funds – Central Bank of Ireland

The investment funds sector: An Irish perspective

The Savings and Investment Union (SIU) is critical because capital markets:

- First, provide greater choice for savers and investors, through a greater range of savings and investment choices (beyond banks), catering for different risk preferences and needs;
- Second, facilitate diversified financing needs for the economy and its businesses; and
- Third, promote overall macro-financial resilience, with a diversified system of bank-based financial and capital markets likely to be more resilient to adverse shocks.

It will be crucial for us to keep coming back to the role of capital markets if SIU is to deliver for Europe, for companies, for investors and for the wider economy.

As we embark on this project, we need to take stock of how EU capital markets are currently operating and, as the second largest domicile for regulated investment funds in the EU, our experience in Ireland can provide a useful perspective.

Ireland is the leading domicile for ETFs in the EU. The investment strategies which can be delivered through an ETF are wide and offer investors (retail and institutional) the ability to efficiently access different forms of exposure (subject to UCITS requirements). Over time, we have seen the trends in ETFs seeking authorisation change considerably. These have moved from being simple market capitalisation weighted index tracking ETFs to a full complement of strategies – generally index based which reflect investor needs. We are currently seeing increased interest in the provision of active (i.e. non-index based) strategies within ETFs.

In November 2024, the Central Bank of Ireland amended its UCITS Q&A to allow for the ETF naming requirement to be applied at share class level. In April this year, we set out our expectations allowing for an ETF to disclose its portfolio holdings on a periodic basis.

Investment funds, in particular UCITS, provide a highly efficient channel for investment in the real economy, supporting economic growth, job creation and innovation. The sector has a pivotal role to play in driving the success of the SIU by enabling European citizens to meet their savings and investment needs through well-regulated and well-designed investment products. This is particularly important in the context of generating household wealth and ensuring that individuals have long-term financial security.

Over the last decade we have also seen significant growth in global and European private asset investment and a growing demand for fund structures that provide exposure to this asset class.

Crucial to keep coming back to the role of capital markets if SIU is to deliver for Europe.

As the funds sector has continued to grow and become more integral to the wider functioning of several key financial markets, the macro-prudential perspective has increased in importance. The package of measures from the FSB and IOSCO on money market fund resilience and on liquidity management of open-ended funds represents a significant potential development. During the period of heightened volatility in Spring 2025, the Central Bank of Ireland conducted close surveillance of market data and capital flows accompanied by enhanced supervisory engagement. Markets continued to function in an orderly manner, with no unmanageable liquidity demands reported by Irish authorised funds.

Recent AIFMD and UCITS Directive Reviews have introduced enhanced reporting for AIFMs that is also being extended to UCITS management companies and a harmonised set of liquidity management tools, driven by a concern to ensure stability. There is a need to ensure that management companies are equipped to deal with liquidity pressures in times of stress. Additionally, it is important that regulatory authorities continue to close the data gaps to provide a more complete and timely view of the fund ecosystem.

Europe has made progress in enabling greater investment in private assets, particularly by retail investors through the revised European Long-term Investment Fund (ELTIF) label. The objectives of the ELTIF are closely aligned to the objectives of the SIU – to channel investment into long-term projects across Europe and the real economy such as infrastructure, real estate and importantly SMEs, which are the lifeblood of so many economies across Europe.

The European Venture Capital Fund (EuVECA) label, which established a framework for venture and growth capital funds across the single market, has seen uneven success across member states. Similar to the ELTIF, there is merit to reviewing relevant product rules to ensure they are not preventing EuVECAs from scaling up in Europe and that requirements are proportionate while allowing managers sufficient flexibility to design products in this space.



VASILIKI LAZARAKOU
Chair of the Management Board – Hellenic Capital Market Commission (HCMC)

Unlocking Europe's capital: Can regulatory reform power a real economy revival?

The recent revisions to the UCITS, AIFMD, and ELTIF frameworks represent a decisive step in transforming the EU asset management sector into a more integrated, resilient, and investor-inclusive ecosystem. These reforms are not merely technical upgrades—they are strategic tools to activate Europe's vast savings and channel them into long-term, productive investments aligned with the objectives of the Savings and Investments Union (SIU) that could revitalize the European economy and create the infrastructure needed to lead Europe to a new era provided that investor protection is also safeguarded.

The ELTIF review stands as the most transformative. By eliminating the minimum investment threshold and enabling retail investor access to a broader spectrum of eligible assets—including third-country companies, green bonds, and STS securitizations—the ELTIF framework now meaningfully connects long-term capital with real-economy needs. The removal of the economic benefit requirement for real assets, coupled with simplified portfolio composition rules, marks a clear shift: retail capital is no longer sidelined from alternative investments. This long-term vehicle now opens the possibility for retail investors to invest in unlisted asset classes, thus meeting one of the objectives of the SIU, to benefit from long-term supports and to raise capital from retail investors, in addition to institutional investors, to finance the real economy. Importantly, ELTIFs are the only AIFs with a marketing passport that includes retail investors, expanding their cross-border potential.

According to the latest ESMA register, 211 ELTIFs have been authorized, with 125 accessible to retail investors—concentrated in specific jurisdictions. These figures are modest but promising. With implementation support and effective supervisory monitoring, ELTIFs could become the flagship retail vehicle for financing infrastructure, innovation, and green transition projects.

AIFMD II addresses several long-standing gaps. The harmonization of liquidity management tools (LMTs) across Member States creates the conditions for a level playing field and facilitates the proper functioning of the European marketing passport as well as more efficient supervision of risk management. An effective liquidity risk management could also facilitate the channeling of investors' funds into less liquid assets while maintaining an appropriate level of liquidity to honor redemption requests according to predefined transparent rules. Common supervisory reporting standards, leveraging digital tools, promise more proactive oversight. Clarifications on delegation and depositary arrangements aim to preserve substance within the EU while offering flexibility where local depositary options are insufficient.

EU reforms to steer savings into the real economy hinges on implementation and investor protection.

Crucially, loan origination rules fill an important legislative void, enabling AIFs to originate loans under a harmonized regime and benefit from the passporting mechanism. This facilitates credit provision to SMEs and infrastructure projects, strengthening the sector's resilience.

The UCITS Directive, long regarded as the EU's gold standard for retail investment funds, also evolves under this package. Alignment with AIFMD on key issues like delegation, LMTs, supervisory reporting, and depositary services reinforces supervisory convergence and enhances investor protection. The adjustments ensure UCITS remain a dynamic and competitive product in a shifting market landscape—essential for preserving investor trust and fostering capital markets participation.

Together, these reforms lay the groundwork for stronger capital market-based financing in the EU. They aim to rebalance the EU's reliance on bank intermediation and expand the role of asset managers in financing innovation, sustainability, and growth. Yet, ambition alone does not guarantee success.

Implementation will be decisive. Regulatory convergence, supervisory cooperation, and effective communication to retail investors are critical to realizing the full potential of these reforms. Additionally, national authorities must resist the temptation to layer on gold-plating or create new barriers under the guise of discretion.

In this context, the SIU provides a forward-looking policy framework. By articulating a coherent EU vision that links financial regulation with long-term strategic objectives—such as digitalization, green transition, and economic competitiveness—the SIU can stimulate both political and market momentum. If fully supported and embedded in the EU's legislative and supervisory agendas, the SIU could evolve into a cornerstone of European financial sovereignty.

Europe's regulatory revamp of its asset management framework, if implemented consistently focusing at the same time on investor protection, and accompanied by strategic SIU policy coordination, could usher in a new era of capital mobilization. Asset managers have a pivotal role to play in this transition—not only as allocators of capital but as architects of Europe's economic renewal.



ANN PRENDERGAST

Head of EMEA, Executive Vice President – State Street Investment Management

The success of SIU will depend on a thriving asset management sector

2025 has so far been a year of geopolitical challenges and upheaval for the EU, especially in trade and defence. Luckily, it is also turning out to be a year of increasing mobilisation on the part of EU policymakers around a sense of urgency that Europe should "seize its moment"[1]. In another hopeful signal, capital markets are increasingly recognized as the starting place to address many of the challenges facing the EU, as demonstrated by the sharp focus of the Letta and Draghi's reports and the (re)launch of the Savings and Investments Union.

The benefits of leading capital markets are difficult to understate and the fund sector sits at the heart of the EU economy by helping turn savings into economic growth. Households and savers secure their financial future by investing for their pension and future wellbeing. In doing so, savings are directed to companies and projects, fueling economic growth. This economic reality should be the premise for focusing the SIU on two fundamental measures of success: broadening the EU investor base and ensuring that investors can access products that are relevant for their investment objectives with as little friction as possible.

Flexible and simple EU Savings and Investment Accounts (SIAs)

Let's start with the first. SIAs are a powerful tool to foster a culture of long-term investing and enhance financial wellbeing, and have been rightfully identified by the EU Commission as one of the key drivers of SIU. Looking at successful investment accounts in other jurisdictions (such as the Swedish ISK or the UK ISA) can help identify some foundational principles and features.

Successful SIAs should remain simple to understand, easy to open, and frictionless to use. Simplicity and ease of access should be built around digital onboarding processes, automated tax reporting and clear, jargon-free communication. Moreover, attractive and equitable tax incentives are the most powerful tool to encourage long-term investing. There are many ways to design a successful tax incentive while minimizing the impact on public finances, and the returns in terms of higher economic growth and financing for the real economy are bound to offset any short term fiscal cost.

Overall, instead of hard limits set by regulation, behavioural nudges (e.g. "use-it-or-lose-it" annual allowances) have proven to be most effective in encouraging regular contributions. This applies as well to the range of products that should be eligible for the account, with evidence showing that without geographical mandates take-up of the accounts is much faster.

> **Our sector sits at the centre between EU citizens financial wellbeing and broad, sustained economic.**

Clearly, a successful regulatory framework can only go so far if it's not supported by a new risk-taking culture in Europe. Public awareness and a robust educational campaign are essential for the success of SIAs as it is instilling early habits around investments with financial education in schools. A more risk friendly culture should also extend to the way regulation is currently made in the EU, and the renewed efforts of the EU Commission for simplification and better law making, including a new competitiveness check, are the right approaches.

Investment products and distribution channels are constantly evolving

The SIU is also a call for action for the fund sector to continue evolving its product offering and finding ways to reach new investors, learning from the democratization of investments that ETFs have brought to the investing word. We see across the EU ETF adoption accelerating, driven by online brokers and ETF saving plans. As outlined in the latest State Street Global ETF outlook[2], retail investors using ETFs are typically younger than those investing in other investment vehicles, and in their prime earnings (and savings) years.

Building on this momentum behind ETFs, it is important that product innovation continues to allow investors in ETFs to access broader parts of the investment universe, with UCITS remaining the wrapper of reference. The UCITS brand is strong and it should continue to evolve to make sure it remains relevant and able to deliver the best diversification. Innovations such as the use of fractional share ownership help further the scalability of ETFs investments and empowers investors with low capital to develop regular saving habits.

Finally, the SIU agenda should also be fertile ground to foster an innovation-friendly environment allowing a wide range of providers to participate in distribution. The recent emergence of digital platforms and neo brokers has been one of the key drivers in the increased retail participation.

As the industry evolves, its ability to channel capital into sustainable, innovative, and inclusive growth will define its relevance. Policymakers and market participants must work together to ensure that the sector remains competitive and aligned with Europe's long-term priorities.

1. *ECB President Christine Lagarde, "Europe's global euro moment", June 2025.*
2. *State Street, "2025 Global ETF Outlook: The expansion accelerates", February 2025.*



AGATHI PAFILI

Vice President, Head of Government Relations, Europe – Capital Group

SIU Strategy's role in unlocking opportunities for investors and asset managers

The Savings and Investment Union (SIU) has emerged as a horizontal enabler for EU's strategic priorities on competitiveness, growth and security. Its focus on deeper, more integrated capital markets and long-term investment solutions have a strong link to asset managers' role in offering adequate investment strategies for savers as well as driving benefits from cross-border distribution and leveraging the scale of the single market for investors. This includes channeling citizens' savings into productive investments, financing companies for their green and digital transition and diversifying risks to enhance the system's resilience.

SIU has the potential to unlock significant new opportunities and address remaining challenges in a number of critical areas for asset managers:

- Enhance long-term investment solutions for savers across Europe.
- Allow more diversified investment opportunities to the benefit of investors.
- Ensure a securitisation regime that focuses on substance over format.
- Reduce regulatory burden and remove persisting barriers to cross-border distribution.

Acknowledging the significant mismatch between savings primarily held in bank deposits and the growing but less served investment needs of investors, companies and the overall economy the SIU seeks to develop a European blueprint for savings and investments accounts. This is a welcome step, the success of which, will depend on putting savers' needs at the forefront and providing adequate incentives to support them on this journey. Success here would require non-restrictive access within these accounts to a diverse set of investment strategies, asset classes, geographies and sectors based on the investors' preferences and financing objectives. Also crucial is the need for a supportive tax regime tackling both relevant incentives, and simplified reporting. EU citizens would also benefit from further coordination towards well-designed employer-based pension schemes. Key drivers for that are: promoting auto-enrolment and enhanced levels of contributions from employers and employees as best practices in the EU, qualifying life-cycling strategies as default investment options and enhancing the role of professional management.

Deeper, more integrated capital markets and long-term investment solutions have a strong link to asset managers' role.

Access to diversified and fit for purpose investment opportunities has a critical role to play in increasing retail investors' participation in capital markets. One key example is the role of private markets and securitisation, and the level of access allowed to these assets. In relation to private markets there are still significant hurdles to offering investment solutions to retail investors that can combine exposure to public and private assets in a flexible way that avoids overconcentrating risks to the private part of the portfolio, while leveraging cross-border distribution and economies of scale. It is important that the EU considers an appropriate framework for such cross-border private/public investment strategies in a flexible way - same as we see in the US – that sets the right safeguards for investor protection - e.g., in terms of investment limits and liquidity management - allowing new competitive solutions for investors and increasing investment opportunities across EU's economy.

The investor's perspective is also vital for the review of EU's securitisation regime. The legislative proposal that was recently announced outlines burden reduction and simplification as key objectives; however, it retains burdensome templates when investing in non-EU assets. As many times non-EU issuers comply with the substance of the EU requirements but oppose complying with burdensome templates, maintaining complex procedures seems to prioritise format over substance, bringing unnecessary restrictions to the investment universe for EU products, and, in turn, less diversified market and fewer opportunities for investors. Instead, a principles-based approach to transparency is needed across all securitisation assets to ensure meaningful due diligence and an enriched investment universe for EU investors.

A competitive and well-integrated financing ecosystem requires efficient cross-border distribution of investment products to the benefit of end-investors. Given the persisting barriers identified by market participants, regulators and supervisors need to prioritise work in this area and use the effective tools already at their disposal to enhance coordination and address divergences in interpretation and application of the relevant rules, among others on authorisation, marketing, distribution and notification. There is also an urgent need to address the extensive reporting requirements via assessing the extent to which these result into meaningful information for investors and supervisors, and removing contradictory, duplicative or overly burdensome disclosures.



SIMON JANIN
Head of Governance and Public Affairs – Amundi

The competitiveness of EU asset managers is key for the success of the SIU

In a context of geopolitical uncertainties combined with economic instability and a high market volatility, the EU asset management sector is definitely facing substantial challenges. In a very fierce competitive environment, long-term UCITS (active and passive funds), equity UCITS and multi-assets average costs have dropped between 2020 and 2024: from 1.11% to 1.02% for active long-term UCITS average costs, from 0.22% to 0.20% for passive ones, from 0.95% to 0.75% for equity UCITS average costs, and from 1.26% to 1.16% for multi-assets UCITS.[1]

At the same time, this pressure on revenues is combined with a rising inflation of costs, with notably a substantial increase in fees paid to data providers over the past few years. This has translated into a loss of market shares for EU actors compared to their non-EU peers over the last decade. Indeed, while European actors had more than 73% of market shares in the EU in 2013, they represent less than 60% in 2025[2]. Conversely, in the US, European actors still struggle to penetrate the local market, with a market share stagnating under 2%.

Against this background, the EU asset management sector has no choice but to constantly innovate to remain competitive. But these figures should also be a wake-up call for policy makers to consider at last the financial sector as a key element of the European Strategic Autonomy. Given that asset managers play a crucial role as intermediaries in channelling European savings into the real economy, it is essential to make sure that the regulatory environment is fit for purpose. In this perspective, several measures in the Savings and Investments Union's (SIU) strategy are likely to enhance investor participation, streamline regulations and promote long-term investment. Alongside the wider simplification and burden reduction agenda, this should foster the competitiveness of both the asset management sector and the EU economy.

Among other initiatives, the upcoming recommendations on a Savings and Investments Account, and the implementation by certain Member States of the 'Finance Europe' label framework will be crucial to foster retail participation and encourage investments in the EU. In this respect, the Securitisation Review Package, proposed by the Commission this summer and aiming at developing the securitisations market in the EU, is a step in the right direction.

The SIU should also contribute to further integration and the scaling up of the EU fund market. In particular, the improvement of the distribution of cross-border products is instrumental to allow more efficiency and cost gains. Fostering regulatory convergence within the EU is also essential. The diverging applications of EU rules, triggered by gold-plating and the general complexity of European legislations regarding financial services, contribute to unnecessary burdens, weakening the competitiveness of the European asset management sector.

Asset managers play a crucial role in channelling European savings into the real economy.

In addition, long-term investment is a key driver of growth for both citizens and the EU economy. Financial literacy efforts and initiatives to encourage citizens to invest in the long-term, while substantially simplifying the customer journey, should be a top priority. Past initiatives such as ELTIFs, but also ongoing discussions on tax incentives at national level, and upcoming supplementary pensions recommendations, will be game changers if crafted with the necessary ambition.

Regarding supervision, having a single supervisor for large cross-border asset managers would not necessarily deliver on the improvements expected by its proponents. Indeed, this new architecture could potentially lead to disconnect asset management firms from the National Competent Authorities (NCAs) which already know them best. In addition, it would not avoid duplications as entities in scope would still be subject to national supervision for – at least – some of their products, adding further complexity and unnecessary administrative layers. Instead, we advocate for a more pragmatic approach, which would notably include the recognition of the concept of EU group in the European regulation, without changing the supervisory set up. With the aim of supporting the competitiveness of European groups, this approach could simplify some existing regulatory requirements (e.g. intra-group delegation). In parallel, further improvements must be achieved in terms of data standardisation and sharing of information between NCAs in order to enhance supervisory efficiency.

To conclude, the SIU proposed measures are very encouraging for the EU asset management sector, as they recognize its strategic role in channelling savings towards investment in the economy and pinpoint important workstreams. It is however paramount for these upcoming measures to strike the right balance between gains and burdens, in order to deliver progress towards a better integrated internal market, efficiency gains and, ultimately, growth and competitiveness.

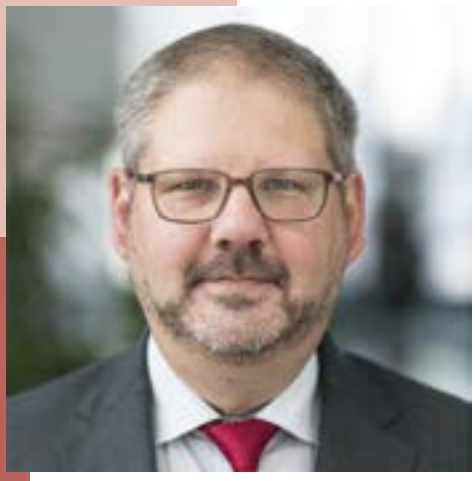
1. *EFAMA, Factbook 2025.*
2. *Broadrige.*

SEARCH AND DOWNLOAD EUROFI PUBLICATIONS ON WWW.EUROFI.NET

All Eurofi publications of the last 5 years, including full documents, individual policy notes, and magazine chapters, can be searched and downloaded using the filters on the Publications page.



CLEARING AND SETTLEMENT PRIORITIES



KLAUS LÖBER

Chair, Central Counterparties Supervisory Committee – European Securities and Markets Authority (ESMA)

EMIR 3: Enhancing EU clearing for a stronger Capital Markets Union

The EU is advancing its Saving and Investment Union (SIU) strategy to create more efficient and integrated capital markets.

Central to this effort is the operationalisation of EMIR 3, the enhanced regulatory framework for clearing, which focuses on two priorities: (i) reducing reliance on third-country central counterparties (CCPs) and (ii) enhancing the competitiveness and resilience of EU clearing.

Implementing the Active Account Requirement (AAR)

The AAR requires the most active EU clearing participants to maintain operational and representative accounts at EU CCPs for clearing specific interest rate derivatives. It aims to reduce dependencies on third-country critical infrastructures while safeguarding financial stability in the EU.

On 19 June 2025, ESMA published final draft Regulatory Technical Standards (RTS) on the AAR, outlining the operational conditions, representativeness and reporting requirements. These rules incorporate stakeholder feedback and include targeted simplifications to ease operational burdens while maintaining the AAR objectives.

Initial signs suggest that relevant EU clearing participants are indeed opening accounts at EU CCPs to the extent that they had not already done so. However, a significant shift in clearing volumes is yet to materialise. It will depend not only on the operational readiness and competitiveness of EU CCPs, but also on the preparedness of EU clearing participants to meet - or even exceed - the mandated number of transactions.

ESMA will play a key role in ensuring balanced implementation of the AAR through constructive dialogue with market participants. In parallel, the Joint Monitoring Mechanism (JMM) will monitor the AAR's effectiveness in mitigating financial stability risks for the EU.

Enhancing competitiveness and resilience

Beyond the AAR, EMIR 3 introduces broader reforms to improve EU clearing's competitiveness and resilience.

To enhance competitiveness, EMIR 3 shortens approval timelines for new products and models, standardises documentation, and introduces a centralised digital platform to streamline interactions between CCPs and supervisors. These measures aim to accelerate innovation, reduce administrative burden, and ensure more efficient and transparent supervisory processes. While these procedures may require adjustments by NCAs and CCPs, they are expected to bring much-needed clarity and predictability and, provided all stakeholders adhere to the rules of the game, result on average in a shorter time-to-market for new initiatives.

ESMA will publish final RTS by year-end on extensions of authorisation extensions and model validations, reflecting the recent consultation.

In relation to resilience, ESMA is currently consulting on measures to improve transparency in:

(i) initial margin requirements, so that clearing members and clients receive timely and adequate information, particularly during periods of market volatility.

(ii) the type of information on costs and fees to be disclosed by clearing service providers to their clients.

A second consultation will be launched by end of year to review the existing collateral framework, including proposals to allow the use of uncollateralised bank guarantees under specific conditions and to introduce safeguards to reduce procyclicality of haircuts.

These initiatives aim to support predictability, innovation and growth in EU CCPs while maintaining robust safeguards for financial stability. They reflect a balanced approach to regulation that encourages competitiveness without compromising on systemic resilience.

Clearing as a Foundation for the SIU

EMIR 3 is foundation for the broader SIU agenda. Robust and competitive EU-based clearing services are essential for deeper capital market integration and for enabling the EU to compete effectively on the global stage.

Achieving the SIU requires more than technical reforms. It will demand national divergences.

Given their systemic importance, CCPs must operate under a robust, unified regulatory and supervisory framework that allows to respond in a quick and agile manner to new developments or risks. Maintaining fragmented or cumbersome approaches hampers the EU's ability to manage cross-border stability risks and the EU CCPs' capacity to innovate and compete at the global level.

This integration is particularly vital as the sector adapts to new operational and cyber resilience requirements under DORA and prepares for the transition to T+1 settlement, all of which demand secure and efficient EU infrastructures and seamless interaction across market participants.

Conclusion

EMIR 3 offers a unique opportunity to build a safer, more resilient, and competitive EU clearing ecosystem. Its success hinges on collaboration among regulators, policymakers, supervisors, and market participants to fill with life a clearing infrastructure that meets today's challenges and tomorrow's opportunities.



BIRGIT PUCK
Managing Director Securities Supervision – Austrian Financial Market Authority

Strengthening supervision of EU post-trade infrastructures

The implementation of EMIR 3 and the shift to T+1 settlement mark an essential step towards a more resilient and competitive EU financial system, where stronger centralised supervision of CCPs and CSDs is essential to managing systemic risks and ensuring efficient cross-border post-trade integration.

The transition to T+1 settlement on 11 October 2027 represents one of the most significant shifts in post-trade infrastructure. This move, already implemented in the U.S. and Canada, is now firmly on the agenda in Europe. The industry's focus has now shifted to the practical implementation. This phase is arguably the most complex, as it involves not just technical adjustments, but a coordinated transformation across the entire post-trade value chain.

While we do not foresee major regulatory challenges, operational issues must nevertheless be tackled in a coordinated manner. The necessary preparatory work for a successful switch falls mainly upon the financial market participants. The establishment of the EU T+1 Industry Committee and its sub-groups should however provide a sound basis for a successful and coordinated implementation, but market participants need to start tackling the homework they have been set.

EMIR 3.0 has been designed to streamline supervisory processes for EU central counterparties (CCPs) to make CCP supervision more efficient. It should enhance supervisory convergence and establish a more harmonized supervisory framework. The Regulation's aim is to boost the competitiveness and resilience of EU CCPs by reducing regulatory delays and burdens within approval processes. EMIR 3 also foresees a greater role for ESMA acting as the centralised supervisor.

As EU post-trade infrastructures become more interconnected and systemically important, the need for more centralised or co-ordinated supervision becomes increasingly evident. Benefits include enhanced systemic risk oversight. Further, it reflects consistency and efficiency, as harmonised rules and supervision reduce fragmentation and compliance burdens. Finally, ESMA's expanded role under EMIR 3, especially in emergencies, is a step toward a more agile and co-ordinated response mechanism.

The efficiency of these new rules in practice will become clearer once these standards have been fully adopted and applied. However, the enhanced role of ESMA in EU-CCP supervision along with the close connections within the European supervisory system of CCPs (including national supervisors, supervisory college members, and ESMA) and the significant role of CSDs as key market infrastructures, have led to discussions about the need for a single centralised supervisor.

Centralised supervision is the way forward to ensure efficient cross-border post-trading.

To effectively fulfil its essential role in the evolving landscape of EU post-trade infrastructure, such a centralised supervisor must possess a comprehensive understanding of the diverse business models and organisational structures of the entities it supervises.

Beyond in-depth expertise, the central supervisor must be established in a way that ensures both cost-efficiency and operational scalability. It should focus on refining regulatory policies, ensuring that supervisory practices remain aligned with market developments and technological innovation, and cooperating with supervisors in other countries. The experience and knowledge and know-how of national supervisors should be duly considered: especially in understanding the national specificities, business models and risks of entities in member states.

Any plans to change the supervisory landscape or to adapt the approach to supervision of post-trade infrastructures should be evaluated under the following premise: do such changes contribute effectively to the Savings and Investment Union's (SIU) goals, namely to deepen the financial markets and to enhance the competitiveness of European financial actors, and do they contribute to the goal of simplification and burden reduction?

A tiering system, as currently foreseen for third-country CCP supervision, could be a suitable means to reflect all aspects relating to the complexity of individual CCPs and CSDs, their business models, organisation and risk profiles in conjunction with the competences of a central supervisor and the local know-how of national supervisors. The tiering system would consider the size and risk profile and especially cross-border risks for large entities, whereas small and local CCPs and CSDs would remain under the supervision of NCAs, while ensuring an information right for colleges and ESMA. This approach would also ensure proportionality, save costs and allow ESMA to efficiently bundle its resources on the market's largest infrastructures.



GIUSEPPE GRANDE

Head of Market and Payment Systems Oversight – Banca d'Italia

Post-trading in the EU: simplification, access, T+1 and supervisory convergence

The implementation of EMIR 3 is underway, and its success is crucial to improving the efficiency of central clearing in Europe. A key feature of the new regulatory framework is the introduction of accelerated procedures for approving new service offerings or changes to risk models. The focus will be on establishing clear, objective and well-calibrated criteria to distinguish between changes that require a full, thorough assessment due to their significant impact, and changes that have a lesser impact and can therefore benefit from accelerated approval or exemption from prior regulatory assessments. To maximize the benefits of EMIR 3, it is crucial that the longer, standard approval procedures are reserved for initiatives with substantial effects only. The ongoing efforts are focused on refining these criteria, building on CCPs' feedback and leveraging current supervisory experience.

At the same time, it is crucial that the relevant authorities receive adequate information to make informed decisions when approving extensions to authorizations and validations. While some changes may be exempt from detailed scrutiny, once it is established that a proposed modification could have significant implications, the authorities must receive comprehensive evidence in order to be able to assess the impact of that change. Inadequate or insufficient information could undermine the effectiveness of the approval process and, in worst-case scenarios, pose a risk to financial stability.

Another significant area of focus in the implementation of EMIR 3 is the specification of participation criteria for CCPs. In order to strike a balance between infrastructure resilience and broader access to services, CCPs should consider a wide range of factors when setting admission criteria. This will ensure proportionality is applied based on each participant's specific category and risk profile. This risk-based approach will guarantee that access to central clearing remains broad, inclusive and fair, while safeguarding the systemic integrity of the clearing system.

Finally, transparency requirements, particularly regarding the provision of margin simulators by CCPs, need to be further defined. These tools aim to help market participants anticipate margin calls more effectively and improve their liquidity preparedness. In this regard, the EU is ahead of other jurisdictions in implementing high-level policy proposals that have also been suggested by international standard setters. This work must be carried out effectively to maintain the EU's leadership in improving transparency within the central clearing space.

The implementation of T+1 is also progressing. Enhancing automation and standardization across all stages of the post-trade lifecycle (e.g. trade matching, securities lending, FX bookings, and corporate action handling) is essential to ensure a smooth settlement process even within a halved settlement cycle. In Europe, the transition to T+1 is more complex than in many other jurisdictions due to the number of parties involved, the different currencies, and the specificities of local regulatory and market practices.

Significant milestones have been achieved. EU legislators have provided legal certainty for the process by amending the relevant parts of the CSDR, setting T+1 implementation for 11 October 2027. EU governance is already in place and functioning properly. An industry committee has finalized a road map and the related recommendations to help market participants identify the necessary changes to operate effectively in a T+1 environment. National coordination fora, such as the one established in Italy by Consob and Banca d'Italia, could further facilitate monitoring the transition and raise awareness among all stakeholders at a local level.

From a systemic risk perspective, the move to a T+1 settlement cycle may introduce additional challenges in managing operational risk, including cyber risk. The shortening of the time between trade execution and settlement, coupled with the high volume of transactions concluded in the financial markets, increases the need for operational resilience. This makes it even more important to ensure the robustness of the IT infrastructure and communication interfaces along the entire post-trade chain.

Authorities must receive comprehensive and sound evidence on proposed material changes.

As discussed in this magazine and at the Eurofi seminar in Warsaw in April 2025, improving the coordination or centralization of the supervision of financial market infrastructures under the Savings and Investment Union initiative could enhance the efficiency and stability of EU post-trading services. However, we do not need to wait for this. The proper implementation of the changes introduced by EMIR 3 and the CSDR Refit can further strengthen the convergence of supervisory practices within the current regulatory framework.



BERNARD FRENAY
Chief Executive Officer, European Markets & ESG – Euroclear S.A.

From T+1 to SIU: Crises as catalysts for change

The European financial services industry is certainly not short of major challenges, which is precisely what makes our day-to-day work so fascinating! Among the most pressing are T+1 and SIU. Two initiatives that, while seemingly distinct, are deeply interconnected.

At first glance, they appear quite different:

- T+1 is an operational initiative aimed at shortening the settlement cycle.
- SIU (Savings and Investment Union) is a political and strategic effort to channel more savings into European capital markets to finance Europe's key challenges.

Yet these two initiatives share key commonalities and reinforce one another:

- Outside original roadmaps: Neither was initially part of the European financial services' roadmaps that are typically looking two years ahead:
    - The US decision to move to T+1 forced Europe to respond
    - Europe's declining competitiveness and shifting geopolitical landscape demand European capital markets mobilisation
- Challenging our thinking: Both initiatives compel us to unite, harmonise further, and identify the barriers still in our way
- Creating new opportunities: They open doors to process optimisation, group synergies, FMI interconnectivity, regulatory simplification and deeper market integration.

T+1: From shock to strategy

The U.S. surprised us on February 23, 2023, when it announced its intention to transition to T+1 by May 28, 2024. After the initial shock, Europe rallied. At the European Commission event on January 25, 2024, consensus quickly formed: the question was no longer *if*, but *when*.

I am always amazed how strong we get, at company or political level, in time of crisis, as this was indeed a crisis: 27 Member States, the UK and Switzerland had to come together to decide on a date and get organized to identify key requirements for the industry to undertake such a significant shift!

And we did. The UK Accelerated Settlement Taskforce and the EU T+1 Industry Committee, supported by ESMA, the European Commission, and the ECB, agreed on October 11, 2027 as the transition date. In record time, the EU T+1 Committee mobilised hundreds of experts into technical workstreams, collaborating with public authorities to publish a comprehensive roadmap and recommendations on June 30.

T+1 and SIU, can both be seen as crises, in the best sense of the word: as turning point for change.

At Euroclear, we are at the heart of this transformation, promoting high levels of settlement efficiency with enhanced use of liquidity and inventory. To support our clients through the T+1 transition, we are launching EasyFocus+, an AI-powered settlement efficiency platform that leverages predictive analytics, real-time exception management, and collaborative tools.

SIU: A strategic imperative

SIU, and its predecessor CMU (Capital Markets Union), are not new topics, which the EUROFI community can certainly testify from past panels and presentations. But today, the momentum is stronger than ever, driven by:

- A shifting geopolitical context,
- Concrete recommendations from the Noyer, Letta, and Draghi reports,
- And the political agenda of the incoming European Commission.

I firmly believe that Europe will grow strong in face of the crises and align on key actions to achieve the SIU.

At Euroclear, SIU is embedded in our strategy. We advocate for an open, interconnected post-trade architecture as the key to unlocking EU integration, competitiveness, and scale. Our commitment is to serve market participants by offering a single point of access to all 27 Member States across all asset classes, contributing to the SIU objective of channelling savings into European capital markets.

In our recent policy paper, *A European Infrastructure fit for the Savings and Investment Union*, we suggest key policy recommendations to promote group synergies and market integration. Large FMIs, like ourselves, have a role to play in increasing Europe's competitiveness:

- Internally by leading group's markets harmonisation efforts and entities' synergies for the benefit of our clients
- Externally by connecting issuers to investors leveraging the powerful combination of local and global outreach.

Europe at stake:

T+1 and SIU, can both be seen as crises, but in the best sense of the word: as turning point for change. They compel us to get together, define an action plan, be inventive and collaborate.

"Only a crisis produces real change"[1] – we have paved the way with T+1. Now let's use that momentum to deliver on SIU—both individually, by embedding it in our corporate strategies, and collectively, as an industry.

1. *Milton Friedman.*



MICHALIS SOTIROPOULOS

Head of Government Relations, Europe – The Depository Trust & Clearing Corporation (DTCC)

Clearing and settlement: Priorities for supporting the SIU

Financial market infrastructures (FMIs) form the backbone of efficient and stable markets. Clearing and settlement, as well as other forms of intermediation in post trade (like matching), have been historically an integral part of the genesis, evolution and success of capital markets.

As we, in Europe, work towards building a Savings and Investment Union (SIU), we should take this as an opportunity to build FMIs fit for the 21st century. By focusing on automation and standardisation, we can address barriers to market integration and take lessons learnt from the development of other capital market systems, including, but not limited to the UK and the US.

The EU T+1 Industry Committee emphasises the need for automation in its recently published *"High-Level Roadmap to T+1 Securities Settlement in the EU"*. We have made significant progress in a short period of time and the transition to T+1 settlement is now a key part of the SIU agenda, with its focus being automation, standardisation and competitiveness of the EU capital markets.

As was demonstrated in the US's move to T+1 in 2024, same-day allocation and confirmation of trades, which were made possible by automation, are critical enablers of T+1 settlement. According to our data, European transactions matched on DTCC's central trade matching platform, CTM, demonstrated in H1 2025 that market participants using automated trade matching solutions achieved an average of 96.2% same-day matching on equities trades, with the top five volume EU markets hitting an average of 96% or more. These metrics demonstrate that same-day matching, and thereby T+1 settlement, is achievable by leveraging automated solutions already available today, and would enhance the EU's competitiveness in the long run.

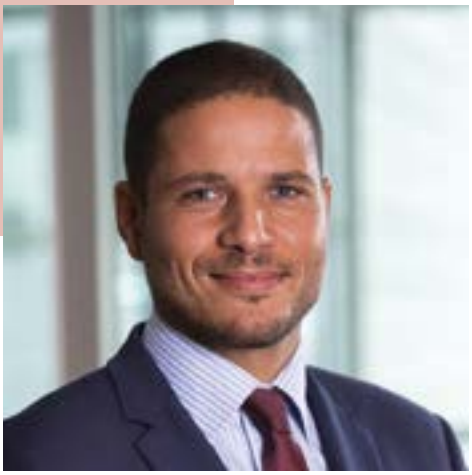
Furthermore, using electronic databases to maintain accurate information for the non-economic elements of transactions, known as Standing Settlement Instructions (SSIs), can provide transparency, increase automation and standardisation, and significantly reduce settlement failure. ESMA's recent assessment, together with the EU T+1 Industry Committee's recommendations, align with these objectives, advocating for harmonisation, standardisation and modernisation across the EU.

Greater automation of post-trade processes is critical for enhancing the EU's competitiveness.

A new research report from Firebrand Research, in collaboration with Clearstream, Euroclear, and DTCC, outlined some of the significant operational issues and data inconsistencies that European participants face for T+1 implementation, such as Place of Settlement (PSET) matching; incorrect Standing Settlement Instructions (SSIs); and, a lack of automated confirmation matching. For instance, firms interviewed by Firebrand Research highlighted that 21% of settlement failures were caused by data issues, such as incorrect or stale SSIs. Starting early and leveraging automated matching tools enriched with golden source SSIs and PSET matching capabilities is critical to achieving T+1 settlement across the region.

On clearing, while the number of CCP providers and their supervision remain critical parts of the debate, the focus should be connectivity: connecting FMIs across Europe remains perhaps more critical today than ever before. The future of CCP clearing is likely to be shaped by the shift towards T+1, which aims to reduce the time between trade execution and settlement. This change will enhance liquidity, reduce counterparty risk, and improve market efficiency. It also offers an opportunity to reimagine workflows to further increase settlement efficiency and improve connectivity. Tri-party matching is one such example, as it equips prime brokers with a golden copy of transaction details relating to a trade match between a hedge fund and an executing broker, thus facilitating straight-through processing (STP) of these transactions and streamlining the process of netting and clearing. The tri-party matching workflow is foundational to unlocking additional clearing opportunities in securities markets for institutional trade flows. With decades of experience operating in the EU and clients across 30+ European markets, DTCC remains committed to working with market participants and FMIs providers to bring optimised workflows to the markets that support increased settlement efficiencies and clearing benefits.

In conclusion, clearing and settlement, as well as associated processes remain priorities within the SIU, enabling the EU's efforts to automate, standardise, and adopt innovative technologies and solutions. With T+1 implementation for the UK, EU, and Switzerland a little over two years away, now is the time for market participants to prepare by implementing automation tools and optimising post-trade workflows to unlock the benefits of accelerated settlement, including reduced risk and enhanced operational efficiencies and thereby maintaining and enhancing Europe's competitiveness in the global financial markets.



HAROUN BOUCHETA

Head of Public Affairs, Securities Services – BNP Paribas

SIU and post-trading: which levers to unlocking Europe's financial growth?

The EU stands at a decisive crossroads with global competition intensifying and market dynamics evolving rapidly. As highlighted by the EU reports (Draghi, Letta, Noyer...), there is a unique opportunity to mobilize EU savings and effectively channel them towards productive investments to play a decisive role for the EU's economic future.

Making this vision a reality requires moving beyond rhetoric. It entails a pragmatic and ambitious roadmap grounded in targeted reforms and strong political will. It is in this context that the Savings and Investment Union (SIU) can reveal its full potential. Designed to profoundly transform European financial markets, the SIU must be more than a theoretical framework.

Concrete measures to drive integration and scale

To achieve a truly integrated and competitive European financial market, the EU must shift from aspirational considerations to concrete actions. The path forward requires a package of targeted and practical initiatives that address both persistent obstacles and new challenges. The following measures, detailed here, represent key priorities for building a dynamic and resilient market environment which fosters investments and innovations:

- **Enhance rule-making agility:** the EU needs mechanisms to swiftly update and refine financial regulations, especially for wholesale capital markets which require more agility. This involves periodic reviews of current rules, feedback loops with market participants, and developing adaptable regulatory sandboxes to test innovations before widespread implementation.
- **Prioritize regulatory stability:** while agility is key, stability in areas not requiring urgent adjustments is equally essential. Predictable regulatory frameworks reduce uncertainty, encourage long-term planning for investors, and support sustainable investment decisions. This balance helps to maintain confidence throughout market cycles.
- **Strengthen T2S and harmonization:** expanding the role of Target 2 Securities could further simplify cross-border settlement in Europe. This involves not only technological upgrades and cost savings but also removing outstanding barriers on unjustified national specificities and market practices, corporates actions, tax, and data standards, ensuring that investors can operate seamlessly across jurisdictions.
- **Improve competition in post-trade FMI services:** increasing competition among Financial Market Infrastructure (FMI) providers is fundamental. Moving to a T+1 settlement cycle will reduce the risk window for trades, but real progress in lowering prices will come from promoting interoperability between platforms and ensuring that participants have equal and transparent access to services—driving down costs and improving service quality.
- **Increase price transparency:** mandating detailed, easily accessible and comparable pricing disclosures from all FMI providers will empower market participants to make more informed choices and foster healthy competition.
- **Reconsider FMI consolidation:** rather than pushing for forced consolidation—which can be slow and fraught with resistance due to diverse national legacies—the focus should be on promoting healthy competition. This can be achieved by establishing common standards, and encouraging cross-border partnerships, ensuring that consolidation is market-driven rather than imposed.
- **Unlock DLT potential:** DLT holds the promise of cutting operational costs and enhancing security. The SIU should facilitate pilot projects, industry collaborations, and regulatory clarity for DLT adoption, paving the way for scalable, real-world applications in securities processing and data management.

By focusing on these detailed priorities, the EU can promote deeper integration, scalability, and innovation in its financial system, laying the basis for sustainable growth and enhanced global competitiveness.

Integration and scale:

> **Increasing competition is key to achieving a competitive and unified post-trade landscape.**

the engine of growth

These measures are not optional — they are essential if the SIU is to deliver genuine progress. Reducing fragmentation through integration and scaling is Europe's best chance to create deeper, more liquid markets and attract global capital.

The SIU represents an incredible opportunity for the EU to build an integrated, resilient, and globally competitive financial market. To fully realize this potential, it is essential to make decisive progress on reforms and simplification by involving all EU stakeholders and by drawing on the expertise of all market participants.

In this context of necessary transformation, the commitment of major European financial players is critical in ensuring the SIU's success and to help the EU meet its economic sovereignty needs. BNP Paribas is actively involved alongside European institutions and other market participants to facilitate the adoption of an effective and inclusive SIU in the best interest of clients and ultimately EU citizens.



JULIEN JARDELOT

Head of Government Relations & Regulatory Strategy, Europe – London Stock Exchange Group (LSEG)

Reducing friction in the clearing space

The recent iterations of EMIR have attempted to reduce friction in the operations of EU CCPs by (1) addressing the issues of time-to-market and level-playing field linked to the EU supervisory construct and (2) tackling the lack of coordination across the different EU regulatory regimes. However, more needs to be done to address those issues. In addition, EMIR 3 introduced new frictions to the clearing of some instruments, namely OTC derivatives and ETDs, with the inclusion of the active account requirements, effectively imposing market fragmentation on EU firms (3).

For all intents and purposes, we wonder whether the clearing ecosystem in the EU post-EMIR 3 will be more attractive.

When it comes to supervision, the European Commission highlighted that the supervisory processes take too long and are uncertain in their outcome for EU CCPs to bring new products to the market or adapt their risk models and parameters.

EMIR 3 attempted to address this complexity by introducing several improvements, including an increased role for ESMA and more prescriptive timeframes. However, the fundamental reason for this complexity, the multi-layered structure of EU CCP supervision (ESMA, CCP Colleges, National Competent Authorities (NCAs)), remains firmly in place. This convoluted framework can result in lengthy approval processes, particularly outside official EMIR timelines, and an unlevel playing field. This has yet to be properly addressed.

As we pursue greater market competitiveness and attractiveness of the EU clearing ecosystem, we need to address the highly sensitive, yet crucial aspect of supervision. The last two iterations of EMIR have increased ESMA's role in the supervision of EU CCPs but kept the NCAs strongly involved, resulting in a framework that remains duplicative and complex.

To create a unified market, one that allows EU CCPs to compete across Europe and compete globally, we need a common set of rules enforced by a single authority. Adding-up local and EU layers has not improved either time-to-market or the level-playing field so far. EU single supervision seems to be the way to ensure a unified interpretation of the EU framework, a competitive time-to-market, an efficient overview of flows and risks, and a structure that is clear to both EU and non-EU market participants.

We wonder whether the clearing ecosystem in the EU post-EMIR 3 will be more attractive.

As EU co-legislators are set to discuss the supervisory structure soon as part of a market infrastructure legislative package, the European Commission should make bold proposals and ensure ESMA has a more central role in the supervision of EU CCPs, at least for the largest ones with global ambition. This is key to the competitiveness and simplification agendas and will ensure EU CCPs can compete globally.

In addition, when it comes to the interaction between EMIR and other regulations, the EU legislative framework operates too much in silos. For example, this creates frictions to the development of clearing models adapted to Non-Bank Financial Intermediaries (NBFIs), specifically relevant in the cleared repo market.

Whilst EMIR 3 addressed some of the issues linked to Money Market Funds Regulation (MMFR), more needs to be done to address issues across the various pieces of legislation applicable to EU banks and sectoral NBFI regulations whether it is UCITS, Solvency II or the Capital Requirements Regulation (CRR). This is key both for the development of repo clearing services at a time when the US is soon to mandate clearing, and to support NBFIs' liquidity preparedness. This would also increase the velocity of EU government bonds markets.

Finally, on the question of requiring that EU counterparties hold an account at an EU-based CCP and that they clear a representative portion of their trades through that account, this creates friction and does not promote competitiveness in Europe. Dictating where and how EU firms must conduct their clearing operations curtails their ability to access global pools of liquidity. Whilst the RTS submitted to the European Commission addressed some of the unduly complex operational conditions attached to it, this requirement introduces fragmentation and reduces netting benefits, making the EU less resilient to market stresses, with no clear benefit to its financial stability.

If the objective is to preserve financial stability, we believe that strengthening the cooperation between the EU and the national competent authorities of Tier 2 CCPs is the best way forward. As such, the signing in March 2025 of the revised Memorandum of Understanding (MoU) between ESMA and the Bank of England on cooperation and information exchange is to be welcomed, particularly considering ESMA's new enforcement powers over Tier 2 CCPs such as on-site inspections and the validation of new initiatives.

More can be done to improve the competitiveness of the European clearing landscape, but these reforms necessitate addressing some of the internal barriers to the evolution of the EU supervisory and regulatory construct.

We thank the **Danish Presidency of the Council of the EU** and **the partner institutions** for their support in organizing the Eurofi Copenhagen Forum



aws

BANK OF AMERICA

BNP PARIBAS

CRÉDIT AGRICOLE S.A.

Nordea

Swift

BlackRock.

DEUTSCHE BÖRSE GROUP

euroclear

J.P.Morgan

kraken

LSEG

MOODY'S

Nasdaq

4

BANKING AND INSURANCE REGULATION

INTERVIEWS 136

Jean Lemierre - BNP Paribas
Fernando Vicario - Bank of America Europe DAC
Jérôme Grivet - Crédit Agricole S.A.
Vittorio Grilli - J.P. Morgan

IMPROVING THE COMPETITIVENESS OF THE EU BANKING SECTOR 144

Nathalie Aufauvre - Autorité de Contrôle Prudentiel et de Résolution / **François-Louis Michaud** - European Banking Authority / **Jacek Jastrzębski** - Polish Financial Supervision Authority / **Patricia Bogard** - Crédit Agricole CIB / **Stephen Fisher** - Deutsche Bank AG

DIVERGENT GLOBAL IMPLEMENTATION OF BASEL 3 150

José Manuel Campa - European Banking Authority / **Norbert Izer** - The Central Bank of Hungary / **Joerg Hessenmueller** - Standard Chartered Bank AG / **Giuseppina Marra** - Desjardins Group

MEASURES TO BREAK THE BANKING UNION DEADLOCK 154

Helmut Ettl - Austrian Financial Market Authority / **Katja Lautar** - Ministry of Finance, Slovenia / **Ludek Niedermayer** - European Parliament / **Rui Miguel Correia Pinto** - Banco de Portugal / **Jacques Beyssade** - Groupe BPCE / **José Antonio Álvarez** - Santander

MACROPRUDENTIAL FRAMEWORK REVIEW 160

François Haas - Banque de France & Autorité de Contrôle Prudentiel et de Résolution / **Soledad Nuñez** - Banco de España / **Michael Theurer** - Deutsche Bundesbank / **Frank Vang-Jensen** - Nordea / **György Kiss-Haypál** - Otp Bank

EU BANK CRISIS MANAGEMENT FRAMEWORK 166

Dominique Laboureix - Single Resolution Board / **Santa Purgaile** - Bank of Latvia / **Peter Palus** - Permanent Representation of the Slovak Republic to EU / **Karsten Biltoft** - Danish Finansiel Stabilitet / **Daniel Quinten** - National Association of German Cooperative Banks / **Johannes Rehulka** - Austrian Raiffeisen Association

MAJOR EMERGING RISKS IN THE INSURANCE SECTOR 172

Mariana Kühnel - Austrian Financial Market Authority / **Anita Fox** - National Association of Insurance Commissioners / **Petra Hielkema** - European Insurance and Occupational Pensions Authority / **Michael Steel** - Moody's

INSURANCE PROTECTION GAPS 176

Petra Hielkema - European Insurance and Occupational Pensions Authority / **Michael J. McGrath** - Department of Finance, Ireland / **Hanne Van Voorden** - International Association of Insurance Supervisors / **Bruno Lepoivre** - Crédit Agricole Assurances / **Cristian Mihai** - Swiss Re Management Ltd



JEAN LEMIERRE
Chairman - BNP Paribas

Enabling the EU financial sector: It is time for Europe to be bold

In a context of high economic uncertainty, geopolitical tensions and increasing international fragmentation, as many political leaders and central bankers are stating, it is the time for Europe, which is indeed a wealthy and stable economic area, to act. But this will happen if Europe moves quickly and substantially in the economic and financial fields to foster its competitiveness and to face the many challenges it is confronted to, notably the green and digital transitions, the reindustrialization and the defence needs.

Estimates of Europe's financing needs to meet these challenges amount to more than one trillion euro annually. The EU will need to do all it can to mobilize all sources of funding, especially with the low economic growth and high public debt conditions faced by many Member States. Leveraging European banks' financing capacity is essential to bridge this gap. This will require pragmatic policy decisions and adjustments to the prudential / regulatory framework to ensure that European banks remain strong and competitive and are able to play their essential role to their full potential.

A first priority to enhance the strength and competitiveness of EU banks is ensuring the level playing field with their US and other international competitors. In the United States, a deregulation and simplification agenda is implemented, which will likely translate for American banks into lower capital requirements related to the changes to come to the Supplementary Leverage Ratio, the G-SIB buffers, the CCAR stress tests, and the supervisory practices, which are set to abandon reputation and governance as key factors in assessing the strength of banks. If and when enacted, these measures may result in significant reductions in capital requirements for American banks. EU banks which are already well capitalized ask for simplification and a level playing field in areas of competition such as market activities. Europe needs to remain very vigilant in this regard.

On the implementation of Basel III, the EU is the first major jurisdiction to apply stricter rules resulting in increased capital requirements. In the United States, there might be a proposal of the endgame rules in 2026, but if so, it would be capital neutral. Moreover, the UK has deferred everything until at least January 2027 and aims to be capital neutral as well. Canada for its part has chosen to freeze the increase of the output floor. As other jurisdictions delay implementation, the untimely application of the market risk rules in the EU would have a potentially massive impact on its large banks. In concrete terms, this means that a new delay in the application of the FRTB rules is needed, for Europe to be able to align to the US and the UK implementation, knowing that, the UK has just announced a delay until January 2028 for the internal model approach. Otherwise, EU banks will have to further retreat from certain sectors and business lines and will become weaker and less competitive.

In this changing world, carrying on with business as usual is no longer possible. Now is the time for Europe to act.

Relaunching securitization is also a key priority to unlock EU banks' financing capacity. It is crucial to increase the attractiveness of this market and to enlarge the investor base. The Commission's recent proposal to do so is an efficient initiative that aims to improve prudential calibration by decreasing capital charges tweaking risk sensitivity. The proposal should be made more powerful to trigger a stronger revival of the market. Several key areas could be improved via the Commission proposals to come, notably ensuring that the treatment of LCR is not penalizing, and amending Solvency II to better account for the actual risks of securitization and to limit the reglementary costs for insurers investing in securitization.

Beyond securitization, simplification is needed to increase retail investor participation in equity markets. In that respect the proposal of a European label for financial products will contribute to boost equity funding by providing access to

safe cross-border investment opportunities. On the other hand, to avoid a decline of the role the financial markets play to finance the economy, the Commission RIS proposal, which is complexifying the retail investor journey, should be reviewed.

A third priority is completing the Banking Union, which is essential for Europe's single market and for its financial sector. The impediments to the free flow of capital and liquidity have to be removed so that dividends and liquidity circulate freely inside banking groups. This would be a logical new step after the recent political agreement found on the review of the Crisis Management and Deposit Insurance framework, which allows for the possibility of accessing the Single Resolution Fund in the resolution of a failing small or medium-sized bank.

These policy priorities are crucial to fulfilling the opportunities for Europe and its financial sector. As such, progress in their implementation and the strength of the EU financial sector should be an integral part of the Competitiveness Compass. In this changing world, carrying on with business as usual is no longer possible. Now is the time for Europe to act.



FERNANDO VICARIO
Chief Executive Officer, Bank of America Europe DAC & Country Head, Ireland

Consolidation and securitisation – what the EU's banking sector needs now

Despite recent progress witnessed in European markets, they remain less profitable than their international competitors. This gap is most evident when comparing European banks to their US counterparts, which have achieved a higher average return on equity since the end of the financial crisis. Part of this disparity stems from different interest rate environments. European banks' balance sheets continue to bear the scars of the ECB's prolonged period of accommodative monetary policy, which kept financing costs low but created a sustained drag on net interest income.

The broader economic context also plays a role: the US economy has consistently outperformed the Eurozone, creating more investment and lending opportunities that boost bank profitability. However, the profitability gap also persists due to structural issues within the European banking system. Addressing these challenges requires completing the Banking Union and transforming the EU's securitisation market to tackle some of the fragmentation that undermines sector performance.

European banks currently lack the global scale needed to compete effectively. The European banking landscape remains dominated by regional banks and national champions, with few truly pan-European institutions and global players. This fragmentation makes it difficult to compete against larger international banks and limits operational efficiency. Moreover, European banks rely more on traditional lending activities that remain on their balance sheets, while their US peers tend to generate higher returns focusing on higher-yielding exposures, as well as through a greater participation in investment banking and trading activities.

While mergers and acquisitions are often cited as a solution to Europe's scale problem, execution has proved challenging. Over the past year, a wave of domestic consolidation has begun in fragmented banking markets, but various deals have encountered political resistance, despite compelling economic rationale. The failure to execute these domestic mergers appears detrimental to the EU banking sector's competitiveness.

The incomplete Banking Union and less developed Capital Markets Union appear to be additional hurdles. Without these frameworks, merging banks cannot fully realise revenue synergies or extract cost savings, limiting their ability to achieve meaningful scale.

Finishing the Banking Union, establishing a European Deposit Insurance Scheme and removing barriers to cross-border consolidation, would address the fragmentation and drag on European banking. These reforms would enable banks to pursue consolidation opportunities that create genuine value.

The EU needs to develop further private capital financing capabilities.

The Capital Markets Union is a critical piece of the puzzle. The EU needs to develop further private capital financing capabilities and reduce banking intermediation while expanding the use of securitisation and other risk transfer mechanisms. Currently, European banks are hamstrung by structurally limited use of securitisation. The EU securitisation market operates below its potential and fails to contribute sufficiently to economic growth or capital market development. This underutilisation is a missed opportunity.

Securitisation offers unique advantages. It enables risk transfer from bank balance sheets through investments with different risk profiles, allows increased lending without requiring expensive additional bank capital, facilitates the transformation of bank balance sheets from 'brown' to 'green' assets, provides simultaneous financing for numerous EU SMEs, and supports ECB monetary policy as well as corporate and sovereign financing during economic stress. The European Commission's recent proposals to revitalise

the EU's securitisation framework represent progress in the right direction, but bolder steps should be taken during the negotiation process.

Finally, the simplification agenda is also part of this equation. Despite the current efforts that are being pursued by the European Commission, which we support, simplification in the financial services sector should consider the strains put on the sector beyond reporting requirements. Banks in Europe face a significant number of regulatory transformational projects today. The implementation of DORA, SEPA IPR, and the significant changes coming in under Article 21c of CRD6 consume precious resources and bandwidth within banks. This is happening at a time of significant incremental geopolitical and climate related risks, as well as technological transformation given the advent of AI. All will require large investments to ensure consistently safe operational and cyber security.

With all this in mind, it is clear that decisive action is urgently needed to deliver meaningful results for Europe's banking sector and broader economy.



Q&A

JÉRÔME GRIVET
Deputy Chief Executive Officer
- Crédit Agricole S.A.

Completing Europe's Banking Union: path to financial resilience & competitiveness

Why do European banks remain less profitable than global peers, and what steps are needed to reverse this trend? What role does the limited consolidation and integration of the European banking sector play?

European banks remain structurally less profitable than their global peers. Over the past decade, the average return on equity (RoE) for EU banks supervised by the ECB stood at 6.4%, compared to 10.4% for U.S. banks. This is aggravated by a loss of global market share in investment banking and persistently lower price-to-book ratios.

While this is partly due to conjunctural and monetary policy factors such as the growing Eurozone – US interest rate differential (which has eroded EU banks' net interest margins relative to U.S. peers), there are two structural issues that the EU can and should address promptly and effectively.

First, the absence of a fully integrated European banking market limits the potential for scaling up and improving efficiency. Currently, a high number of smaller entities compete for the same customer base in what could be described as a 'high costs, low profits' model. This fragmentation restricts cross-border capital and liquidity flows and hinders consolidation. In contrast, U.S. banks benefit from greater scale, unified supervision and deeper capital markets. A more integrated Banking Union, recognised as a single jurisdiction for prudential and resolution purposes, is essential to foster European banking champions.

Past cross-border merger failures have shown the consequences of this fragmentation. Uncertainty around intra-group capital flows, inconsistent supervisory expectations, and political resistance to foreign ownership have all contributed to the lack of successful integration across borders. These barriers must be addressed to enable meaningful consolidation.

Second, EU banks face heavier regulatory burden. A recent GARP study for the EBF shows that EU capital add-ons increase Basel minimum requirements by 67% at CET1 level. National discretions and supervisory overlays add complexity, creating a regulatory "mille-feuille" hard to digest. Meanwhile, the U.S. is easing some prudential rules, widening the competitiveness gap. New initiatives like the digital euro and the Retail Investment Strategy (RIS) could further impact the universal banking model, a cornerstone of EU financing.

Only by integrating the European banking sector, completing the Banking Union, advancing towards a more proportionate regulatory framework, and enabling market-driven processes can we ensure that European banks are globally competitive, support the real economy, and uphold financial stability across the Union. The 2026 Banking report will be an important opportunity to assess this situation and propose decisive steps forward.

What are the main divergences in Basel III implementation globally, and how do they affect the competitiveness of EU banks? How should the EU adapt its approach to safeguard its banking sector and financial sovereignty?

Global divergence in Basel III implementation is creating significant asymmetries. In the United States, uncertainty is rising regarding divergence from the Basel standards, with authorities aiming to ensure that the package remains capital-neutral for US banks. Recent declarations by Treasury Secretary Scott Bessent before the FED seem to confirm that the US approach relies on a likely reduction in capital requirements to stimulate lending. The United Kingdom has delayed its implementation of Basel III until January 2027, with several adjustments, including on P2 requirements, and an additional delay up to end of 2027 for market risk (FRTB). Canada, meanwhile, has frozen the output floor at its current level.

In much of the rest of the world, Basel III will lead to a reduction in capital requirements. European banks will be the only ones

facing an increase, despite already being subject to stricter requirements. In this context of global economic competition, the convergence of international prudential standards is becoming increasingly illusory.

The EU must ensure that the implementation of Basel III reflect the specificities of the European banking sector, including its diverse models (e.g., cooperative and regional banks).

The EU must then take decisive steps and not shy away from meaningful reforms of the prudential framework where needed. Without financial sovereignty and a strong financial sector, there can be no European sovereignty.

Why is progress on building a true Savings and Investment Union so slow, despite abundant private savings and major investment needs (green, digital, defence)? What policy priorities should go beyond securitisation to unlock long-term capital and improve investment allocation across borders?

Despite abundant private savings and major investment needs, particularly in the green, digital, and defence sectors, the EU lacks an efficient savings-investment channel. Fragmented capital markets, legal barriers, and insufficient cross-border risk-sharing limit investment flows. Internal barriers in Europe are equivalent to tariffs of over 100% on services.

The current framework does not effectively channel household savings into productive, long-term investments, particularly across borders. Pan-European investment vehicles and capital markets remain underdeveloped compared to those in the United States. As a reminder, 70% of financing in Europe is currently provided by banks, and only 30% by capital markets. However, banks face numerous constraints on their ability to significantly expand their financing capacity. The Savings and Investment Union (SIU) should move forward based on the following key principles: 1) Regulatory consistency and simplification are essential to reduce administrative and legal burdens, as stated in the "Less is More" Report. 2) A balance must be struck between consolidating market infrastructures and respecting existing structures: some solutions to fragmentation are already in place and should be preserved where effective. 3) European supervision is not a one-size-fits-all solution; it should be considered where it adds value but not assumed to be the answer to every challenge. While some highly Europeanised activity areas may call for a European supervision, the role of national authorities remains fundamental for understanding and supervising local specificities.

We should as well work toward unleashing the investment capacity of institutional investors in making the prudential framework more risk sensitive and proportionate to the rules of our non-EU competitors. A true Banking Union, without obstacles to the free movement of financial institutions, would support economies of scale and allow European champions to emerge to compete with their non-EU peers. Lastly, initiatives like the "Finance Europe" label or the Savings and Investments Accounts are very relevant to encourage long-term investments.

What concrete steps beyond EDIS are needed to advance Banking Union? How can the EU overcome national ring-fencing and domestic bias in supervision?

National ring-fencing and domestic bias in banking supervision reflect a deeper issue: a lack of trust in EU institutions and in the system we have built to safeguard financial stability. If ring-fencing persists, it is because existing mechanisms are not yet seen as sufficient. While the Single Resolution Mechanism (SRM) and the Single Supervisory Mechanism (SSM) have significantly harmonised processes, they have not yet translated into greater cross-border fluidity. To build that trust, we need action. Advancing market integration is essential to achieve the scale needed for productivity and innovation, as highlighted in the Letta, Draghi, and Noyer reports. No EU Member State can face global challenges alone.

On EDIS, while it is true that it is the missing pillar of the Banking Union, let's be realistic: the current proposal has been under discussion since 2015, and its origins date back to the 2012 vision of a three-pillar Banking Union. Before even considering EDIS, several steps are needed, including a precise assessment of risk levels and their convergence. Moreover, the conceptual debate around EDIS has become inflated and disconnected from practical progress. What we need now are concrete steps, starting with cross-border consolidation to build European champions in today's fragmented and increasingly adversarial global environment.

The most pressing priority is to build on the progress made through the SSM and SRM by facilitating cross-border consolidation. This means addressing the barriers to integrated capital and liquidity management, such as large exposure limits, ring-fencing of capital and bail-inable assets, national reluctance to pool liquidity, and a fragmented macroprudential framework. Removing these obstacles would allow EU banks to achieve economies of scale and scope, enhance their financing capacity within the internal market, and strengthen their global competitiveness.

Only through deeper integration can we achieve the scale, resilience, and innovation needed to compete globally and support our economies locally. The question is no longer whether to integrate, but how, and how fast. Let us choose ambition, grounded in trust and pragmatism.



Q&A

VITTORIO GRILLI

Chairman of Italy & of the CIB, EMEA – J.P. Morgan

Enhancing the EU single market by overcoming internal barriers

With each member state facing its own economic challenges — such as France's indebtedness, Germany's struggling economic model and the Baltic and Nordic countries' war fears — how can we revive and strengthen European economic and financial cooperation?

First of all, it is crucial to recognize the strategic opportunity that the European Union currently holds. Despite the economic and geopolitical uncertainties, the EU is well-positioned to advance the European project.

Some of the problems, but also key solutions to strengthen the European economy can be found in the Draghi report. Specifically, Mario Draghi has highlighted significant barriers within the EU's own single market, equating them to "hard tariffs" of approximately 45% for manufacturing and 110% for services. These internal barriers underscore the need for further economic integration within the EU to create a more robust and unified market capable of competing on a global scale. This includes the completion of the Banking Union and the Capital Markets Union, which are essential for enhancing financial stability, increasing investment flows, and creating a more attractive environment for companies seeking to expand their cross-border operations in Europe.

To tackle Member State indebtedness and creating more efficient economic models, some potential solutions that Member States could explore include increasing fiscal coordination, allowing for economic diversification and the fostering of cross-border companies which can deploy greater economies of scale. To tackle security concern, enhancing cooperation is the only way forward, and, over the past few months, the European Union has shown willingness to progress in this area.

Specifically for the banking sector, a more integrated banking system would not only help European banks achieve economies of scale, making them more robust and resilient, but it would also benefit them by reducing the complexity and costs associated with navigating multiple EU Member States. This integration provides an opportunity for a more streamlined client offering, ultimately benefiting the overall EU financial sector.

What factors have hindered the completion of the Single Market, particularly in services, energy, and digital sectors, despite repeated political initiatives over the past two decades? Why has progress toward a true "Savings and Investment Union" remained slow, and how can Member States and EU institutions accelerate it?

The completion of the Single Market has been hindered mainly by regulatory complexities and diverse interests among Member States, as harmonizing regulations across countries with varying priorities and economic conditions has proven challenging. Additionally, geopolitical factors and differing levels of commitment to integration have contributed to the slow progress.

However, the Savings and Investment Union carries a stronger political imperative compared to previous initiatives aimed at harmonizing EU capital markets. This is driven by the urgent need for substantial investments to regain competitiveness and enhance productivity, as highlighted in the above discussed Draghi report. There is a -welcomed- heightened focus on the role of Member States, emphasizing a collaborative approach rather than solely relying on top-down policies from Brussels.

Recent developments, such as the successful containment of inflation in the Eurozone and the ECB's subsequent interest rate cuts, have the potential to positively impact the EU economy. Additionally, the first half of 2025 has

witnessed a surge in European stock market valuations, with markets recognizing the continent's stability amid growing geopolitical uncertainty.

To capitalize on these favorable trends, the EU and its Member States should continue to advance the Savings and Investment Union project and finally achieve a true capital markets and banking union – more on that below. Member States must also fulfil their public spending commitments, particularly in infrastructure and defense, to sustain growth and competitiveness.

Europe can count on many companies that excel in cutting-edge and strategic sectors. However, to create European champions with global reach, the EU requires a coordinated approach in concentrating financial resources on innovative companies through strategic investment and collaboration across Member States.

What is vital is that the EU acts as a single economy, rather than defending a variety of diverging local interests. Greater harmonization in EU capital markets will inevitably lead to winners and losers, and Member States may need to make difficult choices for the EU to gain overall competitiveness. Identifying key players, fostering cross-border partnerships, and creating a supportive innovation ecosystem will strengthen Europe's global market position and drive economic growth.

What additional policy priorities beyond securitisation are needed to unlock long-term capital, enhance cross-border investment, and foster innovation and sustainable growth in the EU?

While a reform of the securitization framework is a welcome development, it is not a silver bullet to fix the growing financing needs of the European economy. Regulatory harmonization, reducing cross-border barriers, and fostering a conducive environment for capital flows are essential. Policies supporting innovation, digital transformation, and sustainable development can attract long-term capital and drive growth. Collaboration among Member States to align investment priorities and create a unified approach is key to realizing the EU's capital market potential. Official sector top-down and bottom-up processes need to run in parallel. However, bottom-up market developments are also important, in terms of technological improvement, market consolidation, and product innovation.

Why is completing the Banking Union important? How can national ring-fencing and domestic bias in banking supervision and regulation be dismantled? Is a phased approach the most realistic path toward completing the Banking Union?

Completing the Banking Union is pivotal for advancing the Savings and Investment Union, as it lays the foundation for a more integrated and resilient financial system within the European Union. A unified banking framework enhances financial stability, fosters trust among member states, and facilitates the free flow of capital, which is essential for robust savings and investment activities.

To dismantle national ring-fencing and eliminate domestic bias in banking supervision and regulation, EU policies must prioritize harmonization and integration. This means aligning regulatory standards across Member States and ensuring that supervisory practices are consistent and transparent. By fostering a culture of cooperation and trust, the EU could create an environment where banks can operate seamlessly across borders, thereby enhancing efficiency and competitiveness.

The Eurogroup's agreement on a roadmap for the creation of the Banking Union provides a structured path forward, emphasizing a phased approach that is both realistic and strategic. Gradual implementation allows for careful assessment and adjustment, minimizing risks and ensuring that all Member States are adequately prepared for the transition. Adhering to the roadmap is crucial, as it not only demonstrates commitment to the Banking Union but also builds confidence among investors and stakeholders.

For a comprehensive EU agreement, several conditions are necessary. Firstly, the establishment of a European Deposit Insurance Scheme (EDIS) is crucial to protect depositors and enhance confidence in the banking system. Secondly, policies must ensure the free movement of capital and liquidity within cross-border banking groups, enabling banks to optimize their resources and respond effectively to market demands. Lastly, the recognition of legally binding group support mechanisms across jurisdictions is essential to provide a safety net for banks operating in multiple countries, thereby reducing systemic risk.

In conclusion, completing the Banking Union is a strategic imperative for the EU. By fostering integration and cooperation, the EU can create a more resilient financial system that supports sustainable growth and prosperity across the region.

IMPROVING THE COMPETITIVENESS OF THE EU BANKING SECTOR



NATHALIE AUFAUVRE
Secretary General - Autorité de Contrôle Prudentiel et de Résolution (ACPR)

Competitive EU banks: the entry door to a competitive economy

The European Union stands at a critical juncture, as it has been losing ground to the US in economic competitiveness: over the last 25 years, GDP per capita has increased by 25% in Europe, compared with 38% in the US[1]. Yet, the EU's openness to international cooperation and its robust and credible regulatory framework remains key assets for global attractiveness in a time of high geopolitical and economic uncertainty. The current context offers a window of opportunity to close the gap. The 2024 Letta and Draghi reports, along with the EU's 2025 Competitiveness Compass, provide strategic guidance by calling for deeper integration of the EU single market, the completion of the Banking Union, and more efficient capital allocation.

To up its game, the EU must have more competitive banks, better integrated markets and smarter innovation financing.

First, improving bank competitiveness is a necessity. Indeed, the profitability of EU banks has improved but remains below US and UK peers, judging, for example, by the consistently lower profitability indicators of French banks since 2021[2]. Amongst the top 10 banks generating the bulk of investment banking fees in Europe, there are only 3 SSM banks, accounting for 29% of these fees while US banks bring in 55% of investment banking revenues[3].

One of the most pressing issues is cross-border consolidation: EU banks remain too fragmented. Although we have achieved single supervision and resolution, the Banking Union remains incomplete with many hurdles to free flow of funds. This limits economies of scale and the capacity to finance large-scale digital and climate transitions. We now have a decade of experience in assessing consolidated risks within banking groups; it is time to promote confidence and fully play the "size card", by encouraging cross-border mergers, in particular through removing regulatory and prudential ring-fencing and granting cross-border liquidity and capital waivers at individual level.

Regulators should also keep an eye on the global level playing field, based on a faithful and timely implementation of Basel III in all jurisdictions, the only way to ensure financial stability and bank resilience. This also means ensuring that activities subject to high competition are not hampered by EU-specific goldplating and benefit from regulatory predictability. It is crucial for EU strategic autonomy to nurture EU-based global players in corporate and investment banking activities. This should be kept in mind when implementing the forthcoming market risk reform (FRTB) or dealing with other issues such as trade finance.

In addition, the current simplification effort can provide an additional breath of fresh air, if it preserves compliance with Basel standards and avoids the deregulation trap. We believe there is room to eliminate a number of costly, EU-specific complexities and rigidities in capital, supervisory and reporting requirements.

Beyond competitive banks, the whole financial sector should also drive its investments towards the competitiveness of EU firms and in particular innovation. Our challenge is that EU capital markets are still underdeveloped: the pool of capital is lower in the EU (two to three times GDP) than in the US (six times GDP)[4], preventing the efficient allocation of a European annual savings surplus of around €300 bn.[5]

Reversing this situation requires making the Savings and Investment Union a reality by unifying banking and capital markets to support growth. The EU Commission's proposal for revitalising the securitisation market is a welcome step in this direction, contributing to deepen capital markets and potentially enabling banks to free up capital for further lending and investment – whilst maintaining the safeguards that had been put in place after the 2007-08 crisis.

As it is not necessarily the banks' role to partake in every form of financing, such as venture capital, other financial actors will have to step in to fill the gap. However, some existing provisions in banking prudential standards could be leveraged, such as the favourable, Basel-compliant treatment of publicly-supported equity financing. The Commission has just opened a public consultation to operationalise this potentially powerful measure to incentivise banks to invest in strategic sectors.

All in all, the EU has many tools and resources at its disposal to become a global and competitive leader.

1. *Financial services: The European mysterious gap | Banque de France*
2. *Source: N° 172 : La situation des grands groupes bancaires français à fin 2024 | Autorité de contrôle prudentiel et de résolution*
3. *Financial services: The European mysterious gap | Banque de France*
4. *Source : Oliver Wyman, 2024 European-Capital-Markets-Report.pdf*
5. *Source : Banque de France, 2024 The challenge of strengthening European financing for start-ups | Banque de France*



FRANÇOIS-LOUIS MICHAUD
Executive Director – European Banking Authority (EBA)

Improving the competitiveness of the EU banking sector

In the post-pandemic period, European banks' profitability has remarkably improved. In 2023 and 2024, their return on equity (RoE) stood above 10% and their return on assets (RoA) hovered around 0.7%. These compare favorably with the sector's 10-year averages of 6.2% and 0.4%, respectively. Price-to-book valuations have also improved, now on average reaching 1, thus reducing the gap with US banks. During this period, the equity prices of EU banks have outperformed significantly the general index, and investors have shown strong interest in banks' credit risk.

This improved situation has been primarily attributed to external factors. Higher policy interest rates enabled banks to increase their net interest income. The sector also contained its expenses, despite significant global inflationary pressures, and sustained good asset quality and low cost of risk, despite elevated geopolitical risks and the energy crisis.

As policy rates decline and interest margins are reduced, bank profitability may again come under pressure. To mitigate this, banks have been diversifying their revenue streams, focusing on non-interest income channels. However, elevated macroeconomic uncertainty heightens credit risks and given the historically high share of IFRS stage 2 loans, the cost of risk might rise.

Profits have helped banks maintain their robust capital position despite distributing record-level payouts in 2024. In August 2025, EBA's EU wide stress test results confirmed that the sector remains resilient, also in a severe scenario. A well-capitalised and profitable sector not only underpins financial stability but also facilitates economic growth by facilitating finance to investment-seeking households and corporates. However, in an increasingly competitive global environment, amidst rising geopolitical and geoeconomic risks, EU banks also face heightened third-country competition.

Although any performance comparison across regions require caution, current profitability levels of EU banks fare well vis-à-vis their global competitors. Recent IMF data show that EU banks' profitability is above that of banks in the UK (9.1% RoA and 0.7% RoA), Switzerland (RoE 7.0%, RoA 0.5%) and Mainland China (RoE 8.1%, RoA 0.6%), and just behind that of banks in the US (RoE 11.2%, RoA 1.4%), or Hong Kong and Japan (both with RoE of 11.7%).

Despite this, the EU banking sector still faces challenges. This relates to the EU's potential growth which suffers from structural inefficiencies and market fragmentation. Completing banking and capital unions in Europe should help unlock some of this potential and allow banks to further diversify their portfolios and income by targeting ancillary services areas.

Another source of challenges lies in European banks' need to further improve their operational efficiency and complete their digital transformation. While EU/EEA banks have advanced notably in this area, indications are that banks in other regions tend to have integrated new technologies more rapidly, which gives them a competitive edge. While this involves considerable upfront costs, this offers long-term benefits for efficiency and customer engagement. This also helps tackle competition from new players in digital banking and FinTech.

The removal of market fragmentation hurdles should help the sector to consolidate further. Market consolidation would in turn facilitate investment in digital transformation. This virtuous circle would enhance financial stability, creating a resilient banking sector that can support the economy through the cycle. Banks would increase their lending capacity, allowing them to finance large-scale infrastructure and commercial projects (e.g. the EU strategic priority for Security and Defence) and to drive technological investments, supporting innovation and green financing for a sustainable growth of European economies.

European banks show strength but must improve efficiency and address market fragmentation.

In the post-pandemic landscape, European banks have showed strength in terms of profitability, capital position, client and investor confidence. To fully unlock their potential, policymakers and market participants must accelerate efforts toward completing the Banking and Capital Markets Union, creating an environment in which EU banks can thrive and compete globally. Banks also need to keep working on improving the efficiency of their operating models. A strong, well-integrated, and forward-looking European banking sector is not just an economic imperative - it is a strategic necessity for securing long-term financial stability and prosperity across the region.



JACEK JASTRZĘBSKI
Chair of the Board – Polish Financial Supervision Authority

Profits, resilience, and the competitiveness of the EU banking sector

European banks have seen modest profit gains recently, but they still lag behind major international peers. US and large non-EU banks consistently report higher returns on equity. Reasons include business models, market scale, and regulations. Also, differing macroeconomic and social environments play an important role.

Firstly, many European banks have a stronger orientation toward retail and traditional lending. In contrast, global competitors have invested more aggressively in corporate and investment banking, which tends to offer higher margins.

Secondly, the European market is often more fragmented than, for example, the US market. This fragmentation limits the ability of banks to achieve the economies of scale seen in some of their international competitors.

Thirdly, European banks have traditionally operated under a stricter regulatory framework than many of their international counterparts. Although reforms over the years have improved their overall performance, these banks continue to face higher compliance and operational costs. Their culture tends to be more risk-averse which slows down innovation and cost reduction.

There is a vast academic literature documenting the above observations.

What I would like to add to this discussion are two points. First, that focusing on banks' profitability alone distracts attention from their long term resilience. Second, that cultural factors, most importantly attitudes of market participants toward risk, matter not only for banks but also for regulatory and supervisory policies.

Let me start with the first point. As supervisors we put emphasis on adaptive efficiency of banks – their ability to cope with shocks, rather than focusing only on short-term allocative efficiency reflected in their profits. Thus what is particularly important for us are future risk adjusted profits. And here Schumpeter's enduring observation helps: *"A system—any system, economic or other—that at every given point of time fully utilizes its possibilities to the best advantage may yet in the long run be inferior to a system that does so at no given point of time, because the latter's failure to do so may be a condition for the level or speed of long-run performance"*. There is always a trade-off between short run allocative efficiency (profit maximization) and long run adaptive efficiency (long-horizon resilience). Hence the rationale for regulatory and supervisory actions. Somewhat provocatively one may even say that lower profitability of European banks (within reasonable limits, of course) might be acceptable if it leads to greater resilience of the banking sector to shocks. A system that only rewards profit may forego resilience. And in our quest for competitiveness and profitability, we should also ask ourselves the question, how much of long term resilience are we willing and prepared to sacrifices for the benefit of profitability or competitiveness.

As for the second point regarding cultural environment of economics systems, including banking one, I would like to note that various formal arrangements of financial systems and norms regulating participants' behaviour are hugely impacted by societal attitudes towards risk. And these attitudes are different between the US and the UE, as documented in an insightful paper published in 2018 in the *Quarterly Journal of Economics* by A. Falk and his co-authors, entitled 'Global Evidence on Economic Preferences'. They show that Western European societies are more risk averse than the US society is. As for Poland, my country falls somewhere between risk neutrality and risk aversion. As supervisors act on behalf of society, we cannot ignore societal economic preferences. There needs to be alignment between formal rules and informal norms, including risk preferences, since only then there is a base for a strong and stable economic development, including of the banking sector. However, formal rules, regulations, and supervisory practices can create an incentive structure which can – in the long term – influence choices of market participants.

A system that only rewards profit may forego resilience.

To conclude, in order to make banks more resilient we should focus both on making them well managed institutions capable of withstanding external shocks but also we should focus on the quality of broadly understood environment in which they operate. It is to strengthen and deepen the European common market, the source of the most important advantage of the European economy in a world torn by uncertainty. Fighting the fragmentation of the European common market, including its financial system, is to mitigate one of the reasons of why the UE banks have lower profits than their US counterparts. Another topic is the need for a broad public debate and a possibly wide social consensus around acceptable level of risk in the financial market, in particular in the banking sector.



PATRICIA BOGARD
Head of Public Affairs – Crédit Agricole CIB

Competitive European banks are key for European growth and strategic autonomy

"Europe has many economic strengths, but must act now to regain its competitiveness and secure its prosperity", the European Commission rightly states in its Competitiveness Compass. The European economy has been lagging behind in terms of productivity growth and innovation; besides, the geopolitical context and the rising trade war highlight the need to focus on the EU's strategic autonomy, of which competitiveness and growth are a prerequisite.

One central piece of the competitiveness puzzle is the banking sector, itself not spared by the global struggles. The return on assets ratio (RoA) of European banks has been on average much lower than US banks' (0.4% against 1.1% in the last decade), as has been the price-to-book ratio.

There are several priorities to improve competitiveness in the banking sector.

The prudential framework needs a precise assessment in regard of the level playing field.

Regulatory divergence has become a reality: the United States have postponed their own application of Basel 3.1, with uncertainty on the timing and content. The UK's PRA has also postponed its application calendar and called for adaptations. Canada has decided last February to freeze its output floor at its current level; the output floor remains a real concern in terms of European banks competitiveness as long as other jurisdictions don't apply it.

> Europe has many cards in its hands to increase competitiveness.

Beside this global outlook, specific prudential parameters are likely to impact European banks' competitiveness. A key example is specialised lending (SL), which helps make progress towards the Green Deal's goals. Yet, the application of CRR3 input floors on Loss Given Defaults (LGD) prevents from discriminating the risk of the transactions. It makes the best transactions too expensive, and might push some institutions to finance riskier deals, and ultimately reinforce the market share of non-banking sector. The EBA report expected by mid-2026 on this topic should be the opportunity to review these floors, at least for the best transactions, based on historical recovery rates of more than 20 years.

Lastly, Europe continues to bear the cost of its fragmented banking sector. Internal MREL requirements, an overly complex macroprudential framework, and other regulatory inconsistencies add layers of burden and complexity. This fragmentation increases operational costs, reduces efficiency, and ultimately weakens the competitiveness of European banks.

The securitisation reform needs to be fit for the challenge of reviving the market.

Securitisation has been identified by the Draghi and Noyer reports in 2024 as a key means for the banking system to recover financing capacity. Securitisation is critical in the context of Basel 3 ramp-up. It supports increased lending, particularly to corporates and SMEs. For example, asset-backed commercial papers (ABCPs) can accelerate the cash conversion cycle, providing quicker access to liquidity for SMEs that are part of large corporate value chains.

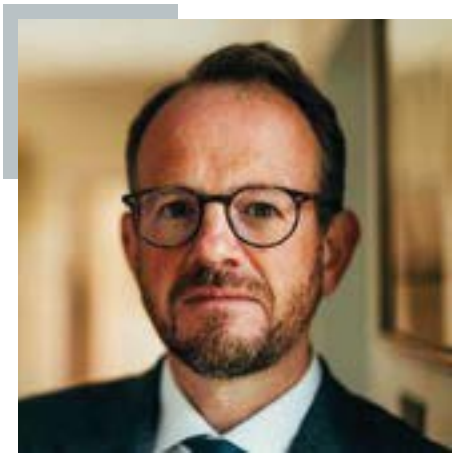
The June 17th securitisation package must be at the level of the Commission's political ambition to bring dynamism back to this market. Though very welcome, it risks falling slightly short of what is needed to drive real change. For this, some work remains to be done on the calibration of parameters for capital requirements, especially for corporates and mortgages, on the conditions for a more liquid market through LCR rules, and on the due diligence and reporting rules that should not discourage investors.

Competitiveness should be put at the heart of considerations during the legislative process.

The 'Less is More' report proposed several recommendations. Namely, it is critical that a competitiveness assessment be performed for each new regulation, to assess potential detrimental effects on European markets and positions. Legislators, namely at level 2, should be granted an objective of competitiveness to some extent, with financial stability naturally remaining the primary objective.

Simplification is essential. The simplification initiatives launched by the EBA and ECB are welcome. This is all the more necessary as supervisory requirements seem to increasingly rely on soft law publications, often leading to growing expectations, higher costs, and greater administrative burdens. A more proportionate, risk-based approach grounded in materiality and enabling mediation should prevail. This would help to avoid gold-plating and unnecessary costs.

To conclude, additional levers could be explored to enhance competitiveness. Completing the Banking Union and establishing the Savings and Investment Union remain key milestones for the future. In the end, a more competitive banking sector means a more efficient allocation of capital, more innovation in financial services as well as better access to credit for firms and households that can support growth.



STEPHEN FISHER

Global Head of Government & Public Affairs – Deutsche Bank AG

Securing Europe's future: Why Basel transition rules matter

The EU is experiencing economic stability, marked by controlled inflation and falling Central Bank interest rates. Despite recent geopolitical and internal shocks, our financial system remains resilient, thanks in large part to robust bank regulation and supervision - a point highlighted by the IMF in its July 2025 FSAP report. Today, European banks are broadly recognised for their support of the economy following a 15-year period of regulatory reform.

From the political and historical perspectives however, Europe is facing several simultaneous and important challenges, including those related to climate change, migration, technological transformation, and shifting geopolitical dynamics. Addressing these macro challenges will require bold changes in approach at the micro level. Without such action, the EU's global competitiveness could be at risk.

The European Commission has estimated that around €1.2 trillion annually will be needed to support the EU's transition towards a green, digital, and secure future, with a notable portion designated for defence. Europe's banks will be called upon to support this transition, combined with funding from the public sector, despite increasing budgetary constraints. Initiatives like the Savings and Investment Union (SIU) aim to boost capital markets funding over time, but in the medium term, bank lending will remain the primary source of capital for the European economy.

Despite expected strong demand and available credit, lending rates remain elevated. In May 2025, the average interest rate for corporate loans stood at 3.5%. This rate is comparable to levels seen in 2011 during the sovereign debt crisis, although current economic conditions differ. Rates also vary among Member States, with some exceeding 4%, influenced by factors such as loan duration, corporate ratings, and collateralisation.

Lending rates sit at the intersection of monetary policy and financial regulation, shaped by the relationship between Central Bank rates and the equity banks must hold to fund loans - commonly reflected in the Common Equity Tier 1 (CET1) ratio. The CET1 ratio determines how much capital a bank must maintain relative to its risk-weighted assets, serving as a key measure of financial strength and regulatory compliance. European supervisors report that the average CET1 ratio for banks stands at 15.9%, a figure broadly accepted by investors and analysts as a marker of financial resilience

Yet, European banks remain less profitable than their international peers. Strategic steps are needed to enhance competitiveness and ensure banks can continue supporting the EU's transition to a green, digital, and secure future.

Sustainable profitability is essential - not only to attract investor interest and secure equity funding, but also to enable future initiatives such as digitalisation. Regulatory capital requirements for European banks are set to increase in coming years, prompted by the introduction of the Output Floor under the Final Basel III reform, scheduled from 2025 to 2030. This change will necessitate more equity to fund existing loan levels. Consequently, European banks may need to adjust their lending rates to maintain cost coverage and consistent profitability in accordance with supervisory expectations. This adjustment comes at a time when affordable bank funding is considered as key to unlocking the resources needed to tackle Europe's challenges.

However, this outcome is not predetermined. The EU's implementation of Basel III includes transitional arrangements to moderate capital requirements for highly rated corporates, mortgages, risk-hedging instruments and securitisations. These transitional measures were approved by EU co-legislators in 2024 in response to concerns that the Basel Committee on Banking Supervision's (BCBS) original framework might otherwise result in higher capital requirements for certain loans, are based on policy objectives relating to access to finance and align with political mandates issued by the G20, ECOFIN finance ministers, and the European Parliament.

Reflecting specific characteristics of the European banking sector and aligning with trends in other major jurisdictions, these transitional arrangements that would otherwise expire between 2029 and 2032, could be extended and renewed by the European Commission. For these reasons, ongoing evaluation of their appropriateness is warranted and welcomed but clear and timely regulatory guidance will be essential to ensure banks can continue to support Europe's transformation while maintaining financial stability.

LATEST *eurofi* SCOREBOARDS



Monetary Scoreboard

Update on monetary policies in the EU and OECD countries and their possible impacts on the economy and the financial sector.

Macroeconomic Scoreboard

Review of the economic performance and fiscal policies of the EU and its competitiveness compared to other economies.

AVAILABLE ONLINE ON
WWW.EUROFI.NET

DIVERGENT GLOBAL IMPLEMENTATION OF BASEL 3



JOSÉ MANUEL CAMPA

Chairperson – European Banking Authority (EBA)

Follow through the finish line of Basel III implementation

The Basel III standards to finalise the post-crisis reforms have entered their final phase of global implementation. International supervisors and regulators took ten years after the start of the Global Financial Crisis to reach compromise on those rules that intend to make the financial system less leveraged, more liquid and better supervised. Since then, 8 more years have passed and this new set of rules apply to EU banks from 1 January 2025.

The EBA is supporting this complete implementation in the EU through the delivery of its assigned mandates. There is a clear and transparent pathway of implementation ahead, but we need to ensure globally that differences in implementation, in terms of content and timing, do not threaten the international compromise reached.

Robustness of EU/EEA banks

In the recent environment of geopolitical tensions, the EU/EEA banks have performed well. Partly thanks to regulatory and supervisory efforts over time, and thanks also to enhanced risk management by banks, EU banks' capital positions and capital ratios have increased significantly. EU/EEA banks have an average CET1 ratio of 16,1%, almost doubled since 2008, and the ratio of equity to total assets (a proxy of the leverage ratio) has increased by 50% during the same period. RoE levels are at 10.5% in Q4 2024 and profitability remained stable on a yearly basis.

The recent EBA EU-wide stress test results show that the EU Banking sector will remain resilient in the event of a significant adverse macroeconomic scenario[1]. This renewed strength of EU banks is a key element for their competitiveness.

Global Basel III implementation

According to the Basel Committee on Banking Supervision , most member jurisdictions have implemented the final elements of Basel III. On the other hand, some jurisdictions still lag in starting the implementation process. Divergences also persist regarding exemptions and adjustments, level of application as well as gradual implementation and transitional arrangements.

The divergent implementation at global level may challenge the operations of internationally active banks. This fragmentation adds on complexity for operations and compliance. The challenge applies to internationally active banks no matter what of the location of their headquarters. The end point of Basel III must indeed be a level playing field of consistent and faithful implementation by all, particularly in those business segments were preserving international competition is paramount.

Ultimately, the objective of regulators and supervisors must remain to uphold high standards for all which protect the robustness and resilience of the banking sector.

Strengthening multilateral cooperation

Past crises illustrated that timely, coordinated intervention is both more effective and less costly than fragmented, reactive approaches. Strong international relationships among supervisors and regulators are a strong safety net in times of geopolitical tensions and policy uncertainties which remain significant tiggers to economic and financial stability, including a slowdown in economic growth.

Re-confirming the commitment to multilateral cooperation on banking regulation is crucial to boost confidence in uncertain times. The EU can contribute by playing an active role at the BCBS and G20 financial stability fora to promote dialogue on the benefits of supervisory cooperation and convergence.

> **Multilateral cooperation on banking regulation is key to boost confidence in uncertain times.**

Likewise, the EU may also preserve the international consensus by continuing to implement Basel III faithfully and to maintain its status as standard setter in bank regulation. At the same time, the EU needs to support openness and cross-border banking activities within its own single market to ensure that banks can play their vital role in financing businesses and citizens across the European economy.

1. *More information on EBA stress test, including results are available here. (https://www.eba.europa.eu/publications-and-media/press-releases/eba-launches-its-2025-eu-wide-stress-test)*



NORBERT IZER

Executive Director for Financial Markets and Digitalisation – The Central Bank of Hungary

EU Banks and Basel III: Resilience achieved, competitiveness at risk

The 2007-2008 global financial crises highlighted the shortcomings of the banking supervision frameworks. In response, the Basel Committee developed the Basel III standards, the purpose of which was to increase the shock resistance of the banks. The new expectations appeared in relation to both capital and liquidity requirements.

The past few years have proven that the EU banking sector has stood the test of time. In recent years there were significant negative economic shock events, including the COVID-19 pandemic, high inflation and interest rate hikes, and the Russian Ukrainian war. Despite these events, the EU banking system remained stable, capital and liquidity ratios remained adequate in the sector.

Although the main goal of the Basel III framework was to ensure financial stability globally, the implementation practices may differ in jurisdictions significantly due to different economic policies, market structures and supervisory philosophies. The Basel III monitoring reports of the Basel committee provide a comprehensive summary analysis with regards to the implementation all around the world. One of the main lessons of the reports is that members of the EU banking system have in general higher capital and liquidity buffers compared to other large economic regions (e.g.: US). In addition to the Basel monitoring reports other publications, articles reach to a similar conclusion.

The EU implemented the Basel III standards through the CRD and CRR framework, but at the same time, other economic regions handled the implementation more flexibly. For example, in the United States the introduction of several relevant topics (e.g.: output floor, FRTB) has been postponed, and there is also a greater emphasis on the principle of proportionality, based on which different requirements are formulated for large and small banks.

Beyond the time lag of the implementation, it is also worth to mention the difference in methodology, especially in buffer requirements. The buffer requirements in the EU are multi-layered, which include the Capital Conservation buffer, Countercyclical buffer, Systemic Risk buffer and institution-specific O-SII or G-SII buffer. These are mostly constant (but regularly reviewed) percentages in proportion to the Pillar 1 RWA determined by the competent supervisory authority. In contrast, in the US, there is a greater emphasis on the Stress Capital Buffer ("SCB"), which is determined based on the annual supervisory stress tests, replaces several buffer layers and offers more flexibility due to its unique definition.

Creating a competitive EU banking sector is an essential strategic issue.

In addition to the time lag and methodological differences, there may be further differences if other economies do not apply the expectations uniformly for all the banks, contrary to the general implementation of the EU.

Globally different implementation of the framework could weaken the credibility and comparability of bank's capital indicators, which causes uncertainty for EU banks in the future to develop their business strategy. The broader risk is that these differences may cause structural disadvantages in the financing of the real economy. In terms of efficient operation, European banks start at a disadvantage compared to the banking system of larger economies due to fragmented submarkets. To address these issues, there is always a room for deeper integration of banking supervisors within the EU and a push for greater harmonization of Basel implementation at the BCBS level.

Creating a competitive EU banking sector is an essential strategic issue specially in recent times, when Europe is currently facing economic challenges such as the volatile energy prices, low economic grow, geopolitical vulnerability and demographic decline. It is important to note, that the EU is ahead of the curve in terms of implementation of the final phase of Basel III, because the new legislation (CRR 3) is in effect since the beginning of 2025, but at the same time, the regulation still needs to be supplemented in several technical issues. Several additional regulatory technical standards, guidelines and other lower-level recommendations are expected in the future, and the detailed regulation may still greatly influence banking operation. This could be an opportunity where the EU decision makers can still think about the right balance between ensuring financial stability and increasing global competitiveness. It is also essential to continuously monitor the implementation processes of the largest economies and in cases where the deviations put EU banks at a significant competitive disadvantage, a limited, temporary adjustment of the requirements should be considered.

In a rapidly changing global environment marked by economic and social challenges, creating the right balance between resilience and competitiveness is one of the keys for future strength of the EU banking sector.



JOERG HESSENMUELLER
Chief Operating Officer and Member of the Management Board – Standard Chartered Bank AG

Basel 3 in a new world: why the EU must lead with competitiveness and conviction

More than a decade after the finalization of the Basel III agreement, a new context of geopolitical tensions, economic fragmentation, and rising global competition has exposed significant divergences in the pace and substance of its adoption across jurisdictions. These disparities not only create a risk of unlevelled playing field across jurisdictions, but also raise challenges to the role of international standard setters.

A key area where the risk of an unlevel playing field becomes most pronounced is trading book activity. Financial markets operations are international in nature — services can be offered cross-border with relative ease, and capital flows quickly to the most efficient location. Recognising this, the European Commission (EC) is carefully tracking international implementation progress and has prudently decided to delay the implementation of the Fundamental Review of the Trading Book (FRTB) to the beginning of 2027 to monitor US developments. Most recently, the PRA has also announced a proposal to further delay the FRTB-IMA implementation and adjust the market risk framework. This additional time should now be used wisely to refine certain technical aspects so that European banks are not placed at a structural disadvantage in the global market.

Besides reacting to what other jurisdictions do when it comes to Basel III, the EU should in parallel focus on domestic actions to strengthen local competitiveness, having in mind that over the last fifteen years we have observed a major relative strengthening of, in particular, non-European wholesale banks. While keeping regulation aligned with Basel III principles, sensible regulatory simplification should also be pursued.

The unprecedented financing demands arising from new security concerns, the green transition, and digital transformation cry out for simplified bank-capital requirements and a new approach to banking oversight. Risk must be understood and managed but can and should not be completely avoided.

The Draghi Report called on the EU to assess whether current prudential regulation is adequate to have a strong and international competitive banking system in the EU. Against this background, we welcome the announced Commission report on the competitiveness of the EU banking sector. A better calibration of the prudential framework to the current risk and competitive environment is very much needed. We believe that a thorough quantitative impact study, conducted in close cooperation with key stakeholders, can support public policy debate and provide a sound basis for policy decisions.

By endorsing a risk-sensitive and growth friendly approach, the EU can foster a new paradigm.

For instance, due consideration should be paid on whether the current capital requirements for equity, project and infrastructure finance exposures impact the banks' ability to support sectors necessary for an accelerated EU integration and competitiveness.

Furthermore, in the context of simplification, regard should also be paid to thinking about the current supervisory culture. A supervisory approach that is skewed towards gold-plating and non-materiality also affects the overall competitiveness of the financial sector whose agility is key for the competitiveness of the entire economy.

Now that European regulation and supervision have reached maturity, withstanding the past years' macroeconomic and financial shocks robustly, the priority should be developing a simpler and more responsive landscape, including reviewing (too) extensive reporting requirements aiming for less but more meaningful data requirements. This would yield benefits for all, without sacrificing in any way the high standards of resilience required for financial stability.

These reforms must not take place in isolation. In an increasingly multipolar world, reaffirming trust in global regulatory cooperation and common minimum standards is an imperative.

The EU has the opportunity to shape the future of global banking regulation by engaging constructively with Basel III. By championing a balanced, risk-sensitive and growth friendly approach, the EU can foster a more balanced regulatory paradigm — one that supports growth without compromising safety. By taking forward these insights, and through constructive engagement with its global partners, the EU can strengthen confidence in multilateralism in financial regulation.

The Draghi, Letta and Noyer reports have laid the ground by stating that financial markets and banks are part of the much-needed European effort on competitiveness. Now is the time to deep-dive into the banking competitiveness chapter, in the EU and globally. At Standard Chartered, we stand ready to contribute to this debate leveraging our unique global perspective.



GIUSEPPINA MARRA

Head of Regulatory Affairs – Desjardins Group

Basel III at a crossroads: global divergence and prudential legitimacy

Prudential Legitimacy

Since the 2008 financial crisis, the Basel III framework has represented a global commitment to strengthening the resilience of the banking system. Established by the Basel Committee on Banking Supervision (BCBS), its aims were to restore confidence in the global financial system, reduce systemic vulnerabilities, and promote consistent regulatory standards across jurisdictions.

15 years later, while its core principles remain widely supported, its implementation has become increasingly fragmented.

Fragmentation Amid Global Pressures

Against a backdrop of economic uncertainty and geopolitical pressures, diverging Basel III implementations are emerging. In Canada, uncertainty over U.S. trade policy has dampened exports and investments, prompting regulators to delay the introduction of stricter Basel III capital requirements in order to protect domestic banks from potential competitive disadvantages.

Similar pressures in the European Union (EU) have led to regulatory flexibility, as the EU has postponed the implementation of the Fundamental Review of the Trading Book, extended Credit Valuation Adjustment (CVA) exemptions, and delayed the introduction of the output floor. While the United Kingdom is committed to Basel III, it has scheduled implementation for 2026, incorporating targeted adjustments such as capping the internal loss multiplier at 1 to limit the impact of historical losses and gradually phasing out CVA exemptions.

Although some jurisdictions apply local exceptions, such as zero risk weights for domestic sovereign exposures, to support public financing and financial stability, Asia remains broadly aligned with Basel III. Meanwhile, the United States maintains higher capital standards, including leverage ratios of up to 6%, rigorous stress testing, and increased surcharges for global systemically important banks (G-SIBs). Its market-based financial system, in which capital markets play a dominant role in corporate financing, differs from the bank-centric models of Europe and Canada. These regional variations reflect broader challenges: slowing growth, rising protectionism and regulatory complexity that risk undermining the coherence of global banking rules.

Bank Failures and the Case for Consistency

The collapse of Silicon Valley Bank (SVB), First Republic and Credit Suisse in 2023 was one of the most significant disruptions to the banking sector since the global financial crisis. These failures exposed vulnerabilities in supervisory oversight and resolution planning, particularly with regard to non-G-SIBs such as SVB, and raised systemic concerns.

> A globally coordinated adaptive regulatory approach keeps institutions resilient and competitive.

According to the Financial Stability Board (FSB), the events in question highlighted gaps in risk governance and the need for more robust early intervention tools. The BCBS acknowledged that, while Basel III cannot prevent all failures, its capital and liquidity buffers helped to contain contagion and preserve financial intermediation. The IMF, the BCBS and the FSB have all emphasized the urgency of fully implementing Basel III, particularly with regard to managing interest rate risk, depositor concentration and the treatment of unrealized losses. The collapse of SVB, driven by unhedged interest rate exposures and concentrated uninsured deposits, rapidly escalated into a severe liquidity crisis. While different in nature, Credit Suisse's failure reinforced the importance of credible resolution plans and stronger international coordination.

Balancing Resilience and Competitiveness

Achieving the right balance between financial resilience and competitiveness is a key regulatory challenge. Resilience requires robust capital and liquidity buffers, effective stress testing, and robust resolution frameworks. However, overly stringent rules can restrict the supply of credit and hinder European banks' ability to support economic growth.

Basel III compliance is increasingly viewed by institutional investors as a key indicator of financial resilience and creditworthiness. Desjardins Group's robust capital and liquidity position, as evidenced by a CET1 ratio of 22.4% and an LCR of 172% in Q1 of 2025, underscores its dedication to responsible risk management. This financial strength, the highest in Canada, reinforces its credibility with global investors and ensures continued access to international capital on favourable terms.

The IMF and BCBS emphasize that financial resilience must evolve in order to address the emerging vulnerabilities that have been highlighted by the recent failures of banks. Competitiveness depends on regulatory clarity, proportionality, and alignment with global peers, in order to avoid disadvantaging domestic institutions. External factors such as shifts in monetary policy, geopolitical fragmentation and digitalisation further complicate this balance. A risk-sensitive, globally coordinated, adaptive regulatory approach is essential for maintaining the resilience and competitiveness of financial institutions in an fast-changing world.

MEASURES TO BREAK THE BANKING UNION DEADLOCK



HELMUT ETTL
Executive Director – Austrian Financial Market Authority

Unlocking the Banking Union's full existing potential

Substantial progress has been made in recent years towards deeper integration within the Banking Union. Looking back, we have already made significant progress. However, a fully completed Banking Union – replete with its currently missing third pillar – still holds immense potential for the European Economic Area and its global competitiveness.

For much of the Banking Union's existence, cross-border mergers and acquisitions have been absent. In recent times however, we have witnessed several initiatives for cross-border mergers and acquisitions. In this context, I would also like to commend European supervisory authorities' clear and swift decision-making ability. However, it should also be highlighted that the limited activity observed to date has primarily been due to political challenges that have discouraged banks from pursuing cross-border strategies rather than regulatory restraints. It is worth considering whether the completion of the third pillar of the Banking Union would lead to an even greater increase in cross-border activity.

The existing Banking Union framework's full potential has not yet been fully utilized: this is particularly true regarding for example capital and liquidity waivers for cross-border banking groups. Although current regulations already permit such capital and liquidity waivers, we often use the excuse about the lack of a third pillar, despite one not even being necessary in such cases. Under the current regulatory framework, liquidity and capital could be managed internally within banking groups. In principle, supervisors would then only assess capital and liquidity on a consolidated basis: the physical location of the capital should be irrelevant within a functioning Banking Union. National interests and ring-fencing practices mean that we don't see many examples. So from my perspective, the valid question arises following many years of the existing Banking Union, about why such flexibility is not being used more frequently.

Despite the Banking Union's existence and the fact that significant institutions fall under direct ECB supervision, do ring-fencing practices arise from a lack of mutual trust in national policy frameworks? If so, the core issue is not regulatory in nature, but rather one of confidence: in fact, the Banking Union's current institutional framework should already provide an adequate basis for a far greater degree of mutual trust among member states.

That should also be the case as liquidity and capital waivers would not burden national deposit guarantee schemes, since they would mainly concern cross-border groups that are subject to SRB supervision. In the event of such a cross-border bank encountering difficulties, it would become a resolution case, and if support were necessary, it would be provided primarily by the already Europeanised Single Resolution Fund, which exists for such eventualities, rather than by national deposit guarantee schemes.

Consequently, one of the real impediments lies in the fact that we are not fully leveraging the benefits of the Banking Union, despite having the necessary regulatory instruments at our disposal.

One major deliverable milestone of EDIS could be the creation of a unified liquidity pool. Under a payout event, this shared pool would allow national deposit guarantee schemes to access additional, more cost-effective liquidity through credit operations.

In addition, the continuing lack of EDIS raises national concerns over converting subsidiaries into branches in cross-border institutions. With "Branchification" the guarantee of the eligible deposits is shifted from the host national deposit guarantee scheme to the home deposit guarantee scheme: however, previous contributions held in the host national deposit guarantee fund are not fully transferred. A complete and functioning EDIS would ensure a more equitable financial burden sharing between member states in a payout event.

> **The existing Banking Union framework's full potential has yet to be utilized.**

Achieving fully integrated Banking Union depends on the will of all sides. Room still exists for further deepening the integration under the existing framework. In contrast, framing the issue of the incomplete Banking Union as a challenge for supervisory authorities only reverses the causal relationship: once political consensus is reached, supervisory alignment will follow. Supervisory authorities are neither the root cause of the incomplete Banking Union, nor in a position to resolve it. Instead, they embody the "European mindset" as a stable foundation for further progress—and through which the Banking Union's full potential can ultimately be unlocked.



KATJA LAUTAR
Director General, Economic and Fiscal Policy Directorate - Ministry of Finance, Slovenia

How well (foreign) banks play their role in financing the Slovenian economy?

The banking sector continues to serve as the foundation of the European financial system, acting as the primary channel for external financing households and businesses. This is particularly evident in countries like Slovenia, where bank-based financing continues to dominate. At the EU level, the nr. of banks has steadily declined due to consolidation and cross-border mergers, though significant differences in banking sector size persist. In 2020, Germany accounted for 28% of all EU banks, followed by Poland (11%), Austria and Italy (each 9%). Given that the EU comprises of around 5.000 credit institutions and branches, there exist a substantial nr. of research analysing the relationship between bank lending, profitability, and non-preforming loans (NPLs). The available data and statistics thus provide a clear compelling picture of the sector dynamics both in the EU and within the (host) member states. Following the 2013 Country-Specific Recommendations (CSR) on bank privatisation and in the wake of aggravating global financial crisis, Slovenia's banking sector underwent a major restructuring. The entry of foreign owners—driven by the opportunity to acquire relevant market shares on very favourable terms—coincided with the implementation of stricter prudential standards under Basel III.

Centralised supervision and resolution mechanisms, while valuable, may disproportionately affect smaller banks and local financing needs. Foreign-owned banks are now key players in Slovenia's economy, yet they are not always systemically important, given the relative contribution of their business relevance, to their parent groups. This creates potential asymmetries in risk exposure and strategic focus, which could negatively affect the credit intermediation in the host country. Legally binding capital and liquidity requirements are of course crucial for financial stability. Higher capital requirements enhance resilience to shocks on longer term and help prevent risk transfers from home to host countries. Nevertheless, in today's complex geopolitical and economic environment, some governments seek to boost growth by easing financial regulation. Over the past decade, the financial sector's value-added as a share of GDP has declined overall, with slight increases in home countries. Relying only on a few large EU-based "champion" banks could reveal as a non-sustainable strategy. Instead, the sector should focus on delivering diversified, value-added services that support sustainable growth and effective risk management. Making the financial sector more "competitive" by encouraging excessive risk-taking or risk concentration in branches and subsidiaries cannot be a suitable way forward, as it could be conducive to excessive risks for financial stability in the host countries.

Lessons learned in Slovenia in recent years support these concerns. While Slovenia's banking sector has recently posted strong returns, with ROE rising from 10.8% in 2022 to 20.6% in 2023, this is largely driven by favourable interest rates, low-cost deposits, and high excess liquidity. Nevertheless, credit growth to non-financial enterprises remained roughly stagnant in recent years, with rather little contribution to growth in investment and technological transformation. This shows that sole profitability of the banking sector may not necessarily translate into broader economic or societal benefits. Host countries, including Slovenia, therefore emphasize the need for strong legal safeguards in banking supervision. Waivers in capital and liquidity requirements can increase the risk of financial contagion between parent banks and subsidiaries, distorting competition. Ensuring compliance at the individual bank level remains essential for financial stability and effective oversight. While consolidated supervision adds value, it cannot replace entity-level prudential control. Current indicators—such as lending activity, NPL levels, and deposit trends—show no signs of a credit crunch. However, capital adequacy must be matched by liability allocation. National deposit guarantee schemes (DGSs) should thus not bear responsibility for subsidiaries if capital remains at the group level. Therefore, the third pillar, EDIS, should be resumed as soon as possible, as it would allow certain risks within this mechanism to be shared at the EU level.

Relying only on a few large EU-based "champion" banks could reveal as a non-sustainable strategy.

Slovenia supports efforts to simplify and streamline the Banking union (BU) regulation, backed by impact assessments on financial rules, capital measures, and operational feasibility across member states. We endorse reducing market fragmentation and harmonizing supervision, while respecting national specificities—especially in smaller markets. Complementary, unlocking new funding sources, increasing the resilience of supply of access to external finance for the economy, improving savings allocation, and supporting green and digital transitions, CMU can help diversify financing and enhance SME access to investment.



LUDEK NIEDERMAYER

Vice-Chair & MEP, Committee on Economic and Monetary Affairs – European Parliament

A fragile union: How to regain momentum in Europe's stalled banking integration

Ten years after its launch, the European Banking Union remains unfinished business. What began as an ambitious response to the eurozone crisis has become stuck; caught between political hesitation, institutional disinterest, national defensiveness, and the strong influence of interest groups.

Despite the substantial progress achieved through the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM), core components such as the European Deposit Insurance Scheme (EDIS) remain blocked. National ring-fencing and domestic bias continue to fragment the banking landscape, undermining the functioning of the single market.

The logic of the Banking Union was always clear: in a monetary union without a centralised fiscal backstop, a common system for supervising and resolving banks was essential to prevent the doom loops of the past. Yet today, further integration has become extremely difficult - even modest, technical reforms like the CMDI package have become deeply politicised. Although the final compromise on CMDI fell short of expectations, it still marked a step forward. Watered down as it may be, it demonstrated that partial movement is possible and, more importantly, preferable to paralysis.

A phased approach may now be the only realistic path. Measures such as improved resolution coordination and incremental steps toward EDIS could restore momentum and rebuild trust. These may seem technocratic in times of stability, but in periods of crisis, such tools can determine success or failure. This applies not only to instruments like the Single Resolution Fund (SRF) or national deposit guarantee schemes (DGSs), but also to institutions like the Single Resolution Board (SRB), whose credibility depends on clarity and shared commitment.

The continued absence of EDIS is not just economically suboptimal, it is politically illogical. It ignores the fundamental truth that in a banking union, we are all in the same boat. A categorical "no" to EDIS, as voiced by some governments, is not, at least so far, a negotiating position. It is a refusal to engage with both reality and previous political commitments. A gradual, phased-in EDIS, starting with liquidity support or reinsurance, would be both pragmatic and symbolically important. What is most damaging to Europe is not the slow pace of integration, but the outright rejection of any further progress, a stance that, regrettably, has become a reality in some areas.

> **Even modest reforms in the Banking Union are now hostage to political deadlock.**

For the Banking Union to function effectively, there must be trust between national and European authorities in supervision, resolution, and crisis management. Supervisors must view themselves not merely as national watchdogs, but as participants in a shared European project. This requires transparency, predictable burden-sharing, and strengthened accountability for all actors involved. Experience has shown that trust is difficult to build during a crisis; it must be developed in peacetime through structured coordination, joint decision-making, and shared ownership of outcomes.

More broadly, the political impasse in the Banking Union reflects deeper tensions in the EU's economic governance. If we cannot move forward on a narrow, technical, and well-justified proposal like EDIS, how can we credibly claim to be ready to make Europe more competitive, resilient, and sovereign? As Mario Draghi recently warned, the choice is blunt: move forward or face a future of fragmentation, irrelevance, and economic decline.

The Banking Union has delivered more integration than many other parts of the single market. By contrast, the Capital Markets Union (CMU) remains disappointing, even its recent rebranding raises doubts. Some targeted proposals, such as a 28th regime for start-ups and scale-ups or DEBRA, offer a glimpse of a feasible path forward. But Member States remain reluctant to engage, even with such limited and well-targeted initiatives.

It can hardly be argued that delivering substantial progress in deepening the single market, as called for by Draghi and Letta in their reports, will be easier. Failure to advance on a relatively narrow and politically agreed-upon issue like EDIS casts doubt on the EU's ability to deliver on more complex reforms, which are crucial to strengthening Europe's competitiveness.

The geopolitical context adds further urgency. In a world marked by unprecedented uncertainty, growing security threats, economic coercion, and increased global fragmentation, deeper economic integration is not a luxury- it is a necessity. Completing the Banking Union is not merely about resolving legacy issues; it is about safeguarding Europe's future capacity to act.



RUI MIGUEL CORREIA PINTO

Member of the Board of Directors – Banco de Portugal

Breaking the deadlock: A trust-based roadmap for completing the banking union

More than a decade after its launch, the Banking Union (BU) remains an ambitious yet unfinished project. Two of its three pillars — the Single Supervisory Mechanism and the Single Resolution Mechanism — have proved fully operational, with a clear alignment and ultimate common goals.

In recent years, we have witnessed increasing cooperation on the European authorities. The exchange of information between the European Central Bank (ECB) and the Single Resolution Board (SRB) continues to deepen and joint country visits, to debate the most pressing topics in each jurisdiction, have become more frequent. These developments reflect the growing integration and maturity of both functions. This contributes to building trust, but also ensure aligned risk assessments and coordinated actions. In many ways, the functioning of the BU today is closer to a single jurisdiction than before.

Yet, the BU remains incomplete and the absence of the European Deposit Insurance Scheme, although the most visible and acknowledged, is not the only missing piece.

Ring-fencing, limited cross-border integration and domestic bias are often cited as causes limiting the BU's full potential.

However, these are not root causes, they are consequences.

Instead of focusing on these symptoms, now is the time for the European Union to center on identifying and address the underlying causes.

We are at a moment where regulatory simplification is high on the agenda. Multiple initiatives are underway to assess how the current framework could be simplified, how different prudential and resolution requirements interact and how these could be further streamlined (or, as often said, made more efficient). We know it is a tendency that post-crisis regulations do not always survive the golden-years that follow. But should simplification be the first step for the BU to be complete?

Legislative initiatives have consistently highlighted the challenges of reaching agreement on key political issues, such as cross-border waivers or using mutualised funds from the Single Resolution Fund. The significant difficulties encountered during the CMDI review negotiations clearly illustrate this underlying problem.

The priority now should be to first set a clear and coherent roadmap. The challenge is, therefore, not just identifying what needs to be done, but in what sequence, and under what conditions, so that, ultimately, each step can build the necessary trust and political support to sustain the next. Institutions and Member States need to know where the BU is going, when each piece is expected to be in place, and how progress in one area will be matched by commitments in others.

BU needs a fully-fledged roadmap, while considering diverse banking landscapes across Member States.

However, trust cannot be legislated, it must be earned through consistency, transparency, and shared accountability. Trust will only be sustained if all stakeholders are confident that the framework is fair, credible, and responsive to their legitimate concerns.

Authorities remain deeply committed to making the BU work. Both the ECB and the SRB have built a strong track record of cooperation and joint delivery, and successfully demonstrated that, with commitment and collaboration, European and national authorities can deliver a strong and coordinated response. However, key pieces are still missing.

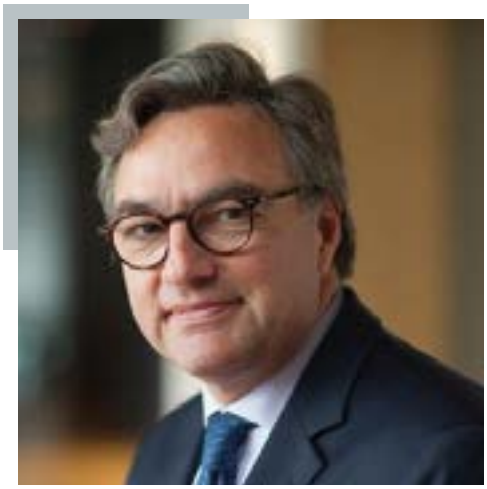
Before launching into more complex discussions on simplification and regulatory efficiency, or potential capital savings, we need clarity of purpose and unity of direction.

Achieving this requires a comprehensive plan which addresses capital and liquidity efficiency, effectiveness and simplification, while also reaching clear and shared positions on other key structural issues that ensure financial stability.

This also includes an open discussion about banking consolidation, essentially focused on greater diversification in shareholder bases (across geographies and investor types), and on solid banking structures that promote financial stability in the home and host jurisdictions. This can help reduce concentration risks and strengthen financial stability across the Union.

At the same time, supervisory and resolution frameworks must be strengthened and consistently applied to all material subsidiaries and branches, especially those that are critical for host jurisdictions, even if they are less significant from the group-wide perspective.

Completing the BU is not only about reducing market fragmentation or improving capital and liquidity efficiency and effectiveness. It is ultimately about building a resilient and trusted European banking system. This can be done gradually but only a complete BU, with a credible crisis management framework and a fully-fledged EDIS, can reduce fragmentation and unlock political discussions on the path toward a simplification of the overall prudential and resolution framework. We are still in a position to deliver on the original vision of the BU, and we should not settle for a halfway solution.



JACQUES BEYSSADE
General Secretary – Groupe BPCE

In those crucial times, how can we build a strong and resilient Banking Union?

After the financial and sovereign debts crises of 2008-2010, shaping a Banking Union was a pivotal initiative aimed at enhancing the stability and resilience of the European banking sector, as emphasized by the European Central Bank (ECB). The €6.4 billion acquisition of Novo Banco by BPCE in June 2025 was a major step for cross-border banking in the eurozone. However, it remains an exception. Europe still lacks strong financial champions, and the banking sector appears very fragmented. In reality, the Banking Union remains a "Union of banking supervisors".

A number of structural, regulatory, and political challenges continue to hinder the progress toward a strong and resilient Banking Union :

The first major challenge is regulation. Over the past 15 years, EU lawmakers, member states, and the European Parliament have added many layers of rules in a short time. The system is now very complex, with many authorities involved (EBA, SRB, ECB, national supervisors, ESRB) and different types of rules (Level 1, delegated acts, technical standards, guidelines, SREP decisions, etc.). This has led to higher capital requirements, increased costs, and overlapping rules. A clear example is the coexistence of MREL and TLAC ratios in Europe.

These rules also create threshold effects. For example, when a bank reaches €30 billion in assets, it becomes "significant" and is supervised by the ECB instead of its national authority. Larger banks (G-SIBs), face extra requirements on capital buffers and leverage ratio. This means that any merger in the banking sector brings extra costs before any benefits can be realized.

How rules are applied also matters. The European Commission recently raised concerns about the role of national authorities in bank mergers, especially in Italy and Spain. More broadly, national supervisors can use their powers to set extra requirements for foreign banks operating in their country. They might limit how capital is sent back to the parent company or restrict how resources are shared within a banking group. This "ring-fencing" of capital and liquidity is often justified by the lack of a European deposit insurance scheme—the missing third pillar of the Banking Union.

Because of all this, the EU banking market is still very fragmented compared to the US. The top five US banks hold around 40% of the market shares, while in the eurozone, the top five hold only about 20%. Without strong European banks, it's hard to build a truly integrated Banking Union. This is a strategic issue: the EU needs a strong and stable banking sector to support long-term growth and economic independence.

> The Banking Union aims for stability, but key obstacles impede the banking sector consolidation.

So, what measures could be introduced to reshape the Banking Union?

A few targeted actions could help European banks become engines of investment, stability, and strategic autonomy.

First, we need to allow capital and liquidity to move freely across the eurozone. Right now, capital doesn't flow easily between countries, so many investment opportunities are missed. Savings in one country hardly fund projects in another. A truly integrated financial system would let capital go where it's needed most. That's why the roadmap for a Savings and Investment Union is so important.

Second, we should keep working to make the EU more competitive. This should be also a goal of financial supervision. Rules should not only protect stability but also support innovation, growth, and banks' ability to help the real economy. In 2026, the Commission will propose a review report of the EU capital requirement regulation. This is a key moment for all stakeholders to push for fair rules across countries and boost the competitiveness of EU banks.

Third, we should adjust resolution rules. Right now, EU rules go beyond global standards and create extra costs, making it harder for banks to lend. Consequently, we recommend full alignment of these requirements (MREL) with global norms (TLAC). This would free up capital for productive use and avoid placing European banks at a structural disadvantage.

These measures are crucial to ensure a more integrated, robust, and resilient Banking Union. As bankers, we have a crucial role to tackle the major challenges of our time, and we are also convinced that the major challenge will be the financing of major transitions. We share the objective of simplification of the regulatory landscape to ensure the long-term stability, efficiency, and strategic autonomy of the European banking sector. We reaffirm our full commitment to work with supervisory authorities and European policymakers in this perspective.



JOSÉ ANTONIO ÁLVAREZ
Vice Chair – Santander

Mind the banking gap: Why the EU must deliver EDIS now

Europe's Banking Union was launched with bold ambition but, over a decade later, its construction remains incomplete. Two pillars are in place. The third, arguably the most symbolic and politically sensitive – EDIS, a fully mutualised deposit insurance scheme – remains unfinished. With the CMDI review now finalised, and with the current EU competitiveness and growth focus, the time has come to push forward the creation of a real Single Market. We cannot have a truly Single Market without a complete Banking Union. What's at stake isn't just institutional balance, but the trust and integration needed to develop all the potential of the Economic and Monetary Union.

A completed Banking Union would not only support financial stability, it would redefine the euro area as a truly integrated market. But without EDIS, fragmentation persists. Depositors in one Member State may perceive more or less protection than in another due to the lack of political will to finalise the framework. Equal protection for all European depositors, backed by a common funding mechanism, is essential. EDIS is not just an insurance tool, it is the tool to ensure a free flow of funding and liquidity across countries to finance European businesses and people's needs. It would ultimately level the playing field and facilitate cross-border mergers.

First, we need to finalise EDIS. The CMDI reform was a welcome step, but it left the third pillar unaddressed. Now that the legislative dust has settled, the Commission should put the Banking Union back at the top of the political agenda and bring forward a concrete proposal. We support the inclusion of EDIS in the Savings and Investments Union roadmap, but this cannot remain a long-term aspiration. A well-designed EDIS would eliminate fragmentation in deposit protection and enhance trust in the resolution framework, which is key to reducing ring-fencing and restoring true cross-border integration. It would also reinforce the credibility of Europe's financial safety net and the EU's political cohesion.

Second, the amended ESM Treaty must be ratified. This is essential to activate the backstop to the Single Resolution Fund, and to give authorities confidence that resolution funding will be available in a systemic crisis. The political process to ratify the treaty has dragged on for too long. Member States must show commitment to common solutions and give the Banking Union the institutional credibility it deserves. Completing the ratification would send a strong signal of unity and readiness to address future risks collectively.

Third, we must address the missing piece in resolution: liquidity. No resolution plan can succeed without access to liquidity. A credible, publicly backed liquidity-in-resolution tool – perhaps provided by the ECB – must be created. The ability of resolved entities to meet short-term obligations, protect critical functions, and maintain confidence hinges on this tool. Resolution is about more than capital buffers; it is about confidence in execution and stability in motion. This element is still overlooked and must move from ambition to implementation. Other jurisdictions have it in place.

> **We cannot have a truly Single Market without a complete Banking Union.**

In parallel, the debate on capital and liquidity waivers must move forward. A truly integrated Banking Union requires that cross-border groups be able to manage capital and liquidity holistically. This conversation must be tied to the broader discussions on sovereign exposures. Risk reduction and risk sharing must proceed in tandem, and EDIS is the bridge between them. Failing to align these debates risks perpetuating division and weakening confidence in the framework's future.

European authorities have been clear: completing the Banking Union is no longer a technical debate, it is a test of political resolve. Progress will require compromises. But further delay only fuels fragmentation and undermines the credibility of what has been built so far. Time is not neutral in this context. The longer the gaps persist, the greater the uncertainty for banks, investors, and citizens. This is critical for the competitiveness of the European banks and to allow the single market to become a source of growth of European companies and for our citizens.

The Banking Union must not become a monument to partial integration. We fully support its completion, starting with a renewed and binding commitment to EDIS, underpinned by a ratified ESM Treaty and a credible liquidity backstop. Member States must act decisively, setting aside domestic hesitation and recognising that a true union requires not only shared rules, but shared trust and political maturity. The path forward is clear, what remains is to walk it together.

MACROPRUDENTIAL FRAMEWORK REVIEW



FRANÇOIS HAAS

Deputy Director General, Financial Stability – Banque de France & Deputy SecretaryGeneral – Autorité de Contrôle Prudentiel et de Résolution (ACPR)

Simplifying the EU macroprudential framework: A call for clarity and efficiency

The European Union's current regulatory framework for banks is rightly seen as overly complex, leading to inefficiencies and overlaps between microprudential, macroprudential, and resolution frameworks. This complexity not only burdens institutions but may also undermine the effectiveness of prudential tools. A simplification initiative is now underway under the aegis of the European Commission and should strive to streamline the framework in a holistic fashion. In a context of uncertainty regarding the commitment of some jurisdictions to complete the full implementation of the Basel III standards, the focus should be on removing gold-plating elements and overlaps between the different regulatory frameworks, while preserving overall resilience and maintaining compliance with Basel III standards.

Fragmented Architecture and Overlapping Tools

The current framework is built on an approach, where microprudential tools address institution-specific risks and macroprudential tools target systemic vulnerabilities. However, in practice, these risks are often intertwined. For example, capital buffers such as the Capital Conservation Buffer (CCoB), and buffers for Global and Other Systemically Important Institutions (G-SII/O-SII), straddle both micro and macroprudential objectives. These buffers are non-releasable, yet they may overlap with national systemic risk buffers (SyRB), creating redundancy.

Similarly, the Pillar 2 Guidance (P2G), although not a formal capital requirement, is often perceived as such by the industry. It shares some features with macroprudential buffers: i) a shared objective of enhancing resilience to extreme shocks, ii) a form a releasability when supervisors allow banks to operate below the P2G in order to withstand stress situations; iii) a similar calibration method—just like the Countercyclical Capital Buffer (CCyB).

Finally, the interactions between micro, macro and resolutions frameworks can hinder macroprudential action when capital is bound by parallel requirements and cannot actually be used by banks when it is released for macroprudential motives.

Avenues to simplify the Macroprudential framework

Reducing undue complexity in the European regulatory framework should begin with removing elements of gold-plating compared to the Basel III standards.

First, the systemic risk buffer (SyRB) is unique to the EU and addresses structural risks usually covered by other buffers. Phasing it out would leave the CCyB as the sole releasable buffer, acting as a credit protection reserve to mitigate the risk of a credit crunch when systemic events occur. The transition would be smooth, as the general SyRB has only been implemented in a few jurisdictions. Sectoral SyRBs, often used to address real estate vulnerabilities, could be replaced by existing tools under the Capital Requirements Regulation (CRR), such as Articles 124, 164, and 458.

Second, as a second best, the reciprocation mechanism could benefit from a streamlining of the buffer architecture. Indeed, unlike the CCyB which benefits from automatic reciprocity up until a threshold of 2.5%, the SyRB relies on voluntary reciprocity. This process involves national authorities and multiple European bodies (ECB, ESRB, European Commission) in a lengthy administrative process to ensure compliance with ESRB recommendations. Automatic reciprocity would yield similar results while reducing administrative burdens and removing regulatory uncertainty for banks.

Third, the EU methodology for addressing Other Systemically Important Institutions (O-SIIs) is outdated, predating key institutional developments like the Single Supervisory Mechanism (SSM) and Single Resolution Mechanism (SRM). A revised approach should reflect the varying systemic footprints of institutions across jurisdictions and activities—such as domestic credit versus euro area-wide market operations. Introducing a floor and cap would reduce subjectivity and ensure more predictable outcomes.

Fourth, a coordinated approach between micro and macroprudential authorities is essential to determine the appropriate overall level of capital. Such a coordinated approach should refrain from being strictly mechanistic and should preserve national authorities' discretion in setting macroprudential tools, within the EU framework.

> The interactions between micro, macro and resolutions frameworks can hinder macroprudential action.

Finally, the usability of releasable buffers must be preserved. Currently, multiple layers of automatic restrictions on distributions (MDA triggers) reduce their effectiveness. While MDA restrictions in the solvency framework should remain in line with Basel standards, those in the Minimum Requirement for Own Funds and Eligible Liabilities (MREL) framework are EU-specific additions and could be removed. The UK has already eliminated automatic MDA restrictions in the leverage framework—a precedent worth considering.



SOLEDAD NUÑEZ
Deputy Governor – Banco de España

The necessity of a robust, efficient but also simpler macroprudential framework

The origins of modern macroprudential policy in the euro area can be traced back to the global financial crisis (GFC), which showed us that we had hitherto underestimated systemic risk, with serious negative consequences for the real economy. Banks did not fully grasp the impact of their individual actions on systemic risk, and supervisors were slow to identify imbalances building up in the system. Thus, a new set of prudential instruments was necessary to address this macroprudential dimension.

The GFC was particularly severe in the euro area, and its effects were heterogeneous across countries. An analysis of the drivers of these asymmetric effects revealed that a single monetary policy for countries with non-synchronous financial cycles needed to be complemented with country-based policies that addressed systemic risk developments across different jurisdictions. This gave rise to the creation of a macroprudential policy framework with substantial flexibility across countries.

Following the approval in 2013 of the first EU legislative package containing macroprudential rules and a series of improvements in the intervening period, now seems a good time to take stock and review the functioning of the framework. National authorities have gradually activated the available instruments, used more intensively in countries with a greater accumulation of systemic vulnerabilities in the post-GFC period.

The macroprudential framework has proved very useful, as it has provided the flexibility to accommodate national specificities. Therefore, as long as heterogeneity in structural characteristics and asynchrony in financial cycles persist across SSM countries, maintaining the current country-specific flexibility of macroprudential policy is an efficient and financial stability-enhancing approach.

Despite the progress achieved in recent years, it is time to acknowledge some room of improvement in the current prudential framework. While this framework is key to significantly improving the banking sector's resilience, it is increasingly evident that it has become too complex. For the sake of brevity, I will focus on capital requirements, even though complexity affects other dimensions (e.g. reporting requirements). In my view, this complexity is associated with the coexistence of different parallel requirements (risk-based, leverage ratio and resolution requirements), where each of these requirements is, in turn, a combination of complex elements. By way of illustration, under EU regulations, a credit institution may be subject to up to ten different incremental stacks in terms of own funds and eligible liabilities, according to our own evaluation.

Despite the progress achieved in recent years, it is time to acknowledge some room of improvement in the current prudential framework.

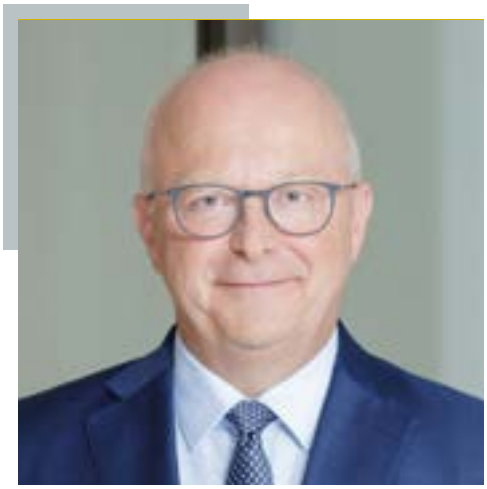
Hence, it is imperative that the entire regulatory framework be reviewed holistically to make it simpler, while preserving the resilience of the financial system.

As regards macroprudential policy, one avenue could be to revise the list of existing macroprudential instruments in EU banking legislation (CRD/CRR) and consider options to narrow down the toolkit. For instance, a potential solution would be to maintain the existing buffers for global and domestic systemically important institutions (G-SII and O-SII buffers, respectively), and merge the remainder (the countercyclical capital buffer – CCyB – and the systemic risk buffer – SyRB –) into a single buffer that would be redefined along the lines of the CCyB, with the possibility of activating it for all domestic exposures, as well as for sectoral exposures.

This new broad macroprudential buffer would allow for the build-up of more macroprudential space, thus strengthening ex-ante solvency while addressing the same potential risks with fewer instruments. Moreover, this approach would be better aligned with Basel III, which does not include an SyRB, and it would also facilitate reciprocity across countries.

After a decade of macroprudential policy in the EU, the macroprudential framework has proved to be a key factor in enhancing the resilience of the banking sector in the euro area, by addressing systemic risks while accommodating the persistent heterogeneity of financial cycles across countries.

In the current context of heightened geopolitical uncertainty, it is essential that the resilience built up is maintained. At the same time, we need to explore avenues to increase the competitiveness of our financial system, allowing it to efficiently perform its function of financing the real economy to support innovation and economic growth in Europe. As regulators, we can contribute to this process by designing a more efficient and simpler prudential framework that preserves the existing resilience as well as the national flexibility to address asymmetric shocks in a heterogeneous banking union.



MICHAEL THEURER
Member of the Executive Board – Deutsche Bundesbank

Streamlining bank capital regulation: Reducing complexity, preserving resilience

The Basel III standards, developed in response to the global financial crisis (GFC), have enhanced the resilience of the banking system, equipping it to withstand even significant headwinds. These reforms, while not yet finalised, have demonstrated their effectiveness in recent years in the face of various stormy spells. At the same time, the regulatory framework that has emerged is highly complex. Even though there are many sound reasons for complex rules in a complex financial system, I believe that simpler rules are possible. Of course, it remains imperative to maintain the resilience built up in the aftermath of the GFC. Simpler rules do not mean less stringent ones.

One possible way of achieving this can be found when reviewing the capital regulation for banks. Higher requirements for both the quality and quantity of bank capital as well as the introduction of macroprudential capital buffers were cornerstones of the international reforms. The macroprudential capital buffers such as the Countercyclical Capital Buffer (CCyB) or buffers for systemically important banks were introduced to increase the resilience of banks against systemic risks. Currently, large banks in the European Union face multiple capital requirements in the going concern and gone concern regime. In each regime, the requirements are defined in risk-weighted as well as in leverage-based terms. This results in at least eight distinct stacks of capital requirements creating horizontal complexity due to their sheer number. Moreover, these stacks have to be met with different types of capital and can be used in different circumstances, which adds vertical complexity. For instance, both the capital and resolution framework currently make use of CET1 capital, which is commonly understood as the main loss-absorbing capital in a going-concern context. This leads to a potential conflict between the capital and resolution frameworks as well as supervisory and resolution authorities when determining the point at which a bank is declared failing or likely to fail. In addition, capital is double-counted towards macroprudential buffers and leverage-based resolution requirements. If banks' risk densities are low, leverage-based resolution requirements can overlap with macroprudential buffers, which in turn limits the usability of these buffers.

Reducing regulatory complexity can enhance effectiveness without compromising resilience.

To address both horizontal and vertical complexity, the number of parallel stacks and layers would need to be reduced. To disentangle the going and gone concern frameworks, one could either define capital classes that only apply to one of the frameworks – CET1 under going concern and non-CET1 under gone concern – or earmark CET1 management buffer to fulfil gone concern requirements. This would significantly reduce the number of capital stacks and eliminate potential conflicts between frameworks and authorities. At the same time, it would also increase buffer usability by limiting the overlap of requirements. Additionally, merging some layers would reduce the number of layers within each stack. One method of consolidation would be to introduce a single, non-releasable capital buffer that combines microprudential and macroprudential requirements on top of Pillar 1 requirements, alongside a single releasable buffer, combining the CCyB and the Systemic Risk Buffer (SyRB). While both buffers would increase the capacity of banks to absorb losses, the releasable buffer would allow macroprudential authorities to support credit supply during severe downturns by providing capital relief to the banking system. Altogether, the consolidated capital buffers would increase transparency and ease banks' capital planning, without reducing resilience.

Another angle to approaching simplification, focusing more on smaller banks, is the ongoing debate about proportionality in Europe, often discussed under the "Small Banking Box" framework for small, low-risk institutions. A clear pathway towards achieving proportionality would be to strengthen the small non-complex institutions (SNCI) framework in the European Union, which already provides small banks with some degree of relief. Any expansion to this framework would need to preserve the ability to safeguard financial stability. More conservative standards could compensate for less precise measurement of risks. Looking at small banking regimes in the United Kingdom and Switzerland, empirical evidence shows that fewer regulations, combined with higher requirements, can maintain resilience and protect financial stability without causing any competitive distortions.



FRANK VANG-JENSEN

President and Group Chief Executive Officer – Nordea

Macroprudential reform – the necessary step toward a competitive Europe

Despite the progress towards creating a single banking market in the last decade, cross-border competition in banking services remains far below where it should be. There are a few reasons for this. Differing consumer protection and insolvency rules pose challenges to cross-border institutions, as does the non-transferability of deposit guarantee contributions. But the most significant issue is posed by the complex macroprudential requirements.

This issue not only limits cross-border competition in banking services. It also holds back the development of a more competitive and secure EU. As Enrico Letta and Mario Draghi have pointed out, finance is crucial for addressing Europe's security, defence, energy and technology challenges. But without deeper pockets – both public and private – to fund large-scale projects, the EU risks falling further behind other regions. To keep pace, Europe must simplify the regulatory maze that hampers cross-border banking consolidation. America has giants in financial services. China is building them. Europe needs them as well.

The EU and its member states have significantly gold-plated international macroprudential standards. Decisions affecting banks' capital and business planning are published abruptly and inconsistently, without full analysis of overlaps with other capital requirements. Each member state's unique macroprudential approach adds uncertainty for banks contemplating cross-border business models. Furthermore, there is currently no authority in charge of assessing whether the aggregate capital requirements for a banking group are proportionate to its overall risk profile. This regulatory patchwork creates uncertainty for banks, deters them from pursuing cross-border business models, and leads to an unlevel playing field.

Nordea is supervised by the SSM and operates across four main jurisdictions (Finland, Sweden, Denmark and Norway) in a branch setup. Consequently, we have eight different macroprudential buffers adding up to 8.3%, 15 different borrower-based measures, nine other macroprudential measures under CRD/CRR such as risk weight floors, and five other macroprudential measures under national law. These sum up to 37 separate measures, decided by six different authorities. The more countries a bank operates in, the more complex the framework.

The EU should prioritize macroprudential reform to boost cross-border banking, and make it a central to the Commission's 2026 banking sector competitiveness review. The goal should be a simple and harmonised, risk-based framework, with safeguards against double counting of capital requirements. Elements of European gold-plating of the global Basel framework should be removed, with Level 2 regulation ensuring competent authorities don't overstep the intention of legislation. This simplified framework should ensure bank resilience and funding in all phases of the economic cycle, allowing buffer use when needed.

Addressing these issues would significantly boost competitiveness for banks and customers alike. It would improve the risk sensitivity of banks' capital requirements and level the playing field within the EU/EEA. By removing barriers, European banks could increase their financing capacity, thereby creating a better environment for the region's businesses to compete effectively against their US and Chinese counterparts. Ultimately, these changes are critical for securing a strong and independent EU.

How could this be achieved? First, we need simplification. The goal should be a streamlined framework with a clear distinction between structural and cyclical buffers. EU-specific additions such as the systemic risk buffer should be removed altogether due to rigidity and a risk of overlaps with other measures.

Second, we need more centralisation. Macroprudential policy, like most prudential rules, should be set at the EU level. If not, EU-level coordination must be strengthened to ensure consistent decisions and common methodologies across member states.

Third, we must eliminate the overlapping elements of the current framework. Macroprudential measures should only address risks that microprudential ones can't cover and that aren't already handled by other member states. To achieve this, we could require the microprudential supervisor to provide an opinion, which would consider whether the overall capital requirements match the institution's risk profile.

Europe's tangled banking rules are throttling its financial sector and wider economy.

Finally, we need clearer guidelines on choosing macroprudential measures. Capital measures often fail to address risks in lending practices. Instead, borrower-based measures should be the first choice to cover risks related to business practices and cycles, rather than relying on capital buffers.

Europe's tangled banking rules are throttling its financial sector and wider economy. The choice is clear: we maintain the status quo and fall behind, or we make the necessary macroprudential reforms and unlock the continent's true economic potential.



GYÖRGY KISS-HAYPÁL

Deputy Chief Executive Officer, Head of Risk Management Division – Otp Bank

Towards a more cohesive macroprudential framework in Europe

The European Union's financial system has become increasingly integrated over recent decades. However, macroprudential supervision remains fragmented across Member States. While this decentralized framework allows for tailored responses to domestic vulnerabilities, it weakens the effectiveness of systemic risk management at the EU level and clearly does not support the calibration of capital requirements at either a consistent level within the Union or a globally competitive one.

One of the key issues stems from the divergence in national macroprudential regimes. The lack of consistency in the application of macroprudential measures leads to several adverse effects. The introduction or increase of countercyclical capital buffers (CCyB) in an unfavorable economic environment (e.g., Hungary) raises competitiveness concerns. Such measures not only amplify cyclical pressures within the affected country but may also indirectly impact other closely interconnected EU economies, thereby affecting the Union as a whole.

Several cases across the EU also raise concerns about excessive capital requirements, where the combined buffer requirement (CBR) for larger banks reaches or exceeds 8 percentage points (e.g., Bulgaria, Croatia, Sweden, or Iceland). This approach—considering microprudential add-ons such as Pillar 2 Requirements (P2R) and Pillar 2 Guidance (P2G)—can push minimum capital requirements close to 20%, despite substantial overlaps in the objectives of the various supervisory tools applied.

Coordination between microprudential and macroprudential supervision in Europe remains fragmented. While the ECB supervises individual institutions under the Single Supervisory Mechanism, systemic risk management is largely handled by national authorities with support from the ESRB (European Systemic Risk Board). This division leads to mandate misalignments, limited data sharing, and institutional complexity, which hinder timely and coherent decision-making. Moreover, the lack of effective coordination may result in significant overlaps in buffer requirements.

The existence and calibration method of the O-SII buffer also deserve reconsideration. Given that major global economic competitors (e.g., the US and China) have not introduced such a buffer, its phase-out at the EU level should be seriously considered. If retained, centralized decision-making on EU level would be necessary, as small and medium-sized European banks headquartered in smaller countries are disproportionately burdened. This raises concerns not only about competitive neutrality for these institutions but also disadvantages the economies of the respective countries due to the higher capital costs of lending.

Simplifying the macroprudential framework is both reasonable and feasible.

Simplifying the macroprudential framework is both reasonable and feasible. Centralizing the calibration of O-SII and CCyB buffers should be considered to ensure uniform application, while closer coordination with microprudential supervision should be required in the determination of systemic risk buffers (SyRB). Introducing a cap on the aggregate level of macroprudential buffers could help prevent excessive requirements. Institutional roles must be clearly defined to prevent duplication and ensure coherent policy implementation. Furthermore, standardizing reporting and communication practices across jurisdictions would enhance transparency and comparability.

However, simplification must not come at the expense of flexibility. The framework must remain adaptable to emerging risks and national specificities. Looking ahead, a more centralized macroprudential regime could significantly enhance the EU's ability to manage systemic risks. A "single jurisdiction" approach would entail granting an EU-level authority—potentially a reformed ESRB—greater powers to implement binding macroprudential measures across Member States. Centralization would enable more consistent policy responses to systemic threats, improve crisis management through coordinated interventions, and reduce regulatory arbitrage, thereby fostering deeper financial integration.

At the same time, preserving local discretion is essential for tools that are more effectively calibrated at the national level. Therefore, macroprudential decisions related to indicators such as loan-to-value (LTV) and debt-to-income (DTI) ratios should remain under national control.

In conclusion, the EU's macroprudential architecture must evolve to meet the demands of an increasingly interconnected and dynamic financial system. While national discretion remains important, greater harmonization, simplification, and centralization are essential to ensure consistent and effective responses to systemic risks. By enhancing coordination between micro- and macroprudential supervision, streamlining the framework, and moving toward a single jurisdiction model—with appropriate safeguards— the EU can build a more resilient and integrated financial system capable of withstanding future shocks while preserving sustainable growth and economic competitiveness.

EXPLORE OUR WEBSITE
WWW.EUROFI.NET



To get information on our events.

Download our most recent publications.

Access content on key topics in financial regulation and market trends covered by Eurofi

EU BANK CRISIS MANAGEMENT FRAMEWORK



DOMINIQUE LABOUREIX
Chair – Single Resolution Board (SRB)

Towards a simpler, stronger Banking Union

In last June, Parliament and Council have clinched a political deal that is applicable to all the EU member states, and which can be seen as a step towards completing the Banking Union. Whilst being an important step forward, the agreement on the Crisis Management and Deposit Insurance (CMDI) framework review may be less ambitious than the Commission's original proposal. Crucially, the core of the reform – the new "bridge the gap" tool, which would give the possibility to partly fund bank sales through deposit guarantee scheme (DGS) funds – is not as flexible as in other jurisdictions, such as the UK.

Nevertheless, this is a good deal that sends a message to countries in the Banking Union and those planning to join. Subject to final technical discussions, policymakers have found a path forward to foster financial stability within the Union.

It is time, then, to start charting what lies ahead.

In 2022, the Eurogroup published a statement setting out the next steps toward completing the Banking Union. This statement identified the CMDI review as the first step. After that, it called for a "review of the state of the Banking Union and identification, in a consensual manner, of possible further measures with regard to the other outstanding elements to strengthen and complete the Banking Union".

We hope this review starts soon. Certainly, some issues have been known for a very long time.

First, the Banking Union was designed with three pillars: a common supervision framework, a common resolution framework, and a European Deposit Insurance Scheme (EDIS). The third pillar, EDIS, remains unbuilt. The Commission's EDIS proposal is now so old that it is worth recalling briefly its content.

The original proposal for EDIS included national DGSs and a European deposit insurance fund. EDIS would be built in three stages over eight years. In the first stage, 're-insurance', the newly created EDIS would provide liquidity assistance and absorb part of the final loss of the national scheme in the event of a pay-out or resolution. In the second stage, 'co-insurance', EDIS would be able to absorb a larger share of any losses in a crisis. In the third and final stage, 'full insurance', EDIS would completely replace national schemes and become the sole insurance scheme for deposits in Banking union banks.

In this broader drive toward simplification, such a reform seems necessary – a one-stop shop for banks and their clients, both in normal times and during crises. A truly European, trusted system would replace the current patchwork of national frameworks. Banks, their clients, and investors could rely on a single authority across the EU, with benefits in terms of clarity, level playing field, and service quality.

This is what true simplification looks like.

Moreover, the European banking landscape is changing. At the end of last year, a large European online bank announced it had reached three million clients through its branches in a host Member State – a country of five million people. The covered deposits of these clients are currently protected by the deposit guarantee scheme of the bank's home country. In a Banking Union with European supervisory and resolution authorities in place, this national responsibility looks increasingly misplaced. Such large figures and growing interconnections call for a European solution.

EDIS is that solution. A complete Banking Union, with its third pillar in place, would offer citizens the same minimum level of not only legal, but also financial protection across all Member States, while still involving local authorities in decision-making.

Still, a full-blown EDIS, remains divisive and, thus, elusive.

Perhaps, incremental change is the right way to achieve progress. In April 2024, the European Parliament's ECON Committee adopted a report on EDIS. The report outlines an initial phase—referred to as EDIS I—focused solely on providing liquidity support rather than full loss coverage. This first phase would allow DGSs in need of funds to access loans through a common fund, which would be financed by contributions from other DGSs and, if necessary, through additional repayable loans – without risk-sharing between the DGSs.

EDIS can bring additional stability, clarity, and fairness to the Banking Union.

The common fund is expected to reach half of its final target level within three years of the regulation's entry into force. Although this phase does not include risk-sharing mechanisms, it would provide important liquidity backstops.

ECON has yet to vote on the interinstitutional mandate for this key proposal. Though less ambitious than the original third pillar of the Banking Union, it could still pave the way for progress towards a more effective, ultimately simpler, crisis management framework.

Now may be the right time to revive this essential debate.



SANTA PURGAILE
Deputy Governor – Bank of Latvia

Towards a balanced Banking Union: Stability, trust, and gradual integration

Completing the banking union: Making progress with realism and prudence

In recent years, the EU has made substantial progress in strengthening its banking supervision and crisis management framework. Today, the supervisory toolbox available to authorities, whether under the SSM, the SRB, or national frameworks, is robust. We have harmonised prudential requirements, enhanced stress testing, developed MREL targets, and improved governance standards.

These tools are not theoretical, they are operational. It is now our shared responsibility to apply them effectively and consistently across the Union. Yet, one central pillar of the Banking Union remains unfinished: EDIS. While recent progress, such as the political agreement on CMDI reform, brings us closer to a more coherent and credible crisis management framework, an agreement on EDIS remains elusive.

EDIS: A phased approach is the responsible path forward

Moving EDIS forward is not merely a technical matter, it is a question of political courage and financial solidarity. In the current political and financial landscape, a phased approach to EDIS is not just more realistic than a full-package agreement, it is the only responsible way forward.

A full mutualisation of deposit insurance, without first addressing governance, risk convergence, and supervisory alignment, could undermine financial stability rather than reinforce it. Particularly for smaller countries with limited DGS resources, an unconditional pooling of liabilities poses risks without guarantees of equitable support or operational clarity.

Therefore, we support a step-by-step development of EDIS. Beginning with a common liquidity backstop to national DGSs to ensure prompt and credible payout capacity, especially in the face of modern, rapid bank runs. This should be followed by a conditional reinsurance mechanism, allowing national DGSs to access a European fund once their own resources are exhausted, and under strict eligibility criteria. Only in the final stage, after sufficient convergence, should a carefully governed, fully mutualised scheme be established.

Such a phased structure builds confidence gradually while respecting the financial and institutional diversity across the EU. It ensures that national DGSs remain credible and effective, particularly in jurisdictions where depositor trust depends on the visible strength of national safeguards.

Caution on free capital and liquidity movement in cross-border groups

In parallel to EDIS, the issue of capital and liquidity waivers within cross-border banking groups remains a matter of debate. Some advocate for the removal of ring-fencing to support group-wide efficiency. However, for host countries with subsidiary-based banking models, this raises serious concerns.

The assumption that liquidity will move freely within banking groups overlooks critical legal and prudential constraints. In practice, while intragroup support may be feasible under normal conditions, in times of stress, such support is constrained by the legal obligations governing each entity, requiring that decisions align with the corporate interest and financial stability of the individual institution. In a crisis, that support becomes conditional, discretionary, and often unavailable.

Even where intragroup support is contractually defined, there is no legal mechanism that guarantees liquidity transferred to a parent will return in a time of need. The notion of unconditional, reciprocal support is neither enforceable across jurisdictions nor compatible with sound corporate governance.

Until these structural limitations are addressed, lifting capital and liquidity restrictions would expose host countries, especially smaller Member States, to disproportionate risk. We therefore view legally binding and enforceable intragroup support agreements, embedded in resolution planning, as an essential precondition for any further movement toward capital waivers.

> A gradual, structured approach offers the clearest path to building mutual trust.

Conclusion: A union that works for all sizes

The development of the EDIS can move forward with both realism and ambition. A gradual, structured approach offers the clearest path to building mutual trust while respecting the diversity of national systems. Equally, proposals to ease restrictions on cross-border capital and liquidity must be guided by strong legal safeguards and enforceable support arrangements. Only then can we ensure that integration strengthens resilience without shifting undue risks onto any one part of the system.

With a clear focus on implementation, fairness and credible burden-sharing, the EU has the opportunity to deliver a Banking Union that truly reflects stability, solidarity, and shared responsibility. It can be a framework that protects depositors, reinforces trust in the internal market, and prepares all Member States to meet future challenges with confidence.

As Goethe wisely said, "Knowing is not enough; we must apply. Willing is not enough; we must do." The tools and the vision are already in place. Now is the time to move forward together.



PETER PALUS
Member of the EFC/EWG & Head of Financial Unit – Permanent Representation of the Slovak Republic to EU

Strengthening competitiveness: a driver for the completion of the Banking Union

As a consequence of direct and indirect security threats and geopolitical shifts, the EU is facing unprecedented economic challenges. Given the dominant role of the banking sector in financing of the EU economy, it is unrealistic to expect significant increase in the EU's economic potential or to close the investment gap without a significant improvement in the efficiency of EU banks. Banks also play a key role as intermediaries in capital markets; however, their activities are still limited to only a part of Europe, or even just one Member State. Strengthening their cross-border business could boost retail investor participation — a critical factor for advancing the Capital Markets Union. Still, one of the main barriers remains the persistent fragmentation of the EU banking market — including gold-plating and application of "golden rules" and underuse of the internal market and cross-border opportunities. From a policy standpoint, it is essential to introduce incentives that create market-driven motivations for consolidation and integration. This would increase the sector's resilience and competitiveness — both within the EU and globally.

The challenge is that this policy objective must not come at the expense of other equally important goals — namely, banks' resilience and soundness. In particular, the resolution of failing banks with minimal impact on the real economy and without relying on taxpayers' money. To support this, Member States have already identified three interlinked and politically critical workstreams that must be addressed jointly:

1. A system of common protection for depositors.
2. Integration of the single market for banking services.
3. Diversification of banks' sovereign bond holdings across the EU.

Any attempt to take shortcuts, address these challenges asymmetrically, or push through solutions via "back door" is destined to fail — as we have seen far too often recently. This applies to initiatives from the European Commission as well as to the negotiation approaches in the Council of the EU and the European Parliament. Hence, going forward, I believe four key principles must be respected:

1. A holistic approach, recognizing the interdependence of the three workstreams.
2. A consensual process, ensuring ownership and building trust among stakeholders.
3. The principle of proportionality, focusing on systemically important entities which would benefit from the improved internal market.
4. Competitiveness as a benchmark, meaning every measure should be tested against its ability to enhance competitiveness, while respecting that from a long-term perspective financial stability is also a competitive advantage.

In order to succeed, a comprehensive approach must be adopted.

The EU's current focus on competitiveness presents a real opportunity for advancing the Banking Union project.

The European Commission has already announced that it will present its report on the competitiveness of the banking sector earlier than originally planned — in 2026. If approached correctly, this report could create much-needed momentum, especially in connection with the Savings and Investments Union. A strong emphasis must be placed on simplification and reducing administrative burden — including a thorough scrutiny of Level 2 measures. Of course, Member States still have their homework when it comes to strengthening competitiveness. An opportunity presents itself to revive the Banking union discussions from where they were left off in 2022 (statement of the Eurogroup in inclusive format from June 2022). Without progress on the Banking Union, it is difficult to speak credibly about enhancing the competitiveness of EU banks — or about reclaiming a global leadership position. A renewed focus on competitiveness could trigger a fresh perspective on the need to complete the Banking Union. It should not be overlooked that an important step has already been taken — the political agreement on the revision of the crisis management and deposit insurance framework (CMDI), which in particular improves the resolution framework for small and medium-sized banks. Still, many view this agreement as lacking ambition. The reason is clear, as highlighted above, no progress can be achieved through back-door approaches that lead to asymmetry and disturb the fragile political balance. It is now up to the European Commission to seize this opportunity. But, in order to succeed, a comprehensive approach must be adopted.

Finally, the success is also dependent on the completion of the ratification of the European Stability Mechanism reform — to enable a common backstop for the Single Resolution Fund — and on further progress in building the Capital Markets Union, particularly when it comes to alternative sources of private financing, as these developments will have also synergistic effects on the banking sector.



KARSTEN BILTOFT
Chief Executive Officer – Danish Finansiel Stabilitet

CMDI is a step forward - but how will EU handle cyber-driven banking crises?

When banks fail, the consequences can quickly ripple through the broader economy. In response to the global financial crisis, the EU took important steps to develop a robust framework that enables the orderly resolution of banks without destabilizing the financial system or burdening taxpayers with bailouts. The crisis management and deposit insurance framework represent a key advancement in this effort. Although the current framework provides a solid foundation for managing traditional financial crises, it remains incomplete in addressing the growing and distinct threat posed by cyberattacks.

A political milestone

The political agreement reached on 25 June 2025 between the European Parliament and the Council on the Commission's proposal for crisis management and deposit insurance (CMDI) marks another important milestone in advancing the resilience and integration of the EU banking sector. As Commissioner Maria Luís Albuquerque stated, the reform ensures that: *"bank failures can be managed efficiently, fairly, and without burdening taxpayers."*

The revised CMDI framework aims to ensure that more banks—including medium-sized banks—can be resolved under the EU resolution regime rather than through national insolvency proceedings. The political agreement also expands the conditions under which national deposit guarantee schemes (DGSs) may contribute to and co-finance resolution actions. This enables a potential shift from liquidation to resolution as the preferred strategy, where it better serves financial stability and depositor protection.

The practical application of these amendments will largely depend on how each EU member state addresses insolvency within its legal framework. Differences in national insolvency laws and administrative practices may affect the extent to which the revised resolution tools will be used. Furthermore, the structure and functioning of national deposit guarantee schemes such as decision-making procedures and system design, will play a key role in determining when and how the updated resolution framework will be applied going forward.

Proven blueprint

Denmark's long-standing approach offers a practical example of how resolution and deposit insurance can work together effectively. For over a decade, Danish authorities have integrated resolution tools with the national DGS, enabling flexible and timely handling of failing banks—including small and medium-sized ones. As a result, most banks are resolved rather than liquidated.

Although only systemically important banks must meet full MREL requirements, Denmark applies loss-absorbing rules to all banks. This allows viable parts of a failing institution to be preserved, while losses are absorbed by shareholders and creditors—minimizing disruption and protecting depositors.

Denmark's experience also highlights the importance of a digital infrastructure. With a highly digitalized banking sector, even smaller banks may be considered to have critical functions. Resolution ensures uninterrupted access to deposits, whereas insolvency could delay payouts by up to seven working days, potentially undermining trust.

A new kind of systemic risk

While the CMDI reform provides measures to address traditional financial instability, the evolving threats of cyberattacks necessitate additional legislative frameworks. These frameworks are essential to ensure the resilience and stability of major financial institutions to avoid significant adverse effects on the financial system in the event of attacks.

Whereas cyberattacks on systemically important banks are unlikely to lead to insolvency or liquidity shortfalls, they can still paralyze operations and erode confidence. In such cases, traditional resolution tools such as bail-in or sale of business will be useless, and replacing management could hinder rather than help recovery. The focus must instead shift toward restoring operations swiftly and maintaining trust in the system.

The changing landscape implies that resolution authorities may need to look for an expanded toolbox.

The nature of threats to financial stability has changed, and today, a cyberattack on a major financial institution can create serious challenges for authorities even if the bank is not insolvent. Therefore, a dedicated legislative framework at the EU level is needed to provide a degree of protection for the affected bank, including new tools, adapted to the digital reality and the need for operational continuity.

By equipping resolution authorities with the right tools to address cyber-specific crises, Europe can safeguard the resilience and credibility of its financial system, especially as the cyber threat landscape continues to evolve. To stay ahead of these developments, institutions and authorities must continuously adapt their frameworks, capabilities, and coordination mechanisms to meet the challenges of an increasingly digital and interconnected financial landscape.



DANIEL QUINTEN

Member of the Management Board – National Association of German Cooperative Banks (BVR)

CMDI: Looking ahead at the technical trilogue and beyond

The compromise achieved on June 25 certainly is a step in the right direction. All parties had to make concessions. The agreement will enable the European financial system to develop further. Deposit protection can be modernized, national deposit schemes are strengthened, and the European resolution regime be strengthened. At the same time the proven diversity of national banking structures, such as institutional protection schemes, is maintained.

During the coming months the parties in the trilogue will have to address some remaining key issues in a technical trialogue. Legal texts have to be drafted in order to create a stable, proportionate and functioning set of rules that does justice to the different structures of the European banking sector. A positive and rapid outcome of the technical trilogue will require that the parties respect and build on the parameters of the political agreement and do not try to reverse results. From our perspective, that would imply:

As regards institutional protection schemes, a workable compromise has been found. The political agreement will ensure that German institutional protection schemes remain functional and that the diversity of the banking landscape is maintained. We will be able to preserve our national institutional protection, which has been successful for over 90 years and enjoys the full confidence of our customers. It is now crucial that the political compromise is transformed in workable legal texts without any new technical details affecting the positive outcome.

Another important result is the preservation of the super-preference. The priority of deposit guarantee schemes in the event of the insolvency of an affiliated institution remains unchanged. This strengthens the financing of deposit guarantee schemes as well as the confidence of depositors. There are still some open questions about harmonizing creditor hierarchies and the treatment of certain liabilities, for which adequate solutions need to be found.

On the other hand, the agreement also brings a new financial challenge: the bridge-the-gap instrument will allow greater use of deposit guarantee funds to finance resolution cases in future. Many of the mechanisms to limit the access previously envisaged have not found their way in the political agreement. This increases the risk of more frequent and greater burdens on national systems. It is important that the final legal text imposes clear and transparent conditions.

We also view the new calculation method for the least-cost-test critically. It could considerably reduce the possibility of preventive measures and lead to higher cost and inefficiencies.

> **The agreement will enable the European financial system to develop further.**

The public interest assessment is another important issue. The criteria according to which banks (especially smaller and medium-sized ones) would fall under the new resolution framework are not fully clear yet. For us, the treatment of smaller banks and the use of resolution tools is a sensitive point. We believe that the extension of the resolution rules, which were designed for systemically important banks to small and medium-sized banks could weaken national deposit guarantee schemes. Our understanding of the political agreement is that it only moderatetly extends the scope. In fact, in many cases, regular resolution would neither be necessary nor economically senseful. Therefore, the design of the public interest assessment agreed and proposed by the Council must not be weakened in the technical negotiations. Insolvency proceedings must remain the standard solution when small institutions fail. A public interest assessment for banks adhering to an institutional protection scheme should be negative, as the scheme will always ensure that the resolution objectives are not endangered.

Thus, some important open issues remain, where the trialogue has to bring solutions. When it comes to transforming political agreements into legislative text, it will become evident how much the devil lies in the detail. Developments will have to be carefully monitored.

Looking beyond the end of the trilogue and reflecting on the future of an EDIS seems to be rather difficult from today's perspective. We believe that meaningful reflections on a European Deposit Protection Scheme do not make much sense as long as there are no final texts of the CMDI package available. Any EDIS proposal would have to build on those rules. Moreover, my takeaway from the CMDI negotiations is that a less ambitioned proposal, like a voluntary EDIS, for example, could help to avoid years of slow and stalling negotiations as we had in the past. That being said, it remains my firm believe that even under such circumstances some preconditions will have to be fulfilled, like a harmonization of insolvency laws and the breaking of the sovereign nexus.



JOHANNES REHULKA

Managing Director & Secretary General – Austrian Raiffeisen Association

Five pillars for a successful resolution framework

On 25 June 2025 a political agreement was reached by the Council and the European Parliament on the review of the Crisis Management and Deposit Insurance (CMDI) framework. According to the Polish Presidency this reform will significantly enhance the EU's ability to respond to bank failures in a proactive, credible, and efficient manner - protecting depositors and safeguarding financial stability. Without any doubt one may congratulate the Presidency but is the agreement worth to say it will bring more stability to the financial system?

At this point, the concrete texts are still under negotiation and therefore a final result is still pending. However certain pillars should not be questioned in the new European resolution framework.

1. "The resolution framework is for the few not the many" the former Chair of the SRB declared in several speeches after the entry into force of the BRRD and the SRM. And it is exactly the way the resolution framework should also be applied in the future: Primarily to banks with a balance sheet (currently) above 30 billion Euros. The new framework may try to find ways to apply in doubt the resolution framework to certain well-defined mid-sized banks under this threshold. However in no way the new framework should turn the resolution framework to a framework for each and every bank. This is particularly true for the scope of application for resolution measures and MREL requirements. It must be borne in mind that the majority of banks will still be liquidated in normal insolvency proceedings as the insolvency of a simple and regionally active bank usually does not lead to an impairment of the financial market stability of a whole Member State.

2. The resolution framework (with BRRD and SRMR) is no playground for new use cases of the means of Deposit guarantee funds. Consumers are trusting the existing and already built-up deposit guarantee schemes in Europe. They trust that they will receive their amounts within seven days after an insolvency. For good reasons the means of these deposit guarantee schemes are not under the disposal of resolution authorities. Instead, it is the main task of prudential authorities to activate a case of the deposit insurance but also to supervise deposit guarantee schemes. The CMDI should therefore avoid ways to drain the means of deposit guarantee funds for different purposes in the resolution framework. Hence, it has to be ensured that losses are borne first by the bank's shareholders and creditors. It is therefore all the more crucial to implement clear and effective safeguards on technical level for a restricted use of DGS funds for resolution objectives.

3. In addition, it is essential that the agreed CMDI upholds the super preference status for covered deposits and DGS claims. Only a super preference will enable deposit guarantee schemes to manage successfully depositor payouts by getting reimbursed by the insolvency mass. Only this reimbursement can maintain the high trust in the banking system.

4. Some voices have expressed the view that the CMDI deal marks another step towards the completion of the EU's banking union as this agreement delivers on a key commitment made in the Eurogroup statement of June 2022. It should be recalled that a union wide framework for deposit guarantee schemes already exists. The Deposit Guarantee Scheme Directive (DGSD) provides a harmonized scope of coverage of deposits, fast repayment periods, improved information and robust funding requirements. In the past the national deposit guarantee schemes have successfully built up their ex-ante funds in line with the DGSD demonstrating their resilience across various scenarios. And therefore, with regard to the trust in the framework we should stop now any ideas for the built-up of European Deposit Guarantee Scheme.

5. No less important is to strengthen institutional protection schemes (IPS) in the resolution regime respecting the characteristics and their functioning. Institutional protection schemes with their early warning systems and preventive measures make the European banking system more resilient. In this respect it is of key importance to maintain a functioning framework for IPS to implement preventive measures.

The resolution framework is no playground for new use cases of the means of deposit guarantee funds.

European lawmakers have shown in the last 15 years how they are able to regulate the European banking system. Now it is the time to finalize current projects as CMDI but afterwards to do that what the European Commission had declared from the very beginning of its current turn: to simplify the framework.

MAJOR EMERGING RISKS IN THE INSURANCE SECTOR



MARIANA KÜHNEL
Executive Director – Austrian Financial Market Authority

Insurance in transition: managing change in a rapidly evolving environment

Financial institutions worldwide are facing a rapidly evolving risk landscape that demands strategic foresight and proactive adaptation. In addition to geopolitical tensions and the accelerating impact of climate change, a range of structural and technological challenges are reshaping financial markets. These dynamics are not only reshaping financial markets but also have a profound impact on the insurance sector, which must adapt to the evolving risks.

Demographic shifts and varying customer needs

One of the most pressing challenges for the insurance sector are demographic and social change, particularly an aging population with rising life expectancy and diverging generational priorities and behaviours. While some individuals tend to integrate technology into all aspects of daily life and show interest in sustainable, digital and efficient solutions, others often require greater attention in relation to highly personalized services, such as in healthcare and elder care. For insurance providers, the primary challenge lies in effectively addressing the evolving and diverse needs of each group represented within their portfolios. This trend is closely linked to the future of statutory social security and healthcare systems, alongside the major challenge of establishing a sustainable pension framework.

Climate change and the rising cost of claims

Another major challenge is climate change and its effect on the level of claims within the insurance industry. Insurance is based primarily on the pooling of risks and the resulting diversification. Natural catastrophe (Nat Cat) insurance needs diversification from a geographic and/or a peril perspective to be able to offer affordable prices to cover these risks. However, due to a fragmented market, insurers often act locally rather than on a (trans)national level and rely heavily on reinsurance. This raises the challenge of uninsurability of risks, as the insurance sums paid out do not cover the actual losses of the policyholders, resulting in a large protection gap, particularly in the case of Nat Cat insurance.

However, in the future we will certainly have to expect more frequent and severe Nat Cat events, impacting exposure which is located in areas that are becoming higher risk. Moreover, Nat Cat risks and insurance premiums are calculated using models that rely on historical data which can be limited when it comes to rare weather events like storms or floods resulting from climate change. Consequently, this poses a major challenge for insurance companies, which will have to adapt their business models and internal models accordingly.

Managing geopolitical risk while exploring market potential

Geopolitical risks are also gaining importance and require close monitoring —especially for Austrian insurance groups with significant market shares in Central, Eastern and Southeastern Europe (CESEE). These risks pose challenges, but also open opportunities. Austrian insurers generate a substantial share of their premiums in CESEE and hold strong market positions, with market shares exceeding 30% in several countries. Alongside potential adverse effects from the Russian invasion in Ukraine, the region and its markets offer high potential as far as the development of the insurance markets are concerned. Particularly the growth of insurance density and insurance penetration present great future upside.

Balancing risk and opportunity in a digitally evolving landscape

Moreover, digital technologies, particularly AI, are transforming both the opportunities and risks faced by the insurance industry. As digitalisation accelerates, risks like IT system vulnerabilities, increased incident likelihood and dependencies on large service providers are becoming more prominent, creating new concentrations of risk. Insurers must respond with robust and proactive risk mitigation strategies.

However, this is also true for supervisors, as they are equally affected and must evolve to keep pace with technological change. Our role is to ensure that companies manage risks effectively and only assume risks they can understand and manage supported by a clear, technology-neutral legal framework. However, in today's dynamic environment, detailed regulations often lag behind innovation.

> **Effective and adaptive supervision is needed to keep pace with change for insurances in transition.**

Despite these challenges, technological progress presents significant opportunities for both insurers and supervisory authorities. For regulators, the increasing availability of data enables a more refined and more risk-based supervision. We can further expand data-driven supervision, allowing for earlier detection of emerging risks and more targeted interventions. To fully explore these opportunities, the legal framework must be flexible enough and open to innovation and new developments in the markets. In fast-moving environments, overly prescriptive rules may fail to keep pace and risk stifling innovation. Supervisors must rise to the challenge to ensure effective supervision in a rapidly changing world and keep up with the pace of change.



ANITA FOX

Director of the Michigan Department of Insurance and Financial Services – National Association of Insurance Commissioners (NAIC)

U.S. insurance regulators adapt financial oversight to new investment landscape

In recent years, it has become apparent that the investment landscape in the financial sector has changed, becoming more complex and requiring heightened oversight from regulators. The quantitative easing and low-interest rate environment following the Great Financial Crisis created growth, but the low rates forced sophisticated investors, including insurers, to shift their vision of investments from traditional assets to more alternative investments in order to attain yield and combat inflation.

This shift happened in a relatively short timeframe for U.S. insurers. According to the National Association of Insurance Commissioners' (NAIC) Capital Markets Bureau (CMB), in the years following the financial crisis (2009-2014), insurer investments in hedge funds doubled; private equity (PE) nearly doubled, from $38 billion to $70 billion; and real estate increased by 50%. Since then, those numbers have increased, while investments in more traditional assets, such as bonds, have decreased by about 9%.

While bonds and common stocks still make up the vast majority of U.S. insurer investments (about 74%), it is evident that a move to alternative investments and private credit among insurers will continue, even with the recent rise in interest rates.

In addition to alternative investments, U.S. regulators are seeing a movement of PE ownership into the insurance industry, especially of life insurers. Currently, the CMB notes that there are about 137 PE-owned insurers. Although this is a trend that has been occurring for many years, it has received attention in recent years given the overall structural shift in the life insurance sector.

Investments in alternative investments add a layer of complexity that regulators must understand. Further, in concert with, but not exclusive to, PE ownership and the growing use of alternative investments in life insurance, regulators are also seeing increased use of cross-border asset intensive reinsurance. Often, as a result, assets in these structures, including alternative investments, fall outside the purview of the U.S. risk-based capital framework. Therefore, U.S. state insurance regulators are taking a number of steps to improve transparency on capital governance and ownership structures along with international collaboration and coordination.

Since 2022, the NAIC and U.S. state insurance regulators have discussed the "13 Considerations" addressing financial transparency around PE-affiliated insurers and related investment activities, including conflict of interest issues, privately structured securities, and offshore/complex reinsurance, among others. Each of these considerations is being reviewed and resolved by the applicable NAIC groups assigned to them.

Investments in alternative investments add a layer of complexity that regulators must understand.

More recently, in February 2025, the NAIC launched its Risk-Based Capital (RBC) Model Governance Task Force to modernize and strengthen the RBC framework to respond to emerging market risks and support innovation. The goal is to develop a set of guiding principles for the RBC framework to facilitate a consistent approach to future adjustments. These principles will serve as a strategic foundation to ensure that all revisions to the RBC framework are enhancements that uphold its integrity, adaptability, and global competitiveness.

As the insurance sector continues to grow cross-border in nature, U.S. state insurance regulators understand that the regulatory changes we are considering could affect the broader global markets and regulatory requirements in other jurisdictions. As such, we are working to ensure coordination with our colleagues in other jurisdictions via international organizations such as the International Association of Insurance Supervisors (IAIS), and the Organisation for Economic Co-operation and Development (OECD), and through our extensive bilateral discussions. For example, at the IAIS, the NAIC provides a significant amount of data to support the annual Global Insurance Market Report (GIMAR), which has recently included focus on the use of alternative investments. Additionally, the IAIS is currently working to finalize an issues paper on structural shifts in the life insurance sector which intends to provide a framework for understanding macroprudential and financial stability implications of this shift.

Change is inevitable, and that means we need to work to understand it. The work U.S. state insurance regulators are doing, both domestically and internationally, is just that – working to understand the challenges, risk, and opportunities of this changing landscape and what needs to be done to ensure consumers remain protected and our supervisory approaches and regulatory systems remain robust and transparent.



PETRA HIELKEMA

Chairperson – European Insurance and Occupational Pensions Authority (EIOPA)

Managing climate risk while balancing calls for regulatory simplification

Climate change poses multifaceted risks to insurers, including physical risks from extreme weather events and transition risks form the shift to a low-carbon economy. In light of this, EIOPA encourages a forward-looking management of these risks to ensure the solvency and viability of the industry.

One way to do this is through the Own Risk and Solvency Assessment, or ORSA. EIOPA's Opinion on the supervision of the use of climate change risk scenarios in the ORSA marked a key milestone in EIOPA's sustainability activities, supporting the integration of climate-related risks into insurers' risk management practices in a structured and forward-looking way.

The results of the monitoring exercise show a clear and very positive shift in the undertakings risk management of climate change risk, which is increasingly being integrated into insurers' risk management processes. Contrary to the situation observed in 2021, most insurers in the scope of the exercise now include climate change scenarios in their ORSA, considering both transition and physical risks, and scenario analysis has become a key element in assessing the financial impact of these risks.

Stress testing is also a valuable tool in assessing insurers' resilience to climate related risks. EIOPA incorporated a natural catastrophe scenario in the 2018 EU-wide insurance stress test and has published a paper setting out methodological principles that can be used to design bottom-up stress test exercises that aim to assess the vulnerability of insurers to climate risks. More recently, EIOPA participated in the one-off "Fit-For-55" climate scenario analysis, a joint exercise with the European Banking Authority, the European Securities and Markets Authority, and the European Central Bank. This exercise, at the invitation of the European Commission, showed that under the scenarios examined, transition risks alone are unlikely to threaten financial stability. However, when transition risks are combined with macroeconomic shocks, they can increase losses for financial institutions and may lead to disruptions. These findings underlined the need for financial institutions to integrate climate risks into their risk management in a comprehensive and timely manner.

One challenge for supervisors and the insurance industry to assess and manage sustainability risks relates to the availability of data and loss models. Comprehensive open-source data is needed to improve the accuracy of the risk assessments, in conjunction with open-source models integrating forward-looking climate considerations. EIOPA is addressing this challenge through knowledge-sharing initiatives, workshops. For example, EIOPA developed the "CLIMADA-app", a user interface to facilitate the use of the CLIMADA open-source catastrophe model.

It's important to be pragmatic when finding the balance between simplification and sustainability.

There are of course always areas for improvement. Within the Solvency II framework, there is scope to better reflect climate sensitivity. For example, there is room within the ORSA to strengthen guidance on incorporating long-term climate scenarios, particularly those related to the causes of global warming. There is also the potential to refine stress testing practices to capture the financial impacts of both physical and transition risks at a granular level.

Given growing calls for reducing regulatory burdens, it is important to find a pragmatic approach in striking the right balance between simplification and sustainability. Overall, EIOPA's view is that a more efficient and proportionate regulatory framework will enable insurers and pension funds to focus on what matters most: providing innovative, affordable, and sustainable financial solutions to European citizens and businesses. Cutting red tape and eliminating unnecessary complexity can provide opportunities for growth, investment, and job creation.

However, simplification cannot be at any cost, nor can it undermine financial stability or high standards of consumer protection. This is also true of sustainability targets and economic ambition must always be aligned with environmental and social responsibility. As a supervisor, EIOPA has a critical role to play in promoting sustainable finance, mitigating climate risk, and ensuring that our industries contribute to a more resilient and equitable future.

EIOPA therefore aims for a balanced approach to simplify rules where possible while ensuring that EU (re) insurers and occupational pension funds continue to have sufficient access to high-quality, standardized and consistent sustainability data. Especially in the context of mounting climate risks, such sustainability data are important reference points that allow for a sound assessment of sustainability-related risks and the provision of reliable information to consumers and investors.

As the insurance sector navigates the complexities of climate change, EIOPA will continue its work to build up sustainable insurance and pensions, including by addressing protection gaps, for the benefit of EU citizens and businesses.



MICHAEL STEEL
Head of Insurance Solutions – Moody's

Understanding and mitigating the increasing natural catastrophe risks

Natural Catastrophe (Nat Cat) losses are rising, both in frequency and severity. This is driven by a combination of factors including inflation, urbanization and a warming planet. If current trends persist, global Nat Cat insured losses will reach an annual average of USD 150-200 billion by the end of this decade. Disasters will displace more and more people each year. This projected increase underscores the need for effective campaigns of targeted risk reduction, higher rates of insurance and other forms of risk transfer.

Risk mitigation is fundamental to limit the escalation of Nat Cat losses, through the siting and protection of buildings and physical infrastructure as well as the financial approaches to managing that risk. Measures such as improved urban planning, stricter building codes, and investment in resilient infrastructure can reduce the vulnerability of communities to natural disasters. However, these efforts require sustained commitment and collaboration between public and private sectors. Moody's is at the forefront of aiding risk management and reduction, including assessing Nat Cat risks, and providing tools to help manage them.

As a leading provider of insights on interconnected risks, Moody's has developed the most comprehensive Nat Cat models available to the insurance, financial and regulatory markets. These models help all stakeholders in the risk quantification and risk transfer chain to make informed pricing and accumulation decisions about current and future risks.

Another vital strategy for mitigating the impact of Nat Cat losses and addressing the uninsured protection gap is the better use of risk transfer to achieve the most efficient deployment of capital resources. Diversification across different perils and countries can enhance the resilience of financial systems to Nat Cat events (severe losses are unlikely to occur at the same time across different perils or geographies). The role of diversifying risk is currently left to reinsurers and the largest insurers with their multi-territory portfolios.

The European Union could have a significant role in promoting and structuring public-private partnerships. A recent paper by the European Central Bank and the European Insurance and Occupational Pensions Authority draws on Moody's Europe Flood HD models to demonstrate that by pooling flood risk across Europe, the cost of capital per unit of premium could be reduced by up to 40% and as a consequence, the premium for policyholders could reduce by around 26% overall, making insurance more affordable. If the penetration rate of insurance increases, further reductions in premium are anticipated, highlighting the potential benefits of broader insurance coverage and collaborative risk-sharing mechanisms.

Insightful risk models, mitigation & efficient use of capital are crucial to combat Nat Cat losses.

Such ambitious collaborative risk-sharing and pooling mechanisms will need to bring together not only public-private partnerships and innovation within the insurance sector, but also increasingly other financial institutions. For banks, for example, this means testing mortgage and other loan portfolios to analyze whether insurance is in place to protect against catastrophic losses. This will be particularly important for flood coverage, especially for countries that have previously had a desultory attitude to offering flood protections.

All these ambitions require institutions to move towards a common language of risk—one that bridges technical modeling with strategic decision-making. This shared vocabulary around probabilities and portfolio-wide metrics is needed to facilitate clear communication across risk, finance, and executive teams. Nat Cat exposures are not only required to be collated and quantified but also integrated into broader enterprise risk frameworks. A harmonized approach to levels of risk facilitates regulatory engagement and cross-sector collaboration, both of which are critical to building systemic resilience. Analysis using comprehensive Nat Cat models helps form the foundation of such a common language of risk.

In conclusion, beyond well-funded campaigns of risk reduction, insightful risk models, mitigation, and efficient use of capital are crucial to improve the management and diversification of rising Nat Cat losses. Moody's is committed to playing a vital role in helping to advance these efforts, providing tools and insights to enhance our collective resilience against natural catastrophes. By working together and leveraging innovative solutions, we can better protect our communities and economies from the growing threat of Nat Cat events.

INSURANCE PROTECTION GAPS



PETRA HIELKEMA

Chairperson – European Insurance and Occupational Pensions Authority (EIOPA)

Bridging insurance protection gaps: Regulation, incentives and coordination

The growing frequency and severity of natural catastrophes in Europe—exacerbated by climate change—has exposed a widening insurance protection gap. According to EIOPA's dashboard, only about 25% of losses from extreme weather events in the EU were insured in the past.[1] This threatens both individual and business resilience, and macroeconomic stability and public finances. Addressing this challenge requires a coordinated, multi-layered approach involving regulatory frameworks, national schemes, and EU-level mechanisms.

The role of regulatory frameworks: Solvency II and beyond

Solvency II, the EU's prudential framework for insurers, plays a foundational role in ensuring the financial soundness of insurers and promoting risk-sensitive capital requirements. Enhancing Solvency II to better integrate catastrophe risk modelling and reward risk mitigation efforts could help as it is very important to reflect the evolving risk appropriately to ensure that the capital requirement is adequate. For instance, in light of climate change, new scientific insights and recent catastrophic events, it is important to ensure that the calibration of the natural catastrophe parameters of the standard formula remain sound. EIOPA recently performed the reassessment of the natural catastrophe risk standard formula capital charges.[2] Additionally, impact underwriting—where insurers integrate climate adaptation into pricing and coverage—can align financial incentives with societal resilience. Regulators can support this by recognizing the risk reduction effect of adaptation measures in capital requirements. Here, EIOPA is currently working on an assessment of the prudential treatment under Solvency II of adaptation measures in Nat Cat insurance. Moreover, Solvency II could be adapted to better support agricultural and climate-sensitive sectors, where insurance penetration remains low. This would require more granular risk modelling and potentially the development of open-access catastrophe models to improve transparency and trust.

National schemes: Lessons from CCR and CCS

France's Caisse Centrale de Reassurance (CCR) and Spain's Consorcio de Compensación de Seguros (CCS) offer valuable models of public-private partnerships. These schemes pool risks nationally, provide mandatory or semi-compulsory coverage, and are backed by state guarantees. They have proven effective in maintaining insurability and spreading risk across populations and time. Such schemes could be adapted or expanded in other Member States, particularly where market-based solutions are insufficient. However, national schemes must be carefully designed to avoid moral hazard and ensure that premiums reflect actual risk. Coordination with EU-level frameworks can help maintain subsidiarity while promoting consistency.

EU-Level mechanisms: Towards a coordinated response

Recognizing the fragmented landscape of national responses, the EIOPA and the ECB have proposed a two-pillar EU-level solution[3]:

- An EU public-private reinsurance scheme: This would pool catastrophe risks across Member States, leveraging diversification and economies of scale. Funded by risk-based premiums from insurers or national schemes, or funded fully privately, it would provide a backstop for extreme losses, helping to stabilize insurance markets and maintain affordability.
- An EU disaster risk financing fund: This would support public infrastructure recovery, conditional on pre-disaster risk mitigation measures. It would reduce fiscal shocks and incentivize proactive adaptation.

These mechanisms should complement national schemes, not replace them, preserving subsidiarity while enhancing resilience.

Joint reinsurance arrangements, including EU-wide catastrophe bonds or backstops, could further enhance insurability in high-risk areas. These instruments would provide liquidity post-disaster, reduce reliance on ad hoc public aid, and stabilize insurance markets.

Conclusion

Closing the insurance protection gap requires a comprehensive strategy that combines regulatory developments, market innovation, and EU-level coordination. To effectively address emerging protection gaps, a common EU methodology for identifying and monitoring gaps is essential. EIOPA's dashboard on natural catastrophe protection gaps is a step in this direction. Harmonized data collection, risk assessment, and scenario analysis would enable better policy coordination and targeted interventions. Solvency II must evolve to better reflect climate risks and reward resilience. National schemes like the CCR and CCS offer proven models, while EU-level mechanisms can provide scale and diversification. Finally, financial innovation will be key to maintaining insurability and affordability of Nat Cat insurance.

1. *Dashboard on insurance protection gap for natural catastrophes - EIOPA*
2. *Opinion on the 2023/2024 Reassessment of the Nat Cat Standard Formula - EIOPA*
3. *EIOPA and ECB joint paper: Towards a European system for natural catastrophe risk management - EIOPA*



MICHAEL J. MCGRATH

Assistant Secretary, Financial Services Division – Department of Finance, Ireland

Collaboration is essential to reduce the climate insurance protection gap

Europe is the fastest warming continent. From 1981 to 2023, natural catastrophes have caused approximately €900 billion in direct economic losses within the EU. As these weather events intensify, NatCat insurance has become increasingly important in protecting people's livelihoods. Furthermore, where NatCat insurance protection gaps exist, this can slow economic growth and competition through delayed economic recovery. They can also lead to fiscal pressure on governments and increased exposures to credit risk for banks and other financial service providers.

Last January, Ireland witnessed the impact climate insurance protection gaps have on households and businesses following Storm Éowyn. The storm is currently estimated to have led to insurance losses of up to €300 million in Ireland, the biggest windstorm loss for Ireland in at least 45 years.

Despite relatively positive penetration rates for property insurance, a flood insurance protection gap continues to exist in Ireland. According to a report published by the Central Bank of Ireland in 2024, 1 in 20 buildings have limited or no access to flood insurance. A challenge faced by many countries is the increase in urbanisation in high-risk (flood-prone) areas. In this context, it is important to find a balance between building new houses to address housing shortages, while not widening the insurance protection gap.

The insurance sector has a key role to play in addressing insurance protection gaps. However, insurance-based solutions cannot address all NatCat risks on their own, nor is it desirable for insurance to remove incentives to proactively plan for and manage disaster risk. Public authorities also have a key role to play in preserving insurability, promoting adaptation, and potentially helping to cover risks that are deemed uninsurable.

Irish government policy remains focused on the development of a sustainable, planned, and risk-based approach to managing flooding. In line with this policy approach, scaling up climate adaptation and mitigation to reduce the risk and increase resilience is crucial. This will rely on cooperation and coordination between all relevant stakeholders, both public and private.

Engagement with key stakeholders in the context of the flood insurance protection gap on a regular basis happens through an interdepartmental co-ordination group. In addition, an industry working group has also been established. These mechanisms allow for information sharing, direct channels of communication with industry, and discussion regarding the development of flood defence schemes, humanitarian schemes, and new policy.

Scaling up climate adaptation and mitigation to reduce the risk and increase resilience is crucial.

Financial literacy and increasing data availability are key pillars to ensuring that the public is aware of the climate risks and how to protect themselves against such risks. An improvement in qualitative data collection and sharing could also lead to more accurate risk pricing and can assist in the development of innovative insurance solutions. Investment in climate resilient infrastructure should complement governmental engagement with the insurance sector to encourage industry to offer innovative sustainable products and invest sustainably in accordance with the principle "Do No Significant Harm".

International discussion papers have considered the "ladder of intervention" approach based on: (i) the private market (including risk-based pricing and deductions in premiums where consumers mitigate risk where possible); (ii) the public sector (which can be prepared for NatCat events through ex-ante financial and defence measures); and (iii) an EU approach to pool risk.

Ireland is actively engaged in, and welcomes, publications in this area from various international organisations, including the IAIS, OECD and the EU Commission as well as the reports from EIOPA and the ECB, which contemplated what an EU level solution might look like. The prospect of pooling risks at EU level to enhance diversification is a particularly interesting idea. Taking flood as Ireland's most pertinent example – flood events here are reasonably uncorrelated to flood events in the EU. Accordingly, there are likely similar examples for other EU Member States, where diversification benefits could be achieved through such risk pooling.

In any policy deliberation, it is essential that any such measures do not lead to less risk reduction and fewer adaptation measures; lower risk awareness; or inadvertently widening rather than reducing the insurance protection gaps over time.

Reducing protection gaps will require strong and intensive collaboration between governments, supervisors, the insurance industry, and civil society.



HANNE VAN VOORDEN

Head of Supervisory Practices and Operations- International Association of Insurance Supervisors (IAIS)

From analysis to action: IAIS efforts to address emerging risks

The IAIS' framework for assessing risks and trends

As a global standard setter, the International Association of Insurance Supervisors (IAIS) places significant emphasis on our work being data driven. The old adage that "what gets measured, gets managed" also applies to our efforts to understand how external risks or emerging trends impact the insurance sector, such as the impact of climate change and digital innovation.

Since its inception six years ago, the IAIS' annual Global Monitoring Exercise (GME) has been instrumental in enabling the IAIS to better examine risks to the sector. It provides the flexibility that allows the IAIS to dive deeper into emerging issues. The GME process includes detailed data gathered from insurance supervisors and globally actively insurers, together with discussions with supervisors and stakeholders across the insurance sector to consider in-depth the outcome of the data analysis, and what it means in terms of risks and supervisory responses. The final public product is the Global Insurance Market Report (GIMAR), which is published in December with a preview published in July. The IAIS also develops special topic editions of the GIMAR to delve deeper into relevant topics:

- In 2021 the IAIS published a special topic edition of the GIMAR on climate risk. The report assessed how insurance sector investments are exposed to climate change. The IAIS was able to draw on unique quantitative and qualitative data gathered from across the IAIS' membership to better understand insurers' asset-side exposures to climate-related risks, as well as supervisors' views on these risks.
- In 2023, the IAIS published a special topic edition on cyber risk, presenting an analysis of the risks and trends associated with cyber insurance coverage, cyber resilience in the insurance sector and the impact these risks may have on financial stability.
- Later this year, we will publish a special topic edition on the potential financial stability implications of natural catastrophe (NatCat) protection gaps. The report will focus on how insurance protection gaps may create spillovers to other parts of the financial system and the real economy, such as banking, real estate, households, and government finances.

Emerging risks and trends continue to be monitored in the regular, annual GME process. For instance, this year the GME will consider the extent to which insurers are able to identify cyber risks, apply policy exclusions and limit their exposure. The IAIS will also monitor supervisory activities to gain insights into developments within the cyber market.[1] The IAIS also continues to improve its insights into climate-related risks, including by gathering more detailed information on insurers' assets to enhance the analysis of insurers' investment exposure to climate-related risks; and since 2023, also collecting information on insurers' liability risks related to exposures to NatCat events. This is work in progress, supervisors continue to develop their capabilities to identify, design and implement appropriate and relevant data collections that can support climate-related risk assessments.

Supporting supervisory responses to emerging risks

The IAIS' assessment of emerging trends in the insurance sector is designed to inform an effective supervisory response to the risks and opportunities that these may present. In recent years, the IAIS' focus has been on the shift from analysis to supervisory action on emerging risks – in particular, adjusting our globally recognised standards for insurance supervision, where necessary, and supporting our members in their implementation, including by promoting an understanding of supervisory issues and sharing good supervisory practices.

Climate risk

In April, the IAIS published an Application Paper[2] that provides a comprehensive overview of how the IAIS' Insurance Core Principles (ICPs) can be applied to address climate-related risks. This comprehensive paper aims to support supervisors in effectively integrating climate-related risks into their supervisory practices, thereby strengthening the resilience of the global insurance sector. The paper outlines good practices and guidance for supervisors in several areas, including the role of supervisors in assessing climate-related risks and the integration of climate-related risks into corporate governance, risk management and internal controls. It also considers the impact on valuation and investment practices and outlines steps to integrate climate risk in into supervisory reporting, public disclosure and macroprudential supervision. The paper provides supervisors with practical support on how to address group supervisory issues, the role of climate-related risk scenario analysis and important market conduct considerations.

The next phase of the IAIS' work on climate risk is to further support our members with practical knowledge and capacity building. This includes work to assess the extent to which NatCat models used by insurers have already embedded climate change as well as a review of existing decision-useful climate metrics disclosed by insurers and those included in supervisory reporting.

Natural catastrophe protection gaps

In recent years, the IAIS has also devoted considerable efforts to supporting supervisors with addressing the issue of widening NatCat protection gaps. NatCat protection gaps are a global challenge, affecting both advanced and emerging market and developing economy (EMDE) jurisdictions. The consequences from these gaps go beyond economic losses, as NatCat events can also have devastating human and societal impacts.

Insurance, including reinsurance, has an important role in enhancing societal resilience, by managing physical risk and the financial impacts of NatCat events. Insurance provides financial protection, enables faster recovery and reduces economic disruption from extreme weather events. Insurance can also incentivise risk reduction and enhance preparedness, helping to limit losses before disasters strike. However, there are significant challenges to insuring NatCat events, as rising risks infer higher insurance costs, making coverage less affordable for those who need it most.

The IAIS has been leading efforts to bring stakeholders together and highlight the importance of this topic in the global policy agenda. For example, in 2023 the IAIS issued a "Call to action"[3] report which made it clear that all insurance supervisors, implicitly or explicitly, have a role in addressing protection gaps. This year, the IAIS developed a G20 input paper[4] for the Sustainable Finance Working Group under the South African G20 presidency, together with the World Bank. The paper provides actionable insights for jurisdictions to narrow the protection gap:

- The paper highlights foundational actions essential for effective insurance-based solutions, including:

  - Building capacity to assess exposure to NatCat events and protection gaps.

  - Implementing risk-based and proportionate supervisory frameworks.

  - Improving financial literacy and risk awareness.

  - Incentivising risk reduction through measures like disaster-resistant building codes and resilient infrastructure.

- The paper emphasises the transformative potential of innovative insurance solutions to reduce risk and limit economic losses, such as, parametric insurance, microinsurance, risk transfer mechanisms (including catastrophe bonds, reinsurance, and regional risk pools).

- The paper also makes it clear that collaboration across stakeholders is key. This includes public-private insurance programmes (PPIPs), which leverage the strengths of governments, supervisors, insurers, and civil society to deliver targeted and scalable solutions.

As a next step, the IAIS will develop a practical resource, together with the World Bank and other partners, that can assist supervisors and policymakers in addressing NatCat protection gaps.

Looking ahead

The role of insurance is critical to provide societal resilience – especially in a changing insurance landscape. Insurance supervisors aim to ensure that insurers can sustainably fulfil this role. By assessing the risks insurers face, supervisors can develop adequate supervisory responses in support of financial soundness and financial stability of the insurance sector, and the financial health of consumers.

IAIS is well-placed to support its membership to tackle emerging trends and challenges across the global insurance sector, including those from accelerating risks such as climate change or cyber. We will continue to take a data-driven approach to support globally consistent supervisory responses to these evolving challenges.

1. *See IAIS (2025b), Global-Insurance-Market-Report-2025-mid-year-update.pdf*
2. *See Application-Paper-on-the-supervision-of-climate-related-risks-in-the-insurance-sector.pdf (2025a),*
3. *See IAIS-Report-A-call-to-action-the-role-of-insurance-supervisors-in-addressing-natural-catastrophe-protection-gaps.pdf (2023),*
4. *See– WBG (2025), G20-SFWG-input-paper-Identify-and-address-insurance-protection-gaps.pdf*



BRUNO LEPOIVRE

Director Net Zero program and CSR for non-life insurance – Crédit Agricole Assurances

Is the "Protection Gap" an inevitability?

A recent report by France Assureurs[1], the representative body for the insurance profession in France, underscores that climate change is now perceived as the paramount risk for the insurance sector, on a par with cyberattacks. This entails an increase in the frequency and severity of climatic events (droughts, storms, floods, etc.). These incidents can be acute (such as storms) or chronic (such as rising sea levels), with global repercussions for property, crops, infrastructure, public health, migratory flows, and the entire economy. Insurance is at the forefront: in 2024, French insurers disbursed 5 billion euros in compensation for natural events. Supporting policyholders during these often-critical times is the very essence of our profession.

As risk managers, insurers, and investors, we have a pivotal role to play in the transition to a global net-zero economy. Insurance companies can assist their clients—and more broadly, the economy—in their efforts to mitigate climate change. As investors, they can establish ESG (Environmental, Social, and Governance) criteria in their responsible investment policies and engage in exacting dialogues with the companies in which they trust. However, in property-casualty insurance in the retail market, their ability to influence policyholder behavior remains limited.

Conversely, the role of insurers in adapting to climate change is central. Through their expertise in risk modeling and risk management, insurers contribute to a better understanding, prevention, and reduction of the impacts of climatic hazards. And as risk bearers, they protect households, businesses, and public institutions by absorbing the economic shocks related to these events.

The 2024 SIGMA study by the Swiss Re Institute[2] reveals significant disparities between countries in terms of coverage against climatic disasters. The global "protection gap" has reached a record level of 385 billion dollars: nearly three quarters of losses are uninsured.

In this context, France stands out with a resilience index of 83%. This success is primarily explained by its unique model, the "Cat Nat" regime, based on a public-private partnership that induces efficiency and sustainability. The natural disaster guarantee is automatically included in home insurance contracts ("fire" or "property damage") and motor contracts thanks to a surcharge. Insurers collect premiums and compensate for losses, while the state oversees the system (surcharge rates, deductibles, coverage scope) and provides unlimited reinsurance coverage (50% reinsurance quota). This risk-sharing with the state allows insurers to cope with the consequences of a natural disaster regardless of its scale and ultimately guarantees that each victim will be compensated.

As risk managers, insurers, and investors, we have a pivotal role to play in the transition.

The second success factor: the widespread adoption of home insurance (more than 95% of market penetration), which allows for strong risk pooling. This pooling is a true national treasure: it guarantees affordable rates (approximately 300 euros on average per year) while ensuring solidarity between territories.

So, can we genuinely fear a "protection gap" in France? No, as long as the current model endures. The system is robust, and an inflation of climatic claims, which represent on average 100 euros on the premium, is manageable. But yes, if certain players opt for the individualisation of risks. The increasing use of high-quality data would allow for fine-tuning of rates, leading to a decrease of premiums for low-risk properties but a surge for the most vulnerable. This is a misuse of technology but not a fatality. Worse still, some insurers might withdraw from areas deemed too risky, making them uninsurable. Generally, the fewer actors present in a market, the more insurability can be called into question, which is already being observed in the local authorities market.

The nature of insurance is a solidarity with a fragile balance, which relies both on the regulatory framework and on the collective discipline of insurers. But faced with the announced intensification of climatic events, maintaining the status quo will not suffice. It is urgent to establish a genuine culture of risk and to collectively invest in prevention, protection, and adaptation.

An entity such as Crédit Agricole, a territorial bankinsurer, is fully legitimate to take on this challenge. True to its history, it will know how to assume the role of "territory shaper" in building sustainable climate resilience, side by side with public authorities for the overall protection of the society.

1. *fa_cartographie-prospective-2025.pdf*
2. *sigma-resilience-index-2024.pdf*



CRISTINA MIHAI
Head of Regulatory Risk Management EMEA – Swiss Re Management Ltd

Protection gaps in the climate and cyber risk areas

Economic losses from natural catastrophes and cyber incidents are rising. This question of "protection gaps" is particularly acute in the climate and cyber risk areas.

Zooming in on the area of natural catastrophes, Swiss Re research shows that in 2024 economic losses from natural disasters totalled USD 318 billion, confirming the 5-7% annual growth rate that has been the norm of recent years. Of these, 43% were insured – or USD 137 billion. For 2025, the current estimate is that insured losses will reach USD 145 billion in 2025, confirming that USD 150 billion is the new estimate for insured losses.

Despite this growing trend, the reinsurance market maintains its capacity to absorb peak loss scenarios. Traditional reinsurance capital stands at approximately USD 500 billion, providing sufficient capacity to withstand even 1-in-10-year scenarios where insured losses exceed USD 300 billion. Alternative capital, such as insurance-linked securities (ILS) including catastrophe bonds, add further capacity to manage low-frequency, high-severity risks and to support retrocession. To maintain resilience, it is essential that growth in both traditional and alternative reinsurance capital keeps pace with rising natural catastrophe exposures.

Other stakeholders, too, have to step up to maintain an adequate level of protection. Specifically, there is a need to maintain the focus on adaptation to an already fast-changing climate. The public sector plays a central role in promoting and undertaking risk-reduction measures. These include preventive infrastructure, enforcing adequate building codes, investing in adaptation, and rebuilding in ways that improve resilience for the future ("build back better" approach).

There is also the question whether public-private initiatives, such as currently being introduced or envisaged and discussed in Italy, Greece or Germany, or at EU level with the ECB / EIOPA proposal on a public reinsurance scheme, can contribute to closing natural catastrophe protection gaps. Such measures, if designed properly, can have benefits, such as increasing insurance penetration or promoting prevention and adaptation. This requires, notably, following the principle of risk-based underwriting. Any publicly initiated reinsurance scheme should be mindful of not crowding out or disrupting the private (re)insurance market, which in turn might lead to increased reliance on government intervention. Ultimately, such initiatives should complement - not replace - the private re/insurance market.

Closing the existing gaps will be challenging and requires the involvement of all stakeholders.

Zooming in on the cyber risk area, Swiss Re's latest research shows that global cyber insurance market expanded rapidly between 2017 and 2022, with average annual growth of 32%. While rate-driven expansion has cooled, Swiss Re still projects USD 16.6 billion in premium for 2025, up 8 % over 2024. Yet most cyber risk remains uninsured.

Insurance penetration is concentrated in large corporate clients, estimated at approximately 80% for firms with annual revenues over USD 10 billion, compared to only 10 % of SMEs (under USD 100 million). With large corporates already largely covered, future organic growth (clients purchasing new policies and existing clients purchasing higher limits) depends mainly on first-time SME buyers rather than on selling higher limits to existing clients.

Geographically there is an uneven distribution of cyber premiums across regions. North America writes 70 % of global cyber premium, Europe 19 %, and Asia-Pacific just 8 %. This split highlights both differing levels of market maturity and the sizeable runway for growth in Europe and APAC.

Closing today's protection gap will require simpler, lower-cost products for smaller businesses, more efficient digital distribution, and basic risk-management support that raises minimum cyber-hygiene standards. Equally important are better data, model accuracy, and risk transparency - especially around systemic issues such as cloud-service concentration - to let underwriters' price confidently and deploy additional capacity in underserved segments.

With risks rising, the protection gap issue is very high on everybody's agenda. This is particularly true for climate and cyber risks. Closing the existing gaps will be challenging and requires the involvement of all stakeholders. Through its expertise and risk modelling capacity, the re/insurance sector has a key role to play. In fact, the many new, innovative solutions available mean that the sector is better equipped than ever to design and deliver risk transfer solutions, even for emerging or previously uninsurable risks. However, re/insurers' capacity to do so depends on a regulatory environment that supports global capital efficiency and enables risk-based, market-driven solutions. Public intervention should focus on enabling this role, not replacing it.

5

PAYMENTS AND THE DIGITAL EURO

INTERVIEW 184

Marianne Demarchi - Swift

POLICY PRIORITIES FOR THE PAYMENT SINGLE MARKET 186

Eric Ducoulombier - European Commission / **Roberto Pagán Díaz** - BBVA / **Agustin Reyna** - The European Consumers' Organisation

RETAIL PAYMENT INNOVATION 190

Burkhard Balz - Deutsche Bundesbank / **Ulrik Nødgaard** - Danmarks Nationalbank / **Christophe Bories** - Ministry of the Economy, Finance and Industrial and Digital Sovereignty, France / **Yves Blavet** - Société Générale / **Mette Grolleman** - Visa Europe

CROSS-BORDER PAYMENTS 196

Jutaro Kaneko - Financial Services Agency, Japan / **Dirk Bullmann** - CLS Group

DIGITAL EURO TIMELINE AND SUCCESS FACTORS 198

Evelien Witlox - European Central Bank / **Gediminas Šimkus** - Bank of Lithuania / **Carla Díaz Álvarez de Toledo** - Ministry of Economy, Trade and Business, Spain / **Christian Castro** - CaixaBank / **Teunis Brosens** - ING Group / **Madalena Cascais Tomé** - SIBS



Q&A

MARIANNE DEMARCHI

Chief Executive EMEA - Swift

Swift's role as a network of networks is more important now than ever before

The cross-border payments space is evolving rapidly with new players and new technologies. What does this mean for Swift?

There have always been many different ways to move value around the world, and this competition is important to uplifting the experience for end users. Equally, it's encouraging to see so much innovation taking place around the world, including in the digital asset space, and there are many initiatives with which Swift is directly involved.

When Swift was created, it was to standardize cross-border financial communication. That raison d'être remains, and as new technologies, networks and forms of value emerge, we're focused on interoperating this increasingly complex ecosystem, mitigating the risks of fragmentation so that the global economy can continue to function securely and efficiently.

Swift has earned the trust of the financial industry over the last half a century. As a co-operative, we are a convener of the industry, but also for the industry. Trust is arguably the most important commodity in global finance – and we're focused on continuing to bring the industry together to solve common challenges and ensure value of any kind can continue to flow securely and seamlessly across borders.

You mention the risks of fragmentation. How real are those risks, and what is Swift's role in overcoming them? What impact will stablecoins and other digital assets have on fragmentation in the global financial ecosystem?

The risks of financial fragmentation, caused by rapid technological advancements as well geopolitical shifts, are very real. In this context it's arguable that Swift's role as a trusted network at the heart of the financial ecosystem is more important now than ever before. Research conducted by Economist Impact earlier this year looked at three possible scenarios, depending on what level of action was taken. The reality was that in all cases, there are no winners, but in the worst case scenario financial fragmentation could wipe 6% off of global GDP by 2030. That's equivalent to $6.5 trillion.

In this scenario, 280 million fewer jobs will be created. Innovation will slow down, risk and uncertainty will increase and efforts around financial inclusion will be hindered. Clearly, there will be no winners.

In the context of cross-border transactions, the ecosystem is complex. New networks and technologies will only add to this complexity, and there is a risk of 'digital islands' emerging – in other words, silo'd operations that exist within a region or between a few countries, but that are not efficient for global trade or finance.

Swift is agnostic to technology, just as it is agnostic to currencies. We're often referred to as a network of networks, and as new networks emerge and scale, we'll continue to seek to ensure they can interoperate with the broader financial ecosystem so that the risks of fragmentation are mitigated as much as possible.

We've been collaborating with the industry for some years and have successfully demonstrated the role that Swift can play in the future financial ecosystem. If a stablecoin or other form of digital asset is used in one market, but another continues to use a fiat currency, then these two countries will need to be able to interact if they are to continue to trade with one another. And if one country uses a digital asset built on one blockchain, and another country uses a different blockchain network, the same applies. We have shown that we can interlink these networks, so that financial institutions and businesses can continue to transact using their secure Swift infrastructure, regardless of the form of value.

The G20 has a roadmap for improvements to cross-border payments. What role is Swift playing in driving the industry forwards?

Our strategy is closely aligned to the G20 roadmap, and in fact our processing speed (90% within an hour) is already significantly ahead of the G20's end-to-end settlement target (75% within an hour by 2027). The issue is in the last mile, between a payment arriving at a bank and being credited to the customer, and we're committed to working with both public and private stakeholders to drive improvements in this area.

The roadmap also includes focus on enhancing transparency. Swift GPI enables payments to be tracked every step of the way, just like a package out for delivery. This may sound good, but its impact is significant: during the pandemic, imports of critical medical equipment were sped up because exporters could see that a payment was on its way, the detail was accurate, and so could ship goods before the money arrived. Now, we're extending the benefits. For example, working with the European Payments Council on its One-Leg-Out Instant Credit Transfer scheme (OCT Inst) which enables 24/7 cross-border instant payments, with end-to-end traceability.

Another core solution that all Swift members can utilise is Payments Pre-validation, which checks the accuracy of payment details before a payment is sent. With the European Instant Payments Regulation requiring Verification of Payee (VoP) across the Single European Payments Area, we've been engaging domestic schemes, such as Surepay, CBI and SEPAmail, to extend their reach beyond the SEPA zone and make it easier for banks and Payment Service Providers to expand their service in the cross-border space.

Swift has earned a reputation for operational excellence. With technology evolving so rapidly, how is the co-operative innovating to make use of the latest developments, such as artificial intelligence (AI)?

Value equivalent to the world's GDP flows across the Swift network roughly every three days. That's an incredible statistic, which demonstrates the trust that is placed in Swift and our network's resilience. But with it comes huge responsibility. Operational excellence is the reason we have earned the industry's trust: it is always the cornerstone of our strategy, because the trust that our community places in us is hard earned. We're not a commercial organization, and we reinvest much of the money we do make back into the network.

As technology evolves, we strive to continue meeting the highest standards of security, reliability and resilience. We're constantly working to reinforce our sustainable and scalable platform, so that we can continue to deliver more value to our customers while meeting the highest security standards. We're actively preparing, too, for quantum computing, leading a Post-Quantum Readiness initiative which will ensure we continue to uphold the highest level of security in the quantum era.

We also invest to make sure that the ecosystem as a whole is more secure. Earlier this year, we released an AI-enhanced version of our Payment Controls service, which enables financial institutions to identify potentially anomalous or fraudulent transactions. And as a cooperative, we're ideally placed to bring the industry together to solve common challenges, one of which is fraud, which is estimated to have cost the industry more than $450bn in 2023 alone. We've been innovating with our community to identify how AI and privacy-enhancing technologies can help not just bring these costs down, but also reduce friction from the ecosystem and enhance the customer experience.

POLICY PRIORITIES FOR THE PAYMENT SINGLE MARKET



ERIC DUCOULOMBIER

Acting Director for Horizontal Policies, DG for Financial Stability, Financial Services and Capital Markets Union – European Commission

Time to address the EU payment market fragmentation

Despite the success of SEPA standards and schemes, which cover 41 countries and territories, despite having a single currency, despite decades of efforts, the EU payment market still remains fragmented along national lines.

Fragmentation can be observed in every part of the payment chain but mostly as concerns end-user solutions. We have multiple national and European payment systems and infrastructures, We have a myriad of successful but still mostly national payment solutions designed for domestic purposes. Swish in Sweden, Bizum in Spain, Blik in Poland are national champions, highly popular at home but cannot be used abroad. We also have 9 remaining domestic card schemes, again very successful at home but unknown even in neighbouring EU countries where they cannot be used without being co-badged with an international card scheme. Our European champions are mostly to be found either in domains like acquiring and processing, in technologies like chips and terminals or in specific services such as remittances or open banking. The conclusion is clear and not so satisfactory: today a consumer wishing to pay with the same payment instrument throughout the European Union inevitably needs to use one of the international cards schemes.

Payments is a critical activity, relying on critical infrastructures.Addressing this fragmentation, which is a huge source of costs and inefficiency, was the main priority of the 2020 European Commission's Retail Payments Strategy.

After years of unsuccessful attempts, we are witnessing the emergence of initiatives whose scope and objectives are resolutely European. I see three main reasons for this:first the growing conviction that there is no future for purely national solutions, with many of them increasingly challenged on their domestic turf by international players. 'Unite or die' seems to be the prevailing motto. Second, EU legislation has created a very conducive legal framework. A striking example is the Instant Payment Regulation which promotes instant payments as a driver for innovation, competition and integration. With our revised legal framework for payment services currently being negotiated in trilogues our ambition is to offer a stable, clear, modern and future-proof rulebook on the basis of which our market will compete and innovate. Third:the planets populating the European payments galaxy are today aligned as never before. EU institutions (with Commission and ECB/ERPB in the lead), Member States, national central banks and all private stakeholders are determined to address fragmentation, realising that there is no other choice and that there can be no successful outcome without full, joint and strong public and private commitments.

These new initiatives are private-led, like the European Payment Initiative (EPI) and EuroPA, or public-led like the digital euro. This multiplication of initiatives is not seen by the Commission as a bad thing. After so many years of failed attempts we cannot complain that there are too many of them.But this can potentially be a source of fragmentation. This requires tight cooperation and, again, a fully efficient private and public partnership under a strong and coherent leadership. We were pleased to hear in July that EPI and EuroPA are engaged in very serious discussions to make their respective projects interoperable. We look forward to seeing white smoke coming out of their conclave. We support both initiatives, whilst recognizing their significant differences in nature.We are convinced that what unites them-the fundamental objective of joining forces to promote pan-European solutions- is stronger than what divides them (integration model versus interoperability).

We believe that there is room in a competitive landscape for both private and public pan-European initiatives as is already the case today with the coexistence of public (cash) and private money. We fully appreciate the reasons having led the ECB to work on a retail CBDC and we support this project. It is however of critical importance that the digital euro finds its place in harmony with private solutions and not in antagonism with them.

The Commission has proposed capping the merchant service charges and the inter payment service providers (PSPs) fee related to digital euro point of interaction transactions at Union level. The proposed caps would be based on fees charged for comparable means of payment and on costs incurred by PSPs. While PSPs may apply lower fees below the caps, the Commission's proposal stipulates that Member States cannot set individual caps that deviate from the harmonised caps. We trust that the digital euro and the single caps will contribute to reducing fragmentation in the retail payment market.



ROBERTO PAGÁN DÍAZ
Head of Consumer Payments - BBVA & Vice-Chair - Bizum

Bizum: a successful solution paving the way for European payment autonomy

"Bizum me!" is what you are likely to hear when you owe a friend half of the restaurant check. It's no wonder why this Spanish account-to-account payment solution has taken root into the daily vocabulary: since its launch in 2016, Bizum quickly gained traction in Spain as a peer-to-peer (P2P) payment service. Its user-friendly experience and seamless integration with existing banking apps allowed it to rapidly achieve widespread adoption, accumulating over 29 million users and processing more than 1.09 billion transactions by 2024.

Beyond P2P, Bizum has expanded its reach to e-commerce, and BBVA's commitment to digital innovation has been shown by its steadfast support to Bizum's evolution: as evidence, 25% of electronic payments and 11% of e-commerce payments at BBVA are already made through this service. These are highly relevant figures for a relatively young payment solution.

Since last April, Bizum is progressively making inroads into physical store payments thanks to BBVA, who became the first bank in Spain to integrate Bizum as a payment method in physical Point of Sale (POS) terminals, offering businesses an agile and secure alternative to card payments (using request to pay from the POS to the consumer phone). This strategic evolution reflects BBVA's foresight in anticipating the demand for instant, versatile, all-around and accessible payment methods.

Bizum's remarkable success in Spain offers a compelling case study for Europe. Its high penetration rate and intuitive user experience (UX) has made it a benchmark for instant payment solutions. The model's inherent scalability and adaptability suggest its potential for replication and widespread adoption across other European geographies.

The interoperability of domestic instant payment solutions is crucial for achieving a truly European scope. Initiatives like EuroPA, which already facilitates interoperability between Bizum and its counterparts in Italy and Portugal —with more countries joining—, exemplify the potential of private collaboration. Further interconnecting existing solutions, and those currently under development, across the continent and extending them to physical store payments would significantly contribute to a cohesive European payment landscape.

Building on the success and experience gained by solutions like Bizum, the industry has an opportunity to demonstrate that it can quickly deliver a pan-European, cost-effective, user-oriented payment solution. This solution would be recognizably the most efficient and rapid pathway to achieving strategic autonomy in payments, a shared objective among European authorities. Recent global events and changes in the geopolitical landscape have intensified concerns about the EU's reliance on non-European payment companies. This context creates a renewed impetus for European strategic autonomy and resilience in payments.

The industry collaboration effort that is underway, including between EuroPA and EPI/Wero, is essential and European authorities should support it. The interconnection and expansion of instant payment solutions leverage the instant payments regulation, contribute to its objectives, and help achieve the broader goal of European strategic autonomy.

Interoperability of domestic instant payment solution, crucial for achieving a truly European scope.

The role of a European CBDC as a complement to those private solutions warrants careful consideration, emphasizing the importance of efficient resource allocation and avoiding redundant investments. While the private sector can naturally offer account-to-account payment solutions, the European Central Bank's natural contribution would be the offline digital euro. The offline functionality would be the real added value of the digital euro, as this service is not fully covered by any initiative of the private sector; it would provide an equivalent to cash, enhancing the resilience of payment services in emergency situations and addressing financial inclusion objectives for the unbanked population.

This public-private combination will result in a payments ecosystem where European solutions — that efficiently coexist and complement each other, rather than compete — would be available to consumers and merchants, ultimately delivering substantial and tangible benefits to European citizens, while strengthening strategic autonomy and resilience within the Union.



AGUSTIN REYNA

Director General - The European Consumers' Organisation (BEUC)

Digital payments are convenient, but what about security, inclusion and privacy

Digital payments are becoming so mainstream in our daily lives that consumers almost do not realise anymore that they are making a payment. But when it comes to security, inclusion and privacy, much more is needed to protect people against scams and payment exclusion.

86% of the losses occurring from fraudulent credit transfers are paid for by consumers, according to the EBA & ECB[1]. Systemic security measures are often missing. Evidence from BEUC's German member vzbv[2] reveals, for example, a case where fraudsters could make 43 transactions of €1,000 without any fraud suspicion being raised by the bank. Worse, investigations show that the payment group Worldline processed fraudulent payments to secure its revenue streams.[3] Similarly, large online platforms make major profits out of fraudulent advertising while consumers foot the bill. It's time that financial losses are paid by those who provide online payments and from where fraudulent practices originate, namely the banking system and online platforms to incentivise stronger fraud measures.

Fraud risks diminish consumer trust in digital payments, especially among those who do not feel at ease using online and mobile banking. The problem is that often consumers are left with little alternative: access to cash and in-person services are disappearing with the number of bank branches dropping by 43% between 2008 and 2023 in the euro area[4]. In parallel, non-digital services are also becoming much more expensive. Would you ever pay €4.90 to make a credit transfer? Probably not, but if you cannot use online banking this is unfortunately the price to pay in a major Austrian bank as shown by the market monitoring of bank fees conducted by BEUC's Austrian member, Arbeiterkammer[5]. Similar levels of fees can be observed across Europe.

It might feel counterintuitive, but convenience does not automatically mean inclusion. The EU Accessibility Act applies since 28 June this year, but payments are still not inclusive. Technical solutions exist but are often not offered; for example, some banks offer card-blocking services only via phone which creates an issue for deaf people[6]. Blind people often encounter trouble using touchscreens and may even need to give their PIN code to the merchant. This is not an ideal solution, either from a privacy or a security perspective. In the context of fraud, such consumer behaviour would even be considered as "grossly negligent" by their bank. To fully take part in society, accessing goods and services of all sorts, you need payments. Around 80 million people in the EU are affected by a disability of some degree – inclusive payments are not a niche market and improved accessibility often brings additional convenience to all consumers.

Another challenge in payments is the vast amount of data generated which reveals a lot about consumers' lives – their favourite restaurant, how frequently they go to the doctor, which political group or charity they donate to. This data is very powerful for targeted advertising and personalised pricing and with the help of AI, even with anonymised data, the person behind it can be relatively easily re-identified. This is why solutions like the digital Euro, which can provide a higher level of privacy - at least for offline, proximity payments - are highly valuable for consumers.

> **Much more is needed to protect people against scams and payment exclusion.**

The digital Euro is also a solution to break our dependence on US-card systems, creating a more resilient European payment system. Visa and Mastercard have a combined market share of 90% of EU cross-border payments[7]. Instant payments might be a good alternative for buying a coffee or paying your hairdresser, but in the absence of charge-back mechanisms, they fall short fraud protection. What's more, consumers still largely prefer to pay by card[8], many still lack the digital skills or tools to use a QR-codes. If the digital Euro provides those characteristics, it can fill the gap on security, privacy and inclusion which many consumers will value.

1. *EBA/ECB : 2024 report on payment fraud*
2. *vzbv (2024): Due diligence obligations for payment service providers*
3. *Reuters (2025) : Payments group Worldline shares tumble 41% after allegations by media consortium*
4. *ECB (2024) : The changing landscape of bank offices in the euro area*
5. *Arbeiterkammer (2025) : Bankenmonitoring über Spesen 2025*
6. *BEUC (2024) : 'Call me maybe'...How do you call your bank to cancel your credit card if you're deaf?*
7. *European Court of Auditors (2025) : Digital payments in the EU – Progress towards making them safer, faster, and less expensive, despite remaining gaps*
8. *ECB (2024) : Study on the payment attitudes of consumers in the euro area (SPACE)*



THE EUROFI HIGH LEVEL SEMINAR
NICOSIA - CYPRUS
25, 26 & 27 MARCH 2026



THE EUROFI FINANCIAL FORUM
DUBLIN - IRELAND
SEPTEMBER 2026

RETAIL PAYMENT INNOVATION



BURKHARD BALZ

Member of the Executive Board - Deutsche Bundesbank

Building an innovative, safe and inclusive payment ecosystem

The rapid evolution of e-commerce is one of the drivers reshaping the payments landscape and fuelling demand for digital payment solutions. In Europe, this transformation intersects with ongoing initiatives to enhance payment infrastructures, such as instant payments and the digital euro, as well as private sector payment initiatives.

E-commerce has seen strong growth for many years, with the COVID-19 pandemic acting as a catalyst for further digital adoption. This coincided with declining cash usage at points of sale (POSs). Cash payments at the POS in the euro area dropped from 72% (2019) to 52% (2024), according to the ECB. At the same time online payments surged, driving demand for fast, secure, and user-friendly payment solutions. Digital wallets are becoming increasingly popular. In Germany, for instance, mobile wallets tripled their market share to 6% between 2021 and 2023, according to the Bundesbank's payment behaviour study.

In the growing markets for mobile and e-commerce payments globally operating, non-European networks are a strong presence. In Germany, for instance, PayPal and credit cards belonging to the international card schemes accounted for two-thirds of online payments. When looking at the broader picture of card payments in the euro area, around 60 % of those were settled using the international card schemes. Geopolitical shifts highlight the urgent need to enhance Europe's strategic autonomy and reduce dependency on non-European payment providers. Therefore, further efforts from both the private and the public sector in Europe are needed.

One building brick of a more sovereign and at the same time faster and more efficient payment system are instant payments. They are settled in real time within seconds and — being built on European infrastructures — strengthen strategic sovereignty and competitiveness. Central banks are promoting the adoption of instant payments as a key element of their joint retail payments strategy. The Instant Payments Regulation ensures Europe-wide reachability and brings an increase in security — particularly through verification of the payee (VoP) which will soon be mandatory for instant and traditional credit transfers.

With the goal of a more innovative and sovereign payment ecosystem in mind, it is gratifying that a number of European payment service providers have joined forces in the European Payment Initiative (EPI), creating a digital payment solution under the brand name wero. It has launched for person-to-person payments and will expand to POS as well as e-commerce – a welcome development in view of the growing importance of e-commerce outlined above. By cooperating and aiming for interoperability with other initiatives like EuroPA, the idea is to expand geographical coverage significantly across euro area countries and potential user groups.

To address increasing digitalisation, the declining use of cash and the need to safeguard sovereignty in payments, policymakers and central banks are working on the introduction of central bank digital currency (CBDC) – in the form of a digital euro for the general public and as wholesale CBDC for the interbank sector. The digital euro would complement cash, not replace it. Unlike cash, it will be usable in online environments, offering a secure and universally accepted means of payment built on a European payment infrastructure, which would strengthen Europe's sovereignty even more. It could provide a pan-European alternative, fostering competition and innovation.

Another cornerstone is the EU's digital identity framework with the European Digital Identity Wallet as a key element. It seeks to provide a secure and interoperable system for verifying user identities across borders. Eurosystem central banks are facilitating this with a special focus on payment services.

While digital payment solutions are becoming mainstream, certain user groups remain underserved, especially the less digitally savvy. Supporting broader accessibility to digital means of payment is another element of the Eurosystem's strategy. Payment solutions must be designed with inclusivity in mind, offering intuitive interfaces. The digital euro, for instance, is envisioned as a universal payment tool that can be used online and offline, aiming at accessibility for all citizens.

> **Europe must foster innovative payment solutions that are inclusive and strengthen European autonomy.**

To maximise impact, European initiatives must be coordinated to ensure compatibility and scalability. For instance, the digital euro could be integrated into the wero wallet to provide comprehensive payment solutions that support retail and online transactions throughout the euro area.

To harness its full potential, Europe must foster innovative payment solutions that are inclusive, secure and strengthen European autonomy. However, success will require action from policymakers, central banks and industry stakeholders. A coordinated approach by the private and the public sector is pivotal to creating an innovative, safe and efficient payment ecosystem that meets the needs of European citizens and businesses.



ULRIK NØDGAARD
Governor - Danmarks Nationalbank

New era for retail payments: faster, cheaper, and more accessible

Europe's retail payment landscape is at a pivotal moment. As digital transactions are used more and more, the need for secure, resilient and efficient payment systems has never been greater. The heavy reliance on traditional card-based solutions – often reliant on non-European infrastructure – pose challenges to strategic autonomy and resilience. To address these challenges, the EU as well as member states on a national level are advancing initiatives like instant payments, the digital euro and payment contingency measures, all of which are reshaping the future of retail payments in Europe. These efforts aim to modernize cross-border retail payments, foster competition, and ensure that European citizens and businesses benefit from faster, cheaper, and more resilient payment options. For instance, the TARGET Instant Payment Settlement (TIPS) infrastructure offers a central bank-backed alternative to card networks, enhancing systemic resilience and reducing dependency on commercial intermediaries. By operating independently of traditional card rails, instant payments have the potential to diversify the payment ecosystem, increase payment efficiency and reduce costs for European citizens and businesses.

While TIPS has successfully enabled instant payments within the same currency – primarily the euro – it does not address the challenges with payments across different currencies that are often slow, costly, and opaque. That's where TIPS Cross Currency (TIPS x-ccy) comes in. This initiative, launched by the European Central Bank and the Swedish Central Bank, and joined by Danmarks Nationalbank in 2024, extends the capabilities of TIPS to support real-time cross-currency payments. TIPS x-ccy will enable instant settlement between the euro, Danish krone, and Swedish krona, with Norway and Iceland exploring participation. Beyond those currencies, initiatives are underway on linking the platform with other currencies.

By enabling instant cross-currency payments, TIPS x-ccy reduces frictions in cross-border transactions, lowers costs, and enhances transparency and resilience. Crucially, it contributes to the improvement of the EU single market by making cross-border trade more efficient, resilient, and accessible for citizens and businesses alike. Moreover, TIPS x-ccy introduces scale effects by allowing the same infrastructure to support multiple currencies, streamlining operations and reducing complexity across jurisdictions.

> The need for secure, resilient and efficient payment systems has never been greater.

However, success hinges on overcoming key hurdles. Widespread adoption by banks and payment service providers is essential, as is regulatory and technical harmonization across jurisdictions to ensure seamless interoperability. To fully realize the benefits of TIPS x-ccy – and cross-border payments in general – banks and fintechs must also develop user-friendly solutions that can communicate effectively across different systems and currencies, enabling a consistent and intuitive experience for consumers and businesses. This collaborative effort will be critical to unlocking the full potential of instant cross-currency payments and embedding them into everyday financial interactions across Europe.

TIPS x-ccy aligns with the G20 roadmap for faster, cheaper, and more transparent global payments. It also complements EU initiatives like the digital euro, which aims to provide a secure, public digital currency for retail use. Together, these efforts can create a more inclusive, efficient, and independent European payment landscape.

To realize this vision, collaboration between central banks, regulators, and the private sector is vital. Only through collective effort can Europe build a payment system that meets the needs of consumers and businesses in an increasingly digital world.

In a digital society like Denmark, where 9 out of 10 in-store payments are made digitally, citizens are highly dependent on these systems working. To strengthen resilience, Denmark is working on a nationwide contingency measure for payment cards. The goal is that all adult Danes with a card from one of the three main brands, Dankort, Mastercard or Visa, can make offline payments in pharmacies and nationwide grocery chains for at least one week. This would secure access to basic necessities even if connectivity is disrupted.

While card payments dominate, instant payments have long been available as an alternative. Wider use in stores and e-commerce could improve efficiency and resilience, as they run on separate infrastructure from cards and involve fewer intermediaries. This will give consumers more options if another major payment method fails.



CHRISTOPHE BORIES

Head of the Economic Financing Department at the Treasury Directorate General – Ministry of the Economy, Finance and Industrial and Digital Sovereignty, France

Strengthening the integration and sovereignty of the European payments market

The payments sector is no longer seen as a simple back office infrastructure. Its crucial importance in terms of strategic autonomy, sovereignty and resilience has been underlined by a number of recent international events, such as the giant power cut in Spain that left inhabitants without digital means of payment.

In recent years, the payments sector has been reshaped around specialised players, partially emancipating itself from the banking sector. This competition for innovative payment solutions has benefited consumers and businesses alike, as demonstrated by the fact that the overall cost of payments in Europe is much lower than in the United States.

The European payments market is now facing two major problems: fragmentation and sovereignty.

However, while the strengthening of the SEPA zone and the deployment of pan-European public and private infrastructures have sought to reduce the fragmentation of the European payments market, it is still largely structured along national lines. Few payments players are able to achieve the critical mass to deploy their services in several Member States, and regulatory obstacles continue to raise issues in terms of level-playing field in Europe. Furthermore, as the ECB recently pointed out, only 8 of the 27 Member States still have a national payment card scheme, but many others depend exclusively on non-European players.

The deployment of a single currency has not been accompanied by pan-European retail payment solutions. Political authorities and private players start reversing this trend.

First, the regulatory and supervisory divergences that are often at the root of this fragmentation of the internal market must be solved through the PSD3/PSR package, which has now entered into a trilogue phase. It is crucial that these regulatory barriers, which stand in the way of an integrated market, are solved by this package in order to guarantee full competition, for the benefit of consumers and businesses alike. In order to be effective, this framework must no longer be limited to payment service providers alone, but must also include digital wallet providers as well as other players, currently considered to be technical service providers, but which have become strategic in payments, such as card payment networks or technical acceptance providers, which are exempt from any authorisation.

Second, the development of several pan-European payment solutions, strongly supported by the political authorities, bears witness to the desire to defragment the market, but for the time being these solutions remain fragmented due to their lack of integration. The anticipated interoperability between the European Payments Initiative (EPI), the consortium behind the Wero solution, and the European Payments Alliance (EuroPA) represents a major turning point in achieving genuine interoperability between sovereign payment solutions across Europe.

Innovation will also be a key parameter in encouraging the development of pan-European payment solutions. In addition to Wero, which is based on the instant transfer that the regulation of 13 March 2024 aims to promote, the digital retail euro project, developed by the Eurosystem, must guarantee, in addition to private initiatives, European sovereignty over our everyday payments. Finally, the benefits of tokenisation-based solutions, such as stablecoins, also need to be explored, particularly by traditional banking players. The strong impetus given by the United States in this area, with the adoption of the GENIUS Act, will need to be closely monitored.

Payment solutions will also need to be accompanied by a European digital identity portfolio designed in particular to facilitate strong authentication. The eIDAS II regulation of 11 April 2024 is an essential building block for modernising strong authentication methods.

> The European payments market faces two problems: its fragmentation and sovereignty issues.

Digitalisation also brings with it new threats in terms of fraud, which may seek to circumvent the protections put in place by payment service providers through techniques that directly manipulate the user. The PSD3/PSR package should, while providing increased protection for users, strengthen the range of preventive tools available to PSPs.

These issues and challenges underline the strategic importance of payments and show us that the next few years will be rich in commercial developments and technical innovations. We must collectively ensure that the European Union remains at the forefront of payments in the coming years, serving individuals, businesses and the economy. To do this, the Europe of payments will need both industrial policy tools and regulatory leverage.



YVES BLAVET
Deputy Director of Group Public Affairs – Société Générale

Innovation in payments – What truly matters

Change in payment habits used to occur at a slow pace, with traditional methods like cheques rarely disappearing altogether. In recent years, however, the pace of transformation has accelerated significantly. This article highlights the most noteworthy recent developments and explores what determines whether a payment innovation succeeds.

Contactless and mobile wallets have reshaped usage

Contactless payments are now an integral part of everyday life. Although contactless cards were launched in the mid-2000s, adoption remained gradual until the Covid pandemic. Hygiene concerns sparked a sharp rise in usage in 2020. Tokenisation—which allows cards to be stored securely on mobile devices—enabled tech companies to introduce wallets like Apple Pay and Google Pay, which further drove the expansion of contactless payments. In France today, around 60% of card transactions are contactless.

Digital-only banks introduced intuitive apps offering features such as real-time notifications, configurable spending limits, and options to deactivate online or contactless functions. These innovations quickly gained popularity among users and allowed these players to reduce fraud risks. In response, traditional banks were compelled to modernise their mobile apps to remain competitive.

Peer-to-peer (P2P) applications also gained traction, particularly those enabling money transfers via mobile phone numbers rather than IBANs. PayLib, now part of the European Payments Initiative's (EPI) Wero wallet, is a notable example. These services grew further with the introduction of free SEPA instant transfers.

With payments now largely frictionless, new layers are being added—such as instant credit via Buy Now, Pay Later (BNPL) services. Adoption has been so widespread that regulatory intervention is increasingly deemed necessary to guard against over-indebtedness.

Open banking services failed to meet their audience

In some areas, regulation has played a helpful role—for instance, by promoting instant payments or mandating strong customer authentication for online transactions.

However, the second Payment Services Directive (PSD2), implemented in 2018–2019, has fallen short of expectations. It required banks to provide third-party fintechs with access to their customers' payment accounts for services like account aggregation and payment initiation. In France, fewer than 10% of consumers have tested aggregation, and much fewer continue to use it. Fintechs built on these services have rarely achieved lasting success. Open banking payments remain marginal, accounting for less than 1% of transfers. Some banks are even discontinuing these services altogether. In the end, PSD2 proved costly for the financial sector and delivered little in return—a very disappointing outcome.

> Mandating innovation by law is as vain as decreeing life, it doesn't work!

Lessons should be learnt

Only market-driven innovations tend to succeed—either because they address a clear consumer need (such as instant transfers or BNPL) or because they meaningfully improve user experience (like contactless cards or mobile wallets). Innovation requires experimentation and market feedback. Attempts to innovate by law are doomed, because they fail to meet actual needs or to design the right answers. Mandating innovation by law is as vain as decreeing life, it doesn't work! Nevertheless, some regulators still claim PSD2 is a success and are now advocating for a more ambitious European framework with open finance through FIDA (Financial Data Access). But why are earlier lessons being ignored? In Australia, the main three banks spent hundreds of millions of euros to implement the Consumer Data Right, yet today, only 0.3% of the population uses the open finance services it enabled. If rolled out at European scale, FIDA could cost much more—with equally modest results.

Another area of concern is the European Central Bank's retail digital euro project. The underlying motivations—such as regaining independence from non-European card networks or reducing reliance on dollar-backed stablecoins—are understandable. However, the proposed solution fails to meet any clear consumer need and would likely offer a clunky and inconvenient user experience. Without either of the two key ingredients—demand and usability—this complex and costly project could be doomed to irrelevance.

One certainty and two unknowns for the future

One thing is certain: artificial intelligence will both enable new forms of fraud—such as identity theft and deepfakes—and serve as a key element in combating them. Banks alone cannot address these evolving threats. A coordinated effort involving telecom providers, social media platforms, and other players will be essential to effective fraud prevention.

Two other developments warrant attention. First, the ongoing growth of crypto-assets: will they evolve from speculative tools into widely accepted means of payment? Second, the potential rise of super apps. These have become dominant in Asia, but Europe has been more reluctant. Will that resistance persist—or merely delay the trend?



METTE GROLLEMAN
Senior Vice President, Government Engagement – Visa Europe

Innovation in payments and the evolving role of global payment networks

Reflecting on the rapid changes in how we pay, it's clear that innovation in payments is driven by people—their needs and expectations for secure, seamless transactions. As digital payments have already become part of everyday life, we've recently seen the rise of account-to-account (A2A) transfers and the integration of artificial intelligence, each making payments simpler, safer, and more intuitive. Throughout this journey, Visa has evolved beyond a card payments network to become a collaborative partner—adapting, learning, and supporting the growth of the European payments ecosystem and empowering local players as they help shape the future of commerce and economic growth.

Looking back, Visa's journey began in the 1950s with the introduction of payment cards, which helped make everyday transactions simpler and more convenient for millions. In recent years, the rise of contactless payments has further transformed how we shop, making purchases quicker and more intuitive. At the same time, advances like tokenisation—replacing sensitive personal data with encrypted tokens—have made payments safer in an increasingly digital world. These milestones are not just about technology; they reflect a broader commitment to creating payment experiences that are secure, seamless, and ready for whatever the future holds.

In Europe, a balanced and forward-looking regulatory environment has played a vital role in fostering competition and encouraging innovation across the payments sector. By ensuring a level playing field, regulation has enabled new entrants and solutions to emerge, enriching the payments ecosystem and offering consumers more choice. Alongside established card payments, we are now seeing the rise of A2A transfers, digital assets, and stablecoins—each bringing unique opportunities and challenges for the ecosystem.

Take, for example, the growing adoption of A2A payments in Denmark and Visa's evolving role within this ecosystem. While instant payments offer clear benefits such as speed and convenience, they also introduce new challenges due to their speed and irrevocability, which can increase vulnerability to fraud. As this technology matures, it must be complemented by solutions that address current gaps—particularly in terms of consumer choice, availability, protection, and fraud prevention—to ensure trust in the payments ecosystem. Leveraging our longstanding experience in secure and reliable payments, we recently launched Visa Protect in Denmark, a solution that combines robust security features to support local payment players as they grow. This all comes together with the help of Visa's advanced AI capabilities.

> We are entering a new era of digital commerce powered by AI.

AI has been integral to Visa's operations for over 30 years, helping us to better address fraud and security threats. Visa's AI technology can analyse billions of transactions each year, generating a risk score indicating the likelihood of an account-to-account payment being part of fraudulent activity, helping banks protect their customers from falling victim to scammers. This all takes place within the blink of an eye, without any inconvenience to the speed and reliability of A2A payments.

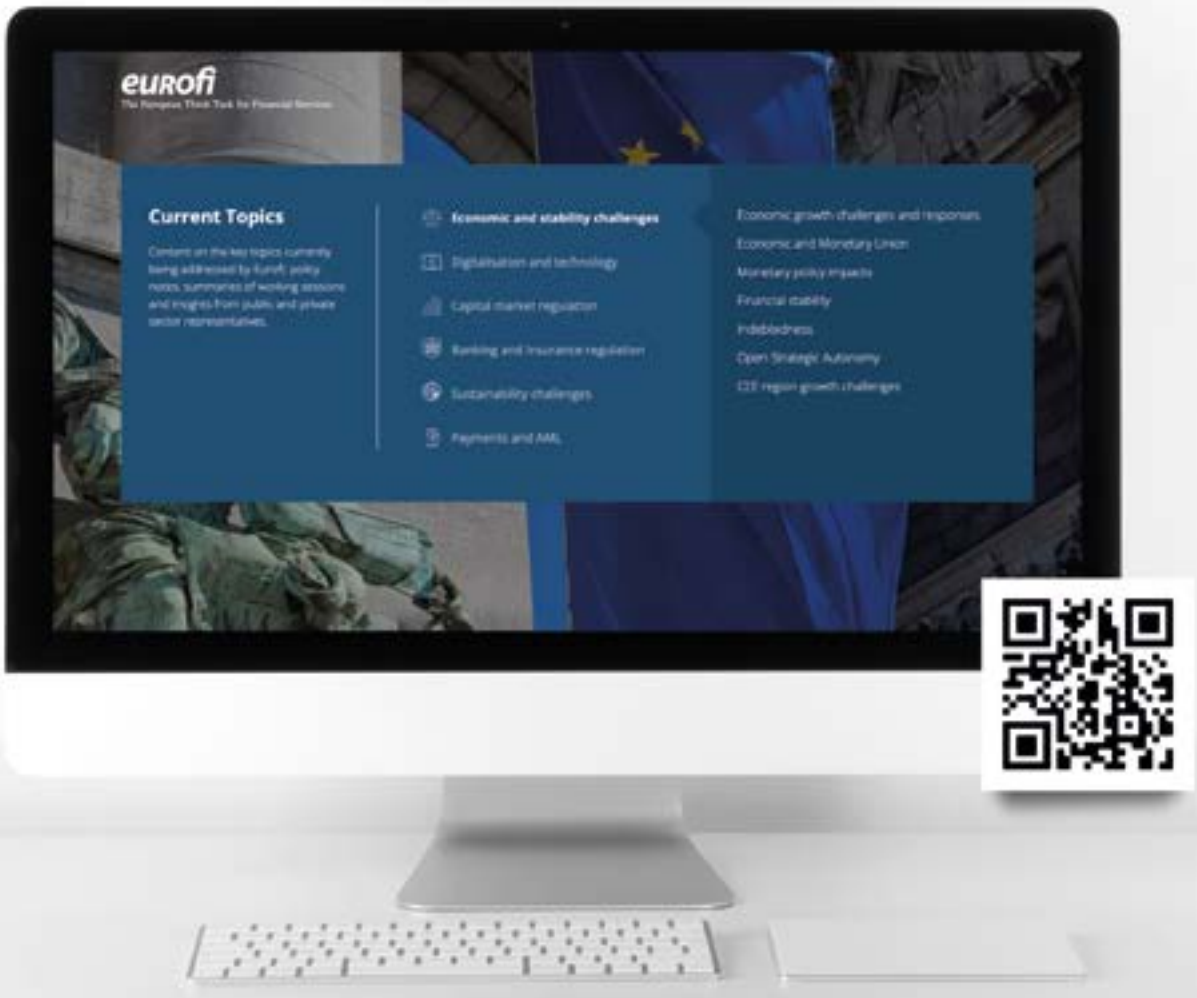
We are entering a new era of digital commerce powered by AI—where shopping and payments become more intuitive and seamless. At the Visa Global Product Drop in April, we announced Visa Intelligent Commerce, a groundbreaking initiative that enables developers and engineers to build AI agents that will transform commerce experience. Soon, millions of people will rely on AI to find the perfect sweater, plan a vacation, or manage their grocery shopping. Visa Intelligent Commerce, an initiative that will empower AI agents to deliver personalized and secure shopping experiences for consumers – at scale. Consumers will be empowered with control over what a designated AI agent purchases on their behalf and provide a set of protections against fraud and disputes. Visa is committed to removing friction from payments in this new environment, ensuring that transactions remain secure and trusted in an AI-driven world.

To ensure Europe maintains its position as a global leader in innovation, it is essential to foster an environment where investment in technology is matched by a regulatory framework that is enabling and forward-looking. Regulatory approaches should seek to facilitate, rather than hinder, the seamless introduction of new technologies, ensuring that European citizens and businesses can quickly benefit from the latest advancements. The coexistence of global payment solutions alongside regional alternatives will enhance market stability, while competition will drive innovation and allow consumer choice.

EXPLORE THE CURRENT TOPICS SECTION ON WWW.EUROFI.NET

Access content on the key topics addressed by Eurofi, including policy notes, working session summaries, and insights from public and private sector representatives.

- **Economic and stability challenges**
- **Digitalisation and technology**
- **Capital market regulation**
- **Banking and insurance regulation**
- **Sustainability challenges**
- **Payments and AML**



CROSS-BORDER PAYMENTS



JUTARO KANEKO
Deputy Commissioner for International Affairs – Financial Services Agency, Japan (J-FSA)

Toward a balanced approach to cross-border payments: Navigating divergent needs

From the perspective of FSA Japan, what are the key regulatory and supervisory priorities for meeting the G20 cross-border payments targets, and how is Japan addressing challenges such as AML/CFT alignment, interoperability, and access for non-bank players?

As Japan's integrated regulator and supervisor responsible for financial stability, consumer protection, and market integrity, the Financial Services Agency (FSA) places equal importance on all four objectives agreed upon by the G20. In implementing each priority action of the roadmap, the FSA emphasizes the importance of striking a good balance between achieving "faster, cheaper, more transparent, and more inclusive cross-border payments" and maintaining other policy requirements such as safety, security, integrity, efficiency and fair competition. Without robust safety and security measures, fast and low-cost cross-border payments cannot be sustained over time. At the same time, cross-border payment systems must not be used for criminal purposes.

Accordingly, while promoting innovative cross-border payment systems, the FSA requires both banks and non-bank payment service providers to appropriately address key risks, including customer protection, anti-money laundering, countering the financing of terrorism and counter-proliferation financing (AML/CFT/CPF), and cyber and operational resilience.

In terms of efficiency, the FSA supports further utilization of universal identifiers such as the Legal Entity Identifier (LEI), which can facilitate interoperability among systems and enhance data comparability.

Furthermore, the FSA is committed to ensuring a level-playing-field between banks and non-bank entities. In doing so, it maintains a technology-neutral stance and applies the principle of "same activity, same risk, same regulation" to its regulatory and supervisory frameworks. In addition, it adopts a risk-based approach, calibrating the intensity of regulation and supervision according to the level of risk involved.

> With the transforming landscape, engaging in close dialogue with various stakeholders is crucial.

How is Japan balancing innovation and risk in enabling faster, cheaper, and more transparent cross-border flows, particularly in the Asia-Pacific region?

When considering regulatory frameworks for cross-border payments, it is essential to take into account a wide range of needs. Prioritizing only one aspect may result in compromising others. For example, if financial institutions and money transfer operators are strongly urged to operate systems 24/7 or adopt straight-through processing (STP) to improve speed, the substantial costs associated with system development and operational restructuring may lead some providers to withdraw from the market. In such cases, other objectives—such as access—could be undermined. It is therefore crucial to adopt a balanced approach that comprehensively considers all relevant factors.

In the Asian region as well, all four G20 objectives are important. However, the region faces unique circumstances, such as a significant time difference with Western countries where many remittance senders, including migrant workers, reside—making speed more difficult to achieve. Japan also has its own distinct transaction practices, partly due to the absence of major domestic financial crises over the years. Accordingly, a one-size-fits-all approach across different jurisdictions is inappropriate.

Looking ahead, what do you see as most necessary to future-proof cross-border payments and how can cooperation among G20 and non-G20 jurisdictions be strengthened to ensure inclusiveness and regulatory convergence?

Currently, the global landscape surrounding cross-border payments is undergoing significant transformation, driven by the growing adoption of stablecoins, upgrades in correspondent banking network, progress in various projects led by the BIS Innovation Hub, and the rise of fintech firms. In such a fluid environment, while cross-border payments may improve substantially, there is also a heightened risk of regulatory and supervisory divergence across jurisdictions, which could lead to regulatory arbitrage or a "race to the bottom" and market fragmentation.

To mitigate these risks, it is crucial to engage in close and continuous dialogue with a wide range of stakeholders, including non-G20 jurisdictions and industry participants. The FSA actively contributes to international discussions led by the Financial Stability Board (FSB). This includes participation in public-private task forces focused on legal, regulatory, and supervisory frameworks, as well as involvement in the Forum on Cross-Border Payments Data, which was established based on the Recommendations for data frameworks, as well as its outreach committee—the Regional Consultative Group for Asia (RCGA). It also engages in initiatives of the Regulatory Oversight Committee (ROC) related to unified identifiers. Furthermore, the FSA leads the work of the Financial Action Task Force (FATF), which includes efforts to improve cross-border payments while maintaining market integrity.



DIRK BULLMANN
Managing Director, Office of the CEO – CLS Group

Keeping settlement risk high on the public policy agenda

In recent months, geopolitical and macroeconomic factors have sent waves of volatility and volume through the FX markets. In April 2025, CLS saw record average daily traded volumes of USD2.54 trillion, an increase of 17.9% from April 2024.

Volatility can increase settlement risk, as it can lead to liquidity shortfalls and timing mismatches. CLS was founded to mitigate this risk by synchronizing the settlement of payment instructions for both currency legs of a trade with finality. We provide payment-versus-payment (PvP) functionality, so a party's payment instruction in one currency is not settled until the corresponding payment instruction in the counter currency is also settled.

In the first half of 2025, CLS settled an average daily value of USD7.9 trillion for 18 of the world's most traded currencies, capturing 90% of the CLSSettlement addressable market. However, the proportion of FX trades not settled on a PvP basis has increased in recent years, driven mainly by an increase in the turnover of trading in emerging markets and developing economies (EMDE) currencies.

According to the BIS 2022 Triennial Survey, the share of EMDE currencies in total FX turnover has grown from 5.5% of trades in 2010 (total FX turnover volumes: USD2 trillion) to 8.5% in 2022 (total FX turnover volumes: USD7 trillion).

These trends underscore the need for settlement risk mitigation to remain a priority in terms of public policy. Encouragingly, FX stakeholders are addressing this through several ongoing initiatives.

Expanding settlement risk mitigation

In 2020, the G20 launched a program to overcome long-standing challenges in cross-border payments. The G20 cross-border roadmap acknowledges that PvP arrangements mitigate FX settlement risk for wholesale cross-border payments.

As part of its ongoing work stemming from that roadmap, CLS actively contributes to the Payments Interoperability and Extension Task Force, which recently published a report that provides the industry perspective and outlines suggested next steps for mitigating FX settlement risk.[1]

FX Global Code

In January 2025, the Global Foreign Exchange Committee published the latest FX Global Code, to which CLS contributed. This Code is a set of best practice principles for the FX market. A key addition is the idea of a "risk waterfall approach" for managing settlement risk, which prioritizes PvP settlement.

Where that is not available, such as for EMDE currencies, the Code recommends netting to mitigate risk. CLSNet, our standardized, automated bilateral payment netting calculation service for over 120 currencies including EMDE currencies, can help meet these recommendations.

Insight into outstanding risk

Later this year, the BIS will publish its 14th Triennial Survey, the most expansive source of information on the size and structure of the FX market. The survey results (covering more than 1,100 financial institutions and 52 reporting jurisdictions) will help to bring greater transparency on key FX data, like the volume of EMDE currency trading and estimates on the amount of outstanding settlement risk.

Public-private power

These initiatives are good examples of public-private sector collaboration, which CLS supports as the optimal model to solve FX industry challenges.

CLS is working with the wider industry and public sector to find solutions for other developing FX market infrastructure challenges.

One area is same-day settlement. While still niche, discussions around same-day and instant settlement have intensified in the FX space recently. There are also more global experiments in the central bank digital currency space, which emphasize the benefits of instant settlement.

However, many initiatives often overlook the impact on liquidity. To enable more same-day settlement, more frequent settlement cycles may be required. As settlement frequency increases, netting efficiency can decrease and lead to higher funding requirements for market participants.

> The ongoing need for settlement risk mitigation must remain a public policy priority.

CLSSettlement delivers multilateral netting which considerably reduces the cash needed to settle the payment of trades on a given day. As a result, this releases on average, 96% of cash flow for other business operations like trading and business growth.[2]

Assuming same-day settlement becomes less niche, the question is, how do we move closer to same-day settlement without losing these key benefits? CLS recently partnered with FNA on a research report to explore this further.[3]

CLS is uniquely placed at the center of the FX ecosystem. We will continue to work with the public and private sectors to find solutions to industry challenges. Currently, addressing rising settlement risk is the most pressing challenge, and it is important that the topic stays high on the policy agenda.

1. *https://www.bis.org/cpmi/cross_border/events.htm*
2. *CLSSettlement utilizes other liquidity-saving tools to reduce funding requirements to 1% on average.*
3. *https://www.cls-group.com/insights/innovation/report-reimagining-same-day-fx-exploring-the-case-for-additional-settlement-cycles-shapingfx-series/*

DIGITAL EURO TIMELINE AND SUCCESS FACTORS



EVELIEN WITLOX
Director, Digital Euro – European Central Bank (ECB)

The digital euro: harnessing European payment innovation in the digital age

The European Central Bank is making significant progress in developing the digital euro, bringing central bank money to the digital era as a natural evolution of cash. As cash usage declines and electronic payments become more widespread, the digital euro ensures that people and businesses can continue to rely on central bank money in an increasingly digital world. It strengthens monetary sovereignty and supports innovation within Europe's fast-changing payments landscape. As the preparation phase nears its conclusion, several aspects of the digital euro's design are coming into focus, while its realisation remains urgent due to geopolitical tensions.

Measures by the U.S. administration to promote USD-backed stablecoins are taking shape, making the work on the digital euro especially relevant today. Stablecoins are beginning to enter the retail space through global payment providers with a footprint in Europe and could potentially result in euro deposits being moved. At the same time, most digital retail transactions by value are currently processed by non-European schemes, highlighting Europe's reliance on external players.[1] In response, the digital euro ensures a unified payment solution under European governance – usable in physical shops, online, and between people.

To encourage adoption, the digital euro must deliver clear benefits for both consumers and merchants. For consumers, the digital euro offers a secure, private and easy payment option that is accepted across the euro area. For merchants, especially in e-commerce, it would provide an alternative to costly non-European schemes and improve conversion rates, since consumers prefer relying on one familiar payment method.

To ensure the digital euro would bring concrete benefits to the lives of Europeans, the ECB has established an innovation platform that brings together almost 70 market participants.[2] This collaborative laboratory allows participants to test and explore features such as conditional payments – transactions triggered only when agreed conditions are met. For example, imagine receiving an automatic refund if your train is delayed: this kind of functionality would avoid lengthy reimbursement procedures and improve user experience.

Although the digital euro would be central bank money, thus a liability on the Eurosystem's balance sheet, it would be distributed by banks and payment service providers. These intermediaries would make digital euro services accessible to citizens, supported by a fair compensation model developed by the ECB to ensure that payment service providers and banks can generate revenues comparable to those of other payments methods when it comes to transactions or the services they offer.

The ECB's goal is to provide pan-European rails that private sector providers can build on, without creating confusion for end users. Thanks to the digital euro scheme rulebook, developed in close cooperation with market stakeholders, the ECB will provide common standards and ensure a level playing field that fosters innovation and collaboration. By enabling interoperability and acting as the backbone for new services, the digital euro can unify Europe's fragmented payment landscape while preserving consumer choice.

Importantly, the digital euro is designed as a means of payment, not as a store of value. It will not bear interest, and limits will apply to the amount individuals can hold in their wallets, helping to safeguard financial stability and ensure the effectiveness of monetary policy.

> The digital euro ensures secure, innovative, and unified payments across Europe.

Ultimately, the digital euro offers Europe a unique opportunity to harness innovation while preserving its strategic autonomy in payments. By addressing gaps in the existing payment systems, we aim to create a digital form of central bank money that complements cash and private solutions. With a focus on user needs, technical innovation, legal tender status, and strong stakeholder collaboration, the digital euro can become a cornerstone of Europe's digital future. As the Eurosystem is moving forward, robust legislation and continued collaboration with public and private actors will be crucial to make the digital euro a reality. Now is the time to prepare and collaborate, to protect Europe's strategic autonomy and to ensure that all Europeans can pay everywhere in the euro area with a trusted European payment method.

1. *ECB (2025), "Report on card schemes and processors".*
2. *ECB (2025), "ECB partners with private sector through digital euro innovation platform", Press release, 5 May 2025.*



GEDIMINAS ŠIMKUS
Chair of the Board –
Bank of Lithuania

What is the value proposition of the digital euro?

Over the recent years, private financial innovation has allowed EU citizens to enjoy increasingly faster, more accessible, and convenient digital payments. In Lithuania, market participants have been at the forefront of the ongoing financial innovation: the rollout of open banking services has been accompanied by the increased use of credit transfers and card payments. Moreover, market-driven innovation has already resulted in instant payments becoming the dominant practice in Lithuania – 74% of domestic interbank credit transfers are settled instantly. While the widespread use of instant payments and their consumer-tailored applications (person-to-person payments via the smartphone's contact list or through a link request) make Lithuania one of the innovation leaders, advancements in payment services are an EU-wide phenomenon. In this context, it is legitimate to ask: what added value would the digital euro bring?

The answer lies in the ability of the euro area-wide CBDC to strengthen the European payments system in areas where market-driven solutions alone may not suffice. In particular, the digital euro can enhance systemic resilience across several critical dimensions.

First, enhancing operational resilience. The digital euro's design is expected to ensure the continuity of payments regardless of the situation. The experience of regional blackouts, such as those in the Iberian Peninsula, demonstrates that large-scale disruptions are no longer a hypothetical concern. In addition, the growing frequency and sophistication of cyberattacks highlight the need for a robust and secure payment infrastructure. In this context, features such as the digital euro's offline functionality and the ability for users to switch quickly and easily between payment service providers, will enhance the operational resilience of the payments market. Hence, the ability to pay – an important public good – will be maintained under all circumstances.

Second, increasing Europe's payment autonomy. The digital euro is intended to serve as a European alternative to the limited number of non-European providers that currently dominate the retail payments landscape. In 13 euro area countries, including Lithuania, daily digital payments at physical points of sale are effectively limited to non-European branded cards or mobile wallets. The situation is similar for e-commerce and m-commerce, where cross-border transactions rely almost exclusively on non-European solutions. While these services have demonstrated operational reliability, their governance presents various vulnerabilities. In addition, the current market structure is sub-optimal, yielding limited competition and choices for consumers. Introducing the digital euro as a domestically governed, pan-European payment solution would strengthen Europe's payment autonomy and increase consumer welfare.

The digital euro can enhance systemic resilience across several critical dimensions.

Third, preservation of monetary sovereignty in the digital age. The Eurosystem remains firmly committed to ensuring the continued availability of cash – a crucial pillar of monetary sovereignty – for all those we serve. However, there is a need to extend this commitment by making sure that citizens have easy and equitable access to central bank money in digital form. This is becoming increasingly important as consumer payment preferences evolve, reflecting a growing demand for the speed and convenience that digital age offers. By complementing cash with a digital solution, we reinforce the role of public money as a reliable foundation in the financial system and underpin the central bank's capacity to support macroeconomic stability. The digital euro would offer a secure and trusted form of money – backed by the state – enabling citizens to plan, save, and transact with confidence in the context of ongoing financial and technological innovation.

The digital euro project extends far beyond purely economic, let alone, payment considerations – it also plays a strategic role in strengthening Europe's resilience, safeguards monetary sovereignty, and upholds citizens' trust in public institutions amid rapid technological change. Thus, it is essential to frame the digital euro as a European project, not merely an initiative of the Eurosystem. Its success will depend on a broad societal dialogue, inclusive governance, and careful alignment with the diverse needs of European citizens. While its final design is still taking shape, the path forward must be guided by transparency, collaboration, and a long-term commitment to equip Europe with tools fitted for the digital age.



CARLA DÍAZ ÁLVAREZ DE TOLEDO

Director General of the Treasury and Financial Policy – Ministry of Economy, Trade and Business, Spain

The digital euro as a strategic tool in Europe

The digital euro requires strong political leadership to resolve the remaining key issues, and the Danish Presidency has built momentum at the July ECOFIN meeting. Recent high-level discussions on holding limits demonstrate a willingness to find common ground on controversial topics, leading to meaningful progress on a crucial aspect for safeguarding financial stability. A compromise that balances the role of the ECB and the Council, while ensuring financial stability when launching the digital euro, is within reach. Other areas that require political guidance include privacy and the compensation scheme for the distribution of the digital euro. These elements will shape its overall design, and to get them right, we need to understand the value proposition of the project and how it will interact with private sector-led solutions.

The value proposition of the digital euro must go beyond what existing solutions offer. At its core, it is a public project aimed at strengthening European sovereignty in the payments landscape. For intermediaries, it reduces dependence on non-EU providers and opens opportunities to develop value-added services on top of ECB provided infrastructure. For merchants, it can lower acceptance costs by increasing competition and offering protection against abusive pricing. For consumers, it guarantees access to a pan-European digital payment tool that is easy to use, free for basic operations, available offline, and accessible even without a bank account.

The digital euro will not be launched in a vacuum. It will coexist with existing private payment solutions already contributing to Europe´s strategic autonomy. Therefore, it should be both complementary to and interoperable with these systems. Private instant payment solutions are gaining traction in the EU aiming for pan-European reach. The two main private initiatives pursuing this goal are the European Payments Alliance (EuroPA), founded by Bizum (Spain), MBWay (Portugal) and Bancomat (Italy); and the European Payments initiative (EPI), operating under the brand Wero in France, Germany and Belgium. These initiatives already facilitate peer-to-peer payments across participating countries and have recently agreed to collaborate, enabling interoperability and expanding use cases to e-commerce and point of sale payments. The digital euro should build upon this progress by adopting existing standards, and developing an open system architecture, that private solutions can leverage to scale-up across Europe or beyond. As a public good, the digital euro can serve as a backstop for the European payment system during disruptions. Its offline functionality also enhances system resilience by enabling payments without connectivity.

A digital euro complements other European initiatives and enhances the resilience of payment systems.

With these goals in mind, we can now address the key outstanding issues in Council negotiations.

Privacy is a primary concern for European citizens. The ECB is committed to ensuring that the level of privacy in online payments with the digital euro is equivalent to that of comparable payment methods. In addition, the offline functionality can offer privacy levels similar to that of cash while promoting financial inclusion. These benefits must be balanced against AML/CFT risks, similarly to the way that Member States already balance these risks with regards to cash, for instance by capping the size of cash transactions.

On the distribution model, the regulation should design a fair compensation framework that aligns incentives for all parties. Intermediaries must be fairly compensated for their distribution role while protecting merchants, required to accept payments in digital euros, and consumers must have free access to basic payment functions. The Spanish delegation has actively supported the Council presidencies on this matter, advocating for a limited set of mandatory use cases (peer-to-peer payments and transactions in physical and online stores) and a compensation model based on a" no worse-off" clause. This clause ensures that merchants do not pay more for accepting digital euros than for comparable payment methods. It also aligns incentives and provides pricing clarity during the initial years, when cost data may not yet be available.

Ultimately, the digital euro will represent a major milestone in the history of the Economic and Monetary Union. This project is not about replacing cash but about adapting our common currency to the digital age. A successful implementation will strengthen the international role of the euro, while delivering tangible benefits to citizens, merchants, and financial institutions.



CHRISTIAN CASTRO
Head of Public Affairs – CaixaBank

The digital euro in context: Building Europe's digital payments future

The ECB's initiative to introduce a digital euro (D€) represents a pivotal development in the evolution of the European monetary, financial and payment systems. The D€ responds to a confluence of strategic needs, such as the decline in cash usage, the EU's well justified ambition to reduce dependence on non-European payment systems, and the rise of foreign-denominated stablecoins, among others. To that end, the European Commission's 2023 legislative proposal outlined a regulatory framework with uniform standards for the D€, while the ECB has focused on its technical design, also considering broader policy implications.

At the heart of the debate around the D€ lies a fundamental concern: how to introduce it without undermining the stability of the very financial system it seeks to modernize. The ECB has been clear in its intent — the D€ is to function as a means of payment, not a store of value. This distinction is critical. Central to the financial stability discussion is the role of banks in transforming short-term deposits into long-term credit. This process, known as maturity and liquidity transformation, is fundamental to the functioning of the real economy. Banks' deposits also underpin relationship lending, which is particularly relevant for households and SMEs.

To prevent and mitigate the risk of abrupt disruptions to financial intermediation and other unintended consequences, the implementation of holding limits is paramount. The holding limits would restrict the amount of D€ individuals can hold, ensuring that the D€ remains a transactional tool. The calibration of these limits must be informed by a nuanced understanding of the EU diverse banking landscape. Differences in bank size, business models, and national financial structures are all relevant. Smaller banks, for instance, may be disproportionately affected by deposit shifts, potentially triggering systemic vulnerabilities.

The design of holding limits must also account for differences in consumer behaviours across countries, particularly in terms of cash usage and digital payment preferences. Limits may also need to differentiate between online and offline D€ transactions, balancing privacy concerns with AML/CFT requirements. Furthermore, the interaction between D€ holdings and broader monetary policy tools must be carefully managed to avoid distorting liquidity conditions or undermining regulatory frameworks.

Europe should explore all paths to strengthen its digital payment competitiveness.

Despite the best modelling efforts, a non-negligible level of uncertainty is likely to persist. Consumer adoption patterns, merchants' behaviour, and the strategic responses of private actors — including BigTechs for example — are difficult to predict. This uncertainty reinforces the case for a gradual, "start-small" approach. By rolling out the D€ gradually, policymakers can monitor its effects, adjust parameters, and build public trust without jeopardizing financial stability.

The operational implementation of holding limits will also require a robust technological infrastructure. This includes systems capable of tracking individual D€ balances in real time, enforcing caps through automated mechanisms, and ensuring interoperability with existing banking platforms.

Importantly, the D€ intersects with a dynamic ecosystem of private digital payment solutions. In this regard, in June 2025, The European Payments Alliance (EuroPA) and the European Payments Initiative (EPI) announced a strategic collaboration aimed at creating a pan-European digital payments solution. This partnership aims to bring together leading digital payment providers in the EU to enable cross-border transactions for over 382 million citizens across 15 countries as a starting point.

In conclusion, there is a unique strategic opportunity ahead or Europe to explore the most efficient way to strengthen its competitiveness in the global digital economy. Such exploration should remain open to complementary or alternative approaches, particularly those emerging from the private sector. The growing interoperability among domestic solutions — such as those under the EuroPA and EPI initiatives — suggest that a pan-European, user-centric payment ecosystem could also be built through collaborative innovation.

Whether through a public digital currency, private interoperable platforms, or other potential alternatives or combinations, the ultimate goal should be to enhance core EU policy objectives such as preserving financial stability and boosting competitiveness, while ensuring that European citizens and businesses benefit from secure, efficient, and EU-wide digital payment options.



TEUNIS BROSENS
Head of Regulatory Analysis – ING Group

Progress towards sovereign payments, and the role of the digital euro

The EU is increasingly alone in pursuing retail central bank digital currency (CBDC). The only other major country running a concrete project is China. The Bank of England appears prepared to shelve the digital pound if private sector initiatives get off the ground. Central banks in Denmark, Japan, Ecuador, and earlier Finland have investigated or even issued a retail CBDC, but have since abandoned these projects. A Swedish public inquiry concluded no current societal need for a retail CBDC. The US administration has also moved away from retail CBDC.

These developments warrant a critical evaluation of the digital euro's goals and its role in the payment landscape. Currently, four policy goals are typically mentioned:

Maintaining a "monetary anchor" in an environment of declining cash usage. The two-step argument is that a) cash provides confidence in digital, privately issued money (bank accounts). And b) as cash usage declines, a digital publicly issued alternative is needed. But it is questionable whether cash is indeed a trust anchor for privately issued money. Countries with low cash usage (like Sweden and the Netherlands) do not face any specific money trust issues. Arguably, stable institutions, good regulation and supervision, and a credible deposit guarantee system are more important.

Strengthening the international role of the euro. An understandable policy goal, which would be excellently served by wholesale CBDC. Retail CBDC can contribute very little.

Providing a home-grown, digital pan-European means of payment, reducing foreign dependencies and strengthening Europe's "strategic autonomy". Authorities have been calling on the private sector to develop this for many years. And they are right to note that banks have not delivered on this in the past. However, geopolitical developments have focused minds, both in the public and private sector, on the need to reduce foreign dependencies in vital EU infrastructure. This has created new commitment among all parties. Thus, renewed efforts are underway in the private sector to develop a way for citizens to use their favourite domestic or EU-based digital means of payment across Europe.

Improving resilience of payments. If disaster strikes and main digital means of payments become unavailable, fallbacks include e.g. cash and stand-in processing of digital payments. Having a digital euro available could be considered an additional insurance policy. This works well in particular if the digital euro were running on a dedicated offline-capable digital infrastructure.

> Four years after project launch, we still need discussion about goals and how best to achieve them.

I have two other considerations to add. First, the digital euro should not compete with European-led payment solutions that are live or being built. Despite reassurances that the digital euro will be complementary, the risk of direct competition is high. Current plans are for the digital euro to cover all digital payment methods, online and offline. For most payment methods, EU-based private sector solutions are available or on the roadmap for roll-out. To avoid direct competition, the digital euro could focus on specific payment methods only. Such an approach could also serve the resilience goal well.

Second, distribution costs are a complex aspect where more technical discussions are needed. A digital euro transaction may routinely involve four banks or payment service providers (PSPs):

- the "distributing PSP" hosting the payer's digital euro wallet,
- the "funding PSP" hosting the payer's commercial bank account which replenishes the digital euro wallet ("reverse waterfall" functionality),
- on the receiving end, the "merchant PSP" hosting the payee's digital euro wallet, and in some cases
- a PSP hosting the payee's commercial bank account (for "waterfall" functionality)

This does not even include additional roles like Payment Initiation Service Providers (PISPs) and Technical Service Providers (TSPs). All of these incur costs, which deserve fair compensation. At the same time, policymakers have committed to a free set of core digital euro services and capped costs for merchants. While the ECB has made clear it will provide its part of the infrastructure for free, this covers only one of many aspects in a transaction.

More generally, the transaction-based approach to compensation neglects the considerable non-transaction related cost and revenue streams, including e.g. seigniorage, KYC, account management and service subscriptions. These may actually exceed the transaction-related streams. Therefore, the compensation model as currently envisaged in the digital euro legislative proposal, requires a thorough redesign.

This concise assessment shows that, four years after project launch, the digital euro would still benefit from further discussion about goals and how best to achieve them. Given the diversity of challenges Europe faces, the limited availability of European human and other resources for innovation and implementation should also be carefully considered.



MADALENA CASCAIS TOMÉ
Chief Executive Officer – SIBS

Unleashing Europe's payment power for innovation and sovereignty

Over the past decade, I've had the privilege of building MB WAY, Portugal's leading mobile payment solution and the first wallet launched in the Eurozone. Today, MB WAY is the most used solution in Portugal—spanning from peer-to-peer, in-store, online, and more than 10 additional use cases. Trusted by millions and deeply embedded in daily life, it proves that European innovation can scale and compete when rooted in user trust and strong infrastructure.

But MB WAY is just one example. As Co-Leader of EuroPA—the European Payments Alliance—I've seen how cooperation can move mountains. In under a year, EuroPA connected MB WAY, Bizum (Spain), and Bancomat (Italy), creating P2P interoperability across 45 million users and 180 PSPs. With three additional solutions onboarding, we are fast approaching 105 million users. Cross-border, European mobile payments are no longer a vision—they're already here.

Today, 26 European countries, including 20 from the EU-27, host domestic payment solutions. Together, they cover 95% of Europe's population and already account for more than 40% of all retail payment transactions, with 40 billion processed annually. This isn't theory—it's one of the world's most advanced, sovereign, and inclusive digital payment ecosystems.

The digital euro holds a real promise—to strengthen sovereignty, inclusion, and trust in public money. But it must be designed with purpose, complementarity, and clarity. Europe already leads in digital payments usage, accessibility and innovation through its mobile wallets, instant transfers, and regional card schemes. Interoperability, once aspirational, is now a reality thanks to initiatives like EuroPA. A standalone system—with separate rails, wallets, and infrastructure—could take a decade to deploy, cost billions, and offer little added value. Worse, it risks disrupting what already works and crowding out years and billions of investments in European payment innovation.

The digital euro must complement, not compete with, existing solutions. It should be accessed through trusted apps users already rely on. It should be designed on reinforcing infrastructures like TIPS—extending their reach to POI use cases—while avoiding duplication of investments. Interoperability must be guaranteed by aligning technical standards, commercial models, and access rules. Governance should be inclusive and balanced, ensuring public and private actors shape the ecosystem jointly. At the same time, the regulatory framework should mandate that all PSPs and merchants offer and accept at least one European solution—not exclusively the digital euro—to ensure universal access and consumer choice. A phased rollout should prioritize underserved use cases, like offline payments, rather than replicate what private solutions already deliver. Development should follow a clear cost-benefit logic, focusing first on standards and functionalities that complement the existing ecosystem, not compete with it.

This approach empowers the private sector to continue innovating while ensuring that public objectives are met in a practical, scalable, and efficient way.

Without the right safeguards, a poorly designed digital euro risks distorting competition—granting the public-run wallets privileged access. It could overwhelm merchants and PSPs with yet another system and equivalent migration costs, while confusing consumers, leading to poor adoption or even resistance. Worse, it could redirect private sector investment towards (more) compliance focus rather than innovation, weakening the very ecosystem it aims to strengthen.

Full-scale rollout of a new, standalone payment system across the EU is not trivial—realistic estimates, drawing parallels with SEPA, put the cost at a minimum of €20 billion. And that's before factoring in the cost of merchant upgrades, ongoing maintenance, and user acquisition. For PSPs and banks, the operational burden would stretch over years—diverting resources from other critical areas of innovation and modernization. The opportunity cost is enormous.

Digital euro must complement EU solutions, building on Europe's innovation, scale, and sovereignty.

European providers like SIBS are ready to help avoid this. With deep experience in managing and distributing digital payments—and leveraging the trust built through MB WAY among users and merchants—we are well-positioned to support adoption if private solutions are given a formal role. Cost-sharing across the value chain must also be fair and sustainable.

If the goal is true European sovereignty, then we must accelerate what already works by embedding the digital euro as one layer—at the currency level—within an ecosystem of trusted, already-operational European platforms.

For the first time, payments are central to Europe's political and strategic agenda. The momentum is real. The infrastructure is here. The solutions are proven. Let's unleash Europe's payment power—not by starting over, but by building on what we've already achieved. From MB WAY to EuroPA, we've proven what's possible. Now let's scale it—confidently, collaboratively, and with sovereignty at its core.

6

DIGITALISATION AND TECHNOLOGY

INTERVIEW 206

Mark Jopling - Amazon Web Services

CONDITIONS FOR A SUCCESSFUL DIGITAL TRANSFORMATION 208

Maria Tsani - Amazon Web Services / **Stephanie Eckermann** - Deutsche Börse Group / **David Dechamps** - Mastercard

CRYPTOASSET MARKETS AND POLICIES 212

Carlo Comporti - Commissione Nazionale per le Società e la Borsa / **George Theocharides -** Cyprus Securities and Exchange Commission / **Natasha Cazenave** - European Securities and Markets Authority / **Philipp Bohrn** - Bitpanda

SCALING TOKENISATION IN THE EU 216

Giuseppe Siani - Banca d'Italia / **Agnès Bénassy-Quéré** - Banque de France / **Faryar Shirzad** - Coinbase / **Kelli West** - Swift / **Hein Tibosch** - Flow Traders

BUILDING THE EU'S DIGITAL FINANCIAL ECOSYSTEM 222

Fiona Van Echelpoel - European Central Bank / **Josef Meichenitsch** - Oesterreichische Nationalbank / **Agnès Bénassy-Quéré** - Banque de France / **Isabelle Delorme** - Euroclear S.A. / **Stephanie Champion** - Nasdaq

HOW WILL AI TRANSFORM FINANCIAL SERVICES? 228

Mayte Ledo - Banco de España / **Nathanaël Benjamin** - Bank of England / **Julie Gerdeman** - BNY / **Christian Edelmann** - Oliver Wyman (UK) / **Alex Ivančo** - Permanent Representation of the Czech Republic to the EU

SCALING AI IN FINANCE 234

Fausto Parente - European Insurance and Occupational Pensions Authority / **Ruairi O'Connell** - Financial Conduct Authority / **Jutaro Kaneko** - Financial Services Agency, Japan / **Jodi Marlette** - Amazon Web Services / **Daniel Kapffer** - DekaBank Deutsche Girozentrale

CYBER-RESILIENCE: FIRST LESSONS FROM DORA 240

Gerry Cross - Central Bank of Ireland / **Kilvar Kessler -** Estonian Financial Supervision Authority / **Sasha Mills** - Bank of England / **Nathalie Pauline Tuxen** - Danmarks Nationalbank / **Thiébaut Meyer** - Google Cloud / **Dea Markova & Jason Allegrante** - Fireblocks / **Valérie Höß** - Commerzbank AG

OPEN FINANCE AND FIDA NEXT STEPS 248

Francois Louis Michaud - European Banking Authority / **Carlo Comporti** - Commissione Nazionale per le Società e la Borsa / **Luís Laginha de Sousa** - Portuguese Securities Market Commission / **Nikhil Rathi** - Financial Conduct Authority / **Laurent Bertonnaud** - BNP Paribas / **Sun Lee** - CNP Assurances



Q&A

MARK JOPLING

Head of Global Financial Services –
EMEA & APAC, Amazon Web Services (AWS)

Cloud & AI in finance: Regulatory evolution and AWS's role in digital transformation

How are cloud services currently driving efficiency and innovation in the financial sector?

AWS launched in 2006 to rethink IT infrastructure completely. Today, AWS delivers reliable, scalable, secure and low-cost cloud infrastructure powering hundreds of thousands of businesses in 190 countries. We offer an unmatched portfolio of over 240 fully-featured services, from advanced generative AI capabilities to foundational compute, storage, and database services. AWS serves financial services customers from fintech startups to global banks across banking, capital markets, insurance and payments.

AWS maintains a strong European presence, with eight Regions, physical locations where we cluster data centres, and we've recently made major investment announcements, including new cloud infrastructure in France, Germany, Italy and Spain. Our infrastructure and security features help financial firms strengthen operational resilience and cybersecurity.

We also collaborate with financial regulators globally help to ensure compliance for our customers, including preparation for the Digital Operational Resilience Act (DORA) in the EU and the critical third parties (CTPs) to the financial sector in the UK. By ensuring we understand and engage on regulatory issues, AWS is a trusted partner for financial institutions' digital transformation.

In Europe AWS continues to support customers as they accelerate their transformation, becoming more agile and reducing costs using cloud. Financial institutions use AWS technology for essential functions, from fraud detection and risk management to personalised customer experiences. Banks can automate lending and offer digital banking, while insurers can improve claims handling and customer service.

Do you see AI - including generative AI and AI agents - as fundamentally transforming how financial services are delivered and consumed, or will its impact be more incremental in most cases, enhancing existing processes? How is AWS helping financial institutions harness these technologies at scale?

AI, including generative AI and AI agents, are a significant opportunity for financial services transformation, with impact right across the industry. We're seeing both transformative changes and incremental improvements based on specific use cases.

AWS helps financial institutions scale AI in several ways:

First, we provide the foundational infrastructure enabling AI deployment. Our cloud services deliver the computing power and storage needed for sophisticated AI models, making them accessible to institutions of all sizes.

Second, through Amazon Bedrock, we democratise AI capabilities. Financial institutions can test different foundation models via a single API, selecting solutions while maintaining data and application control. We recently announced Amazon Bedrock AgentCore, a comprehensive set of capabilities designed to address the unique challenges of deploying and operating AI agents securely at scale. There is also our suite of customisation capabilities for our Amazon Nova foundation models that will help financial services companies tailor models to reflect their proprietary knowledge, workflows, and brand requirements.

Third, we're committed to responsible AI development, providing tools for implementing regulatory-aligned safeguards. This includes bias detection, model explainability, and monitoring features crucial for regulated institutions.

Financial institutions can and already are using these technologies while maintaining control over their data and operations. One example of how AWS supports transformation with AI is the recently announced a collaboration with NatWest Group and Accenture to provide more intuitive, engaging and personalised services to its 20 million customers – drawing on the combination of Accenture and AWS's advanced cloud, AI, and banking expertise to help anticipate and respond to customer needs faster and more effective. So, we can see the potential and investment in this space.[1]

Is the EU regulatory framework fit to support financial digitalisation, particularly cloud and AI adoption? What impact is expected from new initiatives like the Competitiveness Compass and AI Continent?

Looking at regulatory developments in the operational resilience space, the EU has DORA as its cornerstone for digital finance. However, financial institutions are pursuing digital transformation around the globe and, as the UK Chancellor said at the Mansion House Speech in July 2025, the UK 'must now regulate not just for risk, but for growth'. This is just as relevant for the EU – DORA must enable growth while delivering resilience and a unified EU approach in its implementation.

There remain concerns about fragmentation as we approach DORA implementation. The European Central Bank (ECB)'s Guide on cloud outsourcing introduces some requirements beyond DORA's scope, creating elements of uncertainty and complexity for institutions modernising their operations.

Indeed, the existing impact of regulation is substantial - European businesses spend approximately 40% of IT budgets on compliance costs, indicating room to streamline the regulatory framework where requirements overlap.

The Commission's new proposals in the Competitiveness Compass and AI Continent document show promise in balancing innovation with strategic autonomy. However, these initiatives must enhance rather than complicate existing frameworks.

Moving forward, the framework needs to ensure consistency between horizontal and sector-specific requirements, maintain technology neutrality while addressing security concerns, and focus on outcomes rather than prescriptive requirements. Success requires collaboration between regulators, financial institutions, and technology providers to develop practical solutions that enhance Europe's competitiveness.

What are the first lessons from the implementation of DORA and is the implementation of the CTPP provisions moving in the right direction?

AWS supports DORA's objective of enhancing the EU financial sector's operational resilience and cybersecurity. We seek to work constructively with regulators through CTPP designation and implementation. However, we have concerns about aspects of implementation. For information sharing challenges, we propose pragmatic solutions like secure exchange tools that meet supervisory needs while protecting customer security. Our goal is to help DORA succeed while maintaining the highest security standards.

Information sharing remains a key focus. While regulators handle sensitive information regularly, expanding oversight to CTPPs presents new challenges as they'll interact with entities operating differently than traditional institutions. In digital environments, sensitive information can create new attack vectors affecting all customers. Transparency requirements must include robust security controls. We aim to work with ESAs to implement information sharing that meets DORA obligations safely.

Given cloud oversight is new for supervisors, understanding of CTPP operations is crucial before full oversight begins, to prevent misalignment. AWS has assembled an experienced team to support this process, though some areas still need clarity.

We need supervisory convergence across the EU and interoperability beyond it, avoiding conflicting expectations that could undermine DORA's objectives. Implementation should remain technology neutral, risk-based, and proportionate.

Through dialogue and collaboration, we can develop oversight that achieves DORA's aims while protecting customer security and supporting EU financial sector modernisation.

1. *https://press.aboutamazon.com/aws/2025/7/natwest-group-to-accelerate-bank-wide-data-and-ai-transformation-through-5-year-collaboration-with-accenture-and-aws*

CONDITIONS FOR A SUCCESSFUL DIGITAL TRANSFORMATION



MARIA TSANI

Head of Financial Services Public Policy and Regulatory Affairs EMEA - Amazon Web Services (AWS)

Enhancing digital resilience through simplification and smarter supervision

It's hard to overstate the changes technology is bringing to the financial sector and the unprecedented pace at which they are happening. Each time I return to Eurofi, the conversation has further evolved, with fresh breakthroughs and new use cases reshaping the landscape both for the industry and regulators.

Technologies from generative AI to quantum computing are setting new standards when it comes to enhancing cybersecurity and resilience, optimizing costs, combating financial fraud, deploying sophisticated risk-management strategies and facilitating compliance processes. As a cloud service provider, we see this process firsthand as we enable and assist financial services firms closely in their digitalization journeys while helping them harness the power of innovation to get ahead and remain competitive.

With each technology advancement, new challenges arise as regulators who rely on traditional supervisory models struggle to keep pace. As the EU is undergoing a process of reviewing its rulebook to make it leaner and more competitive, we have an opportunity to achieve a supervisory and regulatory framework that is not just efficient but also fit for the digital age.

Some opportunities can come from the technology itself – both regulators and financial entities are beginning to tap into the potential of AI and machine learning to improve supervision and compliance of cyber threats. For instance, applications like automated regulatory compliance and AI-driven anomaly detection promise to be a game-changer in this regard.

Looking at the regulatory landscape, DORA is a milestone in both harmonization of regulatory requirements and strengthening the approach of financial regulation when it comes to ICT risk. For the first time, operational resilience requirements have been consolidated into a single, robust, harmonised framework for all regulated financial entities, replacing a patchwork of national provisions.

So far, these early months of DORA's rollout have marked a period of adjustment for the financial sector. As many financial institutions are still grappling with incorporating the new provisions into their existing risk management strategies, there are still some issues to iron out – including overlaps with existing frameworks like NIS2 and the GDPR and the myriads of implementation guidelines issued by both EU-level and National Competent Authorities (NCAs). As we are reviewing our broader EU digital framework to rid it of unnecessary complexities, this should be high on the minds of policymakers.

We are often hearing that simplification is not about "de-regulation", but about regulation being "smarter" – the same holds true for supervision. Strong supervisory practices are what got today to a relatively strong position in terms of resilience. However, if supervision is to be truly effective it needs to be laser-focused on risk and avoid any unnecessary frictions. Adding new layers of additional and/or clashing expectations compared to DORA would run counter of the very efforts we are making elsewhere to reduce complexities for financial firms – as well as put at risk the simplification achieved with DORA.

In the same vein, the ESAs should also continue to foster supervisory convergence across the EU and ensure consistency in DORA supervisory approaches. This would help create clearer expectations and greater consistency for financial institutions, ICT service providers, and supervisors alike – supporting a more resilient, transparent, and competitive EU financial ecosystem.

Efforts to smplifying the regulatory landscape for firms should also take into account the global and tightly interwoven nature of the financial sector. Cyber resilience is and will remain a global challenge – not something that we can successfully tackle in isolation. Regulators, institutions, and ICT providers must join forces – this requires aligning supervisory practices, sharing best practices, pooling threat intelligence and forging robust public private partnerships.

Simplification and resilience are not a trade-off. On the contrary, avoiding frictions and complexities in EU regulation and supervision will result in a stronger, more dynamic and more resilient financial ecosystem. AWS stands ready to play its part and will continue to be a committed partner to the financial community on the journey there.



STEPHANIE ECKERMANN

Member of the Executive Board, responsible for
Post-Trading – Deutsche Börse Group

Lights, camera, action: Why digital thought-leadership is an unique opportunity

With the Savings and Investments Union (SIU), the EU is currently developing a key roadmap to underpin its growth and competitiveness agenda. In light of profound changes in geopolitical realities and enormous financing needs, the exercise has moved to the top of the priority list as an urgent must have.

Reducing the high level of fragmentation across the EU's capital markets remains a key ingredient to fully unleash the potential of the single market – and it is highly welcome that a lot of work focuses on how existing single market barriers can be tackled. Especially digitalization constitutes a critical ingredient in this context. The EU has come a long way in setting a globally leading regulatory framework – but other jurisdictions are catching-up quickly. Notably the US has demonstrated how swiftly a general approach can shift, ranging from crypto ETF approvals to the establishment of stablecoin frameworks.

In order to stay ahead of the curve, the EU should therefore continue to challenge itself in a rapidly evolving and changing digitalization reality in capital markets. Setting the global benchmark at the technological layer has the potential to provide for a unique competitive advantage as we enter a new era in global market realities.

An impactful initiative in this regard is the continuation of the ECB's DLT-based trials for wholesale settlement in central bank money. After the successful participation of over 60 participants and the application of over 40 use cases, the ECB's move towards the creation of a wCBDC is highly welcomed. Strategically, guaranteeing a permanent wCBDC capacity as a unique global differentiator has never been more important.

Strong public-private partnerships and building on the success and thought-leadership of the EU's key market infrastructure players will be key to making this journey a real success story. Clearstream's D7 platform stands out as a prime example at global level, enabling the issuance of electronic securities and offering a DLT solution for securities' tokenization.

However, scaling and implementation of innovative products and platforms can only be effectively realized if the EU reduces fragmentation. Currently, regulatory and operational barriers at national level, such as different legal definitions, non-harmonised market standards and the lack of a golden source for securities data, hinder the internal market's effectiveness structurally.

Yet, while national barriers and fragmentation between EU Member States has been a long-standing discussion, time has come to deploy technological advancement as a means to find new solutions. One aspect in this concerns a 28th regime, which could unlock harmonization in areas such as tax law, insolvency law, securities law, and corporate law.

This could be paired with necessary next steps around existing success stories that have the potential to structurally boost the EU's potential. In post-trade, T2S already offers a pan-European settlement platform. It represents a strong basis for an integrated infrastructure that should act as the backbone of a more integrated market.

Concretely, this means populating T2S further by incentivizing more participation and introducing volume-based pricing to reward contributions, thereby boosting efficiency, supporting consolidation, and reducing cross-border friction. Importantly, however, this will also imply finding the right balance on the technological layer to foster globally leading industry approaches while maximizing efficiency through common standards.

This also holds true for regulatory discussions around technologies such as cloud or AI. The EU has to ensure that we find the right balance structurally, including when it comes to supervisory approvals, external audits, and other elements that play into the digitalization and technology picture and the underlying question of attractiveness.

Clearstream is proud to serve as the entry gate to all of the EU's market.

As a truly pan-European infrastructure provider and digital thought leader, Clearstream is proud to serve as the entry gate to all of the EU's market. We remain committed to serve as the central hub, increasing the attractiveness of the EU from an issuer and investor perspective – bolstering the growth and competitiveness agenda and driving the next generation of operational excellence in the post-trade universe.

Building on the more recent increased attractiveness of the EU as an investment jurisdiction, time has come to seize the momentum on the digitalization front to truly gain competitive edge at global level by setting the benchmark and leading regulatory framework.



DAVID DECHAMPS

Senior Vice President, Digital Partnerships – Mastercard

Beyond transactions: How trust fuels resilient digital innovation

Europe is well advanced in digitization and innovation in financial services. As we navigate the incredible opportunities but also the challenges that digitization brings and reflect on the best way to further unlock its potential, a few fundamental lessons can be drawn from Mastercard's experience in building a successful global payment network. We process in excess of 150 billion transactions annually and provide certainty for transactions within milliseconds, while continuously fighting cyber-attacks and fraud attempts. At the heart of this is continuous investment in security and user experience.

The story of payments is one of connecting people, businesses and governments through trust. As payments evolve and become more digitized, trust is, and always should be, at the centre. Our society and economy benefit from digital payment solutions, providing access to goods and services around the world.

At the same time, risk and security concerns are inherent to technological developments. The challenge for industry is two-fold: to always stay one step ahead of bad actors, and to ensure that security does not come at the expense of convenience. As the digital transformation of financial services in Europe continues at pace, delivering on both fronts is key to ensure resilient and innovative digital finance ecosystems. Innovations in payments have allowed the industry to make significant leaps in security and fraud prevention without sacrificing user experience. These conditions together have also driven greater resilience, ensuring that defences are cutting edge to withstand evolving and more sophisticated types of threats. In turn, resilience maintains trust in payment systems.

Convenience and security – and seamlessly combining both - come with investment. As a global company with a strong European footprint, we are intimately familiar with the requirements to invest in our infrastructure to support Europe's vision and ambitions. Mastercard is constantly investing to adapt to evolving customer expectations and technological advancements, driven by the need to remain competitive and relevant in a rapidly changing landscape. The cost of building and maintaining resilient infrastructures is significant, but it is necessary to ensure the stability and security of our financial sector. For instance, since 2018, we have invested over 10 billion Euros in improving our cybersecurity and fraud prevention capabilities. Last year, we opened our European Cyber Resilience Centre (ECRC) in Belgium—a hub whose objective it is to bring together Mastercard with other industry players and the public sector to jointly fight cybercrime. The importance of public-private partnerships and collaboration cannot be emphasized enough as we look to protect European citizens and business from fraudsters. Protecting the ecosystem requires all of us working together to collectively increase the overall level of protection. A rising tide lifts all boats.

As Europe pushes ahead with its digitization agenda, it is crucial that the legislative framework remains simple, coherent and predictable across different legislations. We need regulation to be future-oriented and to enable the industry to innovate in order to keep pace with new use cases and types of fraud and security threats. Card payments, for example, have evolved from chip and PIN, to contactless, biometrics and to more recent innovations like agentic commerce. Regulation should have the task of providing a level playing field for market actors, for instance ensuring common levels of security, focusing on the outcome rather than prescribing specific rules on how this should be achieved. Leadership in digital innovation and the resulting boost to European competitiveness cannot be achieved with compliance only. It's about fostering an environment where the industry is empowered to invest in the robust digital infrastructure we all need.

Successful digital innovation requires continuous investment in security and user experience.

The future of digital financial services in the EU hinges on one critical element: trust. To build a truly resilient and competitive system, we absolutely must deliver security without ever compromising the user experience. In practice, this means taking a simple, consistent, and predictable regulatory approach that not only looks to the future but actively champions innovation.

The Eurofi Copenhagen Forum
is organised in association with the
Danish Presidency of the Council of the EU



CRYPTOASSET MARKETS AND POLICIES



CARLO COMPORTI

Commissioner – Commissione Nazionale per le Società e la Borsa (CONSOB)

First insights from MiCA implementation and for MiCA review

Since the Markets in Crypto-Assets Regulation (MiCA) entered its implementation phase, supervisory experience and ESMA work are contributing to shed light on areas of CASP activities on which supervisors are focusing their scrutiny.

One of the most pressing issues relates to the business models of large crypto conglomerates. ESMA has provided guidance on structures that could, in practice, prove elusive and potentially circumvent MiCA's obligations, particularly through the misuse of reverse solicitation or the interposition of unregulated entities in brokerage chains. Monitoring that these supervisory insights are implemented at European level would be instrumental in ensuring that the spirit of MiCA is upheld and that investor protection and market integrity are not undermined.

Operational resilience is another key area of scrutiny, being a cornerstone of trust in digital markets. While compliance with cybersecurity requirements is already assessed by NCAs as part of MiCA authorisations, the introduction of an independent third-party ICT audit as a mandatory component of the licensing process would significantly enhance supervisory effectiveness. This proposal for a MiCA reform, already supported by ESMA, would contribute to a more robust and consistent baseline across jurisdictions.

Beyond operational aspects, definitional and taxonomical clarity is critical for legal certainty and supervisory convergence. The classification of crypto-assets vis-à-vis financial instruments remains uneven across Member States. Further harmonisation, which could benefit from more direct experience with practical supervision, would reduce the risk of regulatory arbitrage and facilitate cross-border activities. Meanwhile, ESMA and the EC are playing a pivotal role in refining the delineation of crypto-asset services, notably through the adoption of guidelines and development of Q&As that will support both NCAs and market participants.

In addition, experience with the notification process for MiCA White Papers points to the need for more clarity and convergence. Limited review windows and varied expectations on the depth of NCA scrutiny may hinder effective oversight. Clarifying that a White Paper is considered duly notified only when the full information required by MiCA is submitted would help prevent manifestly non-compliant documents from being marketed.

Marketing practices in the crypto-asset space also warrant continued attention. The combination of limited financial literacy, speculative dynamics and strong digital engagement expose retail users to particular risks. Misleading promotions, often spread via social media, are increasingly used to support fraudulent or unauthorised initiatives. Stronger cooperation between NCAs and online platforms – as also IOSCO is advocating for – would ensure that basic principles of transparency and fairness are consistently enforced.

Linked to this is the need for a more integrated approach to supervision at the EU level, particularly in relation to significant crypto-asset service providers (CASPs) operating across borders. Centralised supervision could enhance both consistency and efficiency, provided that ESMA undergoes an extensive reform to strengthen its pan-European perspective. From an operational standpoint, robust mechanisms, such as joint supervisory teams or comparable arrangements, should be introduced to ensure the effective involvement of national authorities from those Member States where the activity is carried out at scale and where risks to financial stability and retail investors most directly materialise.

MiCA implementation offers insights on areas to focus attention and areas for MiCA review.

Investor protection and market integrity remain foundational and mutually reenforcing goals of MiCA. In this respect, transaction reporting and market abuse detection play a key role, as market integrity is essential to ensuring investors are treated fairly and transparently. The increasing hybridisation of financial products and the credibility conferred by MiCA on regulated entities call for consistent application of the "same risks, same rules" principle across financial services. These issues should be central to the upcoming review of MiCA and to the broader effort to ensure a level playing field between traditional and digital finance.

In conclusion, the first phase of MiCA's implementation has already delivered valuable insights. Clarifying the regulatory perimeter, reinforcing operational safeguards, and enhancing supervisory integration will be helpful in consolidating the objectives of the regulation. Building on these lessons will ensure that MiCA continues to serve as a credible, future-proof framework that promotes trust, innovation and resilience in the EU digital finance ecosystem.



GEORGE THEOCHARIDES
Chairman – Cyprus Securities and Exchange Commission

MiCA just the start of a delicate balancing act for EU markets

The new rules under MiCA introduce provisions for supervision, consumer protection and environmental safeguards for crypto assets, including crypto currencies. We believe that MiCA will bring more legal certainty and lead to a more mature and stable EU crypto market. The implementation of clear and robust standards, can limit speculative market practices, enhance consumer confidence and strengthen investor protection. It should also facilitate the integration of crypto-assets into traditional financial markets, making it easier for financial entities to offer crypto-related services to their customers such as custody, trading and payment solutions.

ESMA shaped MiCA as part of its Digital Finance Strategy to increase consumer protection, establish clear crypto-industry conduct, and introduce new licensing requirements. Importantly, MiCA covers classes of crypto-assets that currently fall outside of existing EU financial services legislation, as well as e-money tokens.

Since its implementation, existing investment firms have been registered for "passporting" to enable the pan-European provision of crypto digital asset services, operating under the guidelines and strict supervision that MiCA provides. Approximately 50 firms have been granted market access under MiCA, of which only one licence has, to date, been issued by CySEC. There is also a number of applications under examination.

Prior to the adoption of MiCAR, and pursuant to the 5th EU Anti-Money Laundering Directive, CySEC established a national regulatory framework that was significantly enhanced to include additional services. This framework was designed to align with FATF recommendations, incorporate relevant organisational and operational requirements, and led to the creation of a national registry of CASPs under domestic law.

In my view, technology serves as the bedrock for the growth and evolution of the financial services industry. MiCA represents a timely and comprehensive legislative framework that acknowledges the new and emerging challenges posed by digital assets. However, it is important to underscore that, given the rapid pace of digitalisation, MiCA should be regarded as merely a starting point. It does not encompass the full spectrum of crypto-assets; for instance, non-fungible tokens (NFTs) remain outside its regulatory scope. Furthermore, while the issuance of stablecoins will fall under the remit of central banks, the trading of such assets and the provision of related services will be supervised by ESMA and national securities regulators.

It is clear that MiCA has the potential to unlock significant opportunities for the EU's financial markets, driving innovation and positioning the EU as a leader in digital finance. However, its implementation and enforcement has presented some challenges, particularly as different Member States adopted varying transitional periods and inconsistent applications of the regulations.

These measures are entirely consistent with the decentralised nature of the crypto market, so we believe that taken together with the measures implemented under MiCA crypto can be effectively integrated. As already outlined, MiCA is not yet comprehensive in dealing with the full breadth of crypto assets and while facilitating integration and innovation, it is imperative that we balance the adoption of new technologies against their inherent risks particularly as the EU encourages markets to be more accessible to retail investors.

The introduction of MiCA has come at a time when the member states face pressures on public finances and the EU is understandably keen to introduce regulation to make easier for retail investors to benefit from capital markets. The EU's retail investment strategy aims to adapt disclosure rules, enhance transparency and comparability of costs and tackle misleading marketing. With the introduction of MiCA at a time when the EU is expanding access to traditional financial markets, it is imperative to strike a balance between embracing new technologies and addressing the growing influence of social media and online messaging platforms on trading behaviour. This influence can be further amplified by aggressive marketing practices, particularly as the EU facilitates broader market access—whether in equities or crypto-assets.

CySEC remains committed to a consistent and coordinated implementation of MiCAR across the EU.

ESMA recognises that its proposals for cost-efficient investment options will empower citizens to invest their savings to serve their long-term needs, whilst contributing to the development of capital markets, should be complemented by efforts to improve financial education. The need for an EU wide initiative is prescient.

CySEC remains committed to ensuring a consistent and coordinated implementation of MiCAR across the European Union.



NATASHA CAZENAVE

Executive Director – European Securities and Markets Authority (ESMA)

MiCA's implementation – the path towards effective supervision in the EU

MiCA is more than just another piece of financial regulation. Right from the start, it has been conceived as the EU's strategic digital finance initiative, asserting its role as a standard-setter in crypto-asset markets. In a rapidly growing global market, MiCA brings the long-awaited regulatory clarity needed to foster responsible innovation while protecting investors and safeguarding financial stability.

Nevertheless, MiCA's promise will only be fulfilled if its implementation is orderly, consistent, and effective. Divergent approaches, which may paradoxically arise from its complex transitional regime, risk enabling regulatory arbitrage, forum shopping, and market distortions – precisely the pitfalls that MiCA aims to prevent.

To support robust implementation and build confidence in the new regime, ESMA has worked tirelessly with the national competent authorities (NCAs) to establish, in a record time, a comprehensive set of implementing measures. Efforts have also been intensive to support convergent approaches across the EU, notably around the critical gatekeeping functions foreseen by MiCA. For example, practical cases are regularly presented and discussed amongst ESMA and NCAs to ensure responses to market participants are consistent.

To address related challenges, ESMA urged early on NCAs to embrace a holistic view of crypto-asset service providers' (CASPs) activities when processing authorisations. A comprehensive understanding of the implications of providing services under a home-host regulatory and supervisory framework is crucial to preventing potential harm to EU clients.

Given the important role crypto-asset execution venues play in the functioning of the crypto-asset ecosystem, ESMA also issued supervisory guidance on the validity of broker models, with a focus on best execution practices. This helps NCAs to mitigate risks associated with global entities seeking EU authorisation for limited activities while conducting their core operations outside the EU oversight.

Regarding stablecoins, ESMA has been working closely with the European Banking Authority to ensure consistent application of MiCA across the market. In particular, ESMA issued a statement on non-compliant stablecoins in the EU which clarified that unauthorised tokens must be delisted for new clients and completely phased out. Delistings by major exchanges have marked a shift in the accessibility of USDT within the EU, underlining the immediate market impact of MiCA's implementation.

More recently, ESMA concluded a peer review which recommends that all NCAs currently in the process of authorising CASPs pay particular attention to certain areas of risk, including business growth, conflicts of interests, governance and intragroup arrangements, ICT architecture, 'Web3' developments, decentralised products, and the promotion of unregulated services.

These examples underscore ESMA's determination to ensure MiCA's smooth implementation, even though it is still early days. Its interactions with PSD2, AML and DORA will likely deserve further attention, while the definition of services such as custody in a decentralised, cross-jurisdictional context, and the treatment of DeFi, may also warrant adjustment. Meanwhile, the crypto market is evolving rapidly, with market penetration increasing and more retail and professional investors considering crypto-asset investments. It will also be important to track global regulatory developments, in particular with the United States which is currently adjusting its regulatory approach.

Last but not least, considering EU-level supervision of large CASPs in the context of the SIU has merits. While helping alleviate regulatory burden and simplifying procedures for market participants, establishing the supervision of large cross border CASPs at EU level could enable more efficient EU wide oversight and a more holistic understanding of the market and its risks, compared to fragmented national approaches. Centralising supervision would, of course, require a careful redistribution of responsibilities in relation to those large cross border firms to maintain the benefits of proximity while leveraging the EU dimension to tackle cross-border and systemic risks. It would also necessitate appropriate resources and investments to keep pace with a sector characterised by rapid and often disruptive change.

Considering EU-level supervision of large CASPs in the context of the SIU has merits

In the end, the current version of MiCA is certainly a milestone – but probably not Europe's final destination on the digital assets journey. Next steps could, for instance, include establishing a dedicated, EU wide regime for DLT-based market infrastructures that would ensure legal clarity, supervisory consistency, and scalability. Whatever the future holds, ESMA stands ready to play its part, contributing to Europe's strategic objective of maintaining financial stability and enhancing investor protection without stifling the innovation that lies at the heart of competitive and attractive EU capital markets.



PHILIPP BOHRN

Managing Director, Bitpanda GmbH & VP Public and Regulatory Affairs – Bitpanda

Crypto after MiCA application and its needed integration with EU policies

1. The first lessons learned from MiCA implementation

MiCA is a landmark event for the crypto industry in the EU as well as globally. While MiCA's goals are well-intentioned and laudable, there are several key lessons that are already emerging in its still early stages of full application. In our view, these are the key lessons that should be considered:

Direct applicability is not guaranteed: Although there should be harmonisation, convergence, equality and clarity, this is not the case, and it's far from being solved.

Enforcement and supervision: Continues to vary with different priorities across the EU, risking regulatory arbitrage and dilution of standards.

Level II and III: These numerous acts go beyond the scope of MiCA and are disproportionate, impacting business operations.

Market consolidation: Higher entry thresholds can impact competitiveness.

Remaining questions: There are many questions that need clarification from the ESMA and Commission, which impact clarity and overall implementation.

Grandfathering: In the fintech world, the next 12-18 months bear heavy implications. Certain core elements should still apply to ensure a level playing field.

2. What are the main benefits and challenges of the MiCA framework?

A. Benefits

The core benefit that MiCA provides is the foundation of the first globally comprehensive crypto regulatory framework. The shift from an unregulated or loosely regulated crypto industry with national fragmentation to a regulated market is a true watershed moment.

With this in mind, we can identify the following key benefits:

Regulatory clarity and certainty: Overall clarity for businesses and technology is a major milestone.

Harmonisation and Passporting: A previously fragmented market with different registrations or licensing regimes is finally unified. Passporting streamlines operations and fosters growth. This is a real benefit of the single market.

Fair competition: Authorisation is required to operate in the EU, ensuring a level-playing field. Strong rules on reverse solicitation support compliant CAPSs.

> MiCA is good, but complacency is not. Instead of risk-aversion, we need to seize the new opportunity.

Higher professionalism and standards: The new rules require more robust regulatory compliance and security standards. This elevates quality and trust.

Recognition and Credibility: MiCA is the anchor and the cornerstone for opening the crypto market and blockchain technology to the traditional financial system and improving it.

Consumer protection: Forms part of the operational and prudential step-up. This better protects the ownership, improves safeguarding practices, and enhances customer care.

B. Challenges / Gaps

There is no perfect regulation. To successfully resolve challenges and gaps, we need better understanding, enhanced public-private cooperation and more recognition of the opportunities lying in front of us.

Here are the key gaps that should be resolved:

Lack of convergence: This jeopardises MiCA's harmonisation by continuing regulatory arbitrage or gold-plating in relation to authorisation, supervision and enforcement standards, diluting the level-playing field.

Lack of simplification: MiCA, together with other regulations (DORA, TOFR) produces thousands of pages. Then, level II and III acts are disproportionate or go beyond MiCA. Instead of simplification, this complexity impacts business growth.

Negative perception and understanding of technology: despite the new regulatory framework, the EU still deliberates on unfounded myths surrounding the industry, while other jurisdictions take more bold and visionary approaches.

3. Stronger integration of crypto in major ongoing EU policy initiatives

The crypto market proved many people wrong for over a decade - it did not end. Now, we observe global adoption and growth unseen before. The crypto market cap in 2025 is approximately $3.9T, while the NASDAQ Composite $21T or S&P 500 $53T, were much longer in the market. These are indicators of the need to better integrate crypto in the EU policies (SIU, Startup & Scaleup Strategy). The policies aim at economic progress, enhancing livelihoods, and improving global position.

The crypto sector has many similarities and can support accordingly:

Innovation, Growth, and Competitiveness: Crypto is innovation that supports digital and financial literacy. Being an innovative hub will encourage economic progress. The competitive standards will be set and the gap of missing the first technological revolution erased.

Digital Europe: Blockchain and crypto are natives of Web3. If we want to secure a digital future, we should apply it in our lives and use it as a problem solving tool.

Financial Inclusion and Literacy: Crypto has opened doors for new investors. It is a gateway for retail participation in the financial market as a whole and an interesting means of encouraging people to explore monetary science and investments.

Support for sustainability: Technology contributes to energy transition by recycling of energy, preventing energy waste, and supporting green energy operation.

SCALING TOKENISATION IN THE EU



GIUSEPPE SIANI
Director General for Financial Supervision and Regulation – Banca d'Italia

Tokenisation in finance: Progress, potential, and the path forward

In the Eurozone, both public and private institutions are gradually experimenting with tokenisation to modernise financial infrastructure. As part of these efforts, authorities are exploring multiple models for integrating central bank money into DLT-based systems, including trigger solutions and full DLT-native settlement mechanisms. Private sector initiatives are focused on automating conditional transactions, reducing reliance on intermediary actors and enhancing transparency.

In Italy, in 2024, the first digital bond using blockchain was issued and settled in central bank money via Bank of Italy's TIPS Hash-Link. Despite this landmark initiative, preliminary findings from the Bank of Italy indicate that DLT-based projects still represent a small share of overall fintech activities and are mainly driven by banks. Most are in advanced stages and focus on tokenization, digital asset custody, and improving payment efficiency, often developed in collaboration with fintech firms, universities, and other supervised intermediaries. Moreover the Bank's innovation facilitator has been supporting several experimentations focused on the tokenization of financial assets (e.g. security tokens for secondary market, sovereign bonds issuance).

Conditions for scalable adoption

Tokenisation offers clear benefits. It improves efficiency by digitising assets and enabling their transfer via DLT, reducing transaction costs and settlement times. In addition, blockchain systems boost transparency and traceability, improving auditability and regulatory compliance while strengthening stakeholder trust. Tokenisation also supports financial inclusion, facilitating fractional ownership and potentially enhancing liquidity in traditionally illiquid markets. Smart contracts also automate operations, such as dividend payments or compliance checks, reducing operational risk and fostering innovation.

Despite its promise, tokenisation still faces several challenges for scalable adoption: DLT platforms must meet the volume and speed demands of modern markets without becoming bottlenecks.

A major issue is the lack of suitable settlement assets — ideally central bank digital money — on DLT platforms. Otherwise, reliance on off-chain mechanisms or private money adds risks and inefficiencies.

Interoperability is also critical. Fragmentation among DLT platforms with different standards reduces liquidity. Seamless communication across systems requires technical and regulatory coordination through jurisdictions.

Lastly, smart contracts face limitations when representing real-world items—a challenge known as the Digital Twin Problem: tokens exist on-chain, but the real assets remain off-chain, creating a disconnect. This doesn't apply to native digital assets, that exist solely on blockchain.

To do list: enhancing the DLT Pilot Regime and focusing the oversight

The EU's DLT Pilot Regime, launched in 2023, is a milestone for tokenised finance but faces limited adoption due to legal and operational uncertainty, especially around settlement and custody. Regulatory clarity on these issues and more generally on cross-border use is essential; recent EU consultations show growing awareness and openness to adapt — a key step for Europe to lead in secure and efficient tokenised finance.

Interoperability between DLT-based and traditional financial systems is essential to avoid market fragmentation and support scalability. Furthermore, unlocking tokenisation's full potential requires alignment with the digital euro. A wholesale CBDC, as proposed in the ECB's dual-track strategy, could enable real-time on-chain settlement, boosting efficiency and financial stability.

Tokenization also introduces several risks, especially cybersecurity-related, such as breaches, loss of private keys, or operational failures. Weak governance can worsen these risks and reduce trust. Decentralised finance poses policy challenges about the someway illusive nature of decentralization: while platforms claim to be decentralized, control is frequently concentrated in the hands of few. Understanding and managing these risks is essential.

Regulators and supervisors must balance innovation with risk management, supported by public-private cooperation, upgraded supervisory tools to enable early detection of systemic vulnerabilities and deep expertise in digital assets. Market participants, for their part, must ensure secure and resilient tech solutions through careful vendor selection.

> Tokenisation is no longer just a future vision, it is reshaping finance today.

Tokenisation is no longer just a future vision, it is reshaping finance today. Success depends on a harmonized legal framework, that facilitates innovation while maintaining high standards of security, and on infrastructure readiness. Moving forward, fostering collaboration among regulators, supervisors, industry players, and technology providers will be crucial to navigate emerging challenges, build trust, and unlock the full potential of tokenised finance in a secure and sustainable way.



AGNÈS BÉNASSY-QUÉRÉ
Second Deputy Governor – Banque de France

Tokenised finance: strengthening the foundations of Europe's monetary system

As financial asset tokenisation accelerates, fuelled by the growing maturity of distributed ledger technologies (DLT), a proliferation of uncoordinated initiatives could fragment markets, erode liquidity and weaken the anchoring role of central bank money, particularly in the face of increasingly widespread use of dollar-backed stablecoins. In this context, delivering without delay a safe public settlement asset tailored to the tokenised ecosystem - a wholesale central bank digital currency or "wCDBC", is essential.

As early as 2020, Banque de France took a pioneering role launching a series of ambitious experiments in partnership with a broad range of private and institutional actors. These efforts explored the entire lifecycle of tokenised securities and payments, with a view to assessing how central bank money could remain the foundation of trust and stability in tokenised markets.

In 2024, these efforts took on a broader European dimension, when the Eurosystem initiated an exploratory programme aimed at testing the use of central bank money for settlement of tokenised transactions. Three interoperability solutions were developed by Banque de France, Banca d'Italia and Bundesbank, providing access to central bank money in tokenised form. The scope and depth of these experiments were unprecedented: over 50 experiments conducted across 11 jurisdictions, involving more than 60 institutions, and resulting in €1.6 billion in tokenised transactions.

The lessons learnt from these experiments are clear. First, market participants expressed strong interest in central bank money in tokenised form. Second, the experiments demonstrated that DLTs and existing infrastructures can interoperate effectively, allowing for a modular and progressive transition. Third, tangible efficiency gains were observed, particularly in streamlining complex processes such as coupon payments, corporate actions, and collateral mobilisation.

Building on these findings, the Eurosystem endorsed a two-phase strategy. The first step, Pontes, aims to provide by 2026 a practical wCDBC solution, ensuring that settlement in central bank money is accessible as tokenised markets develop. The second phase, Appia, reflects a longer-term horizon: a fully integrated infrastructure designed to underpin the evolving architecture of tokenised finance.

A wCBDC is central to this approach. It ensures continuity with the two-tier monetary system, anchors trust and security for settlement processes and helps preserve the unicity of money across legacy and tokenised environments. It also fosters efficiency and scalability by enabling interoperability, and mitigates the risk of fragmented, non-interoperable DLT ecosystems. This is essential to avoid the emergence of parallel infrastructures based on private settlement assets, with potential consequences for monetary sovereignty and financial stability.

A wholesale CBDC is key to avoid financial fragmentation.

In the longer run, tokenised finance could serve as a catalyst for Europe's Savings and Investment Union, by reducing post-trade frictions, improving transparency and broadening access to capital markets. A European Shared Ledger bringing together tokenised central bank money, tokenised commercial bank money, tokenised securities, and potentially a tokenised version of the digital euro on a single platform, could help unlock this potential. By enabling seamless settlement of cash and assets and potentially embedding regulatory compliance within transactions (through smart contracts), it would reduce operational frictions and costs. Beyond these operational gains, such a platform could foster innovation in strategic areas such as SME financing and green investment flows, while enhancing the depth, resilience and attractiveness of Europe's financial markets.

It would also help safeguard the strategic autonomy for Europe's financial system, providing a credible and robust alternative to global platforms not governed by European rules. By reinforcing the role of the euro and anchoring the development of tokenised finance in public infrastructure, a wCDBC and a shared ledger can support more resilient, integrated and innovative European financial system.

Yet its most strategic contribution lies in preventing the fragmentation of liquidity, thereby maintaining the unity of the European financial system. Banque de France and the Eurosystem remain firmly committed to supporting innovation through resilient public infrastructures. This is essential to ensure trust and coherence in tomorrow's financial ecosystem.



FARYAR SHIRZAD
Chief Policy Officer - Coinbase

The future of Europe's capital markets lies in open infrastructure

Europe has made major strides in digital finance, but Europe's capital markets remain bound by legacy infrastructure and fragmented rules that inhibit efficiency, innovation, and broader participation. While initiatives like the EU DLT Pilot Regime signaled early ambition, the next phase of digital finance requires a more foundational shift; one that embraces permissionless networks, enables DeFi, and recognizes stablecoins as part of the new financial market structure.

Unlike today's siloed systems — where issuance, settlement, and custody are fragmented — permissionless networks offer unified rails that are fast, transparent, and efficient. With assets, rules, and execution logic embedded on-chain, these systems can reduce costs, mitigate risks, and expand access across borders. Trading, clearing, and collateral mobility no longer need to be artificially constrained.

Regulation must recognize that permissionless infrastructure is not inherently riskier than traditional systems—it is simply different. These systems deliver resilience, security, and lower costs by design. Prudential rules should be technology-neutral, grounded in actual risk, not ledger type. Treating permissionless networks as valid registrars under the Central Securities Depositaries Regulation (CSDR) and unbundling CSD services would modernize Europe's market infrastructure and remove barriers to entry.

DeFi, too, should be understood as open infrastructure, not financial intermediation. These are open-source, non-custodial tools—code, not institutions. The right regulatory focus is on interfaces that touch users, not on the protocols themselves. To preserve Europe's role as a hub for innovation, self-hosted wallets, smart contract layers, and composable DeFi apps must remain outside the scope of financial licensing—just as the internet thrived by keeping browsers and protocols free to evolve.

Stablecoins are key enablers of this shift. MiCA provides the EU with a solid framework for euro-denominated stablecoins, with clear rules on reserves, governance, and redeemability. These stablecoins should be permitted for on-chain settlement or collateral across a broad range of financial instruments—repos, derivatives, and tokenised securities. They must not be restricted to the narrow confines of the DLT Pilot Regime.

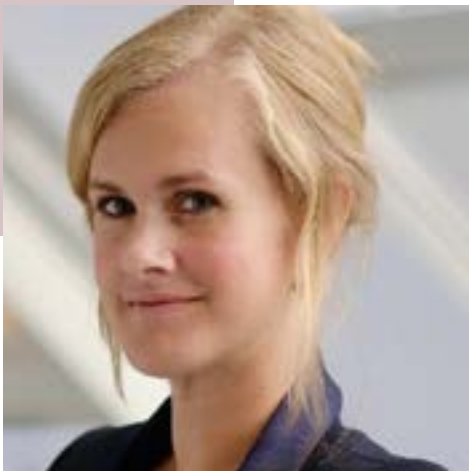
To meet market needs, the EU must adopt global multi-issuance models, allowing stablecoins to scale across jurisdictions and support cross-border tokenised markets. The recent U.S. GENIUS Act highlights growing momentum to integrate stablecoins into traditional finance. In the EU, they should be considered as part of a broader mix of on-chain settlement assets. Without a more flexible approach, the EU risks falling behind.

Tokenisation is not just another feature—it's a new foundation.

A new financial market structure is emerging—one where trading, settlement, and custody occur on a single DLT platform. This reduces systemic risk, lowers operational friction, and enables real-time settlement. Risk can now be monitored across all assets and positions with unprecedented transparency, enhancing oversight and resilience. Retail investors should be allowed to access these platforms directly, as they already do in crypto markets. Trading hours should evolve to reflect real-world demand and infrastructure capability—not the constraints of outdated, centralized systems.

But the DLT Pilot Regime, once visionary, is becoming a bottleneck. Issuance caps, low thresholds, and limited asset classes prevent the very innovation it was designed to test. Europe cannot wait to merely update the DLT Pilot regime and draw lessons from it before modernizing its broader rulebook. The world is moving fast with respect to tokenisation and blockchain adoption, and the EU must act now to maintain global competitiveness.

Tokenisation is not just another feature—it's a new foundation. It allows value, ownership, and collateral to move securely across networks and borders, instantly. Europe must act decisively and evolve beyond experimentation and build the legal and regulatory architecture for a truly digital financial system.



KELLI WEST
Head of Securities &
FX Strategy - Swift

Unlocking the promise of tokenisation and scalable interoperability

As global finance embraces digital transformation, tokenisation is moving from concept to reality. Analysis by McKinsey estimates that total tokenised market capitalisation could reach $2 trillion by 2030 and in January EY said 86% of institutional investors had exposure to digital assets or planned to allocate to them this year.

Banks, securities firms and market infrastructures are working to keep pace with this trend but with this innovation comes complexity and the challenge of ensuring ecosystems can scale, interoperate and deliver on their promise of efficiency and inclusivity. At Swift, we're connecting established financial infrastructure with emerging platforms to ensure that the global industry's transition to tokenisation is seamless and secure.

From digital islands to interconnected ecosystems

The rise of tokenisation and digital assets has led to a proliferation of new platforms, protocols, and technologies. While this innovation is welcome, it has also created a landscape of potential "digital islands" or siloed fragmented systems that risks trapping liquidity, increasing operational complexity and limiting the technological benefits.

Swift is uniquely placed, as a technology-agnostic network, to provide critical connectivity between different systems. Over the past few years, we have experimented collaboratively with leading banks, financial institutions and technology vendors to prove that interoperability between traditional and digital platforms is not only possible but entirely practical. Our experiments showed that institutions could use Swift's secure infrastructure as a single access point to initiate, transfer and redeem tokenised assets across multiple blockchain environments and cash settlement types, such as existing Real-time Gross Settlement (RTGS) or even simulated CBDC networks.

This work is about more than just technical integration. We proved that **by leveraging Swift's global standards and messaging, digital and traditional assets can coexist** and that market participants can access new opportunities without abandoning systems and processes they know and trust. In short, we're helping the industry move from isolated digital initiatives to an interconnected ecosystem that is open, scalable, and future ready.

Lessons from cross-industry collaborations

Across wide-ranging industry experiments, we've identified three key priorities for improving scalability. First, interoperability is achievable without requiring every user to join the same technology or platform. In one experiment, by focusing on shared standards and business outcomes, Swift enabled seamless transactions across four different distributed ledger environments, each with its own design and capabilities.

> By leveraging Swift's global standards and messaging, digital and traditional assets can coexist.

Second, standards matter more than ever. As banks and institutions worldwide transition to ISO 20022, allowing for the messaging precision these types of assets require, we're ensuring that tokenised assets can be managed with the same efficiency and reliability as traditional currencies. This not only supports operational continuity but also gives institutions flexibility to innovate at their own pace. As further developments around common data standards and market practices progress and global regulators provide further guidelines for promoting public-private sector collaboration, this commitment to security will pave the way for further innovation.

Third, collaboration is essential. Swift's position in the global financial system allows us to work with banks, market infrastructures, and technology providers to explore even more complex use cases for digital and tokenised assets. These include cross-border trade, FX, and delivery-versus-payment scenarios that mirror the complexity of modern finance. We've seen strong early successes with projects like the digital euro, demonstrating how Swift infrastructure can facilitate secure, compliant and scalable connections between digital asset platforms and the wider financial ecosystem.

The road ahead: building for scale and inclusion

The promise of tokenisation isn't just about technology, it's about unlocking new forms of value, increasing access and making markets work better for everyone. Swift's work in this space is grounded in our commitment to openness, security and shared progress. We're continuing to explore how to operationalise solutions, in 2025 rolling out a new pilot infrastructure to support trials in a live environment for select use cases related to digital asset transactions over Swift. We're also collaborating to define implementation pathways around the workflows, standards, and market practices that can enable adoption at scale.

As tokenisation and digital currencies move from the margins to the mainstream, the industry's success will depend on its ability to connect, not just technologically, but also operationally and strategically. At Swift, we're proud to be playing our part in working with the community to ensure that the next era of finance is more inclusive, efficient, and resilient.



HEIN TIBOSCH
Head of Digital Assets Product & OTC – Flow Traders

Unlocking liquidity: capital efficiency in tokenized markets

Tokenization stands out as one of the most significant developments in the financial sector: creating digital tokens to represent ownership rights. The tokens store details such as ownership, value, and unique identifier, and they are formatted specifically to be created, traded, and tracked using blockchain technology. Blockchains are decentralized databases where these tokens are stored; cryptography and decentralization then ensure that transaction records are secure, transparent, and, importantly, immutable.

Essentially, a token is as a wrapper for an underlying asset, and blockchain offers the essential infrastructure for tokenization. Hence, this setup bridges traditional finance (TradFi) and decentralized finance (DeFi) by representing traditional financial assets on a blockchain. This way, TradFi can leverage the security and efficiency inherent to blockchains. A key efficiency gain lies in the use of smart contracts; these self-executing programs streamline transactions by automatically verifying and enforcing agreements, cutting out intermediaries.

This brings us to the main benefit of tokenization: the *programmability* of tokens via smart contracts brings significant efficiency gains. Processes such as instant settlement, compliance, or corporate actions can now be automated. The financial impact is substantial, with estimated annual operational cost savings of $15-20 billion globally. Note the parallel between tokens and ETFs: both allow simple exposure on the underlying, thereby simplifying trading and investment processes. Just as ETFs have delivered significant efficiency gains, tokenization now stands to do the same.

Then, realizing these efficiencies requires the same as when scaling any financial product; we need regulatory compliance, investor protection, and robust risk management, among others. We focus on one crucial aspect: ensuring sufficient liquidity. As a leading global liquidity provider in ETFs and digital assets, we have firsthand knowledge of the complexities involved in liquidity provision in tokenized assets.

Currently, the main obstacle for scaling liquidity is a lack of capital efficiency. There is no efficient funding infrastructure: tokenized markets are fragmented across blockchains and venues. This forces liquidity providers to pre-fund capital at each location, locking up resources and limiting operational flexibility. TradFi benefits from an efficient funding infrastructure, with centralized margining and settlement; DeFi lacks such systems, complicating the trading process, and increasing the cost of liquidity. Thus, setting up a similar system in DeFi would streamline operations and thereby improve capital efficiency.

> The main obstacle for scaling liquidity is a lack of capital efficiency.

Two things are needed from regulation: clarity, and a level playing field. In this context, the Financial Stability Board recommends applying the principle: "same activity, same risk, same regulation". Harmonizing regulations for tokenized assts and traditional finance where it concerns the same security enables clear and seamless compliance. This would enable firms to expand operations across EU markets effectively, thereby fostering a robust environment for financial innovation and competition.

However, consider the uncertainty surrounding the Basel Committee on Banking Supervision's (BCBS) prudential treatment of digital assets; if implemented, this would increase capital requirements for transactions on permissionless blockchains from 40% to a prohibitively high 100%, deterring investment in tokenization on these blockchains. The alternative, moving towards permissioned blockchains, means continuing the existing legacy issues from TradFi, thereby hindering competition and increasing costs for other market participants. These high costs across all scenarios make investment unprofitable, and therefore, innovations remain unrealized. Right now, the potential for these high costs is causing market parties to delay important investment decisions. Therefore, to achieve capital efficiency, we need to establish a regulatory framework that is clear and reasonable.

MiCAR represents Europe's commitment to establish such a regulatory framework. However, with it's implementation, new challenges arise. These have to be proactively addressed, thereby again fostering an environment for competition to thrive, and putting Europe at the forefront of the capital market's innovation. With clear and effective regulation, an efficient funding infrastructure can be set up, greatly increasing capital efficiency. Then, liquidity providers can immediately and effortlessly scale the number of transactions, ensuring the stable liquidity that is crucial for tokenized markets to grow: an efficient funding infrastructure will lead to an efficient trading infrastructure. Ultimately, this will unlock all the efficiency gains of tokenization, and transform the financial sector.

LATEST *eurofi* SCOREBOARDS



Monetary Scoreboard

Update on monetary policies in the EU and OECD countries and their possible impacts on the economy and the financial sector.

Macroeconomic Scoreboard

Review of the economic performance and fiscal policies of the EU and its competitiveness compared to other economies.

AVAILABLE ONLINE ON
WWW.EUROFI.NET

BUILDING THE EU'S DIGITAL FINANCIAL ECOSYSTEM



FIONA VAN ECHELPOEL

Deputy Director General, DG Market Infrastructure & Payments – European Central Bank (ECB)

Pontes and Appia - Bridges and roads to the future digital financial ecosystem

Many roads lead to Rome, but none is as famous as Via Appia. As one of the most important trade roads of the Roman Empire, the Via Appia contributed substantially to the economic and cultural boom during the regal period of ancient Rome.

In the 21st Century, the name Appia was chosen for a Eurosystem initiative that will further a digital savings and investments union in Europe by fostering increased market efficiency and integration. Taking a collaborative approach across public sector and private stakeholders, the Eurosystem will analyse how a deeper, more integrated European capital market for digital assets could be achieved. As market participants are interested in settling digital asset transactions in central bank money and scaling their DLT infrastructures, there is a clear demand for the Eurosystem to take action. In 2024, this was clearly revealed through the Eurosystem's exploratory work in which 64 participants from 9 countries conducted over 50 *trials* (with actual settlement of transactions in central bank money) and *experiments* (with mock settlement of the cash and assets legs in test environments). Use cases covered the full value chain beyond settlement.

One of the Eurosystem's main considerations is to avoid increased fragmentation in the financial market through the uncoordinated proliferation of DLT platforms and to address the need for harmonisation from the start. A European shared ledger, or a constellation of fully interoperable ledgers, could bring tangible benefits to the market. This could substantially reduce transaction costs, enhance efficiency and lower entry barriers. Such long-term solutions should be multi-currency by design and include the international dimension, with central bank money as the monetary anchor for settlement of payments and digital asset transactions.

The Eurosystem intends to publish a launch paper for Appia in the first half of 2026, outlining the Eurosystem's future perspectives on DLT, tokenisation and central bank money settlement. Following the launch paper, the Eurosystem, in close cooperation with public sector stakeholders and market participants, will work on a blueprint for a long-term integrated DLT solution for payments and capital markets in the EU.

Rome wasn't built in a day. Likewise, Appia will need time to come to fruition. To bridge the gap, the Eurosystem has launched project Pontes to deliver a short-term offering to settle DLT-based transactions in central bank money. Pontes will enable interoperability of market DLT platforms and TARGET Services.

The Eurosystem plans to launch a pilot for Pontes in the third quarter of 2026. The pilot will offer a solution which incorporates features used in the Eurosystem's exploratory work on DLT in 2024. These features will be taken from three Eurosystem-developed interoperability-based solutions:

a. the Trigger Solution, provided by the Deutsche Bundesbank;
b. the Full DLT Interoperability solution, provided by the Banque de France; and
c. the TARGET Instant Payments Settlement (TIPS) Hash-Link solution, provided by the Banca d'Italia.

The pilot phase of Pontes will comprise two settlement models, namely the settlement of central bank money directly on cash accounts in the RTGS component of T2 or the settlement of cash tokens on the Eurosystem DLT platform. The Eurosystem is currently finalising the eligibility criteria for eligible assets, eligible market participants and eligible market DLT operators for the pilot phase, leveraging on the experience gained during the exploratory work.

The roadmap of the Pontes project foresees enhancements beyond the pilot phase. The aim is to expand the alignment with the TARGET Services operational, legal and technical standards. In addition, it is expected that wherever the use case allows, licensing under the CSDR or the DLT Pilot Regime Regulation would be a mandatory requirement for market DLT operators to migrate to the enhanced Pontes solution. This is important from an oversight and an integration policy perspective; harmonised EU frameworks, where available, for market infrastructures including DLT market infrastructures, are preferable to market participants remaining under national law regimes.

Future perspectives on DLT, tokenisation and central bank money settlement.

To support and facilitate an active dialogue with the market regarding the Pontes project, the Eurosystem invited financial market stakeholders to express their formal interest in participating to the Pontes market contact group; the group plans to commence work in October 2025.

In summary, building Pontes and Appia, the bridges and roads to the future European digital financial Infrastructure, through a collaborative approach by public sector and private stakeholders will support the emergence of a resilient, integrated and competitive digital capital market in Europe.



JOSEF MEICHENITSCH
Board Member –
Oesterreichische Nationalbank

Futuring the Euro: From DELPHI to Pontes to the digital euro

The global monetary landscape is changing. US dollar dominance is challenged, offering momentum for a more powerful euro. Europe is well positioned to take this chance, yet some issues need to be addressed.

The financial and economic landscape of today is being shaped by digitalisation, leading to the emergence of new forms of payment, investment, and asset. Digital assets like stablecoins and digital currencies issued by central banks are no longer a niche but well-explored priorities in central bank strategies. While the US focuses on digital assets, other countries and currency unions are already advanced in experimenting with Central Bank Digital Currencies (CBDCs).

The euro's moment is now

Although the share of foreign exchange reserves held in US dollars has declined steadily over the past year, this has not yet been reflected in the rising attractiveness of the euro. This suggests that Europe should act now, and the Eurosystem is preparing thoroughly. The digital euro is a key project to ensure sovereignty and resilience of European (retail) payments, building trust and stability in the euro area. In July 2025 the digital euro project was followed by Pontes addressing the need for liquidity in private digital (DLT) platforms. The project aims to provide European digital-asset infrastructure linking those platforms with T2 seamlessly. Building on the experience of the OeNB gained through participating in the digital euro project and operational initiatives such as the DELPHI project, the article explores the future of a digital monetary strategy and the financial infrastructure in Europe.

It's all about interoperability

At the heart of modern fit-for-purpose digital asset infrastructure lies interoperability. This was demonstrated several times; Euroclear's Digital Financial Market Infrastructure (D-FMI) and Clearstream's D7 platform demonstrated this through dual issuance and convertibility mechanisms. The initiatives allow securities to be issued simultaneously in both traditional and DLT-native formats, enabling FMIs to operate across systems without disruption. Similarly, Switzerland's SIX Digital Exchange (SDX) has implemented an "operational link" between its DLT-platform and legacy infrastructure.

The Eurosystem´s early exploratory work focused on similar aspects: to ensure safety and scalability, programmable ledgers must be designed to support atomic settlement mechanisms, such as hashed time-locked contracts (HTLCs). They also enable delivery versus payment (DvP) across interoperable platforms. The OeNB contributed to these experiments with the Delivery vs. Payment Hybrid Initiative (DELPHI) platform. DELPHI is a self-developed market DLT that explores tokenization of Austrian treasury bills on a public blockchain: interoperability between public and private blockchains as well as atomic settlement have been the focus of this project. The first successful transaction during the exploratory work was conducted in May 2024, between Banque de France and OeNB. Further insights into the viability of DLT in today's financial infrastructure were gained in subsequent tests.

What DELPHI taught us

The models highlight the importance of bridging technologies, such as trigger solutions to connect DLT-based securities with central bank liquidity systems like T2, an approach that continues with the Pontes pilot. To support this hybrid environment, central banks should promote the concept of "a single liquidity pool of central bank money" across infrastructures. Whether settlement occurs on legacy rails or DLT platforms, the underlying cash leg should be backed by central bank money to reduce fragmentation and preserve monetary policy transmission. A unified liquidity model can be enabled through programmable APIs and smart contracts that facilitate real-time, atomic settlement across platforms. The potential of DLT can be leveraged even more, when looking beyond the settlement itself.

The digital euro is a key project to ensure sovereignty and resilience of European (retail) payment.

Ultimately, a coordinated approach involving regulators, central banks, and market participants will be necessary to harmonize legal frameworks, technical standards, and operational practices, ensuring that innovation enhances rather than fragments the financial system.

Best of both worlds

To enter the stage of a modernized, digital payment infrastructure, the euro must act now: Action includes building a secure, financial infrastructure, pushing for a CBDC in the euro area, and strengthening the international role of the euro by enhancing settlement operations and enabling euro-denominated digital assets. The digital euro will offer secure payments with digital central bank money, within a European infrastructure, complementing physical cash. The technology-driven financial innovations are facilitated by Pontes and Appia initiatives linking private digital (DLT) platforms and Eurosytem liquidity in T2 in frictionless, secure and resilient way.



AGNÈS BÉNASSY-QUÉRÉ
Second Deputy Governor – Banque de France

Building the EU's digital financial ecosystem

As digital finance enters a new phase shaped by distributed ledger technologies (DLT), Europe faces both a challenge and an opportunity. The challenge is to prevent fragmentation, preserve the safe, two-tier monetary architecture, and address the growing dependency on non-European infrastructures. The opportunity is to shape a secure, efficient and inclusive financial ecosystem anchored in public trust. Banque de France believes this will require a renewed European vision and an evolution of the two-tier monetary system to meet the demands of the digital age.

DLT is transforming financial markets, introducing new actors - including crypto-native firms and BigTechs - and offering alternative settlement infrastructures. While DLT promises enhanced efficiency, transparency and programmability in post-trade and settlement processes, it also introduces risks of market fragmentation, reliance on non-European technology providers, cyber vulnerabilities and a potential erosion of monetary sovereignty. This is particularly visible in the rapid growth of stablecoins – 99% of which are USD-denominated and issued by non-European players, with leading issuers such as Tether, Circle and Paxos all US-based. Unlocking DLT's benefits therefore requires trusted, scalable and interoperable settlement assets to secure market integrity and sustain confidence.

The expansion of stablecoins use into traditional finance and payments reinforces the risks of monetary fragmentation. Initially rooted in the crypto ecosystem as a settlement asset and store of value, their use is now extending to traditional finance and cross-border payments. Circle and PayPal are developing global networks for USD-denominated stablecoins, enabling value transfers outside traditional banking rails. Platforms such as Shopify now accept USDC for retail payments, while Amazon and Walmart have signalled interest in issuing their own stablecoins to bypass card networks like Visa and Mastercard. Without a coordinated response, these dynamics could entrench parallel infrastructures dominated by non-European actors - undermining the effectiveness of monetary policy, financial stability, and European sovereignty.

To sustain financial stability and trust, Europe's two-tier monetary system must adapt. Wholesale and retail central bank digital currencies (CDBC) offer part of the solution. At the wholesale level, a CBDC can ensure secure settlement in tokenised markets and interoperability between tokenised commercial moneys. At the retail level, it preserves public access to central bank money in the digital era, maintaining the one-to-one convertibility that underpins confidence in commercial bank money.

Two-tier monetary system must adapt to tokenised world.

However, central bank money cannot address all use cases of at tokenised economy alone. Commercial bank money must also evolve to complement CBDCs in the tokenised ecosystem. The current rise of stablecoins reflects market demand for innovative settlement assets, but in their current form they raise a number of risks. Dollar-dominated, non-European stablecoins challenge monetary sovereignty, financial stability and the essential role of commercial banks in monetary transmission and financing of the economy. If left unaddressed, network effects could drive extreme market concentration, locking users into private tokenised ecosystems.

A strategic response could involve supporting a euro-denominated, tokenised commercial bank money. This would provide an alternative to non-European stablecoins and complement CBDCs for specific use cases, such as cross-border activity or corporates needs. Instruments such as tokenised deposits or euro-denominated, bank-issued stablecoins – if designed carefully - may offer European market-led, regulated alternatives to private USD stablecoins. In any case, a tokenised commercial bank money will maintain essential for banks to extend credit, transmit monetary policy impulses and meet emerging needs in tokenised finance - such as settlement of tokenised assets or cross-border transfers.

Looking further ahead, building a trusted and interoperable digital ecosystem will be critical to fostering innovation, efficiency and sovereignty. Over time, these developments could converge into a European Shared Ledger, backbone for secure, integrated and scalable digital financial services. This infrastructure would reinforce the international role of the euro while supporting the EU's strategic autonomy in key financial infrastructures.

Ensuring that Europe's two-tier monetary system remains fit for purpose in the tokenised era will require a pragmatic yet ambitious approach. By combining wholesale and retail CBDCs with innovative forms of commercial bank money, and by developing interoperable infrastructures, Europe can safeguard financial stability and trust while fostering the innovation needed to remain competitive in global finance.



ISABELLE DELORME
Head of Product Strategy & Innovation - Euroclear S.A.

Building the future of post-trade: Euroclear's vision for a digital, integrated capital market

Europe is entering a pivotal phase in the evolution of its financial system. The digitalisation of capital markets is no longer a distant ambition but a present reality. Technologies such as distributed ledger technology (DLT), tokenised assets, and programmable finance are reshaping the way value moves. Initiatives like the Savings and Investments Union (SIU), the DLT Pilot Regime, and the Eurosystem's wholesale CBDC projects are laying the groundwork for a more integrated and resilient financial ecosystem.

For Euroclear, this transformation is a natural evolution. As one of the world's largest financial market infrastructures, Euroclear has long served as a trusted backbone of European capital markets. Today, it is embracing a new role: not only as a neutral and reliable post-trade operator, but as a digital and data-driven infrastructure, actively shaping the next generation of market connectivity.

The early days of DLT in capital markets were marked by bold promises and fragmented experiments. Many tried to build everything at once, but quickly learned that innovation without adoption is like paving roads where no one drives. Euroclear took a different path by building a system fully aligned with CSDR, enabling broader adoption and scalability. The result was a model where digital securities could be issued, traded, and used as collateral within seconds, while preserving the trust and liquidity of traditional systems. This hybrid approach has become a reference point. It shows that DLT can enhance existing infrastructure, bringing speed, transparency, and efficiency to the areas that need it most. Success in digital markets is not about the flashiest platform, but about trust, usability, and scale — and building what the market is ready to use. We also feel that the market is now ready to move to the next phase.

As with the dematerialisation of securities, the adoption of DLT is unfolding in stages. The industry has moved from experimentation to early implementation, with firms beginning to realise operational and liquidity benefits. As technical maturity and regulatory clarity improve, the focus is shifting from isolated deployments to ecosystem-wide integration. Euroclear sees its role as enabling this shift, helping to connect the industry, reduce barriers to entry, and support the standardisation needed to scale.

As financial market infrastructures, we help drive digital transformation by facilitating scale, connectivity, and safety. Having provided trusted access since the inception of dematerialised securities, we are uniquely positioned to support the next phase of DLT's growth. This includes reducing the cost of entry for new participants, standardising processes across the digital asset lifecycle, and improving interoperability between traditional and digital infrastructures within a well-regulated framework.

As financial market infrastructures, we help drive digital transformation by facilitating scale, connectivity, and safety.

Still, the transition is complex. Europe's post-trade landscape cannot be rebuilt in a single move. Legacy systems and new technologies must operate side by side, ensuring continuity while unlocking new efficiencies. This requires careful coordination, especially in addressing the legal and regulatory fragmentation across Member States. To support this, Euroclear advocates for the creation of a 28th regimen for digital assets: a harmonised legal framework that would provide clarity on issuance, ownership, and settlement across the EU. Starting with bonds, this regime could reduce friction and enable true cross-border scalability for DLT-based markets.

At the same time, Euroclear recognises that no single actor can build the future alone. Collaboration between public and private stakeholders is essential. Initiatives like the SIU and the wCBDC projects offer a unique opportunity to align efforts and explore a shared infrastructure that balances innovation with stability. Euroclear's experience shows that trust and neutrality are essential. By collaborating closely with the market, we are able to provide solutions that cater to everyone's needs. By working with central banks, regulators, and peer infrastructures, Euroclear aims to support innovation that is scalable, inclusive, and built on a foundation of shared trust.

Europe stands at a turning point. The foundations of its financial system, built over decades, are strong, but the architecture must evolve. The shift to digital is not a demolition job; it is a renovation. The walls of trust, scale, and resilience remain, but new windows are opening for speed, transparency, and global reach.

Euroclear is helping to lay the bricks of this new structure. By investing in digital infrastructure, supporting legal clarity through proposals like the 28th regime, and fostering collaboration across borders, we are building a future where capital markets are not only more efficient, but more inclusive and competitive.

This transformation will take time, and it will require coordination. But with the right tools, commitment, and a shared blueprint, Europe can construct a digital financial ecosystem that reflects its values: open, secure, and built to last.



STEPHANIE CHAMPION

Executive Vice President, Head of Nasdaq Verafin – Nasdaq

Europe on the leading edge in the fight against financial crime

In today's interconnected world, financial crime poses a significant threat to the stability and security of economies worldwide. Consumers are increasingly susceptible to scams as fraudsters leverage new technologies to exploit the financial system for their own gain. Europe is no exception. Nasdaq Verafin's 2024 Global Financial Crime Report highlights the staggering scale of this issue, estimating that $750.2 billion in illicit funds moved through Europe's financial system in 2023 alone. This represents 2.3% of the continent's total GDP, a testament to the damaging effect of financial crime.

Behind those numbers are criminal activities with devastating economic and societal impacts, including elder abuse, human trafficking, drug trafficking, and terrorist financing. The scale and severity of these crimes underscores the urgent need for a concerted effort to combat existing and emerging threats.

In 2023, European fraud losses were estimated at $103.6 billion – including $61.5 billion from the EU, $33.2 billion from the UK, $3.4 billion from the Nordics – as criminals exploit the real-time and cross-border nature of the global payments system to obscure their money trails.

Authorized Push Payment (APP) fraud, in particular, has surged, with consumers being manipulated into transferring funds to fraudsters posing as legitimate payees. However, as banks strengthen their ability to fight APP scams, criminals continue to evolve, developing new methods of deceiving victims and maximizing profits. As scams grow more prevalent, so does fraud against the elderly. Nearly 20% of all European fraud losses were linked to the elderly, and in the Nordics that percentage jumps to 38%. The rise in fraud and scams that target society's most vulnerable underscores the need for collective action to protect consumers and safeguard the financial system.

Meanwhile, cross-border transactions have grown exponentially in the last decade, which criminals are leveraging to move proceeds from drug trafficking and fraud throughout the financial system. As cross-border payments become faster and more accessible, the risk of illicit activity will only increase.

In our report we surveyed over 270 anti-financial crime professionals across Europe and found that only 22% of respondents felt they had adequate resources to combat financial crime, underscoring the need for greater investment. Siloed data, legacy technologies, and manual processes further hamper financial institutions, increasing operational costs and impeding the effectiveness of anti-financial crime programs.

> **By uniting in a shared vision, embracing innovative technologies, and fostering collaboration across sectors and borders, Europe can set a new standard in safeguarding the integrity of the global financial system.**

There are significant opportunities to improve the fight against financial crime. By embracing data-driven approaches, AI, and collaborative frameworks, banks can enhance their fraud detection capabilities and streamline compliance operations. The potential for AI to revolutionize transaction monitoring and uncover hidden criminal connections is immense, offering a path for more effective financial crime prevention. And new regulations in the UK and EU can enable greater bank-to-bank information sharing, improving the ability to eradicate criminals from the financial system.

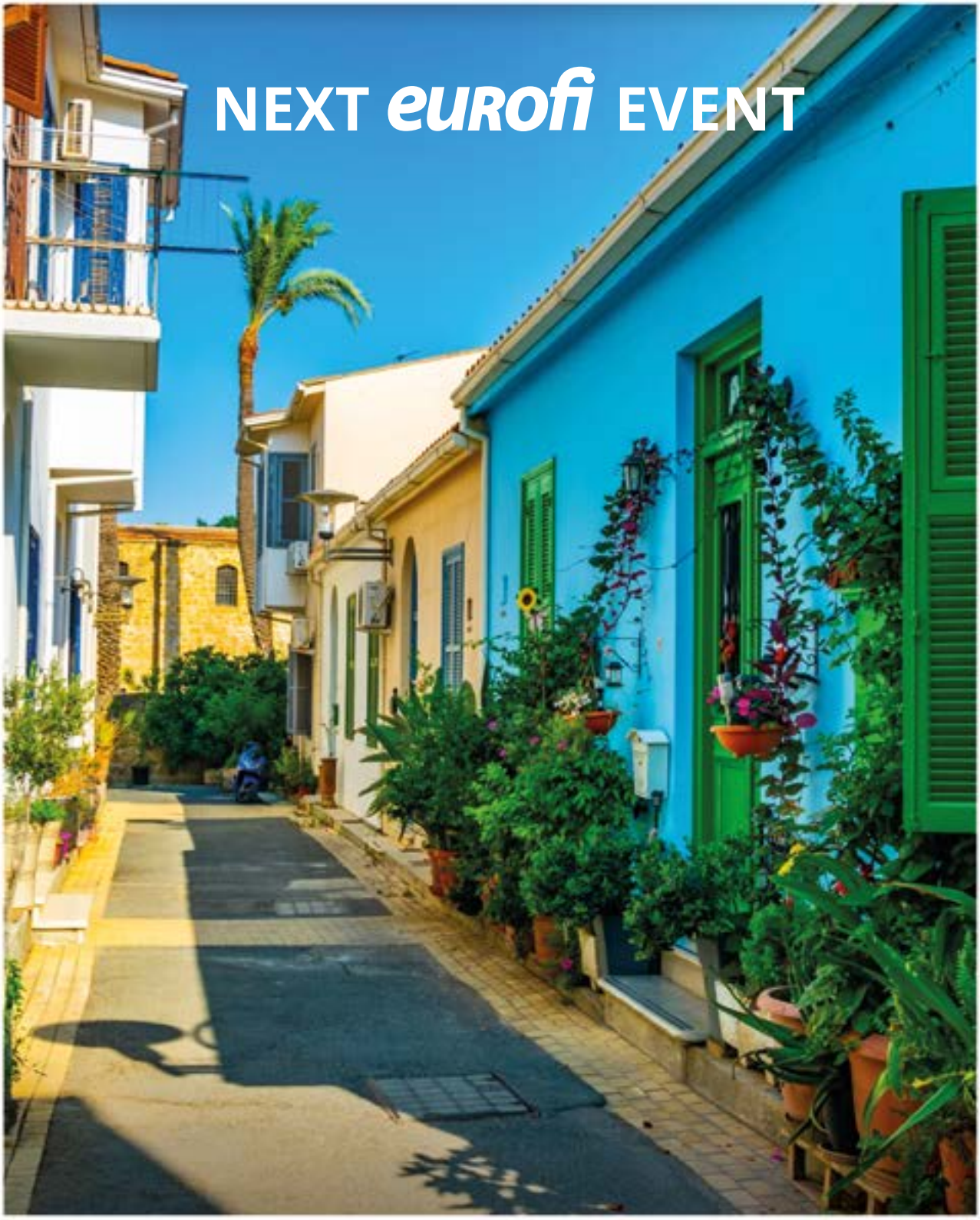
Criminals are not bound by banks and borders. As such, it will require unified action from stakeholders across Europe – including regulators, law enforcement, and banks – to capitalize on the opportunities ahead of us.

Aligning priorities for financial crime prevention is a crucial first step. Clear guidance from regulators on typology-specific priorities will empower banks to better allocate resources, focusing on high-risk activities and enhancing overall program efficacy.

Second, collaboration across sectors and borders is essential to root out criminal activity. Criminals will not hesitate to exploit fragmentation in the financial system. Fighting financial crime demands a collective approach, with industry stakeholders working together to share information, disrupt criminal networks, and safeguard consumers. Public-private partnerships and regulatory support for information sharing initiatives will be key to breaking down siloes and enhancing crime-fighting effectiveness.

Finally, accelerating innovation through advanced technology is vital. Investments in AI, big data, and cloud technology will enable banks to overcome the limitations of manual processes and legacy systems, optimizing their anti-financial crime efforts. Consortium data and network-level analytics offer powerful tools for detecting and preventing fraud, reducing false positives, and protecting consumers and institutions from loss.

Europe stands at a crossroads, with a unique opportunity to take on the global fight against financial crime. By uniting in a shared vision, embracing innovative technologies, and fostering collaboration across sectors and borders, Europe can set a new standard in safeguarding the integrity of the global financial system. Together, we can create a more secure, trusted, and resilient financial future for the region and beyond.



THE EUROFI HIGH LEVEL SEMINAR
NICOSIA - CYPRUS

25, 26 & 27 MARCH 2026

HOW WILL AI TRANSFORM FINANCIAL SERVICES?



MAYTE LEDO
General Director of Strategy, People, and Data – Banco de España

How AI is reshaping finance: A central bank view

Artificial Intelligence (AI) has rapidly emerged as one of the most transformative technologies of our time. Its ability to reshape the services sector—particularly the financial industry, which has historically been an early adopter of technological innovation—sets it apart.

In the coming years, AI is expected to play a pivotal role in transforming the operations of central banks, influencing everything from monetary policy to financial stability. Furthermore, AI will enable us to address an increasing number of complex and novel tasks, such as system-wide risk monitoring and economic analysis in an environment marked by heightened uncertainty. In meeting these challenges, central banks must integrate AI in a way that maximizes its benefits while proactively mitigating its risks.

On the opportunity side, AI stands to markedly improve analytical capabilities through enhanced processing of granular and real-time information, contributing to a better grasp of monetary policy transmission channels. Given that economic dynamics often exhibit complex, nonlinear patterns that challenge traditional forecasting models, AI offers the ability to extract more accurate signals from key macroeconomic variables such as inflation, employment, and overall economic momentum. It may also support a deeper understanding of the multi-dimensional and long-term drivers of potential growth, from productivity trends to geopolitical developments.

AI's potential goes beyond the design of monetary policy to its operational implementation. It will extend to payment systems and financial market operations—core functions of central banking—which are themselves at the forefront of technological innovation.

At the same time, central banks have a fundamental responsibility to safeguard financial stability. In this regard, they must remain vigilant in monitoring and managing the risks associated with the adoption of AI across the financial system. Certain characteristics of these technologies, such as algorithmic homogenization or misuse, could amplify the transmission of financial shocks. A key concern is the growing interdependence of financial institutions and the concentration of AI infrastructure among a small number of providers.

The use of AI in financial services—particularly in areas such as credit scoring and loan approval—also raises important ethical considerations, especially concerning the protection of individual rights, as outlined in the European AI Act. In Spain, the central bank will serve as the market surveillance authority for these high-risk AI systems, fulfilling this role through its conduct supervision mandate. Ensuring transparency will be essential to prevent adverse outcomes such as discrimination in credit allocation or unfair decision-making processes.

To scale up AI adoption, a dual strategy based on collaboration and centralized resources is essential. For this reason, a new department focused on experimentation and the application of emerging technologies will play a central role in advancing AI integration across the Banco de España. It will prioritize practical use cases, focus on solution delivery, and emphasize the development of generative AI models and AI agents.

Fostering responsible, AI-driven innovation requires robust computational infrastructure, effective data-sharing frameworks, and a skilled workforce, supported by continuous upskilling and reskilling. Collaboration remains essential across all these domains.

Data and information have become new factors of production. Building more open data ecosystems—while ensuring confidentiality and anonymity—is essential for developing richer and more accurate models, unlocking the full potential of AI, and fostering across-the-board innovation. Central banks hold extensive datasets and are increasingly making them available, based on the belief that fair access to information serves the public interest.

In addition, the scarcity of talent presents a major challenge for both the financial sector and central banks in realizing their AI ambitions. Attracting and retaining key profiles—such as data scientists and AI engineers—requires offering meaningful, forward-looking projects with a long-term vision. In this context, our partnership with the Barcelona Supercomputing Center is especially significant. It provides access to high-performance computing resources, joint research programs, and collaboration with one of the seven AI factories being developed across Europe.

Capturing AI's transformational impact needs reinforced capacity and close collaboration.

As AI continues to evolve, central banks must work closely with the financial sector to ensure its responsible and ethical use. At the Banco de España, we will soon launch an innovation hub to support the integration of AI into the financial system in line with the transparency requirements established in the AI Act.

The AI journey has only just begun, yet the opportunities it offers are profound, and realizing them fully will require broad-based collaboration.



NATHANAËL BENJAMIN
Executive Director for Financial Stability Strategy and Risk – Bank of England

The safe adoption of Artificial Intelligence (AI) in finance

AI's transformative potential spans the economy, beyond finance. Goldman Sachs estimate AI will lift global GDP by $7 trillion (7%) over 10 years by boosting productivity growth – a key priority across advanced economies. In the financial sector, another study estimates generative AI could deliver up to 30% productivity gains over 15 years.

It is vital that the financial sector and broader economy fully harness and realise these benefits. This requires imagination, expertise, and asking the right questions – shortages in AI and data skills could hinder progress.

The financial sector is already embracing AI. Our 2024 *AI in Financial Services* survey shows 75% of firms use AI, up from 53% in 2022, with 10% more planning to adopt over three years. In an inherently numbers-driven industry, AI's ability to process large datasets and generate insights is reshaping the landscape. AI is often used to improve existing processes like customer interactions. But increasingly it enhances decision-making, helps to develop better and more tailored products, and supports risk management, including fighting financial crime. This is likely only the beginning.

However, AI introduces potential risks to individual firms and the broader financial system. Some are not new, but it's crucial to discern real issues from the noise, and sharpen our focus. The UK's Financial Policy Committee is focused on the four following channels of risk to financial stability:

The greater use of AI in banks' and insurers' core financial decision-making. Some risks are microprudential in nature: AI systems rely heavily on data, raising issues of quality and integrity – rubbish in, rubbish out! Their complexity and dynamism also pose challenges of predictability, explainability, and transparency. If banks and insurers increasingly use AI-driven decisions without appropriate controls, some risk-taking may be misunderstood. Personal accountability has to be clear for all decisions – including those driven by AI.

Sound risk management in each firm is necessary but not sufficient for system-wide resilience. Well-managed and regulated risks by firms can still pose stability risks if firms act collectively without the right information or incentives to consider system-level outcomes. Common weaknesses in model and data risk management across firms could introduce significant unknown errors or bias, especially when using the same model components or data. This could lead to widespread misestimation of risks, mispricing, and credit misallocation, resulting in losses, tightening credit supply, or broader financial contagion through a loss of confidence.

The safe adoption of AI is vital to promote productive growth and financial stability.

The use of AI in systemic financial markets. First, AI-based risk allocation or trading strategies could lead to firms taking increasingly correlated positions, some herding, potentially amplifying shocks. Second, autonomous AI agents might interact in ways that cannot be known by firms when launching them individually, and their collective impact on the market might lead to an unknown equilibrium. Third, AI agents could exploit weaknesses in other firms' strategies and arbitrage opportunities, which might make sense in isolation but could trigger or amplify price movements in ways that are unanticipated.

While AI can strengthen cyber-defences, it can also increase the sophistication of cyber-attacks, which can then spread across the financial system through operational contagion or erosion of confidence. Longer-term, the potential for malicious actors to combine AI with quantum computing to cause disruption or break encryption coding warrants particular attention.

Widespread reliance on a small number of common providers in the AI ecosystem could lead to systemic impacts in the event of operational disruptions at those providers.

There will be other risks. And AI will evolve in unforeseen ways. But these four channels are our priority focus. So we are enhancing our monitoring – tracking developments in use cases and adoption, using quantitative and qualitative information, including regular AI financial services surveys, our AI consortium, and targeted intelligence gathering. Our approach will remain flexible and forward-looking, adapting to evolving risks and new information.

We also engage in international initiatives to monitor and mitigate AI risks, such as those led by the Financial Stability Board. Successful AI integration requires collaboration between regulators, financial institutions, and technology providers.

AI must boost the financial system's ability to support the economy, but that can't happen if overall resilience gets compromised. So adoption must be sustainable, and with appropriate safeguards. Enhanced monitoring is essential to understand how risks can play out, and that needs to happen before concluding on whether additional actions are required to support safe adoption.



JULIE GERDEMAN
Global Head of Data & Analytics – BNY

AI for everyone – continuing the digitization of our business

At BNY, we see AI as a key enabler to deliver more value to clients, drive innovation, and improve operational resilience. This includes leveraging AI in new product offerings, but also for internal decision making and operational processing, amongst others.

BNY is not alone in seeing this massive potential for AI to transform financial services – AI investments are expected to reach nearly $100 billion by 2027[1] – but we've been at the forefront in putting this transformative technology into the hands of every BNY employee; hence why the phrase "AI for everyone" has become pervasive across the firm. For more than five years, we have been creating AI-enabled solutions for financial services – in fact, we were the first major bank to deploy an AI Supercomputer, powered by Nvidia, to accelerate processing capacity and launch AI-enabled capabilities.

In 2023, BNY launched its AI Hub, a centralized platform that leverages artificial intelligence to enhance business processes and operations to drive efficiency, decision-making, and innovation, and has been building out and refining Eliza, BNY's enterprise AI platform. Eliza is designed to be general-intelligence and model agnostic, support multi-agentic functionality and serve as a foundation for our digital employees of the future. Our AI Hub includes hundreds of data scientists, engineers, architects, and risk and control experts with an operating model designed to incubate, build and deploy solutions at scale. Our employees have generated hundreds of use cases and as of today we have over 50 AI solutions in production, touching nearly every part of our business.

BNY's Data & Analytics offers a data platform that is leveraged by buy-side firms across the globe –including asset servicing providers – most notably our own BNY Asset Servicing. We have more than $51 trillion in assets on our data platform, demonstrating another trend in financial services – the recognition of data as a driver for growth.

Leveraging AI, we've created data sets of metadata to simplify onboarding, data governance, and migration activities. Our platform provides chatbots that assist with the creation of data models and data quality rules. To respond to the exponential growth expected in private market AUM, we've introduced Intelligent Document Processing, which connects, organizes, and interrogates massive amounts of disconnected structured and unstructured data to uncover "the gold" inherent in these disparate data sources, ultimately getting the right insights to the business to guide better (and faster) decision making.

> The next phase could bring more fundamental shifts that allow us to reimagine entire business models.

Today, BNY's AI-enabled solutions support predictive analytics, automation and anomaly detection, among other capabilities. AI is augmenting our staff, enabling them to focus on higher-value tasks by reducing manual workloads and error rates. We design our solutions to help clients transform their businesses while enhancing our own infrastructure. We are exploring ways to harness the power of AI in our new product offerings to enable faster decision-making and increased efficiency.

As AI technologies mature, you can expect to see shifts from discrete automation projects to more comprehensive, AI-enabled platforms. Generative AI, with its ability to synthesize, interpret, and generate complex data, is likely to unlock new efficiencies in client reporting, regulatory compliance, and product innovation. In time, agentic AI could manage entire processes like trade settlement or collateral optimization.

If the first waves of AI adoption are focused on efficiency, accuracy, and scalability, the next phase could bring about more fundamental shifts to position AI as a decision-making partner that allows us to reimagine entire business models, facilitate the creation of new products and services, challenge legacy workflows, and inspire innovative client experiences that were previously unimaginable.

AI for Everyone is far more than a catch phrase at BNY – a financial services leader that has been in the business for more than 240 years while also being named by *Fortune* as one of America's "Most Innovative Companies," for the third time in as many years. BNY is fully committed to the continued digitization of our business, leveraging AI as a key component, investing nearly $4 billion in technology and research and development annually to provide our clients with access to new capabilities while enhancing our operations for efficiency, scalability and resiliency.

1. *World Economic Forum, Artificial Intelligence in Financial Services white paper (January 2025)*



CHRISTIAN EDELMANN
Managing Partner Europe – Oliver Wyman (UK)

Moving from pilot to profit: AI's next chapter for European finance

Europe's financial sector is experiencing an "internet 1996" moment with artificial intelligence: Everyone can see the direction of travel, yet the gap between pioneers and followers is already visible.

If the followers don't step up their efforts soon, they could be left behind permanently.

The latest Oliver Wyman Forum survey shows that 17% of NYSE-listed companies—and 16% of European respondents—have already achieved revenue or cost improvements of more than 10% from AI initiatives, and these leaders are five times likelier than peers to say projects exceeded return on investment expectations (25% versus 5%).

The opportunity is vast because the areas incumbents dominate—trust, balance sheets and data—are exactly what AI can amplify. Customers still entrust their salaries and savings to established firms, reducing the firms' funding costs, because of their robust regulatory oversight and risk management. That trust yields a torrent of data which, if activated, could fuel hyper-personalised offers before open-banking interfaces fully level the playing field.

In practice, however, many banks, insurers and asset managers treat AI as a series of proofs-of-concept rather than a strategic operating system as they await perfect regulation, flawless AI models or both. The risk is that market share and cost advantage will drift to faster competitors. Fintech and big tech have already captured material share, especially in payments and retail brokerage.

For established firms, cultural change sits at the heart of any credible AI roadmap. They face the organisational hurdle of orienting around product silos while AI rewards customer-centric design and data usage across the organization. That obstacle must be cleared.

Equally important is adopting a marginal-cost-to-zero mindset. That will turn efficiency into growth and, ultimately, benefit the broader European growth agenda.

Lending provides a vivid illustration. When marginal cost approaches zero, lenders can viably serve thinner-margin segments such as startups, gig-economy workers and micro-SMEs, which legacy processes have priced out. At one European bank we have worked with, an AI engine that pre-underwrites small business loans by combining transactional flows, point-of-sale receipts and sector benchmarks has cut unit underwriting costs by about 70%, shrunk decision times from days to minutes and expanded the addressable market enough to lift SME lending revenue by about 50%.

> **Generative AI won't make banks obsolete; it will make some banks extraordinary.**

Several traits separate AI leaders from laggards. First, leaders treat data as a product with clear ownership, service-level agreements and roadmaps; without that discipline, even state-of-the-art models disappoint. Second, their vendor strategy balances speed against dependence: black-box demonstrations, "100% accuracy" claims or unclear model lineage are red flags. Third, reliability economics matter, because every additional "nine" of availability—from 90% to 99,999%—requires exponentially greater investment, and boards must decide where full autonomy is genuinely worth the spend.

Finally, AI leaders' workforces evolve. CEOs overwhelmingly expect AI to raise productivity rather than cut headcount, yet staff reskilling is still behind the curve. Employees at AI-leading firms are 3.5 times likelier to use AI daily and twice as likely to say it has changed collaboration, creating a cultural flywheel that accelerates adoption.

Leaders are already wiring these elements into execution. In all, 71% of AI-leader CEOs cite technology as the prime driver of long-term competitiveness, compared with 45% of non-leaders, and almost a third of leaders already generate more than 20% of revenue from AI-enabled products. They involve their boards more actively, especially in engaging regulators and investors, and favor organic capability building over acquisitions as the path to shareholder value. They also tie success to metrics that cut through hype: AI revenue share, marginal cost per transaction and employee engagement.

For institutions still in pilot mode, the 2025 agenda is clear: They need to articulate a North Star ambition anchored in the business model of the future, not a bunch of AI widgets bolted onto legacy architecture. They should engage supervisors early so governance becomes a competitive advantage rather than a retrofit tax. They must track the metrics that leaders already watch, and they must mobilise boards to own the external narrative.

Generative AI won't make banks obsolete; it will make some banks extraordinary. Those that fuse hard-earned trust, proprietary data and disciplined execution into AI-native operating models will extend their advantage rapidly, while those that hesitate will lose ground by the quarter. For Europe's financial champions, the moment to choose between pilot and profit is now.



ALEX IVANČO

Financial Counsellor, Head of Financial and Cohesion Policy Unit – Permanent Representation of the Czech Republic to the EU

AI in Czech financial services – Czech fintech leverage AI for global expansion

While the Czech financial sector is moving from early artificial intelligence (AI) pilots toward autonomous, adaptive and highly personalized financial services, Czech fintech companies have rapidly become leading exporters of innovation by integrating AI into their core services delivering instant risk scoring, fraud detection, and payment data enrichment at scale—capabilities that differentiate them in international markets and fuel successful global expansion.

Digital development of the economy remains in the forefront of the Czech Republic's progress. Advances in financial services reflect a systematic approach to innovation, combining strong regulatory foundations, pioneering companies, and early adoption of digital technologies. For some, the Czech Republic is an incubator of innovative fintech companies thanks to its broad base of startups and the openness of Czech consumers to use digitalized services. According to the latest reports, in June 2025, instant payments, with 99% market coverage accounted for 40 % of all payments in Czechia, extending their importance beyond account-to-account transfers.

In AI adoption, the Czech financial sector has crossed the proof-of-concept threshold, delivering measurable improvements in efficiency, personalization, and security. Major Czech banks have integrated AI into a wide range of processes, thereby increasing productivity and reducing operating costs. AI-powered fraud detection, real-time risk assessment, automated lending, and customer onboarding have become a new standard.

In particular, chatbots, voicebots and personalization engines are reducing customer wait times, offering 24/7 services and enabling personalized products offers. Automation of back-office processes, document handling, and credit-risk assessment then brings direct savings and allows human resources to be shifted to higher-value tasks. As for risk and compliance, transaction anomaly engines and behavioral biometrics are enabling real-time fraud detection and enhanced security for those who invest in their deployment.

With the development of agentic AI, Czech banks are also exploring autonomous underwriting, dynamic product bundling, and smart contract execution, aiming for "always-on" financial platforms adaptable to real-world data and customer needs without continuous human intervention. Although this might still sound like the future, the financial sector is currently undergoing rapid optimization: combined force of generative and agentic AI is paving the way for an era in which autonomous, adaptive financial services will become the norm. The transformation is not just about improving services, but also about fundamentally redefining the meaning of financial intermediation in the digital age.

Our aspiration for the future: to lead in solutions.

Czech fintech companies are leveraging AI also as a core engine for their international growth. By exporting advanced AI solutions for lending, security, open banking, and data analytics, they partner with global financial institutions, adapt to new regulatory settings, and meet the evolving needs of banks and consumers worldwide. Fintech firms like Resistant AI (fraud detection), Wultra (post-quantum authentication), Flowpay and Lemonero (AI-driven SME and e-commerce lending), Dateio (transaction data), Trask (hyper-personalization) and ThreatMark (behavioral biometrics) belong to the key innovators and have established themselves as international reference points. Their expertise in scalable, API-driven AI deployments places Czechia at the forefront of fintech export and cross-border innovation.

While it might be difficult to experience a momentous transformation of the way financial services are delivered and consumed, EU homegrown dynamic and globally active fintech companies already show the way how to develop modern, digital economy; by upholding our values and leading in solutions, whether it's cyber resilience, data protection or post-quantum authentication. If we add to this the recognition that regulation is only a tool and the European leadership should be rather in values then this could indeed be the essence of our aspiration for the future: to lead in solutions.

SEARCH AND DOWNLOAD EUROFI PUBLICATIONS ON WWW.EUROFI.NET

All Eurofi publications of the last 5 years, including full documents, individual policy notes, and magazine chapters, can be searched and downloaded using the filters on the Publications page.



SCALING AI IN FINANCE



FAUSTO PARENTE

Executive Director – European Insurance and Occupational Pensions Authority (EIOPA)

Scaling AI in insurance: Striking the right regulatory balance

Artificial Intelligence (AI) is rapidly changing the way insurers operate, offering opportunities to enhance efficiency, improve risk modelling, and deliver more tailored services to consumers. AI already plays a growing role across the insurance value chain—from pricing and underwriting to claims handling and customer interaction—and this trend is set to accelerate. According to EIOPA's 2024 Digitalisation Report[1], 50% of non-life insurers and nearly a quarter of life insurers already use AI, with many more planning to adopt it within the next three years.

The main drivers of AI adoption include increasing availability of real-time and behavioural data, customer expectations for digital services, and the potential to cut costs and enhance operational precision. At the same time, AI is seen as a strategic tool to improve fraud detection and support financial inclusion through better-targeted offerings.

Yet, scaling AI across the sector is far from straightforward. Many insurers face structural limitations—legacy IT systems, fragmented data sources, and a lack of AI-specific skills. There are also risks linked to model explainability, potential discrimination and bias, cybersecurity vulnerabilities, and concentration risk in the AI supply chain. These challenges are particularly relevant for high-impact use cases where decisions may affect customer access to products or claims outcomes.

To provide a consistent legal foundation for the development and use of AI across sectors, the EU has introduced the AI Act, a landmark regulation that classifies AI systems based on their risk. In the insurance context, AI systems used for pricing and risk assessment in life and health insurance are designated as "high-risk" and will be subject to specific requirements.

While the AI Act offers greater legal clarity, it also adds a new compliance layer for firms already navigating complex sectoral rules under Solvency II, IDD, and DORA. Coordinating the application of these frameworks is essential to avoid excessive burden, or uncertainty—particularly for smaller players or early-stage innovations. Taken together, the AI Act and existing financial and digital regulations do provide a solid foundation to support the responsible development of AI in insurance. The sector benefits from established principles on governance, risk management, and consumer protection, while the AI Act introduces a risk-based framework that offers clarity for high-risk use cases.

> **Scaling AI in insurance depends not only on regulation, but on supervisory clarity and trust.**

To support sound implementation, EIOPA recently published a supervisory Opinion on AI governance and risk management. The Opinion clarifies supervisory expectations on how existing sectoral legislation should be interpreted considering AI, especially for use cases that are not covered by the AI Act's high-risk classification. It promotes a risk-based and proportionate approach, encouraging undertakings to adapt governance measures—such as human oversight, data quality controls, and documentation—based on the specific characteristics and risks of each AI application.

At the same time, building supervisory capacity is essential. AI challenges traditional supervisory methods, requiring new expertise to assess model design, data pipelines, explainability techniques, and emerging risks. EIOPA is working to foster supervisory convergence by promoting common interpretations and expectations across Member States. This is vital to ensure a level playing field and to provide consistent signals to the market.

A particularly dynamic area is Generative AI (GenAI), which introduces distinct challenges and opportunities. These systems, capable of generating text, images, or code, open new frontiers—from internal process automation to customer communication—but also raise concerns about hallucinations, misuse, and explainability. To better understand emerging practices, EIOPA is currently conducting a survey on GenAI adoption, governance, and use cases in the insurance sector. Preliminary results suggest rapid uptake, especially in back-office functions such as document summarisation, internal tooling, and code assistance.

GenAI use is likely to expand, and building supervisory knowledge now will help ensure firms adopt appropriate safeguards from the start. EIOPA's ongoing work aims to foster a constructive dialogue between supervisors and industry, combining innovation with strong consumer protection and prudential safeguards.

Ultimately, the successful scaling of AI in insurance depends not only on regulatory design but also on supervisory clarity, capacity, and trust. A coherent and proportionate framework—anchored in sound supervision and cross-sectoral coordination—can give firms the confidence to invest, innovate, and deploy AI responsibly across the value chain.

1. *EIOPA's Report on the digitalisation of the European insurance sector - EIOPA*



RUAIRI O'CONNELL
Director of International – Financial Conduct Authority (FCA)

The UK's approach to AI in financial services: enabling responsible innovation

As Director of International at the Financial Conduct Authority (FCA), I see first-hand how Artificial Intelligence (AI) has the potential to reshape global financial services. We are committed to enabling the safe and responsible use of AI, helping to realise its potential for consumers and markets while managing the associated risks.

We take a principles-based, outcomes-focused approach to regulation. Rather than introducing new AI-specific rules, we apply existing frameworks, such as our Consumer Duty and the Senior Managers and Certification Regime to ensure firms remain accountable and deliver good outcomes. These frameworks provide a strong foundation for managing AI-related risks including fairness, transparency and accountability.

Promoting innovation and supporting the safe and responsible integration of AI into financial services is central to our 5-year strategy. In October 2024 we launched our world-leading AI Lab, bringing together policy, supervisory, and data science teams, to explore the implications of AI for regulation, and to strengthen our internal capabilities. The AI Lab also acts as a hub for experimentation and engagement with industry and academia.

In January 2025, we convened two events through the AI Lab bringing together over 400 experts from industry, academia and public sector. The first initiative, our AI Spotlight, explored emerging AI use cases across the sector. We have since launched a Digital Showcase to highlight these examples and provide insight into how firms are experimenting with AI across cross-cutting themes such as transparency, data quality, and compliance. The second initiative, our AI Sprint, explored the strategic, regulatory and practical implications of AI adoption.

Building on what we heard, we launched our Supercharged Sandbox in June in collaboration with Nvidia to support firms in the early stages of AI product development. We designed these using insights from our AI Sprint and enhancing the infrastructure of our Digital Sandbox and TechSprint programme to help firms explore and refine their AI solutions. Alongside supporting innovation in financial services, the Supercharged Sandbox provides the FCA valuable insight into the testing of AI propositions in a safe and responsible way.

> We are enabling responsible innovation by combining regulatory engagement with practical experimentation.

For firms that already have solutions ready to be deployed, we are piloting an AI Live Testing programme, enabling firms to test AI systems in controlled, real-world settings with close regulatory consultation. Together, the Supercharged Sandbox and AI Live Testing provide a coherent and flexible support framework that meets firms at different stages of development and helps them innovate with AI safely and responsibly.

AI Live Testing will provide valuable insight into how firms are deploying AI and the challenges they face. It demonstrates our commitment to applying existing regulatory tools rather than creating new ones. The initiative also helps us understand how firms manage AI-related risks such as bias, explainability and data quality, and how they align these practices with current regulatory expectations.

Our regulatory strategy is iterative and collaborative. We are working closely with domestic and international partners, including the International Organization of Securities Commissions (IOSCO), the International Association of Insurance Supervisors (IAIS) and the Financial Stability Board (FSB), to share insights while strengthening our engagement with other jurisdictions to promote shared understanding. We believe that combining principles-based regulation, outcomes-focused oversight and practical experimentation strikes the right balance between enabling innovation and ensuring well-functioning markets.

We are also leading by example in how we adopt and govern AI within our own operations. Our internal use of AI is firmly risk-based, with policies and frameworks evolving alongside technology to manage risks such as security and data protection. We already use AI tools to monitor scam websites, enabling faster consumer warnings and takedowns. We have also developed a synthetic data tool for sanctions screening that has transformed our assessment of firms' systems. We are working closely with the Alan Turing Institute and Plenitude Consulting to generate realistic and comprehensive synthetic data to enhance innovation in the detection of money laundering.

As our Chief Data, Information and Intelligence Officer, Jessica Rusu has emphasised we must be both a regulator and an innovator. This means setting expectations for firms while demonstrating how firms can adopt AI responsibly.

Through the AI Spotlight, AI Sprint, Supercharged Sandbox, and AI Live Testing, as well as close collaboration with external stakeholders, we are enabling responsible innovation by combining regulatory engagement with practical experimentation. These efforts help firms innovate safely, protect consumers and markets, and reinforce the UK's position as a global centre for innovation, trust, and international cooperation.



JUTARO KANEKO
Deputy Commissioner for International Affairs – Financial Services Agency, Japan (J-FSA)

Japan's approach to AI: Promoting innovation with responsible risk management

How is the use of AI developing in the Japanese financial sector, and what are the main drivers and obstacles to scaling its use further?

In Japan's financial services sector, the use of conventional AI technologies—such as fraud detection, market analysis and forecasting, and marketing—is already well established. With the growing adoption of generative AI, new use cases are emerging that offer further improvements in operational efficiency and customer experience. Many financial institutions are now aiming for more advanced applications, including the potential development of entirely new financial services.

At the same time, there is increasing awareness of critical challenges associated with complex AI systems like generative AI. These include ensuring transparency, explainability, and fairness, as well as managing the risks of misuse in financial crimes and the potential impact on financial system stability. In light of risks such as hallucination—where AI generates plausible yet entirely inaccurate responses based on stochastic estimates—most use cases involving generative AI do not present outputs directly to customers. Instead, they incorporate human judgment in the process—a practice commonly referred to as "human in the loop."

How are the Japanese authorities approaching the regulation and supervision of AI use in finance (e.g. in terms of hard and soft laws, sector specific regulation...)?

As Japan's integrated regulatory and supervisory authority responsible for financial stability, consumer protection, and market integrity, the Financial Services Agency (FSA) is committed to fostering an environment in which financial institutions can confidently pursue AI-driven innovation. When challenges arise in the course of innovation, the FSA seeks to resolve them through dialogue and collaborative engagement, ensuring that regulatory responses do not unduly discourage financial institutions from taking initiative.

To support this, the FSA is working to clarify the applicability of existing regulations and provide safe harbors where appropriate. Its fundamental stance is technology-neutral: existing laws and regulations apply regardless of whether specific technologies such as AI are used. However, where the unique characteristics of AI warrant special consideration, the FSA is prepared to review and revise relevant laws, guidelines, and supervisory frameworks.

Given the rapid pace of AI development, it is essential to maintain flexible and adaptive policymaking through ongoing dialogue with financial institutions. The FSA actively supports the sound and responsible use of AI in the financial sector. In line with this approach, the FSA launched a public-private forum in June 2025 and held its first meeting in the same month. The forum serves as a platform for incorporating the views of market participants and academia into the development of necessary policies, including the formulation of regulations and guidance.

How do you see the downsides arising from new developments such as generative AI?

A recent survey by FSA identified hallucination as a prominent risk associated with generative AI, alongside its potential misuse in financial crimes. Hallucination is particularly problematic from the standpoint of financial consumer protection. Unlike fraud or scams, it arises from the model's inherent design, making it difficult to regulate through traditional frameworks. As AI-based services begin to be offered directly to ordinary retail investors, the need to ensure their protection will become increasingly important.

This risk is especially concerning in financial services like investment advisory (e.g., robo-advisors), where misleading outputs could result in real financial losses for retail investors. Similar concerns apply to bank loan approvals and insurance pricing, particularly when consumers have limited alternatives.

> The FSA actively supports the sound use of AI in the financial sector.

In my understanding, three core challenges stand out: First, hallucinated outputs are often highly convincing and confidently presented, making them difficult to detect. Second, financial institutions may lack incentives to implement human-in-the-loop oversight, as expert review across disciplines can offset the cost benefits of AI. Third, some AI developers include liability waivers in their terms of service, placing the burden of responsibility on consumers.

To address these issues, I would like to propose a three-tiered defense strategy: The first tier is developing new architectures that prevent hallucination or further enhancing safeguards such as retrieval-augmented generation (RAG) which mitigate it. The second tier is proper intervention where service providers ensure sufficient human oversight before outputs reach consumers, with industry self-regulation playing a complementary role. The third tier consists of compensation mechanisms, such as introducing liability insurance for AI-related losses and establishing industry-led compensation funds to provide a safety net.



JODI MARLETTE
Director, Compliance and Security Assurance – Amazon Web Services (AWS)

Striking the right balance: Regulation and AI innovation in financial services

Financial institutions are adopting AI to enhance operational efficiency, improve risk management, and deliver better customer experiences. AI can help enable more sophisticated fraud detection, improved customer service experiences through chatbots, and personalized product recommendations. The availability of vast amounts of data combined with cloud computing's processing power has made AI implementation more feasible and cost-effective than ever before.

For example, Mastercard uses AWS's AI services to improve fraud-detection capabilities globally. Using AI, Mastercard has enabled detection of three times the number of fraudulent transactions and reduction of false positives tenfold, leading to billions of dollars in merchant savings and providing a better experience for customers. AWS also has a partnership with AXA, to co-develop its Digital Commercial Platform (DCP), a risk-management solution. This new solution integrates industry, business and environmental data with geospatial analytics (geographic data associated with a specific location, to uncover patterns, relationships, and insight) and GenAI technologies to help clients monitor their assets and navigate complex and interconnected risks including supply chain disruption, natural disasters and cyber threats.

European businesses see significant obstacles to scaling AI adoption effectively. AWS recently commissioned a Strand Partners report "Unlocking Europe's AI Potential" (https://www.unlockingeuropesaipotential.com/) that gives us some data points on this. It discussed AI with businesses and citizens across Europe, and key findings included:

44% of European businesses see regulatory uncertainty as the primary barrier to AI adoption. Fragmented rules across borders are making it even harder. Businesses of all sizes seek more guidance on AI policies and compliance.

56% of businesses say digital skills shortages limit innovation, with only 25% having a strong AI skillset enabling confident assessment and use of AI.

Additionally, many financial institutions point to data quality and integration issues, legacy system constraints, and issues relating to explainability. These technical and operational challenges need to be addressed to give the industry confidence and clarity to enable broader AI adoption in the sector.

An important part of enabling adoption is the regulatory landscape governing AI in financial services, which combines both horizontal frameworks like the EU Artificial Intelligence (AI) Act and sector-specific regulations. While the AI Act establishes important foundational principles through its risk-based approach, questions remain about how it will interact with existing financial regulations and newer frameworks like the EU Digital Operational Resilience Act (DORA) in practice. There is also the EU Cloud and AI Development Act (CAIDA), which will also impact the AI landscape in the EU and beyond.

To effectively support AI development in financial services, regulatory frameworks need several key characteristics: they must remain technology neutral to accommodate rapid innovation, achieve harmonization across jurisdictions, clearly delineate how different regulations interact, and strike the right balance between risk mitigation and enabling innovation.

Moving forward, regulators should partner with the industry to enable appropriate adoption and maintain flexibility to adapt as AI capabilities evolve at the intersection of AI and financial sector requirements. Ensuring proportionate implementation, supporting international coordination and reducing compliance complexity where possible should be the priorities in any regulatory work. Success will mean protecting consumers and maintaining stability while enabling European financial institutions to compete globally through responsible AI innovation.

Looking at opportunities to evolve, there are several areas where adjustments could help foster innovation while maintaining appropriate safeguards. In the EU AI Act the classification of AI systems as "high-risk" could be more nuanced to reflect the actual risk levels in financial services contexts. Additionally, clearer guidance on how different regulatory frameworks interact would help institutions implement AI solutions more confidently.

A flexible, principles-based regulatory approach can help EU FS succeed in the global AI evolution.

From our engagement with financial institutions across Europe, we understand their concerns about potential regulatory overlap and the cumulative burden of compliance. Smaller institutions and startups may struggle to navigate regulatory requirements as they innovate with AI technologies.

The key is to maintain strong protection for consumers and financial stability while ensuring European financial institutions can effectively compete in the global AI race. This means adopting a flexible, principles-based approach can help to ensure that the EU and its financial services sector can access the products and services they want from the providers they choose without artificial regulatory barriers.



DANIEL KAPFFER

Chief Financial Officer & Chief Operating Officer - DekaBank Deutsche Girozentrale

AI in Asset Management: Striking the Balance between innovation and regulation

Artificial intelligence is rapidly reshaping the asset management sector. Its adoption is driven by a need for more sophisticated decision-making, greater operational efficiency, and the ability to meet growing client expectations for personalized, digital services. Asset managers are turning to AI to gain a competitive edge—using machine learning to optimize portfolios, natural language processing to analyze vast streams of unstructured data, and automation to streamline operations and compliance.

At the core of this shift is the potential for AI to unlock insights from data at a scale and speed. In a sector where market dynamics are complex and volatility is increasing, the ability to process information in real time can significantly enhance risk management and investment performance. Furthermore, as investors demand tailored solutions and seamless digital experiences, AI plays a growing role in client engagement through personalized recommendations and robo-advisory services.

Yet, the path to scaling AI effectively is not without challenges. Availability of data in a format that is ready to be processed by AI remains a major barrier. Many firms lack access to high-quality, well-governed datasets needed to apply augmentation techniques models. Legacy systems are still widespread and often incompatible with modern AI tools, limiting innovation. We may even have to rethink GDPR rules. Currently these are viewed from a risk perspective only.

Additionally, the sector faces a shortage of professionals with expertise at the intersection of data science, the mathematical and statistical background for AI and financial services. This talent gap slows the pace of adoption.

In parallel, regulatory complexity adds another layer of difficulty. The EU's Artificial Intelligence Act (AI Act), along with sector-specific rules shapes the environment in which AI is being developed and deployed. We need to reconsider whether the AI Act was not to early and to comprehensive. Questions remain about its proportionality and coherence. It might develop as a barrier to adoption and hence Europe falling behind in yet another technology.

To support AI development without compromising safety, policymakers must strike a careful balance.

To support AI development without compromising safety, policymakers must strike a careful balance. The regulatory framework must not only protect consumers and ensure market stability, but also leave room for experimentation and innovation. This means tailoring requirements to the real-world risk of specific applications, avoiding unnecessary duplication between laws, and enabling firms to test new AI tools in safe, supervised environments.

Several policy steps could support this goal. Clarifying how the AI Act interacts with financial sector rules would give firms the legal certainty they need. Making requirements more proportionate—by adjusting obligations based on company size or AI use case—would ease compliance for smaller firms. Expanding regulatory sandboxes would also create space for innovation under supervisory oversight. Finally, investment in digital and AI skills across the financial sector is essential to ensure that firms and regulators alike are equipped to manage the shift.

In conclusion, AI is by far the most important digital innovation after the introduction of the internet. But realizing its potential requires a regulatory framework that is clear, flexible, and forward-looking.

We thank the partner institutions
for their support in organizing
the Eurofi Copenhagen Forum

aws

BANK OF AMERICA

BNP PARIBAS

CRÉDIT AGRICOLE S.A.

Nordea

Swift

BlackRock

DEUTSCHE BÖRSE GROUP

euroclear

J.P.Morgan

kraken

LSEG

MOODY'S

Nasdaq

CYBER-RESILIENCE: FIRST LESSONS FROM DORA



GERRY CROSS
Director Capital Markets and Funds – Central Bank of Ireland

DORA – a multifaceted approach to digital operational resilience

Digital operational resilience is a fundamental underpinning of a resilient and well-functioning financial system supporting the economy and serving the needs of citizens. Financial services are, at their core, about information and data. The threat surface is large, the risks are significant and increasing, and the potential impact is great.

The Digital Operational Resilience Act has been live for over six months. DORA represents significant ambition – to introduce a single, far-reaching framework of regulation that can be applied to every financial firm whatever their size, whatever their complexity, whatever their business model. This aspect, combined with the oversight regime for critical third party providers, as well as the focus that DORA places on fast information flows, makes it a true form of smart ecosystem regulation. In the same way as network effects bring further benefits the more initial benefits are achieved, something similar applies in the context of an ecosystem construct. The more we can achieve enhanced resilience across the ecosystem the more individual participants will benefit. The delivery of the suite of technical standards that provide DORA's implementation details completed by the three European Supervisory Authorities (ESAs) together with more than 40 national competent authorities (NCAs) and other agencies, has demonstrated that effective outcomes focused collaboration can deliver harmonised, proportional and high quality financial regulation for Europe.

Now that DORA is live and being implemented by financial regulated entities, the ESAs and NCAs are focusing on convergence of supervisory approaches to implementation. This includes seeking to ensure that more than 40 national authorities implement DORA's harmonised cross-sector approach in a consistent, outcomes focused manner. This will not be an easy task, but good engagement and discussions continue at ESA and NCA level to ensure just that.

Information and Communication Technology (ICT)-related incident reporting has been underway since earlier this year. Incidents are now being reported across the Union as required and the ESAs as well as NCAs are monitoring and analysing these closely. This will over time transform knowledge, preparedness and responsiveness.

> A single, far-reaching framework of regulation that can be applied to every financial firm.

In April, financial regulated entities subject to DORA submitted the Register of Information of contractual ICT services provided by third-party providers and this forms the basis on which the ESAs will identify and designate the most critical ICT services provided by third party providers. The supervision of financial regulated entities in accordance with DORA will take time and has to fit with an NCA's broader supervisory engagement plan for a given financial regulated entity. This of course means that financial entities will be assessed at different times, similar to supervisory engagements that address other safeguarding outcomes.

An important topic continues to be financial oversight and monitoring of the outsourcing chain. The level 2 requirement initially proposed in this regard was ultimately omitted from the level 2 regulatory technical standard on technical legislative grounds. However it nonetheless remains important for firms to ensure effective oversight of all their outsourcing arrangements on an ongoing basis.

As we look to the future, the combination of data from ICT reported incidents, the analysis of the Register of Information for critical ICT suppliers and the now established supervision in line with DORA will further aid the operational resilience of ICT systems of financial firms. While operational resilience aims to build capabilities to deal with risk events when they materialise, operational risk management focuses on preventing those risks from happening in the first place. As a financial regulator, looking across the sectors that we supervise, both operational risk as well as operational resilience remain key areas of focus for us. This reflects the increasingly sophisticated digital environment and therefore the increasing importance for regulators to understand vulnerabilities and the potential for system wide disruption.



KILVAR KESSLER
Chairman of the Management Board – Estonian Financial Supervision Authority (Finantsinspektsioon)

Digital finance needs basic rules, vigilant oversight and close cooperation

Digital tools in finance and digital operational resilience have been central issues for financial supervision for at least a decade. The EU Digital Operational Resilience Act of 2022 (DORA) enhances cross-border operation and cooperation between authorities, and the EU AI Act of 2024 (AI Act) will harmonise how we address the risks from state-of-the-art technology. It is crucial that we pay close attention to the interplay between DORA and the national security frameworks of member states, and that we foster a business-friendly environment that can allow trial and error, and that does not stifle rapid technological advances such as artificial intelligence (AI).

People in Estonia rely widely on public digital solutions, and this has promoted simplicity and speed in interactions between citizens and the state. This has in turn provided an important foundation for the high level of digitalisation in financial services. The digitalisation of financial services has cut costs. However, opportunities also bring risks. The history of cyberattacks in Estonia began in 2007 when the banks and other institutions were massively attacked for the first time by foreign, state-related actors. Since then, Estonia has created the legal framework that is needed to address cyber threats and has learned how to deal with them.

The main challenge for businesses as they entered the DORA era was the volume and detail of regulatory requirements, and the delays in those requirements appearing. Here, proportionality provided some relief for smaller and less ICT-mature financial institutions. The challenge for the public sector at that juncture was to determine which authority would be responsible for implementing and supervising DORA, as Estonia already had the infrastructure needed in place within an emergency framework that came under national defence. After the various options had been carefully weighed, the financial supervisory authority took responsibility for DORA, but a framework for cooperation was set up with the Information System Authority, the agency responsible for cybersecurity in Estonia. However, it remains to be seen how the EU agencies, the member state agencies operating under the EU framework, and the member state agencies operating under national defence rules will cooperate in the event of an emergency. A first step that would help in overcoming potential issues could be to hold joint exercises, which the Nordic-Baltic region has been successfully doing for several years by now.

Outsourcing and concentration risk were among the drivers of the adoption of DORA. Since the act was passed, AI solutions have gained momentum. These are algorithms that use vast amounts of input data and combine it in a particular way. All the major banks in Estonia have an AI strategy in place now, and 37% of banks are actively using AI solutions, while 63% are piloting cases. AI is used in data analysis including credit scoring, cybersecurity, simple product selection, combating fraud, handling customer complaints. The banks expect to increase their AI use cases.

Even at the current phase of development, businesses see AI as broadly beneficial, citing operational efficiency, better decision-making, and more sophisticated client experiences. However, there are risks from using AI. Three main concern data protection and privacy; cybersecurity and the immaturity of the algorithms; and dependency on foreign AI. As AI use cases are still in their early stages, it is easier to mitigate the main risks today. Banks have risk management measures in place, but in the long run, maturity and dependency risks will be crucial and will probably have to be accepted to some extent.

The AI Act will gradually come into force between August 2025 and August 2027. The existing rules, including DORA, provide a good starting point for taking supervisory actions and initiatives to address AI-related risks now. At Finantsinspektsioon, a separate ICT risk supervisory area with its own department dedicated to it was established years ago to keep the topic in focus, as we predict that the importance of technological risks will in future be equal to or even surpass that of financial risks. In the long run, financial supervisors will need to be equally skilled in the three important areas of law, finance and ICT.

The interplay between the EU rules on cyber and relevant national security norms is crucial.

We are keeping a close focus on AI, and we are monitoring developments at least annually. This type of pulse check will guide our supervisory priorities. We are cautious but we tend to be open to increased use of AI in finance, and so we welcome the AI Act. However, there may come a need to slow or stop the legislative train, simplify the existing regulations, and place even more emphasis on creating a business environment where European AI can be born and can flourish.



SASHA MILLS
Executive Director for Financial Market Infrastructure – Bank of England

Ensuring a dynamic and adaptive approach for operational resilience

In today's interconnected and digitised financial landscape, operational resilience is a key priority for financial regulators. Whilst technological change unlocks powerful opportunities for innovation and efficiency, it also introduces fast-evolving cyber and operational threats. To navigate this challenge, operational resilience must be dynamic and adaptive.

Operational resilience is as much about enabling positive outcomes as preventing negative ones. Confidence in the continuity of vital services underpins sustainable growth. By ensuring that financial services are reliable even in times of stress, operational resilience fosters trust, supports market functioning, and underpins confidence that businesses and consumers need to transact, invest, and thrive. Financial Market Infrastructures (FMIs) are central to this, facilitating the safe and efficient execution of clearing and settlement of transactions. The Bank of England ('the Bank') regulates FMIs to ensure these services remain robust and resilient.

The Bank has a dedicated regulatory regime for the operational resilience of FMIs, placing direct responsibility on boards and senior management to ensure that FMI operations can withstand and recover from disruption. March 2025 marked a significant milestone, with the full implementation of the Bank's Operational Resilience Policy. FMIs should now have identified their most important business services, defined impact tolerances for disruption of such services, and demonstrated, through rigorous testing, that they can recover within those tolerances under extreme but plausible scenarios.

Our supervisory approach continues to evolve. We are engaging with FMIs on how they meet these expectations, with feedback becoming more focused and specific, as part of our outcomes-based and technology-agnostic approach. This includes further steers on the types of recovery capabilities we expect from FMIs for 'extreme but plausible' scenarios, and the identification and prioritisation of critical elements of their services whose continuity is most essential to the financial system. This ensures our supervisory approach remain clear and proportionate, and focuses on what matters most for financial stability.

Alongside the Operational Resilience policy, the Bank of England, with other UK authorities, has introduced targeted policies aimed at addressing third-party and wider ecosystem risks. This includes our Outsourcing and Third-Party Risk Management policy and the newly finalised regime for Critical Third Parties (CTPs) to the financial system. The Bank also recently published Fundamental Rules for FMIs, which specifically require firms to maintain sufficient operational resilience and places direct responsibility on them to ensure that disruption of their operations does not compromise the resilience of the wider financial system.

> **Operational resilience fosters trust, supports market functioning, and underpins confidence.**

However, the UK Operational Resilience policy landscape is not static, and further developments are underway. The Bank, and other UK Authorities, intend to finalise Operational Incident, Outsourcing and Third-Party Reporting (IOREP) requirements later this year. These aim to standardise incident notification and third-party register requirements, enabling better trend analysis and more effective identification of systemic risks. In parallel, given the evolving threat landscape, the Bank is also due to publish a consultation on further Information and Communication Technology (ICT) and cyber resilience guidance for FMIs.

International collaboration remains central to our agenda. Regulators are working together to harmonise standards, exchange best practices, and coordinate responses to cross-border risks. The Bank's forthcoming IOREP framework is designed to be as interoperable as reasonably practicable with both the EU's Digital Operational Resilience Act (DORA) and the FSB's Format for Incident Reporting Exchange (FIRE), and we are also mindful of international consistency in our upcoming cyber guidance. This alignment promotes consistency in regulatory expectations and enhances cross-border supervisory cooperation. To further champion international engagement and coordination, the Bank plays an active role in key international forums and standard setting bodies, including the Committee on Payments and Market Infrastructures (CPMI) IOSCO Operational Resilience Group. At the domestic level, the Bank and UK authorities continue to promote industry-wide testing, such as Sector Simulation Exercises (SIMEX), Cyber Stress Tests, and CBEST intelligence-led security testing, to assess FMIs' operational readiness for disruption, and maintain vigilance against emerging system-wide risks.

Operational resilience is a constantly evolving discipline requiring leadership, investment, and a willingness to challenge assumptions. By embedding resilience at the core of financial infrastructure, regulators and market participants can ensure that the system remains robust, responsive, and ready for the challenges and opportunities ahead.



NATHALIE PAULINE TUXEN

Head of Infrastructure and Cyber – Danmarks Nationalbank

Strengthening cyber and operational resilience in the financial sector

The financial sector plays a crucial role in society, and advanced cyberattacks on a financial institution can potentially threaten financial stability. Geopolitical tensions influence the cyber threat landscape increasing our focus on cyber-attacks as well as hybrid attacks. It is a complex task to enhance resilience. It requires ongoing efforts on multiple fronts: within individual companies, collectively in the financial sector and across sectors given the financial sector's dependence on electricity, telecommunications and key service provides.

Over the years, companies in the financial sector have been working diligently to enhance their cyber resilience, both individually and collectively in the sector.

At Danmarks Nationalbank, we have prioritized addressing cyber risks and other operational risks in collaboration with the Danish financial sector since 2016. The joint efforts of the financial sector are conducted within the framework of our public-private collaboration forum, named Financial Sector Forum for Operational Resilience (FSOR). Members of FSOR include systemically important banks, data centers, critical payments infrastructure owners, representatives from the insurance and pension sectors, key authorities and the forum is chaired and led by Danmarks Nationalbank.

In FSOR, Danmarks Nationalbank and the Danish financial sector take a risk-based approach to operational risks that may threaten financial stability. We conduct a bi-annual risk analysis at sector level which firstly ensures a common view on threats and vulnerabilities and secondly helps us prioritize our scarce resources towards the most important mitigating actions.

An important contribution to strengthening resilience in a financial institution is to test the effectiveness of the institutions security controls. In 2018 Danmarks Nationalbank implemented a TIBER-DK[1] program in agreement with the financial institutions who voluntarily committed to test according to the program.

TIBER tests are conducted in actual live production systems, i.e., ethical hackers test the defense in the critical systems that support the daily activities in the financial sector in banks, payments systems etc. During a TIBER test, the financial institution will identify, prevent, and respond to the ethical hackers advanced cyberattacks and afterwards withdraw learnings from the test in order to protect societally critical activities and reduce damages from attacks.

Strengthening resilience requires a continuously effort both on prevention and contingency planning.

In Denmark, we have been conducting tests on a continuous basis since 2018 generating important learnings. Now in 2025, the tests will continue mandatory. The Digital Operational Resilience Act (DORA) mandates threat-led testing (TLPT) for significant financial entities in the EU, with Danmarks Nationalbank being the authority for TLPT in Denmark.

Danmarks Nationalbank is also working on a stress test of operational resilience at the sector level in collaboration with the Danish Financial Supervisory Authority. This test supplements the TIBER-tests. The purpose is to examine how individual institutions handle a large-scale, long-term operational IT incident in collaboration with other institutions in the financial sector, FSOR's crisis management, and relevant authorities.

A central focus area for strengthening cyber resilience is the financial sector's work on contingency plans, which aim to enhance individual companies' ability to continue the most critical operations even in extreme, plausible scenarios, like a comprehensive destructive cyberattack.

Contingency planning is another focus area in Danmarks Nationalbank's work. This includes monitoring central payment systems and payments solutions and working on joint initiatives to ensure business continuity and recovery for the most critical societal activities in extreme but plausible scenarios. One example is the establishment of a nationwide contingency plan for offline card payments in Denmark, which will ensure basic consumer capabilities for at least a week.

A lot of good work has already been done to strengthen operational resilience in the financial sector. And we have more work ahead. The threat landscape is evolving. Companies and authorities must adapt in order to limit damage of hostile attacks. This includes both work which can prevent incidents from materializing but also work which limits and handles the impact of serious incidents should they materialize.

1. *TIBER is short for Threat Intelligence Based Ethical Red team testing. TIBER-DK is in accordance with the TIBER-EU framework built by the ECB.*



THIÉBAUT MEYER
Director, Office of the CISO – Google Cloud

Strengthening financial sector resilience in a dynamic cyber landscape

Cooperation is key to effective CTPP oversight

Google Cloud welcomes DORA and is actively engaged in readiness preparations, viewing direct regulatory oversight as an opportunity to enhance understanding, transparency, and trust, ultimately strengthening operational resilience within Europe's financial sector.

Effective implementation requires taking account of the distinct operating models for ICT providers, especially cloud service providers (CSPs). Unlike traditional financial entities, CSPs have distinct structures, rapid development cycles, and specialized models, such as the shared responsibility one. Large CSPs like Google Cloud operate at an unparalleled scale, offering secure, resilient, and continuously updated infrastructure. The global footprint, with investment in cutting-edge security technologies, exceeds what individual financial entities can achieve independently.

Google Cloud advocates for flexible, proportionate regulations that accommodate rapid technological change and focus on outcomes, not prescriptive methods, which can stifle innovation crucial for Europe's growth. Avoiding overlaps and conflicts within the dual oversight structure (National Competent Authorities for financial entities, European Supervisory Authorities for CTPPs) demands dialogue and a pragmatic, risk and principle based approach from regulators. Additionally, harmonization should go beyond boundaries. For example, while frameworks like EU DORA and UK CTP have similar objectives, their differing requirements and scopes present challenges to international consistency.

Navigating the evolving cyber threat landscape

The cyber threat landscape is more perilous than ever before. We are witnessing an escalation in cyber pressure from highly skilled attacker groups globally, with the financial sector as a primary target. According to the Mandiant M-Trends 2025, the financial sector was the most targeted industry in 2024 with 17.4% of all cyber attacks, compared to other industries. According to the ENISA Threat Landscape: Finance Sector 2024 report, a significant number of publicly reported incidents occurred in the EU and neighboring countries during the last year, with most of them affecting at least one EU Member State.

Given this borderless nature of cyber threats, robust and continuous international cooperation is a necessity. Information sharing, particularly through established forums like FS-ISAC, is critical for the rapid dissemination of threat intelligence and best practices. Google Cloud actively contributes by publishing threat intelligence reports and offering incident response services through Mandiant, part of Google Cloud. Establishing common standards for data sharing would enable a more effective response to cyber threats and operational disruptions.

Embracing cloud for evolving cyber threats

CSPs like Google Cloud are at the forefront of this evolving landscape, deeply committed to strengthening the operational resilience of the financial ecosystem. Google Cloud strives for best-in-class security and actively invests in advanced security technologies, including AI and machine learning, to enhance threat detection and response capabilities for customers. AI can enable the automation of repetitive tasks, allowing our customers to focus on more complex activities, and can be used to analyze large volumes of security data, identify patterns, and automate responses to security alerts thereby reducing the risk of cyber threats.

Google Cloud's holistic security offerings, including Mandiant, aim to bring customers' security lifecycle into a DORA-ready state, addressing the demand for automation and cost reduction amid cybersecurity risks and staff shortages. DORA is seen as a key response to increasing cyber risks, requiring a true resilience mindset beyond mere "tick the box" compliance. Considering particularly that cyber risk and insurance is a board-level concern, Google Cloud's Risk Protection Program with our partners offers specialized cyber insurance policies, directly contributing to financial sector resilience by enabling effective risk mitigation. Cyber insurance is a critical component of a comprehensive defense strategy and this program provides additional support for financial entities in this dynamic environment.

> Fostering global cybersecurity in the financial sector is like building an interconnected dam.

Fostering global cybersecurity in the financial sector is like building an interconnected dam. CSPs act as advanced engineering firms, offering stronger materials and construction techniques, while DORA provides the blueprint for a unified, resilient structure. International cooperation ensures consistent monitoring and shared knowledge of effective dam-building and flood-control, preventing a single breach from compromising the entire system. In this ecosystem, all parties must partner towards the common goal of operational resilience.

Fireblocks

DEA MARKOVA
Director of Policy – Fireblocks

JASON ALLEGRANTE
Chief Legal & Compliance Officer – Fireblocks

How is tokenization changing custody and cybersecurity paradigms?

The tokenization of payments and investment instruments, and the growing adoption of crypto-assets, are presenting financial institutions with a new threat paradigm. More so than digitalization, tokenization is compelling banks, asset managers, and crypto-asset services providers to ask themselves: how am I protecting my clients' assets?

Evolving threat landscape

Protecting any tokenized asset means protecting the private keys that control it. This is a fundamentally different security objective from the traditional custody of financial assets in the digital age.

In parallel, cyberattacks are increasing in sophistication and involvement of state actors. AI-turbocharged social engineering, the rise of quantum computing, cross-chain vulnerabilities, and deepfake-enabled fraud expand the attack surface.

This faces regulators with a challenge. How to achieve a new security objective consistently, in a new industry?

Examples from abroad

Some non-EU regulators, particularly across APAC, have chosen to prescribe how firms manage the so-called hot and cold storage of digital assets. That is, what part of clients' assets should be held in a transactional hot online crypto wallet, and what should be kept in a safer offline cold wallet.

Our experience is that that level of prescriptiveness creates a false sense of security. For example, it is perfectly possible to segregate assets in an offline wallet, and still make the access point to this wallet so risky or so concentrated in a single point of vulnerability that the offline segregation is not safer at all.

Custody best practices

This is why in our industry we use terms like "defence in depth" and "zero-trust architecture". We refer to layers and layers of safety checks, each, by design, assuming that the previous layer had been compromised. This is comparable, in principle, to having multiple lines of defense in a risk management model.

We believe there are five pillars to effectively protecting private key materials:

- Cybersecurity: addressing cybersecurity risk management, strategy, and governance, as it relates to digital assets;
- Access management: defining and limiting user access privileges on a risk basis;
- Incident management: having detection, response, and investigation management for digital assets operations and transaction processes;
- Continuity: having policies, processes, and procedures related to business continuity, disaster recovery, and resolvability to ensure the availability and functionality of services in the event of a disruption to business activities.
- Key Management: making sure their key management and wallet management operations meet industry standards.

Industry experts will recognise that most of these elements are already addressed in DORA. However, our first observations on the market are that the industry, and possibly supervisory teams, do need further guidance on how to effectively translate these policy principles in operational realities specific to the nature of safekeeping digital assets.

To give one example, while DORA requires testing ICT risk scenarios, standardized testing protocols (e.g., red teaming) and alignment to continuity metrics such as recovery time objectives should be included in this guidance.

Evolution of the custody landscape

Another dimension to this topic is the evolution of the digital asset custodian's role and the role of its third-party technology partners.

The EU is familiar by now with the concept of hosted and self-hosted wallets. However, MiCA also introduces the choice of direct custody or reliance on third-party regulated custodians. This is a commercial, regulatory, and security choice. As of end-July 2025, 70% of authorised CASPs under MiCA have chosen to obtain a regulatory permission to deliver custody services directly to their EU customers.

> For safe tokenization at scale, advancements in technology and direct custodial models are critical.

These direct custodial setups still involve a trusted third party. In these cases, however, the role of the trusted third-party is limited to that of a technology service provider, while the CASP retains control and possession of the digital assets as well as the relationships with the end consumer.

Around the world, many market participants have come to believe in the superiority of these "direct-custodial" models because, among other reasons, they are native to the task of digital asset management, result in a near total elimination of counterparty risk to a custodial entity, and enable a higher degree of control by the asset owner. For example, institutions could set security standards programmatically based on not just key management and operations configurations, but also through transaction authorization policies that automate workflows in a manner not possible with traditional custodial transaction execution. This departure marks a major technological innovation.



VALÉRIE HÖSS
Head of European Affairs
– Commerzbank AG

Digital operational resilience and cyber risk – on ongoing journey

In 2020, the European Commission proposed DORA, with the aim to address the regulatory fragmentation and create an end-to-end framework for digital operational resilience and cybersecurity in the financial sector. Now, almost 5 years later, it is live.

Everyone in the same boat

As a first, DORA covers the whole ICT value chain, including ICT assets, systems and third party service providers, clearly integrating cybersecurity into the ICT risk management realm. Timing seems on point as in 2024 roughly 67% of operational payments incident reports filed under the PSD2 in Germany are linked to incidents at suppliers rather than the financial institution. And while the holistic view is a much-needed shift in how we approach ICT risk, this has also proven to be one of the challenges for implementation. With roughly 15.000 ICT service providers in the EU, the number of agreements to be reviewed and renewed was significant. And the volume is just one aspect: Acting in a highly regulated sector, financial institutions are well familiar with the interpretation of detailed regulatory requirements, the design and implementation of rigid internal governance and control frameworks, and supervision. However, this is not the case for all parts of the ecosystem. Onboarding processes and contractual negotiations not only take time, but they also require resources on both sides. Specifically for smaller providers, the increased scrutiny can pose challenges, in particular when they are confronted with a variety of questionnaires and contractual amendments at the same time. And implementation does not stop there: Testing requirements for the testing of ICT business continuity plans include the testing of services provided by third-party service providers as well.

The relevance of third party providers for the security and resilience of the financial sector is not only addressed through rigid third party risk management requirements. The direct oversight regime for Critical Third Party Service Providers (CTPPs) can play an important role as well. To create synergies and reduce operational burden without compromising security, close cooperation between supervisory authorities and supervised entities is key. Continuous flow of information not only from financial institutions to authorities, but also the other way around and the possibility to rely on examination findings could provide operational relief for all sides.

But ultimately, the key is to understand that operational and cyber risk of the financial sector does not exist in a vacuum and to act accordingly. Taking a holistic approach to the ecosystem and holding all parts of the value chain accountable is an important step. The regulatory framework also needs to focus on actual risk rather than compliance so that institutions can concentrate on managing incidents is another. This also means that rules for different parts of the economy are compatible and complementary, not duplicative – from regulation to supervisory practice. Reporting requirements are part of DORA, the AI Act, the GDPR and the Cyber Resilience Act. With different timelines, templates, thresholds. And even within the AI Act, one institution may be facing multiple supervisory authorities within a single jurisdiction, creating complexity and uncertainty.

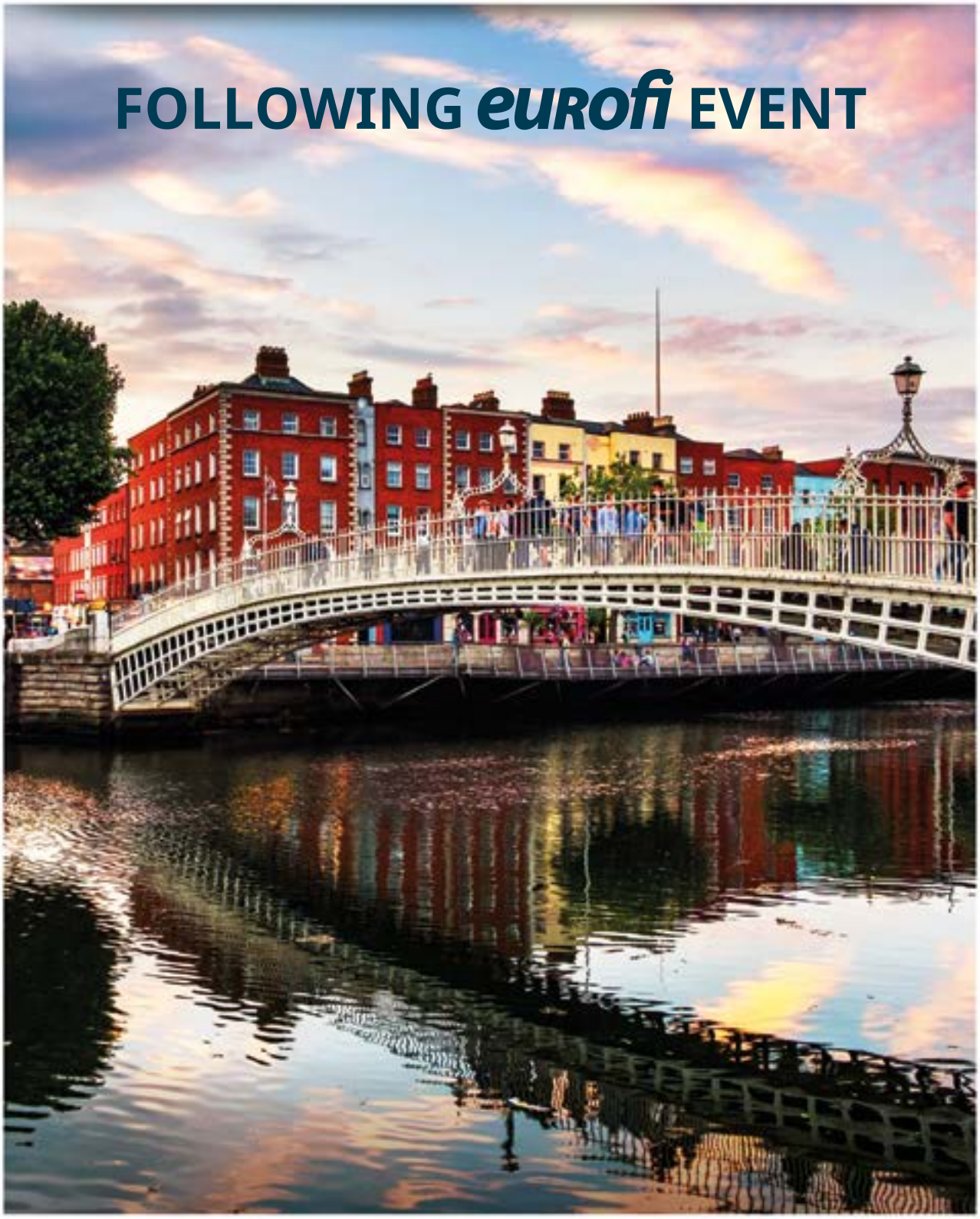
Looking ahead – cyber and ICT risk evolve

The overall risk and cyber threat environment continues to evolve, but we witness an evolution, rather than a revolution. Due to growing geopolitical tensions, there is an increasing number of attacks against the infrastructure of banks, and since the beginning of the war in Ukraine, this development has been reinforced. Different forms of social engineering are still among the most common drivers for cyber-attacks. But as technology continues to evolve, cyber-attacks become increasingly sophisticated. The use of AI accelerates the identification and exploitation of weaknesses. Ransomware attacks are on the rise and those trends are expected to continue. What's new: growing availability of sophisticated technology industrialises cybercrime – creating significant efficiency gains for attackers, improving the quality of impersonation via video and voice deepfakes, and removing the need for technological and cyber expertise on their side. "Cybercrime-as-a-service" one could say. Combined with disinformation and social media, risks for financial stability may be exacerbated. The impact of those hybrid threats should be on our watchlist.

> **Operational resilience and cybersecurity are a team effort - every part of the ecosystem has a role.**

Clearly, as cyber risks continue to evolve, so should the tools we use to fight them. It is however important to understand that AI is not a panacea: Large Language Models can create efficiency gains through automation. For cybersecurity purposes, machine learning can be used to identify anomalies or patterns, wherever large amounts of data are being processed. And we should not forget the human factor: where technology is unable to identify an attack, it's often us, who can be the deciding barrier.

FOLLOWING *eurofi* EVENT



THE EUROFI FINANCIAL FORUM
DUBLIN - IRELAND
SEPTEMBER 2026

OPEN FINANCE AND FIDA NEXT STEPS



FRANCOIS LOUIS MICHAUD

Executive Director - European Banking Authority (EBA)

FIDA – some thoughts on implementation and simplification

Background

The proposal for a Framework for financial access data (FIDA), which entered trilogue phase earlier this year, aims at enabling individuals and SMEs to control and share their financial data covering a broad range of services, including savings, pensions, loans, and insurance, if they wish so. It builds on the foundations of the second Payment Services Directive (PSD2) and expands beyond payments, to support a more integrated and competitive financial ecosystem where users can choose to share their data with entities which may offer them value adding services for their personal financial management.

FIDA would allow banks, insurers, and FinTechs to offer more personalised and efficient services to customers within a protective framework. It could unlock innovation by enabling financial information service providers (FISPs) to develop tailored, data-driven financial services under secure and consent-based frameworks.

FIDA as an early test case of simplification

Since the publication of the Commission's proposal in June 2023, FIDA has deliberately adopted a legislative approach that is less prescriptive than other texts, including PSD2. This is timely and welcome against the background of the more recent drive for the simplification of financial services regulation in the EU. More specifically, FIDA limits itself to setting high-level principles only and delegates the arrangement of more detailed (and instrumental) aspects to the industry.

Market operators with divergent and competing business models will therefore be required to agree, for any given data sharing 'scheme' that is to be set up, the operational, technical, and governance specifics of that scheme. This includes the specifications for the scheme's application programming interface (API), its liability framework, and the appropriate level of compensation between data holders and data users.

While such an approach fosters innovation and grants greater adaptability over time compared to a legal text that remains static throughout its lifetime, it also entrusts the industry to ensure clarity, fairness, and interoperability. FIDA is therefore an interesting test case to see if simpler rules achieve the desired outcomes, including enhanced competition, in a context where private sector interests may diverge significantly.

> FIDA needs to rebalance Level 1 and Level 2/3 provisions to avoid complexity.

Increasing number of Level two mandates for the EBA

Two years on and the high-level approach of the initial FIDA proposal of 2023 seems far away as the texts of the Council and the EU Parliament have seen the number of mandates for the EBA, EIOPA and ESMA increase from 5 to 18. They cover a wide range of topics, from traditional supervisory mandates such as authorisation and home-host coordination to unprecedented topics such as dashboards, data perimeters, and continuous reviews and assessments by the ESAs.

While it is probably warranted to keep Level 1 provisions high level and fill gaps with more flexible Level 2/3 mandates, the EBA is of the view that some of these envisaged mandates should be removed before the texts are finalised. Using criteria such as the compliance burden for firms and the added value of the mandate to the supervisory community, the EBA has identified several mandates which do not seem essential.

Interaction with other EU texts

Another source of undue complexity is the unclear interaction of FIDA with other existing or emerging EU laws. This needs to be addressed before the texts are finalised. The EU Commission has already identified the need to avoid duplication of requirements between FIDA and the forthcoming PSD3. However, FIDA must also avoid the creation of overlapping provisions applicable to crypto asset service providers (CASPs) that carry out transactions with electronic money tokens (EMTs). These entities are subject to the data sharing requirements under FIDA (which the current version of the text suggests) but also to the open banking provisions under PSD3/PSR (which the current versions of those texts imply). This is not desirable.

Conclusion

FIDA can bring opportunities for customers and represents an interesting experimentation of simpler rulemaking in the EU. A rebalancing between Level 1 and Level 2 and 3 provisions is welcome but should not result in undue complexity for the latter or overlaps with other EU law, especially that which aims at facilitating innovation and enhancing competition to the benefit of smaller new entrants to the market. The remaining trilogue discussions provide an opportunity to address these issues.



CARLO COMPORTI

Commissioner– Commissione Nazionale per le Società e la Borsa (CONSOB)

Open finance, boost for EU innovation or threat to competitiveness?

The FIDAR proposal is designed to complement the initiatives adopted by the European Commission in the Digital Finance package, aiming to foster the development of innovative businesses that utilize advanced technologies. The EC's intention was to extend the principles of PSD2/open banking to financial and insurance sectors. This approach, that enabled more personalized services through customer control over personal data, faced scepticism when extended to open finance.

Unlike open banking, which was driven by the PSD regime and transformed the traditionally close relationships between customers and banks, the open finance initiative has encountered strong resistance. Specifically, private stakeholders expressed concerns about competitive crowding out by technologically advanced non-EU players, given the lower barriers to entry in these sectors (due to the industry structure and applicable regulation) compared to banking.

The FIDAR proposal was also criticized for potentially increasing complexity in the financial sector, contrary to the goal of simplification and burden reduction outlined in the SIU overarching project.

Following the publication of the Communication "A competitiveness compass for the EU (2025)", the EC was urged by co-legislators to issue a non-paper suggesting possible simplifications. In its May 2025 document, the EC reaffirmed the importance of the initiative, expecting it to shift investors from occasional investing to financial planning, including retirement planning, ultimately adding to the overall level of financial education. The EC also expects FIDAR to facilitate more efficient reuse of creditworthiness data, addressing the funding gap faced by many SMEs and making it easier for them to secure financing.

Based on these premises, while reiterating the need for inclusion of occupational pensions, given their centrality to the SIU and assuming that many of FIDAR's benefits would materialize there, the EC proposed additional proportionality in specific sectors and a scope reduction. In doing so, the EC focused on retail investors and SMEs - which are those more in need of tailor-made services and which encounter the major difficulties in breaking lock-in mechanisms – and proposed the exclusion of data from terminated contracts or old transactions. These changes to the original proposal are meant to lower adjustment costs for the industry.

To mitigate the market power of entities designated by the Digital Markets Act as gatekeepers (which are typically the largest on-line platforms operating from outside the Union), the EC proposed excluding them, and their controlled entities, from roles as financial information service providers (entities eligible and licensed to access customer data for the provision of financial information services).

Drawing on the experience of open banking, information sharing between data holders and users is to be achieved through financial data sharing schemes (FDSS) using API interfaces, entailing strong standardization and interoperability. This approach faced criticism during negotiations, as well as the costs attached to customer authentication and identification.

To address these concerns, the EC suggested leveraging technological advancements, such as European Digital Identity Wallets for authentication/identification purposes. The EC also proposed harmonized standards based on minimum requirements, to ensure a basic data set for financial data sharing schemes, to be developed by European standardization organizations (operating under the EU Regulation on standardisation). Governance rules for financial data sharing schemes should also be defined by participants to ensure non-discriminatory treatment of all different interests involved, and accountability vis-à-vis supervising authorities. Finally, as the definition of financial data sharing schemes is a key issue to ensure the success of the initiative, discussions are still ongoing on whether the EC should retain the ability to step in via delegated acts to establish schemes for those data sets where market-led approaches fail to deliver.

Balancing efforts for internal innovation progress against unfair outside competition.

In conclusion, the negotiations underscored the need to adapt the general framework tested with open banking to the specific characteristics of the financial and insurance sectors. The continuation of the trilogue during the period in which the new legislative mandate was framed, in close connection with the SIU project, allowed to highlight the importance of balancing efforts for internal innovation progress against unfair outside competition. The inclusion of precautionary measures in the third-country access regime and the proposed treatment of gatekeepers reflect the EC and co-legislators' increased sensitivity to these issues, at a time of major changes in international political relations.



LUÍS LAGINHA DE SOUSA
Chair – Portuguese Securities Market Commission (CMVM)

FiDA fast forward: powered by competitiveness

The strategy for the European Union to regain competitiveness must include prioritizing digital-based innovation, as it is shaping the path to success across the whole economy.

Data is the raw material underpinning artificial intelligence and other innovative solutions, and access to large volumes of relevant data enables the design of new services and products, better tailoring to different customer profiles and optimization of processes.

Every business is an information business, but this phenomenon is particularly evident in the financial sector, because it deals with vast amounts of data and millions of customers.

The proposal for a financial data access framework (FiDA) aims precisely to facilitate the flow of data originating from the financial sector, thereby improving the services and products offered to consumers, while also addressing the risks posed by this new digital environment.

The FiDA proposal focuses on facilitating access to consumers' financial data—upon their consent—by entities that do not provide financial services, while imposing a data-sharing obligation on financial service providers.

This obligation is based on the expectation that these entities will offer highly relevant financial information services such as investment advisory tools, personal finance management platforms, and personal dashboards that give clients a real-time overview of their financial situation.

The initial proposal was widely debated among co-legislators, financial institutions and the potential Financial Information Service providers (FISPs). The adaptation costs imposed on financial entities and concerns around fair competition among data users are driving the debate. Data-sharing security and the practical functioning of the entire system are also under scrutiny, involving not only technical considerations but also the strategic choice between market-led solutions versus a more harmonized approach that aims at preventing fragmentation.

As a result, the original text has undergone significant proposed amendments, aimed primarily at reducing ambiguity around FISPs, clarifying the scope of covered financial data, and simplifying certain operational and technical requirements.

Alongside the discussions on the proposal, a new impetus has emerged for simplification and cost reduction, aimed at easing burdens on market participants and creating effective frameworks that promote competitiveness.

In this context, the suggestions in the European Commission's non-paper on how to simplify FiDA and reduce its administrative burden are very welcome and convey two key messages: first, this proposal is indeed a priority and must proceed despite calls for the Commission to step back; and second, that we must do it right — which means avoiding unnecessary costs.

Suggestions under current discussion point in the right direction.

Drawing the line on what is necessary is not easy. Since the regulation is intended to establish the conditions needed for market development, defining its scope and structure before it enters into force remains, in part, an exercise of trial and, perhaps, some error.

Nonetheless, despite the complexity, the suggestions under current discussion point in the right direction - for instance, narrowing the scope of applicable financial data so it only covers financial data of natural persons and small and medium-sized enterprises, or the exclusion of credit rating agencies from the list of data holders. Other relevant adjustments concerning data holders is the exclusion of small, non-interconnected investment firms, and of alternative investment fund managers and UCITS management companies that qualify as microenterprises. The discussion around which data points to include will hopefully also lead to a desired cost reduction.

Access to data by large technology companies is also an unavoidable point for further consideration, as they hold significant economic power and may exploit their advantages, such as access to vast amounts of data, in ways that could be detrimental to the broader public interest.

The discussion on the way forward must consider input from the relevant stakeholders, to support a proper competitiveness check and, as far as possible, a test of the feasibility of achieving the expected benefits for citizens and companies.

The entry into force of the Regulation also requires attention. The fast pace of innovation argues against excessive delays, as postponing the establishment of a functional open finance framework increases the risk of market entry by unregulated players and could render adopted solutions inadequate. However, the implementation timeline must also be proportionate to the complexity of the tasks involved.

The final message is to commend the openness shown in revisiting and refining such an important proposal, while also stressing the need to move forward quickly. The process has been lengthy and will still take years before it reaches the market. At this stage, with the risks identified and challenges mapped out, we must promptly find solutions, fast- forwarding FiDA.



NIKHIL RATHI
Chief Executive Officer – Financial Conduct Authority (FCA)

Open Finance: a new chapter in financial access and innovation

Open finance offers exciting potential to deliver more personalised, seamless and inclusive financial products for both consumers and businesses — from savings and insurance to mortgages, investments, pensions, and consumer credit.

In November 2024, the UK Government launched the National Payments Vision, signalling the ambition for the UK to be a 'world leader' in open finance — taking the principles of open banking and financial data sharing to the next level by giving consumers greater control over a broader spectrum of their financial data.

Our 5-year Strategy (2025 – 2030) recognises that more seamless data-sharing could unlock product innovation and deliver lower costs, as well as more choice and better information for consumers.

We are the lead regulator for open banking in the UK, where we have made significant strides in realising the potential of smart data. We have focused collaborative efforts, including government and industry bodies, on initiatives that not only enable open banking to scale and deliver more competition in the market for payment services in the interests of consumers, but also to pave the way for open finance and the delivery of the next generation of UK payments. We are committed to accelerating the development of open finance and smart data to boost innovation, competition, flexibility and affordability for consumers.

To support this vision, we recently launched the Smart Data Accelerator. The Accelerator will enable experimentation, testing of cross-border and cross-sectoral use cases, enabling agile policy making, and assessment of infrastructure and technology needs.

The Accelerator will play a key role in advancing open finance, as we work closely with the UK Government to set out an open finance roadmap by March 2026. This roadmap, alongside the Department for Business and Trade's Smart Data Strategy, will set a new direction in data sharing across financial services and the wider economy.

Reflecting this commitment and the rapid global advancement of open finance, the FCA held an Open Finance Sprint in March 2025. Over 100 participants from across the financial sector, including fintechs, incumbents, tech providers and academia, came together to build practical use cases and action plans for both consumers and small and medium-sized businesses.

Outcomes of the Sprint highlighted the importance of adaptive regulation and governance — flexible frameworks that support innovation while ensuring consumer protection and enhanced data security protocols. A key insight was the potential of open finance to improve financial wellbeing through integrated and personalised services that help consumers act on new growth opportunities.

Realising the benefits of open finance requires a framework that enables systems to work together.

Discussions also revealed how open finance could play a crucial role in building financial resilience, particularly in helping individuals navigate life events and financial shocks. Real-time data sharing, underpinned by emerging technologies such as AI, blockchain, and enhanced consent systems, were identified as pathways for enabling early warnings alongside timely support, and interventions. The integration of both financial and non-financial data (e.g. employment, health and local authority records) has been identified to not only enhance consumer protection but also reduce financial crime through more tailored and responsive systems.

Participants agreed that the benefits of open finance extend beyond consumers. For businesses, open finance offers new avenues for innovation and sustainable growth. The FCA remains committed to supporting the development of commercially viable, value-driven business models that contribute meaningfully to the UK's broader growth objective.

However, this progress must be paired with strong regulatory oversight. Realising the benefits of open finance requires a framework that enables different systems to work together and encourages cross-sector collaboration, creating a more connected financial system. As emphasised in our earlier work (2021 – 2022), privacy, data security, and fair access must be foundational to build a trusted, inclusive system that supports long-term financial health. Ongoing collaboration and commitment among stakeholders will be crucial to achieving and ensuring open finance initiatives succeed in the long term.

Internationally, we continue to engage with our global partners to share insights and approaches. In 2024, the FCA joined Project Aperta, an international collaboration on open finance interoperability, aimed at reducing frictions and costs in global finance.

As the global momentum behind open finance continues to build, we welcome further opportunities for European and wider international collaboration, to help deepen cooperation with global partners.



LAURENT BERTONNAUD

Head of Public Affairs France – Retail – Digital – BNP Paribas

FiDA belongs to an era that no longer exists

In his report, Mario Draghi pointed out that "we claim to favor innovation, but we continue to add regulatory burdens onto European companies".

Like many other sectors in Europe, the financial sector is striving to remain at the cutting-edge of technological advancements. Achieving this will be close to impossible if we continue allocating most of our resources to adapting to increasing and ever more complex regulations. Europe cannot afford a lack of discipline in its investments anymore.

FiDA is the perfect example of a legislative proposal elaborated with the previous mindset which regarded regulation as a key engine for growth. Unfortunately, policymakers tend to overestimate the impact on the latter. They often forget the weight of regulatory changes on the economy as adaptation costs absorb most of our IT investments. We truly believe this is now an unbearable burden for Europe at a time where major investments are needed for AI, digitalization, cyber-risk…

Competition is a given for financial institutions. Past years have seen new entrants gaining market share in all financial activities. This has driven incumbents to innovate. The concerns we express regarding FiDA do not at all relate to an additional increase in competition but rather to the uncertainty as to who the ultimate beneficiaries of the initiative will be.

As it is currently drafted, FiDA will only benefit a very limited number of already dominant digital players. There is no serious evidence demonstrating that it could serve the European Fintechs' ecosystem. Bank-as-a-platform and bank-as-a-service have been a component of what we do long before FiDA was even envisaged. To achieve this, we have established robust relationships with Fintechs on a contractual basis. When an opportunity is identified, each partnership focuses first on the added value brought to customers and second on the potential business model. The latter is the trickiest part as it is usually difficult to invoice customers for added services. If the technocratic concept of a Financial Data Sharing Scheme is to take off, we believe that only actors with deep pockets and an ability to fully leverage the huge amount of additional data will benefit from it.

We welcome European policy makers' recent discussions on the treatment of global tech companies. FiDA, in its current state, would bolster these companies' closed-platform ecosystems and increase the distribution of non-European products in many fields, thus hampering SIU ambitions. We are doubtful about the competitive advantage Europe may gain.

We fully concur with the reservations expressed by the Regulatory Scrutiny Board when asked to evaluate the Commission's draft impact assessment in February 2023. Specifically, we agree with reservations on EU strategic autonomy and on the mitigation of potential social risks, given the potential impact on vulnerable customers' access to credit and insurance.

> **Europe cannot afford a lack of discipline in its investments anymore.**

Far from 'empowering consumers', as is often claimed, supervisory and data protection authorities have all observed increasing unethical practices in online environments (nudge, gamification, use of social media…) aimed at influencing customers' decision-making or selectively targeting the best customers only.

European citizens are wise. All studies show that there is a very limited desire to share sensitive individual financial data in a world where cyber-risk is exploding. In short, there is a high probability that the huge investments required to set up these FDSS will be new "white elephants" Europe cannot afford.

Past experiences demonstrate the limited achievements of regulatory-driven approaches. The Open Finance Australian regulatory approach has not delivered its desired results (4 years later, only 0,31% of bank customers have an active data sharing arrangement) while costing the banking sector AUD 1,5 billion. After 10 years, the results of PSD2 are also very limited. Conversely, the market-driven approaches in Singapore and India have resulted in relatively higher adoption rates.

More than two years after the Commission's proposal, we note that fundamental aspects of the text continue to be the subject of heated debates. During this period, the geopolitical context has dramatically changed. It is unclear whether this proposal, in both its philosophy and design, remains aligned with Europe's new objectives and challenges.

While the Commission is consulting on several initiatives (Data union strategy, Digital package, potential review of GDPR…), we believe that FiDA should not be considered in isolation and at least be reexamined in a broader context. In any case, discussions on FiDA cannot be concluded prior to the Data union strategy.

The European Union faces a key political choice, namely to determine the right balance between high perceived risks, real expected added value for customers and loss of innovation opportunities in Europe due to additional regulatory burden. We strongly call for caution.



SUN LEE
General Secretary –
CNP Assurances

Finding the balance between innovation and risk sharing: FIDA at a crossroads

The industry needs to hear this. We must hear it. The Financial Data Access framework (FIDA) is coming. Now supported by the Danish Presidency and included among its European priorities, the regulation on access to financial data is emerging as a catalyst for Open Finance, constituting one of the levers of the strategy for the Savings and Investment Union. It is time for us to prepare for it.

CNP Assurances is convinced that Open Finance paves the way for a profound transformation of the financial sector:

- For the European ecosystem, the expectations are clear: stimulating competition, developing cross-border services and digital sovereignty.
- For consumers, openness and ease of access to data will provide a comprehensive view of their assets, greater autonomy in managing their data and easier access to services or products.
- For financial players, the development of Open Finance should enable innovation to be placed at the heart of customer services.

FIDA is a fundamental reform. Discussions between the co-legislators have led to progress on the categories of data to be excluded and an awareness that the roll-out schedule must be spread over several years due to the data strategy of financial sector players.

However, the virtuous nature of FIDA does not justify the shortcomings of the text which risk harming the interests of our insureds and undermining our economic model based on risk pooling. Nor should it compromise European digital sovereignty by allowing dominant, non-European models to prevail.

Many legal and technical issues still need to be clarified before FIDA can be rolled out.

Exposing data and its history requires a secure framework. In this regard, two issues seem particularly sensitive to us: data security and customer protection, and gatekeepers.

Standards for secure exchanges and data protection must be the same regardless of the size of the financial sector players involved in data exchanges. Consent must be explicit and double (one for access and one for data sharing). This consent must also be properly managed over time.

Our position on gatekeepers is clear: we call for them to be excluded from FIDA.

In any case, we call for all FIDA players to be established in the European Union. Without this, FIDA risks reinforcing the dominance of non-European tech and financial giants, turning Europe into a mere data supplier rather than a truly sovereign ecosystem. This exclusion must be legally framed and politically defended.

We need to find the right balance between innovation, sovereignty and the protection of citizens.

Even these essential safeguards will not prevent certain large players from entering the FIDA arena.

The insurance sector is regulated for the purpose of ensuring the short-, medium- and long-term solvency of its players. Insurance is based on the principle of risk pooling with prudent long-term management. This balance is the cornerstone of the insurance model. Any measure likely to accelerate the demutualisation of risks, through direct or indirect incentives, would ultimately jeopardise the solvency and financial stability of players. However, FIDA could accelerate the demutualisation of risks in certain market segments by allowing new players to select their risks. All stakeholders must ensure that financial balances are maintained, as the sector's ability to support major climate, digital, demographic and geopolitical transitions could ultimately be compromised.

The success of the FIDA scheme will depend on future discussions between the various stakeholders and the compromises reached. There are pragmatic ways to make FIDA more operational:

- The governance and approach adopted for Financial Data Sharing Schemes (FDSS) are fundamental. We believe it is desirable for FDSS to be set up at national level. A clear division of responsibilities is necessary. Without a balance between constraints and incentives, there is a risk of creating an unbalanced system that generates costly obligations without any benefits for customers.
- To enable sustainable implementation, existing data and API standards or those developed by the European Committee for Standardization (CEN) should be considered.
- To ensure the security of access to and sharing of this data, the implementation timetable must allow for the gradual disclosure of data, based on use cases and the operational capabilities of industry players.

We must leverage FIDA to develop even more personalised services and put innovation at the heart of customer services, while improving our risk management. FIDA opens up the prospect of concrete use cases. It is up to us to get our customers on board.

Can FIDA become a lever for Open Finance? That must be our common ambition. Its success will depend on establishing a climate of trust, transparency and balance between innovation, sovereignty and citizen protection. For CNP Assurances, the priority is to guarantee data security and customer consent management, ensure data sovereignty and avoid any demutualisation of risks that could lead to financial exclusion.

7

RISK PREVENTION AND MITIGATION

FRAUD, THEFT AND AML PREVENTION 256

Christopher P. Buttigieg - Malta Financial Services Authority / **Sara Mella** - Nordea Bank / **Fabrice Borsello** - PayPal (Europe) / **Marc Fungard** - Stripe

CHALLENGES RAISED BY THE SETUP OF AMLA 260

Bruna Szego - Anti-Money Laundering Authority / **Andreas Schirk** - Austrian Financial Market Authority / **Ante Žigman** - Croatian Financial Services Supervisory Agency / **Vojtech Belling** - Czech National Bank / **Philippe Vollot** - Rabobank / **Jerome Lachand** - CCF Group / **Aamir Hanif** - Western Union

ENHANCING THE NBFI RESILIENCE 268

Francesco Mazzaferro - European Systemic Risk Board / **Patrick Montagner** - European Central Bank / **François Haas** - Banque de France & Autorité de Contrôle Prudentiel et de Résolution / **Primož Dolenc** - Bank of Slovenia / **Tajinder Singh** - IOSCO / **Sarah Pritchard** - Financial Conduct Authority / **Stéphane Janin** - AXA Investment Managers / **John Golden** - Apollo Global Management

FRAUD, THEFT AND AML PREVENTION



CHRISTOPHER P. BUTTIGIEG
Chief Officer Supervision – Malta Financial Services Authority (MFSA)

Effectively mitigating fraud: Coordination and informed supervision

Malta's financial sector has seen steady growth over the past three decades. A pro-regulatory approach that encourages innovation and sustainabile growth, rather than excluding new technologies, has allowed the country to position itself as a forward-thinking jurisdiction. However, with increased openness comes increased risk. As Malta continues to attract investment, efforts have intensified to ensure the financial sector is not exploited for illicit purposes. Central to these efforts is the country's evolving understanding of risk.

Malta's most recent National Risk Assessment (NRA), published in 2023, offers a detailed overview of the jurisdiction's exposure to money laundering and terrorism financing (ML/FT), while also covering a range of predicate offences. Among these, fraud stands out as a concern. The NRA notes that fraud is the most common predicate offence in local financial crime investigations and appears frequently in suspicious transaction reports (STRs) submitted to the Financial Intelligence Analysis Unit (FIAU), affecting both natural and legal persons.

In a 2024 report, the ECB and EBA noted that fraud via payments amounted to €4.3 billion in 2022, with €2 billion recorded in just the first half of 2023. Malta's Arbiter for Financial Services has also observed a growing number of fraud cases. Within financial services, fraud risk is particularly associated with crypto-assets, e-money, and payment processing. The NRA highlights the inherently non-face-to-face nature of these sectors as a key vulnerability, with threats such as investment scams, identity theft, and document forgery frequently reported. These same sectors are central to Malta's strategic vision for financial services and have received increased supervisory attention.

Malta's supervisory and law enforcement model is decentralised, with the Malta Financial Services Authority (MFSA), the FIAU, the Sanctions Monitoring Board, the Central Bank of Malta and the Malta Business Registry, holding distinct mandates. However, effectively mitigating fraud requires coordination and informed supervision. Authorities must identify areas of convergence while avoiding duplicated efforts. By aligning supervisory tools and leveraging infrastructure, agencies can act more swiftly and base decisions on broader information. This article focuses on the MFSA approach and inter-agency cooperation in the fight against fraud.

As Malta's single financial regulator, the MFSA is the primary gatekeeper to the financial sector. Its mandate spans licensing, supervision, and maintaining sectoral integrity. While not an AMLCFT authority (the FIAU is the AMLCFT Authority for Malta), the MFSA incorporates financial crime considerations across its operations, making it a key stakeholder in the national framework. This is reflected in its strategy, guidance, and risk-based supervision.

Central to the MFSA's methodology is ensuring that unsuitable actors are denied access to the financial system. This includes rigorous competence and fitness assessments of Money Laundering Reporting Officers (MLROs), who are critical to detecting and reporting suspicious activity. The MFSA's guidance to MLROs addresses governance, conflicts of interest, resource needs, and internal awareness. These issues are not only relevant to AML/CFT, but also to fraud prevention.

This approach has led to the generation of additional supervisory information. In 2024, alongside 35 STRs, the MFSA submitted 6 'red flag reports' to the FIAU on issues that were deemed significant for early prevention or identification. This reflects the growing inter-agency cooperation and more efficient sharing of insights. The MFSA also shares information with the Police, Attorney General, and Courts when requested.

Another important element in fraud prevention is the MFSA's publication of warnings about entities misusing or imitating legitimate license holders. These alerts protect consumers, raise awareness, and provide early indicators of potential scams. They are a valuable tool for promoting transparency and safeguarding market integrity.

Looking ahead, national authorities must adopt increasingly data-driven tools to address complex financial crime risks. Data analytics can improve detection capabilities and support faster, more informed decisions. These innovations should build on the holistic supervisory frameworks already in place, like those applied by the MFSA, to increase the sector's resilience to fraud.

Finally, there is a growing case for greater focus on fraud within supervisory strategies. The EU's work on AML/CFT harmonisation provides a useful model. While the new AML legislative package is primarily focused on ML/FT, it could also accommodate fraud-related risks where overlaps occur. Aligning national fraud mitigation strategies with EU-level reforms can promote consistency, reduce vulnerabilities, and strengthen the broader fight against financial crime.



SARA MELLA
Head of Personal Banking – Nordea Bank

Fighting fraud together across society

Fraud is a severe problem, not only for the financial industry and its customers, but for the society as a whole. Proceeds from fraud often finance other criminal activities such as drugs, weapons and trafficking. This is why Nordea takes fraud very seriously and has invested heavily in resources, technology, products and processes to combat fraud to protect our customers and their assets. We consider this a key part of our social responsibility.

Online banking and digitalisation – convenient for customers but often exploited by fraudsters

In the wakes of digitalisation, banking services have become available 24/7/365. Whilst being very beneficial to customers, fraudsters have in several ways relentlessly and rapidly taken advantage of the new digital era of remote, non-physical, access to banking. In Nordea, many different kinds of online banking fraud attempts have been observed. Through intelligence, monitoring and collaboration, both internally in Nordea and externally, we learn about new threats the second they emerge. Thanks to the cross-Nordic presence, we are often prepared as fraud types propagate from one Nordic country to another.

> To successfully combat fraud in society, it requires that every part of the value chain takes own and adequate action.

Different types of social engineering have been the most dominant fraud type in Nordic online banking over the last years. Manipulation via phishing, vishing, smishing, investment- and romance scams has dominated the Nordic fraud picture. The fraudsters are becoming more and more sophisticated in their attempts to lure the customers to take desired action e.g., using fake web page from well-known government agencies. This requires the customers to become even more vigilant in their on-line presence. In fact 70 per cent of the fraudulent money transfers are initiated by the customer themselves.

Stay ahead of the curve – with a dynamic and flexible control environment

Nordea continues to enhance its fraud prevention and detection capabilities by implementing detection systems and several other mitigating actions. Apart from the advanced detection systems per se, with multi-layered monitoring, other successful fraud mitigation actions have been the introduction of payment limits, the cooperation between banks and other institutions, Nordea's Nordic coverage and importantly a focus on customer awareness. With social engineering being the dominating modus used by fraudsters, educating customers on how to avoid being defrauded has proven very successful and is much appreciated by customers.

Further collaboration across the industries and with authorities is key to combat fraud

To successfully combat fraud in society, it requires that every part of the value chain continue to take own and adequate action. Even more cooperation between several parties like authorities, network operators, social media platforms, financial institutions etc. is required as well as continued focus on informing society about any new threats. Again, customer awareness is key in preventing fraud based on social engineering.

How can the regulatory environment and policy setting support collaboration?

Regulations and policies, primarily in the areas of data sharing need to be less rigid in order for banks to quicker share fraud intelligence with other financial institutions etc. to support early identification of new modus, improvement of detection systems and quicker identification of fraud networks. Also, legislations enforcing rapid payments, like EU's Instant Payment Regulation (IPR), whilst of course enhancing the customer's payment experience, complicate fraud prevention, as well as anti-money laundering/counter terrorist financing (AML/CTF). Such legislations must be aligned with legislations dictating fraud prevention, e.g. the coming Payment Service Regulation (PSR), such that they are not conflicting but rather jointly boost both the customer payment journey as well as fraud prevention and AML/CTF.

With harmonised legislation as a foundation, more flexible possibilities for data sharing, we can easier join forces and take common actions to even better prevent fraud attacks in the future, without obstructing or complicating the customer payment journey. Nordea stays committed to duly fulfil our role in the joint societal fight against fraud.



FABRICE BORSELLO
Chief Compliance Officer and Authorized Manager – PayPal (Europe) Sarl et Cie S.C.A.

Rethinking fraud prevention in a digitally connected world

In today's hyper-connected world, fraud is evolving faster than ever before. Our digital lifestyles - online shopping, digital banking, social media - bring convenience but also create fertile ground for cybercriminals. Individuals and businesses now face increasingly sophisticated forms of fraud.

While technology enhances customer experiences, it also equips fraudsters with advanced tools like artificial intelligence to conduct sophisticated phishing attacks or create deep-fake videos and synthetic identities on an unprecedented scale. Fraud is not new and unlikely to be fully eradicated given human behavior and criminal adaptability. The focus should therefore be on minimizing its impact through prevention, early detection, and agile response.

The EU's Payment Services Directive review (PSD3/R) signals strong commitment to boosting fraud safeguards and consumer protection. However, the traditional "one-size-fits-all" approach with static thresholds and uniform rules is no longer effective given diverse consumer behaviors and evolving fraud tactics.

As legislative discussions progress, two paradigm shifts are urgently needed to equip the digital ecosystem with more effective tools for preventing fraud.

1. Future-proofing the fraud prevention toolbox

Payment Service Providers (PSP) are deploying increasingly advanced fraud prevention tools to tackle new threats. For instance, PayPal's new AI-powered scam alert system delivers dynamic warnings to consumers according to transaction risk.

It is equally crucial to continue evolving existing tools - like Strong Customer Authentication (SCA) - to ensure they remain effective. Attackers now target the technical elements of SCA, using phishing, malware, and data breaches to steal passwords, fueling credential stuffing attacks. Techniques like SIM swapping and social engineering have diminished the value of SMS one-time passwords (OTP).

This calls for moving beyond static SCA toward adaptive, risk-based authentication frameworks, enabling PSPs to adopt approaches that are innovative and resilient. Passkeys, for example, offer robust, phishing-resistant authentication, allowing users to sign in with biometrics (fingerprint or face scan), removing reliance on traditional passwords.

Failing to modernize SCA under the PSD3/R framework risks locking in outdated practices, limiting PSPs' ability to strengthen defenses while fraudsters continue to evolve and exploit static security measures.

2. Tackling fraud requires an ecosystem-wide approach

Today's fraud patterns are clear: fraudsters are using technology to exploit human trust—manipulating consumers into authorizing fraudulent payments via impersonation and emotional tactics. Most scams target individuals long before the payment itself.

This points to a broader reality: modern fraud extends well beyond the financial sector. It spreads across a complex digital ecosystem that includes social media platforms, online marketplaces, search engines, ad networks, telecoms, and messaging apps - many of which fall outside traditional financial regulation.

Improved intelligence sharing both among PSPs and across sectors is essential to tackle sophisticated, organized, cross-border fraud. Yet, collaboration alone is not enough: all actors in the ecosystem must implement controls to prevent and mitigate fraud on their own platforms. While some national or corporate initiatives exist, efforts remain fragmented and inadequate.

Current policy discussions, including under PSD3/R, continue to focus on the responsibilities of banks and PSPs. Far less attention is given to other ecosystem actors in proactive prevention, despite the urgency of addressing fraud at every stage of the fraud chain.

The EU must modernise its fraud prevention framework to ensure consumers stay protected.

What is needed is a coordinated, EU-wide, cross-sector fraud prevention strategy that goes beyond isolated measures, bringing all actors in the fraud chain under a common framework. Such a strategy should establish clear accountability for each sector's role, incentivise proactive risk management, and introduce shared liability mechanisms to ensure that the burden of protecting consumers does not rest on PSPs alone.

To conclude, as the EU shapes the future of digital payments, it must also modernize its fraud prevention framework. This includes future-proofing security standards like SCA under PSD3/R and adopting an EU-wide cross-sector approach aligning incentives, responsibilities, and liability. Only bold, coordinated action will keep pace with sophisticated fraud threats to ensure consumers stay protected.



MARC FUNGARD
Global Regulatory Compliance & Enterprise Risk Lead – Stripe

Building trust in digital payments: How AI can help combat fraud

Digital fraud scales proportionally with the digital economy; global online payment fraud losses in 2024 surpassed $44.3 billion. Beyond payment fraud's immediate financial losses, businesses also face potential erosion of customer trust and loyalty, as well as increased scrutiny from regulators and law enforcement agencies. To combat this growing threat, organizations, like Stripe, have harnessed innovative new technologies, including artificial intelligence.

Artificial intelligence offers powerful and adaptive solutions to tackle the complex and evolving nature of payment fraud. Stripe's approach mobilises large datasets and advanced algorithms, to identify indications of fraudulent behavior in real time. Our approach seeks to protect our users, their customers, and the ecosystem to create a secure environment for payments. As a platform serving millions of merchants over billions of transactions and trillions of payment volume, Stripe is well positioned to detect and adapt to new fraud patterns quickly. To effectively prevent fraudsters from onboarding onto the platform, Stripe employs advanced AI-driven models that analyze various data points during the account creation process.

The AI models are also used to detect and block fraud in real time, analyzing a payment in just 100 milliseconds. At Stripe, we're also seeing how an LLM-style approach can help with fighting fraud. So we built a payments foundation model—a self-supervised network that learns dense, general-purpose vectors for every transaction, much like a language model embeds words. Trained on tens of billions of transactions, it distills each charge's key signals into a single, versatile embedding. And these efforts have worked well: +15% conversion, -30% fraud.

These models are constantly learning and improving, notably to reduce card testing among other fraud typologies. Card testing is a type of fraud where criminals use stolen card numbers to make small purchases to verify their validity. That's why the systems we use to prevent it need to be both accurate—correctly distinguishing card testing from legitimate traffic, with rapid detection and retraining—and nimble, built to adapt to the evolving landscape of threats. Our approach has shown significant benefit in recent years—successful attacks on merchants served by Stripe have decreased by 80% over the last two years, even as Stripe's payment volume had expanded to over $1 trillion last year. AI allows the creation of dynamic, risk-based fraud-prevention rules, automatically adjusted based on the evolving threat landscape, providing a flexible and powerful defense against new fraud vectors.

Fraud models often face a tradeoff between security and successful authorization; our recent AI enhancements have expanded the frontier, allowing merchants to optimise their payment performance while also better protecting against fraud. Stripe addresses this issue through an AI-powered product designed to increase payment acceptance, in part by recovering false declines and intelligently retrying payments. As a result of these continuous improvements, the average authorization rate has improved by 61 basis points since its launch.

In a landscape where fraudsters leverage AI to discover innovative ways to bypass financial institutions' controls on a large scale, traditional methods of combating fraud have become obsolete. Technology and innovation are playing an increasingly vital role in detecting and preventing fraud, consequently, the fight against fraud must involve using AI to counteract AI.

AI offers powerful and adaptive solutions to tackle the complex and evolving payment frauds.

To achieve this, we've found that effective regulation facilitates innovation rather than imposes fixed technological solutions that may soon become outdated. Firms should be encouraged to adopt a risk-based approach that incorporates technology to enhance risk management practices from the onboarding stage onward. Specifically, model-based transaction monitoring and fraud detection systems should be utilized to effectively identify and mitigate risks. Additionally, such an approach should include and leverage non-traditional technological data to identify a user. This dual approach fosters a more robust and proactive risk management framework. Traditional regulatory frameworks—built from the underlying presumption of an in-person interaction based on a physical proof of identity—are rapidly becoming outmoded. Incentivizing an improved risk-based approach to combat fraud and other financial crimes would allow financial institutions and their customers to innovate flexibly while requiring them to demonstrate improved effectiveness with emerging AI approaches.

CHALLENGES RAISED BY THE SETUP OF AMLA



BRUNA SZEGO
Chair – Anti-Money Laundering Authority (AMLA)

AMLA - From vision to action; From action to supervision

The establishment of The Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA) starts a new chapter in the EU's fight against money laundering (AML) and terrorist financing (CFT). It's not just the birth of a new agency, but a significant step in Europe's collective approach to combating financial crime. As Chair of AMLA, I joined this journey in March 2025, and I am proud to lead the agency during this period. Together, we are laying the foundations to make AMLA a central pillar in the EU's efforts to address illicit financial activities.

AMLA's mission is to lead the fight against money laundering and terrorist financing through enhancing convergence, directly overseeing high-risk entities, and supporting collaboration and co-operation so that the integrity of the EU and its citizens are protected. Following the adoption of the AMLA Regulation (AMLAR) in June 2024, we began implementing our plans. The first half of 2025 focused on building the operational, physical and policy frameworks, laying the foundation for AMLA to support Europe's fight against money laundering and terrorist financing.

AMLA's long-term vision: Advancing Europe's fight against money laundering

To deliver on its mission with lasting impact, AMLA has set out five long-term strategic objectives that will shape its role.

First, it aims to ensure convergence and consistency by establishing a strong and uniform AML framework across the EU, promoting regulatory, supervisory, and FIU alignment, while leveraging best practices and managing compliance costs.

Second, AMLA seeks to promote cooperation and inclusiveness by fostering a common AML/CFT culture among stakeholders such as NCAs, FIUs, law enforcement, EU institutions, and the private sector, to support collaboration and build trust.

Third, it focuses on driving technological innovation and building the necessary competencies to address emerging risks and adapt to a rapidly evolving landscape.

Fourth, AMLA is committed to building institutional trust through transparency, clear communication, and sound governance practices. Fifth and finally, global leadership will be an ongoing focus, with AMLA working towards strengthening its role beyond the EU.

Progress to date: Laying the foundations

To bring this vision to life, AMLA is concentrating its short-term efforts on three key areas. First, we are addressing operational needs by recruiting staff, building internal governance, and establishing the essential IT infrastructure required. We have established our physical presence in Frankfurt, securing our headquarters. Key partnerships with European Supervisory Authorities and the European Central Bank have been formalized. Recruitment and human resource development have been central to our build-up. AMLA currently has 30 staff members and aims to grow to 120 by the end of 2025. The Executive Board of AMLA joined on 2 June. Next, we are laying the groundwork for core functions, including supervisory roles and FIU coordination. Finally, we are enhancing AMLA's identity and visibility through the development of a communication strategy to engage a wide range of stakeholders and build support across Europe.

From July onwards, AMLA will gradually begin exercising its operational powers on indirect supervision of financial institutions and oversight of the non-financial sector, including crypto-asset service providers. Work will also continue policy mandates, alongside preparations for future direct supervision. Additionally, AMLA will proceed with finalizing the support and coordination framework for the FIU pillar, including designation of FIU Delegates, initiating preparatory work for peer reviews, and mapping FIU capabilities across the EU.

Supervision and FIU coordination: Working hand-in-hand

Supervision and FIU coordination are not isolated efforts; they are deeply interconnected. Both pillars are essential to building a comprehensive and effective AML/CFT framework. We are actively working on both fronts simultaneously, recognizing that strong supervision and effective FIU cooperation must complement each other to produce the best outcomes. This integrated approach ensures a more responsive and coordinated system, helping us stay ahead of emerging financial crime risks.

Conclusion: The road ahead

AMLA represents a significant step forward in strengthening cooperation and unifying efforts within the EU's broader mission to combat money laundering and terrorist financing. With our dual mandate of supervision and FIU coordination, we aim to enhance collaboration between regulatory authorities and FIUs, creating a more effective and responsive system.

Although we are still in the early stages of our work, I am confident that AMLA will soon play a central role in the EU's efforts to prevent and disrupt financial crime. As we grow, we remain committed to building a secure, transparent, and resilient financial system in Europe.



ANDREAS SCHIRK

Head of Division, Prevention of Money Laundering and Terrorism Financing – Austrian Financial Market Authority

Building together: How AMLA and NCAs are shaping a strong European AML/CFT supervisory system

The establishment of the European Anti-Money Laundering Authority (AMLA) is a major milestone in strengthening the EU's fight against financial crime. It is the first step of a supervisory transformation. National supervisory authorities (NCAs) like the Financial Market Authority (FMA) are not just adapting to this new landscape – they are helping shape it. Together, AMLA and the NCAs are building a system that promises more consistency, better coordination, and more effective risk-based supervision across the Union.

Prioritising quality and practicability in regulation is essential to deliver European value added. The volume of technical standards and guidance required is considerable, and the timelines are tight. Simply working through them one by one in the order of their deadlines is unlikely to deliver what the system needs most: a strong, timely start for AMLA's core activities. Focusing on fewer, well-designed, and actionable rules will enable supervisors and obliged entities to implement them effectively.

To respond, AMLA and the NCAs are shifting towards a strategic, risk-based approach to regulatory implementation. The focus is on what is essential for a common supervisory approach and for AMLA to begin supervising the most significant cross-border entities effectively. With this goal in mind, the supervisory community is identifying which rules, tools and cooperative structures must be in place – and prioritising those in the months ahead. This approach ensures that key building blocks, such as common customer due diligence requirements, risk-based selection and supervision processes, and frameworks for joint supervision, are ready in time, without compromising on quality.

As the new AML/CFT supervisory system takes shape, developing a common methodology for assessing money laundering (ML) and terrorist financing (TF) risks is a central priority. The methodology itself is being developed collaboratively, but an important challenge lies in how different authorities will process and interpret the data behind it. If every NCA builds its own system for processing the data, the risk of fragmentation and inconsistency grows, which could undermine the comparability and effectiveness of risk assessments.

> **Ultimately, building a strong AML/CFT supervisory system is not just a question of compliance or technology – it is about creating a truly collaborative supervisory culture.**

This is why early coordination on testing and IT development is critical. Many authorities have started building tools for their own supervisory needs — for example, the FMA has developed a system to analyse crypto transaction flows to measure the ML/TF risks and identify emerging trends. Increasingly, there is a shared understanding that future tools must be designed with integration in mind. AMLA, supported by the NCAs, is well placed to lead the creation of a shared digital environment where systems can connect, data can flow securely, and insights, including those derived from artificial intelligence (AI), can be used jointly. Such coordinated digital infrastructure not only fosters interoperability but also strengthens data quality and consistency across authorities, which is essential for reliable risk assessments. Developing modular, interoperable solutions now will save resources later – and ensure we are truly speaking the same supervisory language.

In parallel, supervisory technology (SupTech) innovation is gaining momentum across Europe. Many NCAs are experimenting with digital tools to improve data collection, risk analysis, and case management. The challenge now is to ensure these national innovations contribute to a broader European infrastructure rather than duplicating efforts. Here too, AMLA has an important role to play: aligning standards, coordinating design principles, and encouraging authorities to build for integration from the start. This will also prepare the ground for public-private partnerships when it comes to data sharing to step up ML/TF prevention.

Ultimately, building a strong AML/CFT supervisory system is not just a question of compliance or technology – it is about creating a truly collaborative supervisory culture. We need to position AMLA as a center of gravity for training, knowledge exchange, and joint action. NCAs are sharing expertise, seconding staff, and contributing actively to AMLA's development. This two-way exchange is already strengthening mutual understanding and helping lay the foundation for a seamless system.

The journey from national supervision to a European model is complex, but the direction is clear. By working together – and by focusing on what matters most – AMLA and the NCAs are turning regulatory ambition into operational reality. The result will be a supervisory system that is not only more coherent and efficient, but also better equipped to detect risks early, act swiftly, and protect the integrity of the EU's financial system.



ANTE ŽIGMAN
President of the Board – Croatian Financial Services Supervisory Agency (HANFA-CFSSA)

Harmonizing national systems under AMLA: Challenges and opportunities

The AMLA task and the challenge of harmonizing national systems: threats of fragmentation and the need for a harmonized transitional framework

By establishing the AMLA as the European Anti-Money Laundering Authority, the European Union has made a significant turn in the process of unifying supervision of the prevention of money laundering and terrorist financing. This marks a crucial shift from fragmented national practices towards a more consistent and transparent European standard. By establishing the AMLA, the European Union aims to ensure consistent and effective supervision of the prevention of money laundering and terrorist financing (AML/CTF) through a centralized, risk-based approach (RBA). This very fact poses numerous challenges during the transition to new, centralized settings. Also, the harmonization of national systems with this approach takes place in the context of significant differences in institutional capacities, the degree of digitalization and technical interoperability.

Differences between Member States and examples of best practices

Although the implementation of the RBA approach is mandatory for all Member States, its implementation varies significantly. Some Member states have developed advanced risk detection platforms, some have nationally centralized supervisory functions, while others are investing in system interoperability and training of obliged entities to integrate with European standards. These variations reflect differing legal traditions, levels of institutional maturity, and available technological resources.

Croatia, as an EU member, has already made significant steps in enhancing its legislative and supervisory framework. Risk-based supervisory functions have been continuously improved, inter-institutional cooperation has been made more streamlined and efficient, and training for obliged entities is viewed as a priority for supervisors. However, challenges remain – new investments in modern analytics, technical capacities and investment in IT infrastructure are required before we can all fully adapt to the standards that will be required by AMLA.

Croatia can benefit greatly from this transition, especially in the area of automation of supervisory processes. Automation of supervisory processes includes the application of artificial intelligence to identify suspicious patterns and behaviour in financial transactions. Quality due diligence is one of the foundations of combating money laundering and terrorist financing. Investing in efficient data analysis tools, for example, ownership connections between legal entities, is key to conducting quality supervisory activities. Such tools allow regulators not only to monitor the system more effectively, but also to make risk-based decisions and identify threats earlier.

Successful AMLA integration requires collaboration across diverse national systems.

Reporting and technical integration challenges

One of the challenges in the upcoming transition period is the standardization of reporting structures and IT systems. Some Member States already use automated tools based on artificial intelligence to process transactions, while many others, including Croatia, use manual procedures and non-standard formats. This brings inefficiencies into the system, such as:

- Regulatory asymmetry, in which organizations operating in multiple Member States face different reporting requirements;
- Burdens on FIUs and supervisory authorities, including double reporting and difficulties in data exchange;
- Inconsistencies in national and European databases, which may jeopardize the effectiveness of cross-border analysis and the integrity of AMLA supervision.

The new standardised framework, if done right, gives us the opportunity to remove these inefficiencies and to move forward in a coordinated way.

AMLA - Croatia's readiness and potential

Croatia is committed to being an active participant within the new European supervisory framework. Strong political support, institutional credibility, and a clear orientation towards digitalization are key to successful integration into the framework guided by the AMLA. By applying common principles and mutual cooperation among Member States, it is possible to move closer to the European regulatory model, while establishing the foundations for the protection of financial systems. Croatia can not only be an equal partner in this process, but can also establish practices that will contribute to the development of the Union as a whole.

The creation of the AMLA is not only a regulatory change, but also represents a strategic opportunity to build a stronger, more efficient and more transparent system for combating money laundering and terrorist financing.



VOJTECH BELLING

Executive Director, Financial Regulation and International Cooperation Department – Czech National Bank

A few remarks on the upcoming challenges for AMLA

More than a year has passed since the Anti-Money Laundering Authority was officially established. Its launch marked the end of long and often difficult negotiations-but not the end of the questions and concerns raised during those debates. On the contrary, AMLA begins its mandate with a clear imperative: to demonstrate that the risks and reservations voiced throughout the legislative discussions will not materialize, and that a centralized EU supervisory body can indeed deliver more effective oversight in the fight against money laundering and terrorist financing.

It must be openly acknowledged that this will not be an easy task. The experience of existing European Supervisory Authorities (EBA, ESMA, EIOPA) offers only limited guidance, as AMLA has been entrusted with significantly broader powers, particularly as regards supervision. Moreover, the specific configuration of these competences does little to simplify the challenges ahead. Despite the centralization of supervision over selected obliged entities, a considerable degree of involvement from national authorities is still envisaged. Conversely, AMLA is also empowered to intervene in supervisory processes concerning entities that remain under national oversight.

Thus, one might argue that complexity of supervisory practices will increase rather than diminish, particularly given that the regulatory framework does not always clearly delineate responsibility for specific supervisory actions-a clear example being AMLA's "Requests to act". How ought a national authority to proceed if AMLA's binding instruction appears incompatible with national law? The traditional application priority of EU legal order cannot be used here, as this is not a case of conflict of different legal systems. The resulting loyalty conflict of the NCA remains unresolved. The interaction of multiple legal frameworks, procedural regimes and diverse administrative traditions across Member States hence leaves many open questions. Addressing these issues will place considerable demands not only on AMLA and the NCAs, but also on judicial review bodies-and, above all, on the supervised entities themselves. The assumption that centralization automatically leads to simplification and increased efficiency is, therefore, far from self-evident.

AMLA is also charting its own course in terms of organizational structure. Here too, centralizing tendencies in its governance are apparent, often at the expense of incorporating practical experience from Member States. It will thus be important to closely monitor and critically assess the effectiveness of these structures compared to the well-established ESAs' governance models.

Clear and effective communication by AMLA with both market participants and NCAs will be vital.

But the most immediate of the many tasks facing AMLA involves identifying entities that will fall under its direct supervision. It is crucial that the procedures for assessing risk profiles and the selection process itself be designed as simply and transparently as possible. This is essential not only to avoid unnecessary burdens on AMLA and NCAs, but also to provide much-needed clarity to entities currently facing uncertainty about their future legal supervisor.

In my view, the principle of transparency and simplicity should also guide AMLA's regulatory work - whether in preparing binding technical standards, giving instructions or issuing soft-law such as guidelines and recommendations. Key steps and milestones for adapting to the new EU AML regulatory regime are indeed already well known. Implementing rules and regulations should be adopted in a timely manner, while allowing market participants a sufficient opportunity to provide input, which should be seriously and carefully considered.

It is important that these rules be simple and clear and not impose unnecessary regulatory burden on financial institutions. The potential benefits of harmonization and direct applicability of technical standards will only materialize if the rules are kept proportionate - and if AMLA truly adopts a simplification mindset at its core. The active participation of national authorities forms another key pillar of sound rulemaking, one that depends on AMLA's readiness to consider other perspectives.

As AMLA's supervisory role approaches, clear and effective communication by AMLA with both market participants and NCAs will be vital. To support this, information should be exchanged, where feasible, through automated systems. AMLA has an opportunity to become a leader in advancing SupTech solutions that allow real-time access, feedback loops, and data aggregation.

That AMLA successfully addresses the outlined challenges-as well as many others beyond the scope of this text-is ultimately in the best interest not only of AMLA itself, its staff, NCAs and other cooperating institutions, but also of the supervised entities and all EU citizens. National authorities are fully prepared to play an integral role in aiding AMLA to succeed in its mission by providing comprehensive collaboration - which they, in turn, rightfully expect from AMLA.



PHILIPPE VOLLOT

Managing Board Member & Chief Financial Economic Crime Officer – Rabobank

Why risk-based AML/CTF is key to smart and effective legislation and supervision

As the EU's AML Authority (AMLA) prepares to reshape the supervisory landscape, FIs are navigating a period of opportunity and uncertainty. We believe that a risk-based approach to AML/CTF is the most effective and future-proof strategy: less where possible and more where needed – easing the burden on trusted clients while disrupting more effectively the networks of organized crime.

Rule-based vs. risk-based: A smarter way to fight financial crime

Rule-based AML/CTF systems rely on static thresholds and prescriptive checklists. While this offers clear guidance, it often results in inefficiencies, such as:

- Over-reporting of low-risk activity to FIUs
- Under-detection of complex laundering schemes
- Compliance fatigue, where FIs focus on ticking-the-boxes, rather than threat mitigation

A risk-based approach enables FIs to allocate resources proportionally to risks: enhancing detection quality while reducing the AML/CTF burden on low-risk clients.

AMLA and practical, proportional legislation and supervision

AMLA started operations in the summer of 2025. While its full model is evolving, early interaction has been encouraging. AMLA has expressed clear commitment to efficiency through technology and a risk-based approach. As FIs, we contribute to AMLA's success by sharing implementation insights and advocating for flexibility in applying risk-based principles. Currently, both the AMLR and the initial Regulatory Technical Standards (RTSs) from the EBA offer limited discretion for FIs to tailor risk-based models. If AMLA adopts a similar stance, flexibility may be further constrained. That's why it's critical we engage early and positively – to help shape a regulatory and supervisory approach that is robust, practical, proportionate, and customer-conscious.

Direct supervision by AMLA: Clarifying the criteria, together

AMLA's mandate includes direct supervision of high-risk and cross-border FIs, but uncertainty remains about which entities will fall under this oversight. To address this, EBA published draft RTSs outlining a two-step selection process: eligibility based on cross-border activity and a harmonized EU-wide risk assessment. While a step forward, the criteria can be further refined by:

- Refining volume-based thresholds by adding qualitative risk indicators (e.g. exposure to high-risk sectors/products)
- Introducing a risk-based override for entities below thresholds with systemic or emerging risks
- Ensuring transparent communication to prevent misinterpretation and maintain trust

AI in AML/CTF: Unlocking potential, managing uncertainty

AI technologies are increasingly key in areas like transaction monitoring. However, there is still legal uncertainty around how AI can be used in AML/CTF compliance. Key concerns include:

- Data protection and retention (notably under GDPR)
- Use of AI in critical decisions, such as refraining from executing transactions
- Model explainability and transparency
- Supervisory acceptance and consistency across jurisdictions

For cross-border FIs, this uncertainty creates operational and compliance risks.

To support responsible and effective AI adoption, AMLA should provide:

- Clear guidance on acceptable AI use cases (e.g. automated SAR filing, transaction screening and blocking)
- Standardized expectations for model governance, auditability, and data retention
- Legal certainty on how AI-driven decisions will be assessed during supervisory reviews

> Risk-based AML/CTF isn't just preferred—it's a smart and strategic necessity.

What public and private sectors must do together

An effective transition to risk-based AML/CTF supervision requires collaboration between policymakers, supervisors, FIUs, Law Enforcement Agencies and FIs, which requires:

- Jointly promoting consistent application of risk-based principles, ensuring a level playing field and reducing fragmentation
- Co-developing clear guidance on the use of AI and digital tools in AML processes.
- Clarifying AMLA's supervisory perimeter early, so FIs can prepare effectively and align their internal frameworks
- Sharing emerging threats patterns and schemes when legally possible

By working together, we can build a framework that is not only compliant, but also efficient, adaptive, and focused on real risks to improve early detection in fighting AML/CTF.

Conclusion: a joint effort for an effective and efficient system to prevent and detect financial crime

The shift to a risk-based AML/CTF framework is not a regulatory preference – it is a strategic necessity. For this model to succeed, we require clear guidance, consistency and collaboration. At Rabobank, we are committed to working with AMLA, national authorities, and industry peers to help shape a system that is not only compliant, but truly effective in preventing and detecting financial crime.



JEROME LACHAND
General Secretary – CCF Group

Retail banks expectations from AMLA

As a French retail bank navigating a rapidly evolving regulatory and technological landscape, we view the establishment of the Anti-Money Laundering Authority (AMLA) as a pivotal opportunity to harmonize compliance standards across the European Union. The current fragmentation of AML supervision, with varying interpretations and enforcement practices among national authorities, creates inefficiencies and compliance burdens. AMLA has the potential to unify these approaches, fostering consistency, clarity, and operational effectiveness. However, this harmonization must not result in additional regulatory layering. Instead, AMLA should streamline expectations and reduce duplicative obligations by aligning national and EU-level requirements. This point underscores the broader need for regulatory clarity and operational flexibility, especially as institutions adapt to a rapidly changing technological and compliance landscape.

One of the most pressing challenges we face is the lack of detailed and actionable guidance on key compliance areas. For instance, the criteria for evaluating transaction monitoring systems, the expectations for model governance, and the standards for risk-based approaches remain insufficiently defined. This ambiguity complicates the implementation of effective AML frameworks and increases the risk of divergent supervisory outcomes. AMLA should prioritize the publication of clear, practical guidelines that support institutions in aligning their compliance programs with evolving expectations, while also enabling innovation and proportionality. Institutions often face ambiguity when interpreting supervisory expectations, particularly in areas such as risk scoring methodologies, model validation, and the integration of new technologies. Clearer, more granular guidance from AMLA would empower compliance teams to align their frameworks more effectively with supervisory priorities, reducing the risk of misalignment and regulatory friction.

In response to these challenges, CCF Group has undertaken a comprehensive modernization of its AML framework, integrating Artificial Intelligence (AI) and Robotic Process Automation (RPA) to enhance detection capabilities, reduce false positives, and streamline alert handling. These technologies offer significant promise, but they also introduce new legal and operational uncertainties that must be addressed to ensure sustainable adoption. These technologies have revolutionized the way financial institutions detect suspicious activity, enabling faster, more accurate identification of anomalies. However, their deployment introduces new layers of complexity, particularly in ensuring that automated decisions remain explainable and that data usage complies with evolving privacy standards.

AMLA should harmonize compliance while enabling secure innovation in AML technologies.

First, the use of data in AI-driven AML systems raises complex questions about data protection, especially when combining personal, transactional, and open-source data. AMLA should clarify the legal bases for data processing in cross-border contexts and provide guidance on data minimization, retention, and sharing practices that balance compliance with privacy rights. Institutions often face ambiguity when interpreting supervisory expectations, particularly in areas such as risk scoring methodologies, model validation, and the integration of new technologies. Clearer, more granular guidance from AMLA would empower compliance teams to align their frameworks more effectively with supervisory priorities, reducing the risk of misalignment and regulatory friction.

Second, the auditability of AI models remains a critical concern. Supervisory expectations regarding explainability, traceability, and human oversight of automated decisions must be clearly articulated. AMLA should define standards for model validation, documentation, and governance that ensure transparency without stifling innovation. These technologies have revolutionized the way financial institutions detect suspicious activity, enabling faster, more accurate identification of anomalies. However, their deployment introduces new layers of complexity, particularly in ensuring that automated decisions remain explainable and that data usage complies with evolving privacy standards.

Third, the governance of compliance technology requires a secure and flexible framework for experimentation. Institutions often face ambiguity when interpreting supervisory expectations. AMLA could facilitate this by establishing regulatory sandboxes or pilot programs that allow institutions to test new tools under supervisory guidance. Such initiatives would promote responsible innovation while ensuring that emerging technologies meet regulatory expectations.



AAMIR HANIF
Regional Vice President, AML Compliance for EU / CIS / Africa - Western Union

AMLA and financial institutions: Challenges and opportunities

The European Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA or Authority) presents all financial institutions (Fis) in Europe with a unique and transformative opportunity through:

1. the implementation of a single rulebook which will create regulatory convergence and consistency across Member States;
2. the development of harmonised supervisory practices that will allow for the consistent implementation of the single rulebook; and
3. stronger cooperation among the region's Financial Intelligence Units (FIUs) which will enhance information exchange and allow for more cohesion between law enforcement organizations (LEOs) and increase the effectiveness of the fight against financial crime.

FIs recognize that these changes will bring clarity and predictability to their operations. They are also aware that the implementation of these changes, which have their own complications, will require significant investment of human and technology resources, and that the implementation of these changes will likely require a period of adjustment.

Harmonized Rulebook: The Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) Regulation[1] establishes a single rulebook of AML rules applicable for Member States across the European Union (EU). The introduction of harmonized rules for, among other items, risk assessments, Know Your Customer/Customer Due Diligence (KYC/CDD), record-keeping and post-onboarding monitoring controls in the Rulebook is welcomed. However, the challenge of supervisory divergence remains however as Member States can still impose requirements based on national risk assessments. As such, clarity on this point will be welcome by the FIs and allow FIs to adequately prioritize their resources.

AMLA's Mandate: The AMLA Regulation[2] established the Authority defining its tasks and powers with the AMLA's primary mandate being to "coordinate national authorities to ensure the correct and consistent application of EU rules[3] [through:]

- Directly supervising selected financial sector entities that operate on cross border basis and present high risk of money laundering and terrorism financing (ML/TF), as well as indirectly supervising other entities in the financial and non-financial sectors;
- Supporting and coordinating FIUs by facilitating joint cross-border cases analyses, enabling controlled information exchange, providing capabilities, advanced data analytics and managing the common FIU.net information system; and
- Complementing EU AML/CFT rules by developing regulatory and implementing technical standards and issuing guidelines.

AMLA Supervision: Money Transmitting (MT) firms are generally considered to be high-risk and their business model is focused on cross-border transactions. As such, it would not be a surprise if the larger MTs are supervised by AMLA given the Authority's mandate to directly supervise FIs deemed to be high-risk.

Therefore, MT FIs who fall under the direct supervision of AMLA are preparing for a new framework which, while harmonized across the EU, may result in more requests for information (RFIs) and increased engagement with the FIUs. These changes will be in addition to the updates that FIs will need to make to their governance structures, their entity and country risk assessments, subsequent KYC/CDD frameworks and screening and monitoring controls.

Even those FIs that will not be directly supervised by AMLA as those indirectly supervised by AMLA will need to need to develop and implement changes to their frameworks including ensuring that their risk assessments and controls are aligned with the new standards.

FIU Coordination: The AMLA is also responsible for "strengthening the working methods and cooperation of FIUs, ensuring robust information exchanges and enhanced collaboration with LEOs" by fostering a shared AML/CFT culture with National Competent Authorities (NCAs), FIUs, LEOs, EU institutions and private stakeholders to ensure cohesion and trust[4] ". The absence of a harmonized template for submitting suspicious transaction reports (STRs) is acknowledged. However, it is hoped that AMLA's coordination of the national FIUs will allow for the creation of effective teams focused on the analysis of cross-border STRs thereby hampering the ability of criminals to easily transition between the region's borders.

Cross Border Impact: The harmonization of the rulebook and the improved coordination between the FIUs are two of the factors that will be welcomed by FIs conducting business across borders. While some regulatory divergences may remain, these will be much fewer and the AML requirements more consistent across Member States. These are significant benefits and it is hoped that regulatory authorities will provide FIs the required periods to implement the changes that these new regulations require for their successful implementation.

Conclusion: Western Union has consistently supported the creation of AMLA, especially when it comes to the supervision of entities with large cross-border operations. The AMLA can add efficiency to the EU's supervisory process, especially for financial institutions with cross-border activity within the EU. More importantly, we believe that it can have a truly positive effect on how the fight against financial crime evolves to confront a rapidly changing landscape.

1. *Regulation - EU - 2024/1624 - EN - EUR-Lex (https://eur-lex.europa.eu/eli/reg/2024/1624/oj).*
2. *Regulation - EU - 2024/1620 - EN - EUR-Lex (https://eur-lex.europa.eu/eli/reg/2024/1620/oj).*
3. *About AMLA - AMLA (https://www.amla.europa.eu/about-amla_en).*
4. *AMLA Work programme 2025.*

EXPLORE OUR WEBSITE
WWW.EUROFI.NET



To get information on our events.

Download our most recent publications.

Access content on key topics in financial regulation and market trends covered by Eurofi.

ENHANCING THE NBFI RESILIENCE



FRANCESCO MAZZAFERRO
Director General of Secretariat – European Systemic Risk Board (ESRB)

Risk assessment, regulation and supervision – a system-wide approach

A system-wide approach is key to assessing and addressing risks and vulnerabilities to financial stability. This entails combining an entity-based approach with an activity-based approach to capture risks and vulnerabilities that cut across traditional boundaries. But this dual focus on entities and activities should not be confined to analysis. It also needs to be adopted in regulatory frameworks to avoid gaps in regulation and prevent regulatory arbitrage, and it needs to be mirrored in supervisory frameworks to ensure coordination and harmonisation. The importance of adopting a system-wide approach was one of the central messages in the European Systemic Risk Board (ESRB) response to the European Commission's consultation assessing the adequacy of macroprudential policies for non-bank financial intermediation (NBFI).

A successful capital markets union will lead to a larger role for NBFI and stronger connections between banks and non-banks. Such connections have already been growing in recent years. This interconnectedness can have advantages, as it allows risks to be transferred to parts of the financial system that are better equipped to manage them or more able to absorb their impact when they materialise. Redistributing risks in this way can enhance the resilience of the financial system, but it needs to be accompanied by robust oversight and regulation to ensure that the growing interconnections between banks and non-banks do not create new vulnerabilities or exacerbate existing ones.

Private credit is a prominent example of an activity that creates connections between banks and non-banks. The term refers to the provision of credit by non-banks rather than through banks or public markets. Private credit funds have expanded their lending to borrowers traditionally funded by banks, thereby creating common exposures. Private credit funds also specialise in lending to firms with high levels of leverage and those that have elevated credit risk for other reasons. Because the money they lend is provided by investors rather than by depositors, as is the case with banks, such lenders are better equipped than banks to carry this elevated risk. However, banks have also increased their lending to private credit funds, thereby exposing themselves to the higher credit risk of the underlying firms. Moreover, large institutional investors, such as pension funds and insurance companies, are key participants in both private and public markets. Disruptions in private markets therefore have the potential to spread to the banking sector and institutional investors, creating wider ripple effects across the financial system. Such interconnections need to be understood, monitored and assessed to safeguard financial stability.

System-wide stress testing exercises are a useful tool to assess the risks to financial stability. They do so by exploring adverse scenarios in which interconnections between banks and non-banks may become channels for contagion. Such exercises can be broadly divided into two approaches: "bottom-up" and "top-down". Bottom-up exercises, such as the Bank of England's system-wide exploratory scenario, engage with market participants directly to evaluate their resilience under adverse conditions. While such exercises can yield valuable insights, it would be challenging to scale them up to the EU level as they are resource intensive and difficult to coordinate across markets and jurisdictions. Top-down exercises rely on modelling interconnections and behavioural responses of market participants. This poses modelling challenges, but, once a toolkit has been designed, such exercises are likely to be easier to manage and deploy. Recognising the benefits of the top-down approach, the ESRB will pursue efforts to develop such a toolkit, building on proposals set out in the report of the High-Level Group commissioned to provide strategic advice on the future of the ESRB.

The ESRB stressed the importance of adopting a system-wide approach to enhance financial stability.

Regulatory and supervisory frameworks play an important role in ensuring appropriate follow-up actions based on the insights gained from system-wide stress testing exercises. For this reason, in its response to the European Commission, the ESRB emphasised the need for activity-based regulation when risks to financial stability are independent of the entities performing a given activity. Similarly, the ESRB emphasised that greater integration of financial markets within the EU needs to be accompanied by deeper integration of supervision to reinforce the EU's collective ability to mitigate systemic risks effectively.



PATRICK MONTAGNER
Member of the Supervisory Board –European Central Bank (ECB)

Non-bank financial institutions: understanding transmission channels and regulatory challenges

In recent years, non-bank financial institutions (NBFIs) have become more prominent in financial intermediation, attracting greater attention from authorities worldwide. While NBFIs now account for more than half of financial sector assets in the euro area,[1] their significance and market dynamics vary considerably across entity types and jurisdictions. NBFIs encompass a wide range of entities, with different business models, balance sheet structures and regulatory frameworks – a reality that requires tailored approaches to address systemic risk. At the same time, interlinkages with banks and the rest of the economy, as well as across borders, require a global and system-wide perspective on the risks arising from NBFIs. In a globally connected financial system, international cooperation is essential to ensure consistent outcomes in regulating non-bank financial intermediation and to safeguard financial stability.

Understanding NBFI risks and transmission channels

We fist need to understand the various business models and identify potential transmission channels of financial distress. One such transmission channel potentially amplifying shocks is the NBFI sector's link to the economy. Money market funds, for instance, offer short-term investment opportunities for small and medium-sized enterprises and larger corporates. During times of stress, sudden redemptions may trigger liquidity mismatches, with spillovers to the wider economy.

The interconnectedness with the banking sector is another critical transmission channel. Banks and NBFIs are linked through a complex web of relationships. Banks now serve as counterparties in foreign exchange and interest rate swap networks, provide prime brokerage services with margin financing and maintain direct exposures to NBFI-issued instruments. These connections create amplification mechanisms that could transform localised shocks into system-wide disruptions. Recent ECB analysis[2], for example, revealed significant developments in private market funds, where assets under management have grown fivefold over the past decade. These entities can be part of more complex structures involving banks, through what we call "layered leverage" – borrowed capital introduced at multiple points along investment chains, from fund investors to portfolio companies themselves. When banks finance several levels of these chains simultaneously, seemingly straightforward exposures become intricate networks of related risks sharing common vulnerabilities.

Identifying new actors and the need for tailored regulation

The lines between asset managers, private equity firms, insurers and private credit funds are becoming increasingly blurred. For instance, private credit funds typically perform credit intermediation functions traditionally associated with banks, particularly in corporate credit markets, but without being subject to the same prudential requirements. Traditional classifications by product or entity type no longer fully capture the reality of more complex intermediation chains.

New regulatory and supervisory approaches are needed to address specific vulnerabilities. In a fast-evolving environment, microprudential banking supervision is sharpening its focus on banks' risk concentrations and interlinkages with the NBFI sector. For instance, this year the ECB has conducted an exploratory scenario analysis on counterparty credit risk (CCR)[3] to strengthen supervised entities' ability to model CCR under diverse stress conditions and provide a better understanding of vulnerabilities stemming from interlinkages with NBFIs. The exercise revealed significant variation in banks' CCR exposures, with differences in collateral practices having a considerable influence on stress profiles.

A broader macroprudential perspective is also needed to identify and address systemic risks in the NBFI sector. This should include assessing risks across financial sectors from a system-wide perspective, as well as enhancing the coordination of macroprudential policies for NBFIs at the EU level. The European Systemic Risk Board is well placed to support this effort. In addition, more integrated supervision of NBFIs would be a significant step towards developing EU capital markets.[4]

To address the systemic risks posed by NBFIs, we must also enhance the macroprudential toolkit at the EU level and complement existing rules focusing on investor protection and market integrity.[5] The Eurosystem made several recommendations in its response to the European Commission's consultation on non-bank financial intermediation.[6] First, Europe needs to swiftly implement recently agreed international reforms to the NBFI regulatory framework. This includes reforms to enhance the resilience of money market funds and to address vulnerabilities from liquidity mismatch in open-ended funds. Second, system-wide stress tests are essential to identify and quantify risks across the financial system. And third, effective oversight of NBFIs requires improved coordination between authorities and better access to data. Finally, in the context of increasingly complex and diversified NBFI structures, adopting an activity-based perspective, in addition to an entity-based perspective, is essential. It would allow regulators and supervisors to holistically assess and address risks wherever they arise, ensuring that the regulatory perimeter captures all relevant risks and remains adaptable to financial innovation.

1. *ECB (2024), Eurosystem response to EU Commission's consultation on macroprudential policies for non-bank financial intermediation (NBFI), November.*
2. *Buch, C. (2025), "Hidden leverage and blind spots: addressing banks' exposures to private market funds", The Supervision Blog, ECB, 3 June.*
3. *ECB (2025), Counterparty credit risk exploratory scenario exercise – Final results, August*
4. *ECB (2025), ESCB reply to the European Commission's targeted consultation on integration of EU capital markets, June.*
5. *Haas, F., Holthausen, C. and Madouros, V. (2024), "Financial intermediation beyond banks: taking a macroprudential approach", The ECB Blog, ECB, 28 November.*
6. *ECB (2024), Eurosystem response to EU Commission's consultation on macroprudential policies for non-bank financial intermediation (NBFI), November.*



FRANÇOIS HAAS

Deputy Director General, Financial Stability – Banque de France & Deputy SecretaryGeneral – Autorité de Contrôle Prudentiel et de Résolution (ACPR)

A system-wide stress test – what for?

In the wake of the 2008 financial crisis, stress testing has become a common part of the prudential supervision toolkit, aiming at assessing the ability of the banking system to withstand an adverse macroeconomic shock and providing forward looking reassurance on the solvency position of individual banks. Over the years, in the EU, this approach has been refined, extended and widened. Refined to underpin supervisory decisions (SREP); Extended to cover additional dimensions (liquidity management) or risks associated with other developments (climate, cyber); Widened to other parts of the financial sector (insurance, asset management).

Yet, current practices focus primarily on an individual perspective and on solvency issues, i.e. on firm level situations where liquidity stress is the symptom of an underlying solvency issue. While microprudential stress testing remains necessary, it is not sufficient to understand the vulnerabilities and assess the resilience of the financial system.

Ensuring an appropriate macroprudential oversight calls for a new type of "system-wide" stress tests. A first step in this direction has resulted from the application of top-down macroprudential stress testing tools to the banking system. Another step toward a system-wide perspective has been taken by "connecting" the traditional sectoral stress tests by using the same scenario and considering the low frequency feedback loops across sectors. This was the premise of the "fit-for-55" stress test.

However, while greatly improving the assessment, these approaches fall short of combining the cross-sector and macroprudential dimension that allows to capture the high frequency feedback loops within the whole financial system and their amplifying effects. Several recent episodes of financial stress ("dash for cash" in March 2020, energy crisis in late 2021/early 2022, Gilt market turmoil in Sept. 2022) have highlighted the relevance of such developments with system-wide liquidity stress having a momentum of its own rather than being merely the ominous sign of an underlying solvency issue.

As financial stress is mounting, destabilising feedback loops can be fuelled by the behavioural responses of financial institutions seeking to protect themselves, often leading to herding among market participants, fire sales of assets, etc. With the aim of capturing these high frequency system-wide dynamics, a new approach to stress testing is being developed as recently piloted in the UK by the BoE jointly with the PRA and the FCA or currently undertaken by the BdF, the ACPR and the AMF in France.

There are four key characteristics for such system-wide stress tests.

First, unlike previous sectoral stress tests, the objectives of any such exercise are not supervisory focused with a "pass or fail" outcome for financial institutions. Instead, they take a system-wide focus to assess how the collective reactions of a diverse set of market participants to a shock may propagate systemic risks at an EU level.

Second, contrasting with the usual static approach to stress testing, the essence of a system-wide stress test is to capture the response to a shock and how it reverberates within the financial system through interconnections and interactions between financial institutions. The dynamic and behavioural dimensions of the stress testing remain a challenge but are a core element of the assessment.

Third and as a consequence of the necessary focus on the stress dynamics, these exercises should improve modelling capacities and foster cooperation among participating authorities (bank, insurance and markets supervisors at the domestic and – ultimately – EU level). When properly conducted, bottom-up exercises can identify markets and investors reactions that are poorly understood ex ante by the regulator. These results can then be integrated in top-down models.

Fourth, system-wide stress tests should aim at increasing market participants' awareness of system-wide amplifications. The BoE exercise showed that participants can overestimate the ability of their counterparties to provide liquidity in times of stress. Likewise, they can also underestimate the price impact of other institutions selling similar assets. The financial system would potentially be more resilient to system-wide amplification if participants awareness in higher.

Ensuring an appropriate macroprudential oversight calls for a new type of "system-wide" stress tests.

To be truly "system-wide" in the European context, such an exercise must be EU-wide. This raises important questions regarding its practical implementation: which markets should we focus on? which institutions belong to the core of the EU financial system? how to design and implement the exercise? how to articulate the role of European institutions and national authorities in conducting the exercise? These are important questions we need to address but, for now, one thing is certain: a proper assessment of the resilience of the European financial system requires a system-wide approach to stress testing.



PRIMOŽ DOLENC
Acting Governor – Bank of Slovenia

Addressing the role of NBFIs in the financial systems in EU

NBFIs, a diverse range of entities without main characteristics of banks, play a pivotal role in the financial system by providing alternative sources of financing and risk pooling. They reduce dependence on traditional bank credit and foster financial diversity. That said, their growing size and interconnectedness with banks through exposures, funding, and market activities mean that vulnerabilities within NBFIs can propagate and amplify systemic risks in the banking sector, thereby affecting overall financial stability. The key challenge lies in balancing the advantages of efficient risk distribution with the need to limit contagion and the amplification of financial vulnerabilities. As a result, effective supervision and macroprudential policies targeting NBFIs are essential to mitigate risks arising from leverage, liquidity mismatches, and interlinkages with the broader financial sector.

The focus on NBFIs is not new, however, the sector has grown significantly in recent years and now holds just under half of global financial assets. As the EU pushes forward with its Savings and Investment Union initiative, this trend is likely to persist. While not a cure-all, more developed capital markets can help address EU investment shortfall by channeling resources away from traditional, mid-tech sectors and into innovative start-ups and expanding businesses. Deeper market integration may also introduce new challenges to financial stability and systemic interconnections making NBFIs increasingly important for banking supervision authorities.

Key mechanisms for monitoring NBFIs and their interconnections with banks must include several aspects, both at entity and activity level. Enhancing data collection and integration, especially in the form of incorporating more granular data sources would allow authorities to analyze banks' counterparty exposures, financial interlinkages, and regulated entities. This would narrow critical data gaps inherent to NBFIs, many of whom have lighter reporting requirements. The analytics should be strengthened by facilitating the development of advanced analytical methodologies and systemic risk indicators. This process should also be accompanied with a continuous surveillance and regular system-wide stress testing.

In order to achieve that, authorities should first bridge the microprudential regulatory gaps nationally and supranationally, which would allow for better cross-border coordination. For instance, FSB at the international level already coordinates the work of national authorities and international standard-setting bodies to promote the harmonized development of effective regulatory, supervisory and other financial sector policies across countries. Given the global activity of many NBFIs international cooperation with an effective oversight of cross-jurisdictional risks is key. Nevertheless, it is also crucial to maintain a flexible regulatory perimeter that can quickly adapt to cover new types of financial intermediation as they emerge, thus reducing potential blind spots in oversight.

Effective supervision and macroprudential policies targeting NBFIs are essential to mitigate risks.

Secondly, the macroprudential authorities at national and EU levels require a clear legal mandate outlining their powers, macroprudential tools, and accountability. This mandates the prevention and mitigation of systemic financial risks across borders and sectors as due to the extensive cross-border operations in the asset management sector a regulatory framework based solely at the national level may fall short in addressing financial stability risks in a consistent manner. To promote a uniform regulatory environment and minimize the risks of fragmentation or regulatory arbitrage, enhanced collaboration between EU and national authorities is crucial. The ESCB supports the EC's targeted consultation on EU capital market integration, viewing it as a significant move toward building a more cohesive and robust financial system within the EU. Roles of different supranational institutions and the national competent authorities should strive for effective prudential policies with strengthened communication, collaborative analysis, and aligned use of regulatory tools between supranational and national institutions.

To conclude, a more effective approach to monitoring and addressing systemic interconnections among NBFIs blends granular data integration, robust analytical models, prudential regulatory framework, coordinated prudential policy, and international cooperation. Closing surveillance gaps and adapting swiftly as the NBFI sector evolves prevents undermining the overall financial system resilience. Both robust micro- and macroprudential frameworks are required, which clearly define roles and strong coordination among multiple competent institutions. Each plays a distinct but interconnected role in risk oversight. Ensuring a level playing field between sectors and countries and focusing on institutional coordination, regulatory harmonization and transparency would reduce regulatory arbitrage and strengthen financial stability.



TAJINDER SINGH
Deputy Secretary General - IOSCO

Important strides in addressing systemic risks in NBFI

I recently tried to transfer money from my Spanish account to my account in India. The amount was quickly debited in Spain but took a long time to arrive in India. I couldn't get either bank to track it. The only comfort was that both were large banks under central bank supervision, but more information would have been reassuring.

While this is an example from the banking sector, this is also the kind of anxiety we also see as regulators – albeit at a higher, global level – with respect to systemic risks in the non-bank sector or so called "NBFI". To start, the term "NBFI", is too broad, covering many different entity types with vastly different characteristics and risks, often making any sweeping policy suggestions inappropriate.

Given the breadth of NBFI, there are unsurprisingly large gaps in data and statistics within NBFI. This presents a serious challenge for regulators when trying to effectively monitor and address systemic risk, which is one of IOSCO's three objectives--alongside investor protection and market integrity.

It's no surprise IOSCO has been front and centre on the policy development regarding NBFI over the last few years. Our work has been targeted, acknowledging that one size doesn't fit all. With carefully targeted policy and, ideally, with the right data, we can be effective in addressing specific sector vulnerabilities while also dealing with broader systemic risks.

The focus over the last few years cover familiar risks: liquidity, leverage, counterparty credit, operational.

Liquidity risk: A key area of focus has been liquidity mismatch in open-ended funds, particularly those with illiquid and less-liquid assets. In stress, the failure to meet redemptions could become an amplifying factor. Work by the FSB and IOSCO has promoted Liquidity Management Tools, including questioning daily liquidity for illiquid assets and encouraging more and consistent use of such tools. In this vein, IOSCO updated its 2018 liquidity risk management recommendations and added practical guidance last year: a good example of microprudential tools serving stability and investor protection together.

Leverage: While leverage can boost returns, excessive levels are risky, especially when combined with liquidity stress. FSB research found NBFI leverage matches household sector levels but is concentrated in certain pockets -- family offices, broker-dealers, hedge funds -- while traditional UCITS and mutual funds have little. The FSB's July 2025 recommendations that strongly benefitted from IOSCO's expertise and input call for better monitoring tools, clearer visibility on where leverage concentrates, and powers to act. IOSCO has long tracked synthetic leverage via derivatives, stressing the need for transparency to maintain trust.

> How to live with and address the residual discomfort: having more and better data.

Counterparty credit risk: CCPs, especially in derivatives, have improved transparency and netting. IOSCO has worked with both CPMI, and BCBS to strengthen cleared and uncleared margin frameworks. During pandemic market stress, some participants were surprised by margin calls, so we are working on making initial and variation margin more transparent and predictable.

Operational risk: This covers everything from power outages to cyber-attacks, cloud computing, AI, and other innovations. IOSCO and sister bodies are focusing on these risks.

Looking ahead, market, product, and technological innovation is knocking on our door and with it, uncertainty. While being cautious is our job, we should also avoid rejecting something just because it feels uncomfortable. At one time, creation of the corporate legal personality and the creation of shares would have been seen as innovation and would have caused unease, yet they drove growth. It is important that regulators foster the appropriate environment for growth while keeping a firm finger on the pulse.

While a lot of progress has been made, many supervisors still lose sleep over one thing: the lack of reliable and actionable data. As alluded to earlier, better market data lets firms manage risks themselves, reducing the need for heavy-handed regulation. Many of our recommendations urge boards -- whether of funds, CCPs, or broker-dealers -- to actively engage with risks, supported by better firm-level and market-wide data. The more we know, the less blunt future measures are likely to be. Technology and identifiers can help without overburdening firms with reporting obligations.

At IOSCO we are trying to do our part to bridge the information gap. This year, IOSCO launched its first public funds dashboard, using data from 39 jurisdictions covering 80% of global AUM and 120,000 funds, with figures on leverage by country, fund type, and strategy. Our ambition is to continue to build on this in the years to come.

While more and better data won't guarantee supervisors an eight-hour sleep, it will hopefully help them rest easier—as I was able to, once I received confirmation that my money finally reached India.



SARAH PRITCHARD
Deputy Chief Executive – Financial Conduct Authority (FCA)

Proactive, proportionate, and data-driven: a smarter regulator for NBFI

Markets regulators are increasingly thinking about how we can best support national economic growth. At the Financial Conduct Authority (FCA), we have made this a cornerstone of our new five-year strategy, and it is this mindset that shapes our approach to non-bank financial intermediation (NBFI).

NBFI plays a pivotal role in creating deep and efficient capital markets, contributing to growth. These firms provide alternative sources of financing, manage institutional and retail savings, and inject liquidity into the system — all major benefits to the real economy.

However, episodes of market stress like the 2020 'dash for cash' and the 2022 LDI crisis have also shown that the NBFI sector can contribute to instability during periods of market stress. Factors like liquidity mismatches, crowded trading, and concentrated leverage can amplify price volatility and lead to a loss of confidence that can spill over into the rest of the financial system, as well as across borders.

Our responsibility as authorities is to ensure that market integrity, financial stability, and confidence in the system remain intact even during periods of stress.

Authorities have been working together through the Financial Stability Board (FSB) and International Organization of Securities Commissions (IOSCO) to develop policy recommendations to enhance the resilience of the NBFI sector. In particular, I'm proud to have co-led the FSB's working group on leverage in NBFI, which recently published its final report and recommendations. This work on leverage, as well as earlier recommendations on liquidity mismatches in open-ended funds and strengthening the liquidity preparedness of market participants for margin and collateral calls are important steps forward in international work to strengthen the NBFI sector. Now, as we move into the implementation phase, jurisdictions will be considering what steps they need to take in response to these recommendations.

As a first step, authorities need to have the right data and information to be confident they can assess and address risks appropriately. This is particularly critical in a sector as complex and diverse as NBFI. Experience shows that, when we have the right data, we can supervise more efficiently, monitor risk more comprehensively, and design and calibrate policy interventions to be effective and targeted. As part of our commitment to being a smarter regulator, we are seeking to make this proportionate data-driven approach the standard across all our activities.

To achieve this, we need data that is accurate, timely, and risk sensitive. We also know that we need to engage internationally, working with international partners so as to narrow any gaps that obscure our view of potential risks, particularly those that are cross-border. Of course, we must also build proportionality into our approach: excessive reporting requirements can be costly, burdensome, and disruptive for firms, which can ultimately detract from growth. This is why we're committed to turning off regulatory returns that provide irrelevant or unnecessary data. It is getting the right data at the right time, not just more data, that matters.

We are tackling this issue on multiple fronts. Domestically, we are assessing the adequacy and efficiency of the Alternative Investment Fund Managers Directive (AIFMD); in Q4 2025, we will set out proposals to improve the quality of MiFID transaction reporting data.

Given the global nature of many NBFI activities, international work is also vital. The FCA supports work that encourages cross-border harmonisation of data standards, as well as steps towards enhanced data and information sharing. Bilateral and multilateral work are both key. Bilateral work is key for developing data and information sharing mechanisms for specific risks and data gaps, while multilateral collaboration helps us take steps towards wider consistency and coordination. Industry, too, has a vital role to play. By engaging with regulators, market participants can help us better understand what data needs to be shared between authorities and how regulators and industry can align better on measuring risk.

Our responsibility as authorities is to support the NBFI sector as a contributor to growth.

Taking steps towards being a smarter regulator is mutually beneficial. Greater consistency in reporting expectations across jurisdictions, as well as more targeted information and data sharing, should lighten the burden on global firms. Regulators can monitor risks more effectively and intervene more intentionally — and, ultimately, to safeguard the market integrity and financial stability that underpins sustainable economic growth.



STÉPHANE JANIN

Head of Global Regulatory Developments and Public Affairs – AXA Investment Managers

NBFI: from regulation to enhanced supervision and cooperation?

Since market events such as the March 2020 turmoil, prudential supervisors and securities regulators have developed their thoughts towards non-banks, being considered either as part of the wider range of market participants or in a targeted manner. The two most recent contributions on that NBFI topic came from the FSB and the BCBS, which respectively issued public reports on *"Leverage in Nonbank Financial Intermediation"* on 9 July 2025, and on *"Banks' interconnections with non-bank financial intermediaries"* on 10 July 2025.

One of the positive aspects of that latest publication by the FSB is that FSB's work was co-chaired by securities regulators (through Sarah Pritchard, Deputy CEO at the UK FCA) and central banks (through Cornelia Holthausen, Director General in charge of Macroprudential Policy and Financial Stability at the ECB).

That dual working leadership, as well as the content of FSB's report, shows probably that the approach regarding the potential systemic risks related to NBFIs is shifting, towards a more pragmatic and efficient approach:

- First, from a regulatory perspective as such, it is now widely recognized that some parts of NBFIs are already appropriately regulated. This is in particular the case in the EU for Asset Management Companies, which are already fully regulated through the AIFM and UCITS Directives – which were even enhanced last year. And FSB's report rightly recognized that some parts of NBFIs are less regulated than others;

- Therefore, from that basis, proposed actions are moving more towards supervisory and monitoring actions rather than regulatory ones. Both reports spot that the existing regulations may already provide for information to authorities; it remains now to see how authorities might optimize their use of all the information they receive, at least for regulated NBFIs (e.g. in the EU: MiF reportings; EMIR reportings; SFTR reportings; AIF and UCITS fund-by-fund reportings). On that aspect, let us mention the interesting experiment led by the AMF, which has started exploring the use of Artificial Intelligence and automated extraction tools for the analysis of regulatory reportings and on which it published first insights on 7 March 2025. In addition, practical actions by authorities such as System-Wide Exploratory Scenarios (SWES) like the one carried out last year by the Bank of England and FCA in the UK were helpful, as covering financial market activities and market participants in a holistic way. The Banque de France and AMF are currently preparing a similar exercise, meaningfully in our opinion;

- Still, the major remaining question regards cooperation and cross-border aspects among authorities.

The FSB and BCBS recognize the limitations related to those cooperation and cross-border aspects. Obstacles may reside in various forms. Regarding data as such, if their format is not harmonized upfront between securities regulators and prudential supervisors even in the same jurisdiction, it might complicate the setting of a common view of what is happening in their territory. As an example, currently in the eurozone AIF management companies have to report in parallel to national securities regulators and to central banks, but with different formats and contents of data. Obviously, as new AIF and UCITS fund reportings will have to be implemented by April 2027, it is critical to provide at least for a reporting by fund managers to a single authority (and ideally, at EU level instead of multiple national levels): it would both facilitate monitoring and supervision by authorities, and ensure reporting economies of scale for EU fund managers from an international competitiveness perspective.

The key remaining issue to be solved for monitoring risks relates to the cross-border aspect.

But ultimately, as financial market participants invest at global level, the key remaining issue to be solved for monitoring risks relates to the cross-border aspect. It should be tackled from a dual perspective. First and as for above, if data contents and formats are not standardized or interoperability ensured at global level, we do not see how international cooperation and action may really improve in the future. But the other, even more complicated aspect, was very rightly identified by the FSB in its July Report: the FSB calls for authorities to engage with their foreign peers *"to the extent legally feasible"*. While we may imagine that operational cross-border aspects might be solved between authorities, the legal aspect is not fully in their hands – accepting wide-range exchange of information at cross-border level is also at the level of politicians. It remains to be seen until where governments and political bodies are currently ready to go towards that direction in practice.



JOHN GOLDEN
Global Head of Insurance Regulation – Apollo Global Management

NBFIs: Addressing key questions while retaining key benefits

The growth of non-bank financial intermediaries (NBFIs) since the Global Financial Crisis (GFC) has deepened credit markets and expanded access to financing for the real economy. This trend is beneficial for borrows, who can now access deeper and more varied sources of credit at terms better tailored to meet their financing needs. In the U.S., NBFIs now provide approximately 68% of non-financial business lending, while banks provide approximately 32% of such lending, representing increasing diversification of credit provision and funding options for borrowers. Many NBFIs have long-dated funding sources that support long-dated financing solutions. Insurers, for example, provide long-dated financing supported by stable, long-dated liabilities in the form of policyholder contracts.

The post-GFC growth of NBFIs has been overseen by longstanding, fit-for-purpose regulatory regimes. The NBFI category represents an assortment of non-bank economic agents, including asset managers, insurance companies, broker-dealers, and investment funds, among others. Each of these entities operates within an industry that necessarily has its own fit-for-purpose regulatory regime that has effective tools to address potential risks. Many of these regimes, such as those in the U.S., have evolved over the past 100+ years, weathering numerous economic cycles and applying those lessons to current frameworks and practices.

Growth of non-bank credit provision has elicited understandable questions from global supervisors and central banks. Though effective tools and information are already available within individual regimes, answering system-level questions around these topics will take time, deep analysis, and engagement between industry and regulatory bodies. In our view, the following guideposts can help address questions and identify areas of focus while also taking into account key differences among the wide array of entities that comprise the "NBFI" label:

Data and Transparency: A myriad of data is reported by NBFIs to local and industry-specific regulators. For example, the U.S. statutory reporting regime for insurers requires granular, position-level reporting at the individual asset level. Under the regime, Athene's annual statutory statement is 7,500+ pages long and publicly available. A supervisory exercise to consolidate and reconcile reporting across global financial sector regimes and jurisdictions would help address open questions and identify areas where additional reporting or industry engagement would be helpful.

Leverage: Answering questions around leverage requires a differentiated, sector-specific approach. There is a wide variety of sources and uses of leverage across the financial system that differ substantially in risk profile and therefore warrant different regulatory treatment (e.g., hedging activities vs. leverage to supplement returns).

Liquidity mismatch: ALM is another area that requires a nuanced examination. NBFIs have a range of ALM profiles – many like insurers and closed-end funds have stable, long-dated funding that insulates them from short-term market disruption, requiring different supervisory tools than banks or open-ended funds that are more vulnerable to "runs."

Procyclicality: Driven in part by long-dated funding, NBFIs can act as countercyclical investors. For example, insurer lending expanded during the dot-com crisis and GFC while bank lending contracted.

Contagion / Interconnections: Examination of interconnections should focus on industries where existing regulatory regimes produce incentives for interconnections; for example, regimes that incent the use of derivatives to implement effective ALM programs and/or to manage credit risk.

Investment Risk: There are significant differences among the types of entities that are considered NBFIs, including the relative riskiness of their investment activities. For example, a significant percentage of insurer credit provision is investment-grade. Examination should be tailored to reflect the distinct risks, nuances, and definitions pertaining to specific types of capital providers, rather than a "broad-brush" approach.

Firms and regulators can address key questions while retaining benefits of diverse credit provision.

To address understandable questions as NBFIs continue to play a fundamental and beneficial role in financing the global economy, it is essential to have collaborative engagement between industry and regulatory bodies that acknowledges the specific nuances across entities comprising the "NBFI" label. By fostering open dialogue and taking a rigorous, analytical approach, industry and regulatory bodies can move beyond broad-brush frameworks and address key questions around NBFIs while retaining the benefits of diverse credit provision.

8

EU AND GLOBAL SUSTAINABILITY AGENDA

OMNIBUS DIRECTIVE PRIORITIES AND CHALLENGES 278

Sebastian Thomasius - Permanent Representation of the Federal Republic of Germany to the EU / **Suzanne Lloyd** - International Sustainability Standards Board / **Martina Tambucci** - Commissione Nazionale per le Società e la Borsa / **Anne-Karien von Fumetti** - MUFG / **Delphine Dirat** - London Stock Exchange Group / **Grégoire de Montchalin** - AXA Group

SFDR REVIEW TIMELINE AND PRIORITIES 284

Sirpa Pietikäinen - European Parliament / **Shaneera Rasqué** - Commission de Surveillance du Secteur Financier / **Inês Drumond** - Portuguese Securities Market Commission / **Laurence Caron-Habib** - BNP Paribas Asset Management / **Maria Pilar Galán** - KPMG, S.A. / **Julia Symon** - Finance Watch

ENERGY TRANSITION POLICIES 290

José Maria Brandão de Brito - Ministry of Finance, Portugal / **Miriam Koreen** - OECD Centre for Entrepreneurship, SMEs, Regions and Cities / **Sirpa Pietikäinen** - European Parliament / **Marina Marecos** - Mizuho Financial Group, Inc. / Mizuho Bank, Ltd.

SUSTAINABILITY RISK IN A FRAGMENTING WORLD 294

Barnabás Virág - The Central Bank of Hungary / **Linda-Eling Lee** - MSCI / **Guillaume Biron** - La Banque Postale / **Atsushi Yasutake** - The Norinchukin Bank / **François Coste** - Groupama

OMNIBUS DIRECTIVE PRIORITIES AND CHALLENGES



SEBASTIAN THOMASIUS

Head of Financial Services Unit – Permanent Representation of the Federal Republic of Germany to the EU

Making simplification work: Avoiding trickle-down and protecting SMEs

The Omnibus I package marks a welcome starting point for streamlining sustainability reporting obligations. However, unless accompanied by effective measures preventing an unintended trickle-down effect, the expected reduction in reporting burdens may fall short. This will also require targeted adjustments in financial sector regulation and supporting measures across all legislative levels. Simplification must not remain an isolated initiative—it must be implemented as a coherent and systemic effort across the EU's regulatory framework.

The Commission's ambition to simplify the EU regulatory acquis is both timely and necessary. To be fully effective, simplification should be pursued consistently across all legislative levels: regulations and directives (Level 1), implementing and delegated acts (Level 2), and supervisory guidance and methodologies (Level 3). Further "decluttering" of the legislative framework should be addressed in a structured and collaborative process involving the Commission, Member States, supervisory authorities and industry stakeholders.

A clear example of the need for such a comprehensive approach is the trickle-down effect of ESG reporting. While Omnibus I rightly aims to streamline sustainability disclosures under the Corporate Sustainability Reporting Directive (CSRD), sectoral financial regulations risk reintroducing complexity through the back door.

Financial market regulations—such as CRR/CRD, Solvency II, and SFDR—impose sustainability-related obligations that are distinct from, but sometimes aligned with, the CSRD. Financial institutions subject to these frameworks must collect ESG data from clients, borrowers or investee companies. If the sectoral rules are not updated in line with the Omnibus objectives, these institutions may continue to request extensive ESG data even from entities that are no longer (or never were) within the scope of the CSRD.

This trickle-down effect undermines the purpose of Omnibus I. It burdens small and mid-sized companies indirectly, via supply chains or financing relationships, and perpetuates complexity instead of reducing it. Simplifications envisaged by Omnibus I must not be impeded by parallel sectoral requirements where such requirements are not necessary for effective risk management.

To address this, it is of paramount importance that the financial sector's sustainability rules are reviewed and aligned with the broader simplification agenda. A comprehensive analysis of the financial market regulation framework—especially at Level 2 and 3—would be a valuable next step to identify and mitigate unintended trickle-down effects. This includes reviewing technical standards, ESA guidelines, and supervisory expectations.

Sustainability simplification means coherent, proportionate rules that prevent trickle-down burdens.

An important element in achieving effective simplification is the ongoing review of the European Sustainability Reporting Standards (ESRS). In her March 2025 letter, Commissioner Albuquerque tasked EFRAG with revise the ESRS to enhance proportionality and usability. This review provides a crucial opportunity to improve interoperability across reporting frameworks, eliminate redundancies, and focus on decision-relevant information.

A particular priority should be the reduction in the number of mandatory data points. Excessive disclosure requirements dilute relevance, increase costs, and undermine usability. A sharper, more targeted standard will benefit both preparers and users of sustainability information.

Equally important is the protection of SMEs from indirect reporting pressure. The voluntary standard for non-listed SMEs (VSME standard) developed by EFRAG is a promising tool for this purpose. It should serve as a "value chain cap"—a clearly defined boundary for what type of ESG information large companies and financial institutions may request from SMEs. The VSME standard should be implemented first and foremost as a protection of SMEs and may, for SMEs voluntary deciding to report on their sustainability performance, also serve as a flexible, proportionate reporting framework—not a backdoor obligation.

Simplification does not mean deregulation. It means designing regulation and conducting supervision that work in practice: coherent, proportionate and effective. It means reducing unnecessary complexity while maintaining ambition and ensuring transparency. If we want to achieve the full benefits of the Omnibus I package, we must ensure that its spirit is implemented across the regulatory landscape—horizontal and sectoral. Only then will simplification become meaningful and lasting.



SUZANNE LLOYD
Vice-Chair – International Sustainability Standards Board (ISSB)

Vision to reality: jurisdictions adopt ISSB sustainability disclosure standard

Two years since the launch of the first ISSB Standards, the creation of a global baseline of sustainability disclosures has gained significant momentum. Our mission is to enable investors worldwide to access better quality, globally comparable information for more informed investment and capital allocation decisions, ultimately supporting companies in attracting capital.

Global adoption of ISSB Standards

As of June 2025, 36 jurisdictions have adopted ISSB Standards or are in the process of finalising steps to introduce them into their regulatory frameworks. These jurisdictions represent approximately 60% of global GDP. That is significant progress in a short period of time.

To provide transparency to stakeholders about jurisdictional adoption, in June this year we published documents providing details about 33 of these jurisdictions across the world:[1]

- 17 profiles of jurisdictions that have already finalised their sustainability reporting approaches;[2] and
- 16 additional snapshots that give a high-level overview of jurisdictions that are still finalising their decisions.[3]

These documents explain each jurisdiction's approach to sustainability reporting, including the extent of alignment with ISSB Standards. These materials give our stakeholders a dedicated place to go for information about the uptake of our Standards.

Showing the current and targeted approach for each jurisdiction, the profiles set out both current requirements and future goals. For example, some jurisdictions may initially require disclosures from an initial set of companies with that population expanding over time.

Of the 17 profiles published, 14 jurisdictions have a stated target of full adoption of ISSB Standards, meaning they plan to require disclosures comparable with the ISSB's global baseline for both climate and other sustainability risks and opportunities. The remaining three jurisdictions have a different targeted scope, with two targeting climate-aligned disclosures only and one requiring only banks to apply the standards.

The widespread adoption underscores the support for a global baseline of sustainability-related disclosures for capital markets.

Interoperability with EU requirements

The EU has been a pioneer in advancing sustainability reporting, with EFRAG and the European Commission working to achieve EU policy objectives while aligning with global standards. From inception, the ISSB has collaborated closely with EFRAG and the European Commission seeking a high degree of alignment between our respective requirements. This is critical to achieve cost-effective reporting for companies and globally comparable information for investors given many companies will be subject to both ESRS and ISSB requirements.

The EU's Omnibus process, aimed at simplifying the first set of ESRS and reducing the number of data points required, presents a unique opportunity to further enhance interoperability. We continue to work with our European partners as they finalise their revised requirements to identify opportunities for further alignment, ensuring that information investors need is provided and clearly identifiable.

Jurisdictions representing 60% of global GDP are on the journey to adopt or use ISSB Standards.

The ISSB's building-block approach enables jurisdictions like the EU to add disclosure requirements on top of the ISSB's policy-neutral global baseline, to achieve their policy objectives while meeting investors' needs and facilitating cost-effective, efficient reporting for companies.

Conclusion

The momentum around the global baseline has delivered significant progress towards enhanced transparency and accountability in global capital markets. As the ISSB continues to engage with stakeholders, including in the EU, the path towards a global solution for sustainability disclosures becomes clearer. This collaborative effort will ultimately result in better-informed capital allocation decisions.

1. *We have not yet developed a profile or snapshot on the EU, given the ongoing Omnibus discussion.*
2. *Australia, Bangladesh, Brazil, Chile, Ghana, Hong Kong SAR, Jordan, Kenya, Malaysia, Mexico, Nigeria, Pakistan, Sri Lanka, Chinese Taipei, Tanzania, Türkiye and Zambia.*
3. *Bolivia, Canada, China, Costa Rica, El Salvador, Indonesia, Japan, Philippines, Rwanda, Singapore, South Korea, Switzerland, Thailand, Uganda, UK and Zimbabwe.*



MARTINA TAMBUCCI
Head of International Relations Unit – Commissione Nazionale per le Società e la Borsa (CONSOB)

Desirable simplification or just less transparency and less responsibility?

The Omnibus package first intervenes on the Corporate Sustainability Reporting Directive (CSRD), reducing the number of companies in scope due to raising of the minimum employee threshold for mandatory reporting on environmental, social and governance matters. The reporting pursuant to the Taxonomy Regulation (Article 8) is also substantially reduced in scope as result of its mandatory application only to companies with at least 1,000 employees and an annual turnover over €450 million, which will continue to be bound only by an obligation to report on their sustainability efforts. Finally, as regards the Corporate Sustainability Due Diligence Directive (CS3D), a simplification of the due diligence obligations is envisaged (like the limitation of adverse impact mapping exercise only to direct business partner and not along the entire value chain) with a final date of entry into force fixed to 2028 and consequent postponement of all related duties of apical responsibility to pursue ESG goals.

Companies will be required to employ "reasonable efforts" (rather than "best efforts") in designing transition plans that must 'contribute' (rather than "be compatible with") the goals of the Paris Accords (rather than commit to achieving the target of 1.5°C). On top of all, adoption of such plans by enterprises will be optional (rather than mandatory) until 2031, according to the Council's general approach.

Meanwhile EFRAG is conducting a thorough revision of the ESRS standards, following a few main directions: simplification of the principle of double materiality, improved readability and reduced granularity of information, improved comprehensibility, clarity and accessibility of standards, increased interoperability with international standards.

Transparency and responsibility, the two key levers mainly employed by the Sustainable Finance Action Plan to achieve a high-impact development, are now substantially depowered by the Omnibus and some more is due to come, as co-legislators seem willing to further simplify the sustainable finance framework.

While it is not difficult to argue that Europe did not properly assess the drawback effects of its own rush forward in a camp where many other jurisdictions were not following, similarly not difficult is to say that, at a time when the geopolitical context has become considerably more complex and fragmented, it would be wise to conform to the baseline defined by the IFRS-ISSB for ESG reporting, as a back-stop to reforms and with a view to continue ensuring interoperability.

Unlike many commentators, no strong criticism or enthusiasm is expressed regarding this change of approach, for the reasons outlined below.

Reportedly the Omnibus package is just an initial attempt within the EU necessitated strategy of simplification and burden reduction to re-gain competitiveness. How will this transform into real competitive advantages for European entities is hard to predict at this stage.

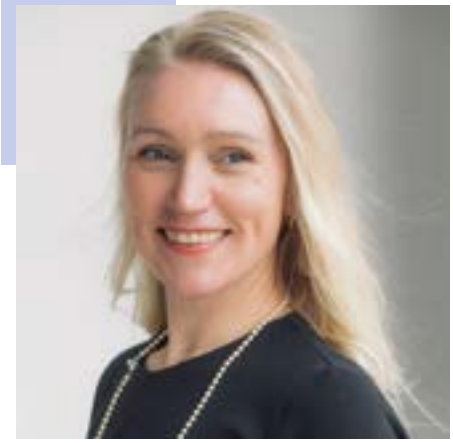
The possible effects in terms of competitive gains can, at the very least, be observed from three different perspectives, each for each stakeholders group.

From the point of view of financial intermediaries, the reduction in the scope of sustainability reporting requirements will mean a return to a situation (similar to the one existing under the previous Non-Financial Reporting Directive), in which the burdens imposed by the Sustainable Finance Disclosure Regulation (SFDR) will overstate the information that can actually be found, at least until the latter is consistently revisited (a proposal by the EC is awaited for the last quarter of 2025).

Companies that have already invested in ensuring compliance will, in the short term, face costs associated with the uncertainty and instability of the applicable legal framework. In the medium to long-term they will probably save money, provided they are not exposed to future legal, reputational and financial risks that the previous Sustainable Finance disciplines intended to help curbing. The question remains whether this money will be transformed into benefits for their stakeholders in general (thus, not only for stock/bond holders, but for all citizens, if they continue to commit to the sustainability transition). Also, will this money turn into competitive advantages over their international peers?

How this will transform into real competitive advantages for European entities is hard to predict.

Finally, from the end investors' perspective, the growth of their interest into sustainable or ESG products – such as Article 8 or Article 9 SFDR investment funds – seems to have actually started slowing down ahead of the Omnibus. However, it is difficult to predict whether joint efforts to increase both the level of awareness of ESG issues and of financial literacy of individuals, in general, will maintain a critical level of demand for ESG products/services. If this is the case, it is essential to ensure such a demand will still be met within the perimeter of the Union and not turned abroad, otherwise producing a paradoxical effect with respect to the stated objectives of the Omnibus.



ANNE-KARIEN VON FUMETTI
Director, Head of Regulatory Policy and Advocacy EMEA – MUFG

Unlocking net zero: An enabling regulatory environment for transition finance

As the clock is ticking towards 2050, the path to net zero remains steepest in the so-called hard-to-abate sectors: heavy industry, power, shipping, aviation, chemicals, and agriculture. These sectors account for a substantial share of global greenhouse gases but they lack scalable, commercially viable decarbonisation technologies in the short term. The global financial system holds the key to bridging this transition but only if regulators build frameworks that support long-term and riskmanaged investment in these industries. For these sectors, transition finance is not a luxury but a necessity. However, current frameworks often undermine this goal by prioritising green outcomes over enabling transition.

Take the EU's Taxonomy and Corporate Sustainability Reporting Directive. Though well-intentioned, their jurisdiction-specific standards and fragmented disclosures tends to create confusion and legal uncertainty for global firms. Similar transition efforts might be even deemed sustainable in one jurisdiction but not in another, dampening cross-border capital flows to where they're most needed.

To be effective, transition finance should operate in a globally coherent regulatory environment. That means: one disclosure standard, a unified institutional transition plan structure and an aligned assessment framework for tracking progress. Bodies like the ISSB and GFANZ are helping to pave the way, but without full regulatory adoption and harmonisation across jurisdictions, efforts remain fractured.

The EU has recognised the complexity of its sustainable finance architecture and has signalled its intent to simplify and streamline the regulatory framework with the EU Omnibus Directive. This is a welcomed and commendable move. If this momentum can now pivot toward creating a more enabling environment that rewards credible transition strategies and recognises the economic importance of financing hard-to-abate sectors, then Europe will be well-positioned to maintain its global competitiveness while achieving its ambitious climate targets.

Japan offers a compelling example of policy innovation in transition finance. Under its Green Transformation (GX) strategy, the government has launched ¥20 trillion (~US $144 billion) in sovereign GX transition bonds to mobilize over ¥150 trillion in public-private investments by 2033 targeting sectors like steel, power, shipping, and chemicals. Japan's Ministry of Economy, Trade and Industry, Ministry of the Environment, and Financial Services Agency, together with global financial institutions, have established a Public–Private Transition Finance Taskforce. In 2023, this group published a paper on "Addressing the Challenges of Financed Emissions", proposing pragmatic ways to assess transition plans, account for financed emissions linked to transition efforts, and enable banks to support high-emitting sectors without being penalised for their current carbon footprint. The combination of policy direction, public capital and regulatory clarity creates the conditions necessary for transition finance to thrive and offers a blueprint for others.

Providing data through disclosures is not likely to be enough. Financial institutions should feel confident to deploy capital in sectors where traditional returns don't yet justify risk. Overly rigid taxonomy rules or prudential measures that penalise carbon-intensive lending risk to only exacerbate that risk aversion. Instead, regulators should: embed interim performance thresholds and credible transition pathways in taxonomies, encourage supervisors to develop capital frameworks recognising plausible transition paths, support public-private blended finance to share first-loss risk and improve bankability. We need disclosure to inform financing but we also need bankability and smart risk management. Ultimately, transitioning hard-to-abate sectors is not just a technical challenge—it's a societal choice. Taxonomies and sustainability disclosures are essential tools, but they cannot deliver net zero alone. That goal will likely only be achieved if private capital is mobilized at scale in the real economy.

A globally coherent regulatory environment is needed for effective transition finance.

Europe now has an opportunity to do the same by evolving its regulatory architecture toward pragmatic, enabling frameworks that support credible, ambitious, and industry-specific transition journeys. With aligned international standards, shared expectations around transition plans, and strong public-private collaboration, transition finance can finally fulfil its purpose: to turn decarbonization into an investable proposition for every part of the global economy. Because net zero is a shared destination and getting there requires that no sector, no region, and no economy can be left behind.



DELPHINE DIRAT
Director, Government Relations and Regulatory Strategy – London Stock Exchange Group (LSEG)

Omnibus: Reduced obligations, unchanged expectations

As the Omnibus directive remains under negotiation, it is expected to substantially reduce the number of companies required to report under the Corporate Sustainability Reporting Directive (CSRD). While this regulatory shift aims to ease burdens, it does not change the reality on the ground: many investors still rely heavily on ESG data to guide decisions, manage risks, and comply with their own obligations.

In this evolving context, there is a clear opportunity to strengthen the EU sustainable finance framework by improving its usability. Both the EU taxonomy and the European Sustainability Reporting Standards (ESRS) can be refined to deliver more actionable, comparable, and decision-useful data. Streamlining technical criteria, reducing complexity, and clarifying expectations will help bring more companies on board, enhance data quality, and ensure that sustainable finance remains both credible and impactful without being overly burdensome.

Fewer companies subject to CSRD reporting: A shift in scope with varying effects across Europe

Current proposals under the Omnibus directive would significantly reduce the number of companies subject to CSRD. Based on LSEG's analysis, this contraction in scope will primarily affect private companies, which represented the majority of entities initially brought into the CSRD framework.

The effects of this adjustment are likely to differ from one Member State to another. In some countries, especially those with a high proportion of smaller companies, relatively few firms would remain in scope. This would lead to a lower volume of sustainability data coming from certain markets, while others continue to report more broadly, shaping a diverse reporting landscape across the EU.

Investor demand for ESG data remains strong

Despite these changes, one fact remains unchanged: ESG data continues to be key to many investors' decisions. Whether for managing risks, identifying opportunities, or fulfilling their own sustainability-related obligations, many investors rely heavily on access to robust, decision-useful ESG information.

Thus, companies scoped out of CSRD may still face requests from investors to continue disclosing key information. In particular, data on transition plans, green capital expenditures, and core social indicators remain in high demand for many in the investor community.

Whilst the simplification efforts under consideration in the Omnibus directive is welcome, it is likely ESG disclosures will continue on a voluntary basis. However, to support investors' needs, this information must be as comparable and robust as possible, aligning closely with existing standards.

Similarly, high-quality ESG ratings and scores depend fundamentally on the quality of the underlying data. Without credible disclosures from companies, the reliability of ESG assessments declines. Ensuring data quality at the source is therefore important to the integrity of the broader sustainable finance ecosystem and the ability to make cross-region or cross-industry comparisons. As the quality of estimated data is variable, regulating estimated ESG data can help improve transparency but will have limited impact if it is not supported by reliable and consistent disclosures from companies.

Without credible disclosures from companies, the reliability of ESG assessments declines.

Rethinking the EU taxonomy and reporting standards: A strategic opportunity

When it comes to the European taxonomy, a pragmatic reassessment is needed. Our latest analysis shows that less than 1% of the investable universe is currently aligned with the taxonomy, which may be an indicator of challenges with the existing framework.

To enhance usability and interoperability, a review of the 322 technical screening criteria and the 203 "Do No Significant Harm" criteria is beneficial. The announced streamlining exercise could eliminate redundancies, reduce subjectivity, and clarify ambiguous elements that currently allow for diverging interpretations. Many criteria are overly complex or fragmented, making implementation burdensome for companies.

The same opportunity exists for the ESRS. Greater interoperability with global standards like International Sustainability Standards Board (ISSB) would reduce reporting burdens and enable cross-border investors to better understand European disclosures.

Making both frameworks more accessible and functional is important to fulfil their intended purpose as a driver of sustainable investment across the economy.



GRÉGOIRE DE MONTCHALIN

Head of Planning Budget Results & Consolidation (PBRC) – AXA Group

The case for coherent sustainability reporting landscape: why the CSRD must lead

It would be a missed opportunity to approach the debate on simplifying European sustainability reporting solely through the technical lens of reducing scope or data points. It is rather an opportunity to, on the one hand, refocus the Corporate Sustainability Reporting Disclosure (CSRD) on its core purpose: a structured and operable corporate reporting framework with a focus on climate — and, on the other hand, to reconsider the role and necessity of both the Taxonomy and the Sustainable Finance Disclosure Reporting (SFDR) to achieve a much coherent and useful set of adjacent tools.

Firstly, let's seize this opportunity to clarify what is the real objective of corporate Sustainability reporting. Indeed, from the outset, the CSRD has rested on an unstable balance, mainly between two ambitions:

i. to enable each company to report based on a standardized framework;
ii. to serve as a European universal database on environmental impacts.

The proposals to raise the applicability thresholds (e.g., 1,000 employees by the Commission and Council, or 3,000 as proposed by the Parliament's rapporteur) *de facto* signal the end of universality. The first objective, thus focusing on the quality, comparability and decision-usefulness of corporate reporting, should accordingly be reaffirmed as being the key one. Moreover, simplifying means: positioning the CSRD as the structuring foundation of the climate and sustainability reporting, provided its content is adjusted to avoid a mere compliance exercise disconnected from business and operational realities.

Secondly, this revision must be carried out with both preparers and users following a logic of "trust the system". In the same way as users trust external auditors to secure the quality of financial information, sustainability reporting should focus on factual information that provides a fair representation of how the reporting entity handles its material Sustainability matters, not more. Furthermore, the climate transition plan, as per the European Sustainability Reporting Standards, should be more clearly acknowledged as the central tool of the transition , rather than this topic being scattered across other texts (i.e., the CSDDD and to some extent the proposed Sustainability Risk Plan RTS under Solvency II).

Lastly, a consolidated CSRD must go hand-in-hand with the repositioning of adjacent instruments which, in the absence of proper coordination, currently create redundancy and unnecessary complexity making the information unclear and confusing. On that idea, the Taxonomy and the SFDR should be reconsidered within a hierarchical — not parallel — framework to allow a clear and coherent distribution of roles across the texts over the current logic of siloed coexistence:

i. The Taxonomy was diverted from its original purpose as a classification tool and has evolved into a misaligned reporting obligation. The mandatory KPIs — especially for insurers — are ineffectively calibrated, not reflective of the actual contribution to the transition, and of very limited practical use. Ideally, the Taxonomy should be repositioned to a voluntary classification function — not leaving it a structuring reporting tool.
ii. The SFDR relies heavily on the widespread availability of CSRD data. With the proposed reduction in scope, this data foundation becomes partial. The SFDR must therefore be reviewed accordingly — potentially by reducing the granularity requirements or recognising alternative data sources. Furthermore, the SFDR being also based on the Taxonomy, it does not allow to properly consider for the transition needed for society. The European Commission must also factor in the political timeline of the Omnibus I package to inform the upcoming revision process.

Reconsidering the use and necessity of the Taxonomy and SFDR thus does not mean weakening them but rather aligning with what should be the main reporting tool: the CSRD. This realignment is the only way to ensure a coherent and functional framework.

> **The revision must be carried out with preparers and users following a logic of "trust the system".**

To conclude, simplification can and should be achieved without watering down EU's initial ambitions. It should be part of a comprehensive and systemic approach focused on effectiveness as well as value for users – ultimately to the society. This can be driven by the legislator to some extent, but most of it needs to be effectively achieved by gaining the market's adherence to the overall objectives.

SFDR REVIEW TIMELINE AND PRIORITIES



SIRPA PIETIKÄINEN

MEP, Committee on Economic and Monetary Affairs – European Parliament

What the EU sustainable finance should have meant for companies and investors?

The Sustainable Finance Disclosure Regulation was the first sustainable finance law during the previous term of the European Commission. What it should have looked like is very different as to what the outcome was - just like with the other sustainability legislation currently under review from the Corporate Sustainability Reporting Directive to the EU Taxonomy.

Sustainability disclosures and reporting should mirror financial disclosures and accounting. It's as simple as that. You allocate elements into categories and include harmonised indicators and science-based methods into calculating the effects. The system also needs a clear beholder of standards, such as the ISSB. This would enable harmonised and comparable global standards and mechanisms.

Companies don't need many data points to estimate their actual sustainability impacts - be they adverse or positive. Resource use - materials, energy, water or waste; emissions and chemicals - CO_2 and emissions into water, soil and air; biodiversity and direct and indirect land use are the core of climate and environmental impacts. Of course, as in accounting, these main categories would then be divided in sub-categories to reflect different industries' needs.

Investors need comprehensive information to assess the risks, trade-offs and added value more precisely. With a holistic view of actual adverse and positive impacts both in the downstream and upstream value chain - including the full lifecycle from cradle to grave - investors are able to better appreciate long-lasting products, services or digital solutions.

Let's take the example of pallets, a sturdy staple of logistics everywhere. To make them, we're cutting down or using valuable wood, spraying them with toxic chemicals and despite improvements in reuse, a portion of them still end up lying in warehouse yards. The pallets could be taken towards a more service-based rental model with location tracking or we could boost the development of new composite materials for them.

When producing a new product or business model, it's almost impossible to optimise everything in the process. Therefore, the cumulative effects from resources, emissions and biodiversity are needed for informed investment decisions. What the current Omnibus I proposal does, is that is severs the information flow almost entirely, so investors will not have the enough knowledge for informed decisions and risk management. With the current draft, companies are soon forbidden to even ask for data from their value chain partners.

EU Taxonomy's challenge is that it measures inclusion not impact. The innovative and disruptive green products are exactly what we need to bridge the worsening gap between where we are and where science says we should have already been years ago. Without being Taxonomy-aligned or including the whole lifecycle assessment, it is difficult for investors to pick the targets for largest actual impacts.

The Taxonomy, and the SFDR classification, needs to be one of benchmarks supporting the transition and set on an evolving scale. The highest benchmark would be for science-based activities fully carbon neutral and within the planetary boundaries. The best of the best, most likely new, highly innovative and super green - the solutions often outside the Taxonomy.

Coming to the current dark greens, these are the companies highly attractive to investors, receiving beneficial treatment as the Taxonomy pushes investment flows towards this category. Light greens should equally promote transition towards full alignment but the problem with the current static system is that for example natural gas remains a transitionary raw material "forever". The scale would also need definitions for red and black categories. Red would mean inaction with regards to sustainability and black stemming from risk assessments - meaning fossil-based business activities, destructive to biodiversity and heightening land erosion, excessive water consumption as well as a disrespectful and bad governance around sustainability.

Currently, the challenge exists in the EU Taxonomy measuring inclusion not impact.

Companies' transition plans should be based on this scale. If a large company pledges to let go of fossil-based raw materials and energy within six years, they need to implement their transition plan into annual milestones and audit them. Just having a plan and moving according to it makes a company light green - and lack of progress would move them back into the red sector. With advancements and reaching goals, the company would be included in the dark green class and with the benefits of preferential treatment.

The best side to this transitional scale would be accuracy and providing a more realistic image as to where companies truly are and what needs to be done. The super green share would most likely be under 5 % and the dark greens 15-20 % even on an optimistic assessment. The risk assessment would also highlight where investments are needed most urgently for most impact and possibly help investors move away from the impending problem of stranded assets.



SHANEERA RASQUÉ

Head of Regulatory Projects and Sustainable Finance – Commission de Surveillance du Secteur Financier (CSSF)

Reforming SFDR and refocusing on climate action

The entry into force of the SFDR in March 2021 marked a significant milestone in the EU sustainable finance journey. By enhancing transparency with respect to sustainability-related products, the SFDR has helped shed light on the critical issue of addressing climate change impacts. It has encouraged market participants to bolster their offer of sustainability-related products. However, recently, we have observed a sustained decline in investor demand for the greenest investment offerings under SFDR - products disclosing under Article 9 of SFDR which are designed with a sustainable investment objective. Redemptions from funds disclosing under Article 9 have persisted and according to latest market intelligence, have reached an all-time high in Q1 2025. Funds disclosing under Article 8 of SFDR having been relatively spared, netting new money, which may be explained by the broad range of products Article 8 of SFDR accommodates.

The geopolitical context in which we are evolving is one of the factors that can help explain the observed trends. However, the impact of the legislation and its implementation also merit consideration. The sustainable finance framework continues to put the EU in a pioneering role in the area but its implementation by market participants - and the supervision thereof by national competent authorities- remain challenging. This is mainly due to the absence of clarity on several foundational concepts of the regulation, like that of a sustainable investment, the computation of the proportion of sustainable investments, including the consideration of derivative instruments or how to ensure/measure alignment with the do no significant harm principle. This absence of clarity on such key concepts has resulted in several iterations of the regime. But revisions which do not bring the necessary clarifications only create legal uncertainty as well as undue complexity and, in the end, undermine the credibility of the framework. At the same time, the EU has further strengthened the existing regime through new regulatory initiatives. The latest initiative being the ESMA Guidelines on funds' names using ESG or sustainability-related terms in their names. The application of the Guidelines builds on the (unclear) foundational concepts of the SFDR. Also, they do not apply to all SFDR products but only to funds, which is conducive to contributing to market fragmentation. Because some of the core concepts underpinning the Guidelines – such as the list of ESG terms that trigger their application - are not clearly defined, the practical application of the related provisions is likely to lead to confusion. The recent Omnibus legislation on sustainability reporting, introduced in early 2025, proposes to narrow the scope of the CSRD. This shift is likely to have significant implications for the SFDR, particularly regarding the ability of market participants to comply with their quantitative disclosure requirements.

Sustainability remains a globally critical priority, and the EU must continue to treat the issue as such.

Against this backdrop, two key elements stand out. First, while sustainability-related investments appear to suffer headwinds in recent times, it is a fact that that climate change does not wait. Sustainability remains a globally critical priority, and the EU must continue to treat the issue as such. Secondly, the financial sector shall remain an important part of the jigsaw to mobilize private financing to reach the objective of the EU Green deal and hence allow the EU to become climate-neutral by 2050. The sine qua non condition is the implementation of a trusted, robust and coherent sustainability framework that enables large-scale mobilization of private investments to drive the transition. The announced revision of the SFDR by the European Commission to address the shortcomings of the SFDR is thus welcomed. It is essential that the sustainability framework builds on commonly accepted foundational concepts that are clear and robust. The current disclosure categories under the SFDR need to be redefined. While SFDR has been used as a labelling regime, Articles 8 and 9 may fall short in enabling investors navigate the broad range of sustainability-related products. To enhance transparency, product categories based on clear and objective criteria – such as those under the Taxonomy Regulation - are needed to better inform investors on the investment objective of the product. Recognizing that greening the economy is not a linear process, the categories must accommodate transitional assets, which SFDR currently lacks. Product disclosures need to be revised to be more investor centric, adapting to varying levels of investor sophistication. The current templates are too complex for retail investors and might trigger an information overload.

A review of SFDR should now be undertaken in the spirit of resolving existing issues once for all, enabling a renewed focus on addressing the pressing issue of climate change. Investor trust is pivotal to any policy effort and only a well-designed framework can help uphold trust.



INÊS DRUMOND
Vice Chair – Portuguese Securities Market Commission (CMVM)

Reviewing the SFDR to better fit its purpose

The SFDR is a key pillar of the EU's sustainable finance framework designed to bridge the financing needs underlying the transition to a sustainable economy with investors seeking sustainable investment opportunities.

For the regulation to effectively achieve its objectives, investors should have access to simple, clear and useful information on the sustainability characteristics of financial products, while avoiding excessive disclosure burden on financial market participants (FMPs), notably when that disclosure does not add meaningful value to investors' decision-making.

A paper published by ESMA (in April 2025) shows that the use of ESG-related terms increased significantly among EU fund names between 2015 and 2024 and that adding an ESG term can significantly boost fund inflows. Furthermore, the impact of the 2024 ESMA guidelines on funds' names - leading to funds rebranding and/or portfolio changes - demonstrates the importance of having clear rules and criteria, rather than relying on vague concepts leading to different interpretations across Member States/FMPs. Effective supervision and supervisory convergence across EU Member States play a key role too in avoiding the potential misuse of sustainability-related claims by investment funds. This evidence shows how important the information disclosed to investors is and, consequently, the key role that regulation addressing ESG-related disclosure requirements plays in this context.

While the SFDR has brought many challenges and there is still room for improvement as highlighted in the key findings of the ESMA Common Supervisory Action on the integration of sustainability risks and disclosures, there has also been a progressive and satisfactory level of compliance. However, after four years of implementation, there is broad recognition that the SFDR regime needs to be reviewed to improve the effectiveness of its rules as well as their coherence with other key elements of the EU's sustainable finance framework. The following aspects should be addressed:

Firstly, and to provide retail investors with information that is easy to understand and effectively useful for their investment decisions, the introduction of well-defined "sustainable" and "transition" product categories, clearly indicating the sustainability ambition and objectives of a product, seems the way forward. These two categories should be based on objective and measurable criteria, each with specific minimum quality and disclosure requirements, as well as rules governing naming and sustainability claims. MiFID should then be revised to take the introduction of these product categories into account.

Now is the time to improve consistency across the EU sustainable finance regulatory building blocks.

Secondly, the SFDR revision should be focused on product-level disclosure, providing the most relevant information to investors, while streamlining entity-level disclosure, whose usefulness to investors appears insufficient to justify the burden they impose on FMPs.

Thirdly, the ambiguity of certain key SFDR definitions should be addressed, especially the concept of "sustainable investments." By aligning it more closely with the EU Taxonomy, the definition should be made more prescriptive and harmonized, with a clear link to the criteria defined for the new product categories. This would greatly improve transparency, comparability, and credibility across the market.

Ultimately the SFDR review should not only be aligned with the 'Omnibus' package focused on the simplification of sustainable finance regulation – as the underlying regimes (notably the Taxonomy Regulation and the CSRD/ESRS) are closely interlinked and it is therefore necessary to properly assess how the proposed changes affect each other –, but also with other ongoing initiatives such as (i) the RIS – whose main objective is precisely to empower retail investors to make investment decisions that are aligned with their needs and preferences; (ii) the SIU, to the extent that it aims to create better financial opportunities for EU citizens and reduce fragmentation in EU capital markets; and (iii) the Competitiveness Compass, the roadmap to restore Europe's dynamism and boost economic growth.

The implementation of the SFDR entailed significant investment, resources and time from FMPs. Striking a balance between revising the SFDR from a retail investor perspective and sparing FMPs from significant additional implementation costs is highly challenging. However, an investor-centric approach must be combined with a competitiveness check to ensure that this review addresses the concerns put forward by different stakeholders in a balanced manner, while promoting the transition to a more sustainable economy. Ideally, all proposed solutions should thus be tested with both retail investors and FMPs to ensure they meet the intended objectives.

Now is the time to improve consistency among the several EU sustainable finance regulatory building blocks and to guarantee the holistic approach that is needed concerning the broader EU regulatory strategy.



LAURENCE CARON-HABIB
Head of Public Affairs – BNP Paribas Asset Management

The SFDR review should not be a missed opportunity

The SFDR review started in September 2023 with the European Commission's extensive consultation on this revision process. Since then, many discussions held have resulted in the identification of two main pillars to simplify the understanding of retail clients and to facilitate their investment decision making: introduce 3 categories (Sustainable, Transition and other ESG) and massively simplify the disclosure requirements. These evolutions are going into the right direction. However, their concrete implementation will raise several challenges that must be properly addressed.

First, retaining a principle-based approach for the criteria applicable for each category would not be relevant. This approach is the one selected for the Sustainable Disclosure Regulation in the UK. It has proven quite difficult when effectively implemented, leading to numerous bilateral discussions between the UK authorities and the asset managers. In addition, there are 27 different member states within the EU. Lack of minimum binding criteria could result in diverging interpretations by national competent authorities (NCAs) and in the end to further fragmentation. Having minimum binding, clear and measurable criteria for each category should be the privileged option to ensure the comparability between products and enhance the investor protection. At the same time, it should be possible to use a custom "other approach" on a case-by-case basis if it is demonstrated to the NCA that this approach has an equivalent outcome.

The diversity of asset classes must also be taken into consideration and criteria must be adapted to certain ones, with similar approach for all products investing in these asset classes. Typically data available for private assets is very limited, this specificity must be addressed. The treatment of sovereign bonds should also be properly covered. Some products, as insurance and pension products, have a large proportion of their investments in this asset class. Further technical analysis is required to identify the most appropriate solution, by covering the case of quasi-sovereign bonds and determining what would be the right calibration methodology for sovereigns. Extension of SFDR to structured products could also be envisaged provided that similar products are treated in the same way.

Second it must be clearly specified if the categories will be mandatory or voluntary, i.e. will it be possible for one non-categorized product to make some ESG claims? Opening the door to this possibility would create strong confusion among retail investors that could be offered non-categorised products when they have indicated some ESG preferences. In addition, there would be a risk that these products have ESG claims while not being submitted to the transparency requirements adopted for categorised products. It is of upmost importance that the new text mentions without any ambiguity that only categorised products can make ESG claims in all the legal and marketing documentation and that they cannot be offered to retail investors with some ESG preferences.

It should be mentioned without any ambiguity that only categorised products can make ESG claims.

Third there are intense discussions on the sustainable investment definition and lack of consistency resulted from the multitude of methodologies used. This being said, the sustainable investment concept should be maintained under the SFDR 2.0 with introduction of minimum criteria that should neutralize the differences between proprietary methodologies. The selectivity approach that requires minimum proportion of investments in the products' investment universe, by excluding less performing ones, is one of those that could be applied. Alignment with the environmental taxonomy could be part of these criteria, however it should not be mandatory as initially suggested, especially following the revision of the Taxonomy Regulation that could result from the Omnibus package.

Lastly, the simplification of the disclosure requirements is essential. The purpose of standardised product disclosure is to facilitate the investment journey of retail clients. Thus, disclosures must be simple and synthetic. The precontractual document and the periodic report should be short and synthetic, containing only the binding ESG-related elements of the investment strategy. There is no rationale in maintaining the website disclosures as it is redundant with the pre-contractual document and too technical for retail investors. For the disclosure at entity level, the priority should be its rationalization with a limited number of indicators taking into consideration the data available for each of them.

In the end, the SFDR review should not be a missed opportunity. Any changes should lead to effective simplification and fixing of the identified issues. The design of the " categories should address the current too broad Article 8 classification. The new categories should also be fully aligned with the ESMA fund naming guidelines to leverage on the clarity they have provided and avoid any divergences between two different sets of rules.



MARIA PILAR GALÁN

Global Head of Legal ESG – KPMG International & Head of Financial Services Legal – KPMG Abogados

Balancing simplicity and substance: impact of EU Omnibus Package on SFDR

Introduction

The European Union is revisiting its sustainability regulatory landscape aiming to alleviate administrative burdens, streamline disclosures, and enhance the cost-effectiveness of compliance. This overhaul, inspired by the recent Draghi Report and a broader drive for competitiveness, puts the Sustainable Finance Disclosure Regulation (SFDR) at the center of a debate in relation with the simplification of rules, notably the Corporate Sustainability Reporting Directive (CSRD): How can rules be made more efficient and less burdensome, while still ensuring the integrity of sustainability information for investors?

Regulatory reform in context

At the heart of the current discussion is the effort to align financial, industrial, and climate policies. The Draghi Report, commissioned by European Commission President Ursula von der Leyen, emphasizes that excessive regulatory complexity can stifle innovation and global competitiveness, especially in critical sectors such as clean energy and digital technology. In response, the EU is advancing a simplification agenda, targeting major regulations under the "Omnibus package" that include, among others, the CSRD and the Taxonomy Regulation, to relieve administrative pressure on small and innovative businesses.

The Omnibus Package: impact for SFDR

The Omnibus package seeks to rationalize and harmonize sustainability-related reporting duties. It includes the simplification of the CSRD by reducing by 80% the companies under its scope and decreasing the indicators and data to be reported. Therefore, the simplification of CSRD impacts the availability of market information needed in the investment decision making (allocation of capital to finance the sustainable projects and the transition) and therefore the proposal of review of the SFDR.

The simplification of rules of the Omnibus Package and SFDR should be aligned. The simplification approach of SFDR should seek coherence with CSRD (and other initiatives such as the EU Taxonomy and Green MiFID) and a balance between reducing the disclosure burden and the need to ensure availability of reliable data. The SFDR review should aim to avoid data gaps and greenwashing risk integrating any amendments to the CSRD, the Taxonomy Regulation, and their implementing rules, reducing the reporting burden through simplification and streamlining of requirements, ensuring consistency and coherence across the EU sustainable finance framework.

Omnibus-driven changes must likewise be carefully calibrated to maintain the actionable value of the data provided.

Main areas for simplification of the SFDR

Within the SFDR, several areas have been identified for potential simplification:

- The clarification of legal concepts, such as "sustainable investments" to address legal ambiguity and ensure consistent interpretation.
- Product categorization, introducing clear product categories for sustainability-related financial products (like "sustainable" and "transition") would enhance retail investor understanding and comparability (one of first's SFDR initial goals) reducing legal uncertainty and greenwashing risks.
- Standardizing and clarifying the list and methodology for principal adverse impact indicators could reduce complexity, improve comparability, and cut reporting costs, especially for smaller market participants.
- Data Overlap and Redundancy: Aligning SFDR reporting requirements with those of the CSRD and Taxonomy Regulation would minimize duplicative disclosures and administrative inefficiencies, enabling firms to focus on material sustainability information.
- Set clear methodologies to ensure consistent and robust approaches when assessing eligibility (avoiding current inconsistencies in methodologies such as evidenced for government bonds)
- User-Friendly Templates: Simplifying pre-contractual and periodic disclosure templates can make information more accessible to retail investors, fostering better market comparability and decision-making.

> EU should aim to simplify sustainability rules while preserving useful-decision data for investors.

Balancing simplification and data integrity

Policymakers now face the challenge of balancing the drive for simplicity with the need for robust, decision-useful sustainability data. If regulations are pared back too far, there is a risk that crucial information may be lost, diminishing the ability of markets to channel capital toward genuinely sustainable economic activities. On the other hand, failing to streamline could perpetuate high compliance costs and deter smaller players from participating in sustainable finance.

Conclusion

The ongoing review of the SFDR and related frameworks, influenced by the Draghi Report and the Omnibus package, marks a crucial phase in Europe's sustainability agenda. The EU should aim to simplify sustainability rules while preserving reliable and useful-decision data for investors. Achieving the right balance between reducing regulatory friction and preserving meaningful transparency is essential to ensure the financing of the transition to a net-zero economy.



JULIA SYMON
Head of Research and Advocacy – Finance Watch

SFDR reform: Balancing priorities and setting clear meaningful criteria

A consensus appears on how the Sustainable Finance Disclosure Regulation (SFDR) should evolve: Since the application of the SFDR in 2021, the lack of distinction between the two strategies specified in the Regulation has been a major criticism of the current framework. The new categorisation scheme should therefore reconcile the financing of sustainable activities with the support of businesses in their transition.

The creation of at least two product categories, one focusing on activities that are already sustainable, the other one focusing on transition activities, seems fundamental to reduce confusion among retail investors. However, the objective of transparency and simplification can only be achieved if the categories are attached to credible minimum criteria, in line with what investors could expect.

Setting ambitions to determine the right categories

Clear minimum criteria, leveraging existing tools such as the Taxonomy and climate benchmarks criteria, are essential to prevent greenwashing. This requires ensuring that the product meets investors' intuitive expectations in terms of positive contribution and investment exclusion. While this approach will require a dedicated delegated act, the SFDR revision should already lay the groundwork for aligned criteria to ensure a common understanding of the proposed product categories. For example, reflections on minimum criteria will unavoidably lead to discussions on the necessity for an intermediate category following a do-not-harm principle under the rationale that ambitious criteria for a sustainable category will reduce the available offering for clients with sustainability preferences.

We recognize that the creation of a third category focused on not harming (DNH) could reflect the different shades of sustainability and that - with sufficiently stringent criteria - it may play a role to meet investors' values and prevent high concentration of sustainable investments. However, the SFDR experience has shown the limits of sector-agnostic DNH criteria and the development of a credible DNH category would necessarily come with a certain level of complexity. Moreover, it would put major reliance on the product distribution process while advisors tend to oversimplify product categories. Presenting DNH products as 'light green' and explaining to investors that unclassified products may still meet the DNH criteria could lead to unintentional misselling. Creation of a harmful category would allow clients to exclude harmful products and prevent such confusion.

> DNH products would bear the risk of misselling as advisors tend to oversimplify product categories.

Fostering legal certainty and consistency across the framework

One of the important weaknesses of the SFDR is the flexibility left in the definition of key concepts, such as the notion of sustainable investments, making financial products incomparable between asset managers and leading to legal uncertainty. We should therefore ensure that the criteria are clear and comparable between financial institutions. However, the ongoing omnibus I initiative could strongly compromise this objective. First, the reduction of the scope of the Corporate Sustainability Reporting Directive (CSRD) will necessarily affect the quality of the information used by asset managers, increasing legal and greenwashing risks. Secondly, the proposition to make the Taxonomy largely voluntary could divert sustainable investments away from activities that can substantially contribute to environmental objectives and increase concentration risk of sustainable funds. Finally, the attempts of the co-legislators to dilute the transition plan requirement under the Corporate Sustainability Due Diligence Directive (CSDDD) have reached a paroxysm, removing most of the substance from the provisions by relying on vague terms such as 'industry practices', 'contribution to limiting global warming' and 'reasonable effort'. This approach goes against the principle of legislative harmonization to reinforce the savings and investments union, but also reduces the possibility to leverage transition plan rules to develop credible criteria for the transition focused product category.

Meeting the preferences of retail investors

The revision of the SFDR will only reach its objectives if it is accompanied by adaptations to the consideration of sustainability preferences and consistent changes of the KID disclosures. In that respect, consistent implementation timing is a must to prevent repeating the legal uncertainty experienced in the first application of the rules.

The key ingredients for a successful revision

In conclusion, a balance needs to be found between fostering transparency, reducing complexity, meeting client preferences, as well as tailoring the framework for impact investors. Prioritising one of the four objectives will necessarily generate a risk for the four other objectives, which requires adequate mitigation measures.

ENERGY TRANSITION POLICIES



JOSÉ MARIA BRANDÃO DE BRITO

Deputy Finance Minister and for the Budget – Ministry of Finance, Portugal

Energy transition: The need for innovation-fuelled climate ambition

Energy has become a quite hot topic as of late due mainly to the recent build up of geopolitical tensions. However, energy has always been quintessential to Humanity for times infinite, since economic activity is solely about applying energy to raw materials to obtain desired outputs. Therefore, securing access to abundant and cheap energy is a critical issue as is its financing.

The European Union has positioned itself as a global leader in climate action through an ambitious legislative framework, anchored in the European Green Deal and the 2050 climate neutrality target. Recent geopolitical tensions, notably the energy crisis following the war in Ukraine, have strengthened the EU's determination to reduce its dependence on volatile fossil fuel markets.

Achieving climate neutrality while preserving Europe's competitiveness is now central to the policy debate. This success depends on balancing regulatory ambition with stability, predictability and the realism required by businesses and public authorities.

Reports by Mario Draghi and Enrico Letta confirm that Europe is losing ground in global competitiveness, particularly in sectors where it has traditionally excelled. One of the main obstacles is energy. As highlighted in the Draghi report, high energy costs are now cited as a key impediment to investment by over half of European companies.

The EU's response has rightly been to accelerate the energy transition, motivated both by environmental and economic concerns alike. Reducing fossil fuels in Europe's energy mix is essential for climate goals and strategic autonomy. Electrification, powered by renewables, will be central to any modern, sustainable economy. Yet ambition must be paired with pragmatism. While gas will influence prices in the short term, long-term affordability depends on infrastructure supporting flexible, interconnected markets.

Although the EU has set itself more ambitious climate targets than any other major economy, aiming for a 55% reduction in greenhouse gas emissions by 2030 and climate neutrality by 2050, ambition alone will not deliver. Legislative instruments – such as, the Carbon Border Adjustment Mechanism (CBAM), the Corporate Sustainability Reporting Directive (CSRD) and the Taxonomy – cannot be overly complex or impose disproportionate compliance costs, as this could undermine the competitiveness of European companies within the single and broader world markets.

Stable and clear regulation is essential to unlock long-term investments. Regulatory predictability and simplicity are critical enablers of climate ambition. Businesses require certainty to plan multi-decade investments. Uncertainty from successive revisions, fragmented implementation, or ambiguous guidance causes hesitation and delays, diverting resources from innovation to compliance.

A good example is the ongoing revisions to frameworks like the CSRD and the Corporate Sustainability Due Diligence Directive (CSDDD) which highlight the risks of regulatory overreach disconnected from economic realities. While these corrections were necessary, they underscore the need to embed proportionality, coherence and stability into EU regulation from the outset.

Some financial institutions and corporates have begun publishing transition plans in response to regulatory drivers, reflecting progress in integrating climate considerations into corporate strategy. However, progress is still needed. Greater standardisation is needed to ensure these plans are credible, comparable and useful to investors and regulators.

Sector-specific regulations also need careful attention. Instruments like CBAM are crucial to prevent carbon leakage, while ensuring practical implementation and reducing administrative burdens. Similarly, unlocking investment opportunities, such as those facilitated by InvestEU, plays a crucial role overcoming financial barriers and driving the investments needed to enhance competitiveness.

The coming years are a chance to refocus the Green Deal's implementation with greater pragmatism and economic realism. Europe's strength will not come from matching US or Chinese subsidies but from market integration and innovation. Strengthening interconnections within the Single Market, particularly in energy, will support decarbonisation while improving affordability and competitiveness.

Europe's green transition must balance ambition with competitiveness. Ambition cannot come at the expense of the predictability and simplicity needed for long-term investment. Competitiveness and stability are not barriers to climate action — they are its foundation. Future regulatory cycles must reflect this balance, while tilting a bit more towards competitiveness, to ensure Europe leads in decarbonisation without undermining its industrial base, resilience or strategic autonomy.



MIRIAM KOREEN

Senior Counsellor on SMEs, Head of the SME and Entrepreneurship Finance Unit – OECD Centre for Entrepreneurship, SMEs, Regions and Cities

Simplifying sustainability: Enabling SMEs to go green

There can be no net zero without small and medium-sized enterprises (SMEs). SMEs represent around 99% of businesses world-wide and account for 40-50% of business greenhouse gas (GHG) emissions. Many also play an important role in developing and disseminating green solutions throughout the economy, making them central players in the transition to sustainability.

Yet too often SMEs lack the finance, time and skills needed to make green investments. Sustainable finance can unlock these investments – global sustainable debt reached USD 800 billion in the first half of 2024 alone[1]. SMEs are not yet tapping into this vast pool of finance, which they are often unaware of – or unable – to access.

That is beginning to change. Financial institutions are increasingly tailoring their sustainable finance products to SMEs, while governments work to improve SME access to public and private funds for sustainability. Emerging instruments such as green guarantees, green trade finance, sustainability linked loans and blended finance are enabling SMEs to access green capital for decarbonisation and energy efficiency investments.

Harnessing synergies for sustainability, resilience and competitiveness

There are many opportunities to align the sustainability, competitiveness and resilience agendas, and governments are seizing opportunities to boost to sustainable finance to deliver win-win solutions. For example, decarbonisation investments can enhance energy security and autonomy. In Finland, R&D grants support innovative SMEs working on grid flexibility solutions. And in Moldova, credit guarantees are used to strengthen energy security by incentivising renewable energy production among SME producers.

Likewise, energy efficiency investments can boost competitiveness by driving down operating costs. In Czechia, the ENERG programme subsidises energy audit costs for SMEs, enabling them to choose the most effective way to lower energy consumption and costs.

However, to increase the uptake and effective use of such financing, it should be combined with non-financial support to build SME awareness, knowledge and technical skills to use green financing instruments efficiently. One example is the Industrial Bank of Korea, which offers free ESG consulting services alongside their sustainability-linked loans.

Overcoming the challenge of SME sustainability reporting

Yet progress faces an important bottleneck. While SMEs may not formally be required to report on their sustainability performance, the trickle-down effect means that they are feeling pressure from banks and supply chains that do face these requirements. According to a recent OECD survey, 60% of financial institutions request sustainability data from their SME clients[2].

Sustainability reporting is an important way to access finance and markets, but is often too complex and resource-intensive for SMEs, who face fragmented and inconsistent data requests.

In response, many ecosystem actors are supporting SMEs through workshops, guides, tools and support networks. Some notable examples include:

- The SME Climate Hub[3] offers a free carbon calculator to help SMEs measure and report on more complex indicators such as GHG emissions.
- In the United Kingdom, Project Perseus[4] is leveraging digital technologies to automate reporting process by extracting electricity data from smart meters to share this information directly with financial institutions.
- In Southeast Asia, ASEAN's ESG disclosure guide for SMEs in supply chains[5] enables SMEs to voluntarily report on their sustainability performance, complemented by workshops and trainings that support SMEs throughout the reporting process.

Other efforts aim at streamlining requirements and fostering convergence across reporting frameworks:

- In the EU, the European Commission recently adopted a recommendation on voluntary sustainability reporting for small and medium-sized companies (VSME), developed by EFRAG[6]. This reporting framework contains simplified language, and clear guidance, allowing SMEs to report according to their maturity, sector, and needs.
- At the global level, the OECD Platform on Financing SMEs for Sustainability[7], aimed at fostering collaboration among financial institutions, standard setters, policy makers and SME representatives, has developed new Guidance on fostering convergence in SME sustainability reporting[8], providing a common set of indicators and metrics to simplify reporting and unlock sustainable finance.

Simplification: the key to success

Predictability, simplicity and interoperability among SME sustainability reporting frameworks can boost SME green investments, making small firms and economies more resilient and competitive. Governments, financial institutions, international organisations, standard setters and ESG service providers have a critical role to play in boosting awareness and supporting compliance. By unlocking SME green investments, they can pave the way for sustainability, resilience and competitiveness to go hand in hand.

1. *https://think.ing.com/articles/global-sustainable-finance-market-changing-for-the-better/*
2. *https://www.oecd.org/content/dam/oecd/en/about/programmes/cfe/oecd-platform-on-financing-smes-for-sustainability/Financing-SMEs-for-sustainability-Survey-report.pdf*
3. *https://smeclimatehub.org/*
4. *https://www.bankersfornetzero.co.uk/perseus/*
5. *https://www.sc.com.my/api/documentms/download.ashx?id=2ffe9adb-c56e-45a4-b407-83853e271cff*
6. *https://finance.ec.europa.eu/publications/commission-presents-voluntary-sustainability-reporting-standard-ease-burden-smes_en*
7. *https://www.oecd.org/en/about/programmes/oecd-platform-on-financing-smes-for-sustainability.html*
8. *https://www.oecd.org/en/publications/oecd-guidance-note-on-fostering-convergence-in-sme-sustainability-reporting_d95a25de-en.html*



SIRPA PIETIKÄINEN

MEP, Committee on Economic and Monetary Affairs – European Parliament

EU must maintain the finance sector's trust in decarbonisation action

Climate change is accelerating exponentially. We reached 1,5 degrees of global warming every month last year and some estimates place us at 2 degrees within five years. Climate change has cumulative effects - not three plus three but three times three and therefore, we will reach different tipping points far earlier than previous models predicted.

For the first time in mankind's history, we're at a point where we are actively destroying our own means of survival. There's no need to wait to be drowned by the raising sea levels - we'll already be figuratively drowned by the high cost of inaction, estimated to be 1,266 trillion US dollars by 2100 by the World Meteorological Organization. Why do we not feel the sense of urgency from this massive threat we're facing?

The European Union was a strong driver of global decarbonisation and its pioneering position brought a competitive advantage - not hinder - for its businesses. Today, China is looking to take the global pole position on decarbonisation, and its emissions decreased last year. Electric vehicles, batteries and critical minerals, solar and wind power - these are just a few of the critical decarbonisation tools we need where China is already far ahead of anyone else.

The Chinese have understood the business opportunities from decarbonisation and that it isn't a question of either or. Acting on global warming is a precondition to life. Literally, as people are dying from the extreme weather conditions: the heat, storms and floods brought on by climate change.

European politics is stuck in an urban legend where we're still world leaders on climate action when actually it is in the risk of becoming the laggard, a walking dead. With corporate subsidies and state aid still heavily leaning towards traditional and often fossil-based industries, the largest obstacles for decarbonisation and renewal lie in each Member State clinging to what is perceived as national interest. Be it German diesel cars, Dutch agriculture, Polish coal mines or Finnish forests, every Member State has its elderly golden goose to shield from the world.

> With a failed level of ambition, Europe is ending up with sidetracks, dead-ends and sunken costs.

With a failed level of ambition, Europe is ending up with sidetracks, dead-ends and sunken costs. Sidetracks could be described as training to be marginally better at running hurdles when the actual sport to be focused at is pole-vaulting. Dead-ends happen when money and investment keep on being directed at sunset industries to keep them alive instead of flowing towards new sources for future growth. And sunken costs keep us investing in what we've always invested in - no matter if it serves you any longer.

Europe was on a good path with the Green Deal and its investment plan. With an estimated additional investment need of 750 billion euros annually to reach net zero targets, no EU or national budget is going to cover it. Private investment needs incentives and confidence in legislation to direct finance flows towards decarbonisation. The financial sector has a sense of urgency around climate action. It will actually be the first to suffer from extreme weather conditions - first via insurance and risk aversion and next with areas where mortgages become impossible to obtain.

The Omnibus I package, Climate Law, Public Procurement and State Aid framework are just few of the current pieces of legislation in play that can make or shake this trust in regulatory predictability and stability. The next EU Multiannual Financial Framework needs to focus more on blended finance combining public and private investments and making sure that public funding focuses on real additionality. We need to move state aid and EU budget funding away from the fossil-based industries and targets, just like the EIB has already done. The European Semester needs to include macroeconomic indicators beyond the GDP, taking into account a balanced use of natural resources as well as decarbonisation. And pressingly, the finance sector needs reliable data and reporting for investment and risk management.

It is superficial to pit decarbonisation against self-sufficiency and resilience. During these past years, strategic autonomy has meant renewable energy and solar panels: one large investment followed by a low-cost energy supply when the prices for oil and gas continue to rise and fluctuate. Circular economy and resource-efficiency - be it e.g. recycled textiles or wood fibres - are at the core of European resilience as the continent is the most resource-dependent of all. Food supply security, sustainable land use and the energy efficiency of buildings are all good for people, the planet and our strategic autonomy. And all of the above are at the heart of decarbonisation action.

Reaching net zero is not a scientific or technological problems. It's not even a money problem. It is a political problem where Europe is running out of time, credibility and competitiveness in our bickering while the continent warms up the fastest.



MARINA MARECOS

Head of Sustainability Strategy EMEA – Mizuho Financial Group, Inc. / Mizuho Bank, Ltd.

EU omnibus sustainability simplification – views from a non-European bank

2025 is a pivotal year for the European Union with the launch of the "EU Competitiveness Compass". Designed to revitalize Europe's economic dynamism and position the EU as a global leader in innovation, sustainability, and resilience, the Compass is a call to action to ensure that sustainability and competitiveness go hand in hand.

A key enabler of the Compass is the Omnibus Simplification Package, covering the CSRD, CSDDD and Sustainable Finance Taxonomy. The package streamlines the European sustainability regulatory landscape to reduce disclosure-related burden, maintain efficiency and uphold Europe's position as a leader in decarbonisation.

Whilst this primarily aims to create a favourable business environment for European companies, it is also welcomed by non-European companies with European operations due to its improved interoperability with other sustainability frameworks.

Large global banks are highly regulated institutions subject to reporting requirements imposed by market stakeholders and various regional regulatory regimes. For those with significant operations in Europe, divergence between Head Office and European disclosure requirements, and nuances between the approaches of prudential regulators, can prove difficult to navigate.

Regulatory fragmentation can delay the pace of investment in the energy transition, as ensuring compliance may require diverting resources away from implementation of sustainability efforts, such as providing tailored decarbonisation solutions to clients. The EU has acknowledged this and is simplifying disclosure regulations to ensure reporting is fit for purpose, with global alignment and decarbonisation in mind.

It is important for global banks to seize the opportunity to leverage global frameworks.

However, it is important to balance the extent of simplification with consideration for risks arising from reduced data availability and coverage of reporting. With fewer clients providing public sustainability data, global banks will need to rely on third-party providers and proxies to comply with their own regulatory expectations. This increases the risk of inconsistency and incomparability of reported data due to diverging methodologies between banks, as well as between regional operations within banks.

Sustainability and climate risk is increasingly being integrated into business strategy and risk management practices in a business-as-usual fashion. It is important for global banks to seize the opportunity to leverage global frameworks and avoid potential operational complexity and data challenges that may arise when managing multiple regulatory regimes across different jurisdictions. This is also an opportunity to focus on ESG data governance, AI integration, and system development that provides consistency when reporting across different jurisdictions.

For non-European banks, the ISSB framework offers a pragmatic, globally credible, and investor-aligned approach to sustainability reporting. It provides a strong foundation for consistent, comparable, and decision useful ESG disclosures, encompassing essential data points.

The expectation is that adoption of this global standard and better interoperability between the ISSB and the EU regulatory regime will improve coherence, quality and decision-usefulness of sustainability reporting, benefiting stakeholders and ultimately supporting the flow of finance towards the net zero transition.

At Mizuho, we are committed to advancing our approach to transition as well as our disclosures. We take an integrated approach to climate change mitigation where we have identified priorities, capture business opportunities, appropriately manage risks, strengthen engagement and build capabilities.

Our reporting approach reflects this; since our first TCFD report in 2017, we have steadily transformed our reporting from a compliance-driven exercise to a comprehensive, forward-looking approach that integrates climate, nature, and social impact into our core business strategy and signals our ambition transparently to stakeholders. This typically utilises a combination of reporting requirements and wider recommendations from acclaimed industry frameworks.

In summary, the EU's simplification efforts are a welcome development for many but should not be misinterpreted as a signal to scale back net zero commitments. Instead, simplification offers the chance to build more resilient, efficient, and globally aligned sustainability reporting systems. It is also important for corporates and financial institutions to look beyond disclosure requirements and to consider the purpose of the information disclosed, which should convey strategic integration of sustainability and climate risk into the business model and decision-making processes.

SUSTAINABILITY RISK IN A FRAGMENTING WORLD



BARNABÁS VIRÁG
Deputy Governor – The Central Bank of Hungary

Accelerating the green transition: Central banks leading by example

Europe is warming faster than any other continent, and Central and Eastern Europe is heating even more rapidly. This reality places the region in a position where leadership in climate adaptation and mitigation is not optional but essential. A substantial amount of new investment and a financial mindset shift are needed in to achieve these goals. For Hungary, this urgency has been clear for years. The Magyar Nemzeti Bank (MNB) adopted its Green Program in 2019, laying the foundation for both supervisory and monetary measures to address climate-related financial risks. The active role of central banks and supervisory authorities are crucial, as they are central part of the financial system, especially in shaping the mindset of market participants. The progress made in Hungary is tangible: green loans now represent roughly 5 percent of new lending, signaling a positive market shift.

The financial system plays a crucial role in addressing these challenges by allocating resources and managing risks. How we manage climate risks within our financial sector will determine the resilience of our economies as we transition to a greener future. Hence MNB started to develop its climate risk analysis tools early on to lead by example and help financial institutions.

The MNB's climate stress testing program has become a cornerstone of its green agenda, providing valuable insights into both short- and long-term risks. Long-term scenario analyses consider both transition and physical risks over several decades. The findings leave little doubt: physical risks—from extreme weather events to chronic temperature rise—represent a significantly larger challenge than transition risks in the long run. An asset-side stress test of insurers also find that a transition scenario impacts materially long term investment returns, but not substantially. Moreover, the uncertainty surrounding the scale and timing of physical impacts adds complexity, underscoring the importance of adaptive, forward-looking strategies within financial institutions.

Short-term analyses have focused on measuring the resilience of the Hungarian economy and banking sector to an adverse but plausible carbon pricing shock. While the economic impacts would be significant—especially for carbon-intensive industries such as energy, utilities, and mining—the banking system as a whole would remain stable. Capital buffers appear adequate to absorb losses, even in severe scenarios. Equally important, these exercises revealed no dangerous concentration of climate-related, exposures are relatively diversified. At the same time, the analyses enabled a deeper understanding of transition risks, shedding light on which banks and counterparties might be most vulnerable in a decarbonizing economy, and to what extent are these more vulnerable loans collateralized.

Building on these findings, the MNB has translated analytical insights into concrete supervisory expectations. Its Green Recommendation sets out a clear framework for banks and insurers, requiring them to integrate climate risk considerations into governance, business strategy, risk management, and disclosure processes. MNB also considers insurers as key parts of the green transition: the expectations require insurers to embed sustainability considerations across all functions, from underwriting and risk control to investment strategy. Recommendations include identifying the relevant environmental risks, appointing a dedicated climate risk officer and integrating environmental metrics to internal processes. Both banks and insurers are expected to conduct regular internal climate stress tests, assessing their resilience to both transition and physical risks under severe yet plausible scenarios. These expectations are complemented by MNB continuously monitoring banks' capital adequacy in case of severe transition risks hitting the economy.

The active role of central banks and supervisory authorities are crucial.

Significant progress has been made, but the journey is far from over. While modeling capabilities have improved markedly in recent years, uncertainties and data gaps persist, complicating precise solvency assessments. Nevertheless, the MNB aims to integrate more aspect of climate risk assessment to the Supervisory Review and Evaluation Process (SREP), ensuring that financial institutions are better prepared for a green transition. Continuous refinement of tools, alongside improved data quality and disclosure standards, will be vital to maintaining this momentum.

As climate risks intensify, the central bank will continue to push forward—strengthening methodologies and promoting green finance—to ensure the financial system remains resilient and ready to support the green transition.



LINDA-ELING LEE

Founding Director and Head of the MSCI Sustainability Institute – MSCI

Europe can become a go-to destination for climate investment

With billions of euros on the move, Europe can become a go-to destination for climate-focused investment. If it can match its green ambition with high-growth opportunities.

Since the start of the year, roughly EUR 46 billion in climate-themed capital has flowed to European companies, boosting the continent's share of assets in global climate funds by 6 percentage points. The movement marks a homecoming of sorts: 60% of public climate funds are based in Europe yet a majority of their assets are invested elsewhere.

To be sure, some of the shift reflects a broader reallocation away from the U.S., with a plurality (45%) of investors in an informal poll by our firm indicating further geographic diversification in response to macroeconomic volatility. Still, the shift in climate investment to Europe has outpaced the broader reallocation by 5 percentage points.

With mature capital markets and innovative companies, Europe has an opportunity to become a destination, not just a supplier, for the next wave of climate capital flows. Capitalizing on the moment, however, will require policymakers to focus on three key areas.

Look to where investors are headed

The energy transition has evolved from a race to zero into a race for resilience and adaptation as climate-related physical risks intensify. Investors now face an unavoidable opportunity to finance a myriad of products and solutions that can help governments, businesses and consumers adapt to a warming world.

Europe, the fastest-warming continent, should be at the forefront of innovation to boost private-sector investment in adaptation. Policymakers should focus on creating incentives alongside national adaptation plans that give investors clear signals indicating where to place their bets on future high-return opportunities. The EU's pledge with China to enhance adaptation efforts by accelerating action at scale marks a critical first step.

Investors are also increasingly financing the transition itself through private assets. The amount of capital in private climate funds reached EUR 112 billion as of March 31, 2025, up five-fold in the past seven years.

Underpin ambition with enabling policy

While the energy transition remains a priority, investors are becoming more sophisticated, aiming to reduce greenhouse gas (GHG) emissions in the real economy while maximizing risk-adjusted returns. Investors are now armed with analytical tools such as MSCI's Energy Transition Framework that help pinpoint where the opportunities in financing the transition lie.

> The confidence of markets will be Europe's strongest lever for attracting climate-aligned capital.

Investors are increasingly aware that a company's transition risk is not proportionally related to its GHG emissions. Hence, investors are assessing investment opportunities based on the combination of market, technology and policy pressures on companies to transition. That means they're looking beyond emissions trajectories alone.

Policymakers play a critical role in creating transition pressure and fostering scalable innovations. Ambition in national climate targets is needed as well, as most EU countries exceed a 2°C-degree warming path, based on MSCI's analysis of countries' emissions trajectories relative to their fair-share carbon budget. But ambition translates to investment if it's tied to sector-specific roadmaps that guide companies while enabling investors to better assess transition risks and opportunities.

Prioritize regulatory predictability

The EU has made bold strides on sustainable finance, but ongoing regulatory adjustments introduce uncertainty that can weigh on capital formation. The number of new Article 8 and 9 funds launched across the EU in the first three months of this year fell 37% from the prior quarter, the lowest total in more than a year.

The wait for reviews and the need to catch up to evolving guidance on multiple pieces of proposed regulation has led fund managers, for example, to spend time relabelling existing financial products, with less time for developing innovative strategies. More than 260 Article 8 and 9 funds rebranded in the first quarter this year alone, part of a broader trend that has seen funds with EUR 660 billon in AUM renamed in the past 15 months.

Regulatory ambition is important. But a clear and consistent set of rules, delivered with predictability, is critical for enabling innovation in investment products that attract capital flows.

Earning the confidence of markets will be Europe's strongest lever for attracting climate-aligned capital. In a fragmented global landscape, Europe can stand out not only through climate ambition, but through regulatory clarity and a strategy that embraces private-sector investment as an essential component of competitiveness.



GUILLAUME BIRON

Deputy Secretary General - Member of the Development Committee – La Banque Postale

The world's fragmentation challenges our sustainability approach

Over recent months, the resurgence of high geopolitical and financial tensions worldwide, with the reintroduction of trade barriers, has initiated an unprecedented de-globalization movement. Paradoxically, despite many of these disruptions stemming from long-term resource access issues, sustainability has become the primary victim of this fragmentation.

In a short span, the "hype" about sustainability issues has shifted into a "backlash". Decision-makers and investors have redirected their focus towards equally legitimate priorities such as defense, sovereignty, and the stabilization of public finance. However, it is crucial to maintain that:

Global warming will not disappear by ignoring the problem. Scientific consensus indicates that without immediate action, conditions will deteriorate, increasingly threatening the long-term survival of mankind and countless other species.

The medium-term financial stakes associated with sustainability far exceed immediate concerns. The 2024 World Economic Forum report highlights that between 5 to 25% of any corporate's EBITDA could be at risk by 2050, depending on the sector, due to climate change impacts.

There is no inherent conflict between sustainability and sovereignty or competitiveness. In fact, the latter are essential conditions for achieving sustainability or, at the very least, for defending its value. This perspective is particularly embraced by the French "Grand Pôle Financier Public" composed of Caisse des Dépôts and its financial subsidiaries.

Given this assessment, it is evident that there is no alternative to continuing the efforts towards transitioning to a more sustainable economy. However, the question of its priorities and modalities in the present moment must be clearly addressed.

What path should we follow globally, and particularly within the financial industry? Three elements are crucial.

Refocusing priorities on the economy, not its intermediaries

The 2015 Paris Agreement positioned banking actors at the heart of the transition issue, assuming that increased transparency in the balance sheets of institutions would make the entire system virtuous. However, with a decade of perspective, this approach has been only partially successful. It actually relies heavily on a homogeneous view of economy financing, whereas many fundings now occur outside the traditional banking system. Some states and big players also have withdrawn from their commitments or dedicated institutions (e.g. NZBA). Moreover, these principles overestimated the impact of banks and the speed of economic transformation.

The transition should be primarily driven by industries operating within a given macroeconomic context, with banks playing a supportive role. For instance, in France, La Banque Postale observed that the "greening" of real estate portfolios is hampered by a low construction pace of new housing, the impact of high interest rates on transactions and the need for a larger use of renewable energies in domestic heating.

Additionally, there has been over the past years an excessive manichaeism between virtuous and non-virtuous sectors or actors. It is widely acknowledged, for example, that gas will remain a necessary supplementary energy source in all energy mix models during the transition and that even actors in 'brown' industries will need financing to facilitate their transition.

Less ESG regulation, but of better quality

It is then crucial to have appropriate ESG regulations that are not overly burdensome, ensuring they are accepted by most actors (including SMEs) facing numerous other challenges. Conversely, they should not be too lenient to remain effective.

In this context, the Omnibus initiative is welcome and hopefully will be concluded swiftly. A significant reduction in data requirements with increased reliability and quality, the simplification of ESRS, and maintaining a reasonable level of quality assurance are awaited, all while upholding the key principle of double materiality and the publication of transition plans.

> There is no alternative to continuing our efforts, but current options are questionable.

Pursuing the implementation of sound risk and impact management frameworks

For financial institutions, integrating sustainability considerations into all corporate decisions, at every level of governance, remains a major challenge. The aim must be to align the company's strategy with its transition plan, and to ensure that its risk appetite is consistent with its sustainability commitments.

This is the strategic shift La Banque Postale has taken, for instance by considering in any investment decision a ternary approach that equally considers risk, profitability, and ESG impact. This may lead to decisions such as refusing to finance projects with high negative impacts (e.g. new gas-fired power plants) or not responding to tenders from major clients if their financial planning does not align with decarbonization commitments. Even if this approach results in short-term revenue loss, the aim is to strengthen the resilience of the bank's balance sheet over the medium and long term.



ATSUSHI YASUTAKE
Director and Senior Managing Executive Officer, Global CRO – The Norinchukin Bank

Back to basics: Integrating sustainability into risk management

Sustainability risks should be captured through traditional risk categories

One important point to revert to is the description by the BCBS and the NGFS that climate- or nature-related financial risks should be captured through the traditional risk categories, and not as new risk categories. Thus, we should treat sustainability risks as risk drivers that affect credit, market, operational or liquidity risk. Importantly, climate risk is only one element of a broader set of environmental risks. Environmental impact drivers interact with each other – e.g. rising temperatures accelerate habitat loss, while healthy ecosystems absorb carbon – so it makes little sense to analyze them in isolation.

Credit risk: rating downgrades (and upgrades) should be the method

In the case of credit risk, sustainability risk should be understood as how these types of risks would impact the bank's borrowers' ability to repay. Then, the question is whether or not these risks have been incorporated in the assignment of borrowers to rating categories, and, if not, whether there is a need to downgrade (or upgrade) these borrowers.

Paragraph 36.33 of the Basel Framework reminds us that "sufficient human judgement and human oversight is necessary to ensure that all relevant and material information … is also taken into consideration, and that the model is used appropriately." Such oversight is critical when incorporating climate- and nature-related pathways into ratings.

This might apply to scenario analysis for strategic decision making. Norinchukin has been conducting quantitative scenario analyses on climate transition and physical risks to understand the impact on our credit portfolio. We attempted to analyze nature-related risks as well. Climate and nature risk pathways, however, converge inside client cash-flows and collateral values. Therefore, management should not weigh the credit cost implied by a climate scenario separately from the cost implied by a nature scenario. Real-world borrowers face an integrated set of drivers, including environmental and other types of drivers.

Assessment for each entity, not at the sector level

As with any structural change to the economy – whether geopolitical or sustainability-driven – there will be entities that adapt better and those that do not. The challenge for banks is to judge each borrower's capacity to adapt to forthcoming changes. Because transition investments generate benefits only gradually, while physical losses may grow in the near term, analysts should map transition and physical risk trade-offs along the borrower's specific time-line. Norinchukin has recently integrated the assessment of impact of environmental and social factors on individual borrowers into our internal rating system within our credit risk management framework.

Check the appropriateness with back-testing

The appropriateness of rating down-grades (or upgrades) should be tested with back-testing that compares the actual default rate with the estimated probability of default for each rating grade (note: do not adjust individual PDs ex-post, as this makes back-testing impossible).

Operational resilience: location matters

As for operational resilience, the question will be the resilience of the bank in question. If the focus is flood related risk, the relevant question will be whether the headquarters or the data-center, or system-center (in some cases of a third party) are located in a flood-prone area, and if so, what are the contingency plans in case of a flood.

Another risk also comes from lost ecosystem services. Big landslides wash soil into rivers, spoil water quality, and loose biodiversity in the area. Offices and data centers can then lose safe water for cooling and hygiene to operate.

If we extend this analysis to the operational resilience of our borrowers, this can then linked back to the credit risk of our borrowers.

Treat sustainability risks through traditional risk categories and with a holistic perspective.

Putting things into perspective

As should now be clear, climate or nature related risks need to be considered within the overall risk management framework, and that these may not be the most important risk drivers at least for some of the borrowers of a bank.

Yet analyzing them in separate silos is ultimately naïve: climate change is itself an impact-driver of nature loss, while healthy ecosystems help stabilize the climate. Because no fully unified climate-and-nature scenario set yet exists, banks should select climate and nature scenarios whose possible narratives fit together and interpret outputs as a single narrative covering transition and physical dimensions across time horizons and entire value chains. Norinchukin took a first step of this ambitious attempt in our Climate & Nature Report 2025.

By integrating these linked drivers – even when quantification remains difficult – banks can obtain decision-useful strategic insights and avoid the "nonsense" of treating climate and nature costs as unrelated. The results of these scenario analysis can then inform decisions on internal ratings.



FRANÇOIS COSTÉ
Group Chief Sustainability Officer – Groupama

Stronger mutualization and effective prevention to cope with insurance gaps

Groupama is serving 12 million clients, mostly in EU, with its mutualistic values of responsibility and solidarity. These values are essential in helping resolving the dilemma exacerbated by environmental and social changes: on the one hand the imperative to adapt our company to increasing related financial risks, and the other hand the strive to involve into insurance -and keep it accessible to- the greater number of people and companies.

Sustainability is at the core of Groupama business strategy, to tackle with the right Governance the environmental and Social challenges, in their double materiality, financial and impact.

Groupama is especially sensitive to climatic risks due to its specific commitments such as: a 50% market share in crop insurance in France, 30% market share in Brittany which is overexposed to storm, high presence in rural areas and smaller towns more exposed to storms and subsidence of clay soils, leading insurer in Romania with a strong exposure to natural disasters…

Climate related financial risks are thoroughly assessed, for their short and longer terms impact, both for liabilities and assets; resilience of real estate is determined for the horizon 2030-90 using the platform R4RE; for private investments in bonds and stocks, transition risks are assessed by financial analysts using available ESG data and this generates many indicators including the Net Environmental Contribution of the asset.

Groupama has adapted its investment policy through a charter adopted by all Group entities: ESG due diligence on all investments, well thought but limited and gradual exclusions, dialogue with private issuers to influence their changes reducing investment risks and generating benefits for a sustainable planet and a better society; an encouraging result is the drop by 60% in carbon intensity of the investment portfolio in just 3 years.

In underwriting, the first imperative has been to deepen the understanding of the climatic risks through the creation of a climate lab and the geolocation of most properties insured. This enhanced internal knowledge of climate risks helps control our company exposure to floods and drought in the riskiest areas, aiming at a standard market share, and with a gradual adjustment of tariffs. Prevention plays also a key role; for floods, the exposure of properties in France is assessed by Groupama experts and members/clients are provided with advice to increase resilience and also to orient them towards public financing schemes. Another responsibility in underwriting is to take our share of risks and market in the solutions chosen by our members/clients in their transition (green mobility, solar panels, methanization of agriculture wastes…).

Partnerships with State Authorities are key for a well-functioning mutualization.

In 2024, already 46% of Group non-Life insurance revenue is deemed aligned to the EU taxonomy, reflecting our endeavour into modelling of climatic risks, into information to members/clients after a claim on how to enhance resilience.

A real challenge is the insurance gap, the ability of people and companies to get and remain insured. Climatic risks are fragmenting further the world between exposed and less exposed, between insured and non-insured; a well-functioning mutualization of climatic risks is key and partnerships with State Authorities prove essential; I would like to quote 3 examples of partnerships with Authorities from countries where Groupama is present:

1. In France, the reinsurance by State owned CCR in quota share and the stop loss at 200% with an unlimited cover;
2. In Romania, a project led by World Bank and then a specific law in 2009 creating PAID, a private company dedicated to the mandatory insurance up-to 20.000 € of the 9 million homes against natural disasters including floods and landslides;
3. In Italy, in 2025, it becomes mandatory by law for 5 million companies to get insured for natural disasters including climatic events.

Whilst it is essential to reflect forward looking climate risks in the projection of solvency capital requirement, we must acknowledge many challenges such as: insurance gaps in riskiest areas when clients would no longer afford insurance premium, evolution of appetite by reinsurers and increased retention of risks…

Since 2021 EU Commission delegated regulation, sustainability factors have been well integrated into the prudential rules for insurance undertakings: at Groupama, a Sustainability charter explains the overall management of Sustainability risks, while keeping more details in the related policies (investment, underwriting…); it involves a new QRT on investments and also the inclusion into ORSA of a long term shock over financial assets of a scenario of global warming above 2 degrees.

LATEST *eurofi* SCOREBOARDS



Monetary Scoreboard

Update on monetary policies in the EU and OECD countries and their possible impacts on the economy and the financial sector.

Macroeconomic Scoreboard

Review of the economic performance and fiscal policies of the EU and its competitiveness compared to other economies.

AVAILABLE ONLINE ON
WWW.EUROFI.NET

INDEX OF CONTRIBUTORS

PUBLIC AUTHORITIES

Karen Dortea **Abelskov**	Ministry of Industry, Business and Financial Affairs, Denmark	73, 76
Maria Luís **Albuquerque**	European Commission	18
Nathalie **Aufauvre**	Autorité de Contrôle Prudentiel et de Résolution	62, 144
Burkhard **Balz**	Deutsche Bundesbank	190
Marie-Anne **Barbat-Layani**	Autorité des Marchés Financiers	83, 110
Vojtech **Belling**	Czech National Bank	263
Agnès **Bénassy-Quéré**	Banque de France - Comité Consultatif du Secteur Financier	217, 224
Nathanaël **Benjamin**	Bank of England	229
Karsten **Biltoft**	Danish Finansiel Stabilitet	169
Christophe **Bories**	Ministry of the Economy, Finance and Industrial and Digital Sovereignty, France	192
José Maria **Brandão de Brito**	Ministry of Finance, Portugal	290
Christopher P. **Buttigieg**	Malta Financial Services Authority	256
José Manuel **Campa**	European Banking Authority	50, 63, 150
Stefano **Cappiello**	Ministry of Economy and Finance, Italy	82
Natasha **Cazenave**	European Securities and Markets Authority	214
Carlo **Comporti**	Commissione Nazionale per le Società e la Borsa	212, 249
Rui Miguel **Correia Pinto**	Banco de Portugal	157
Gerry **Cross**	Central Bank of Ireland	120, 240
Carmine **Di Noia**	Organisation for Economic Co-operation and Development	24
Carla **Díaz Álvarez de Toledo**	Ministry of Economy, Trade and Business, Spain	111, 200
Primož **Dolenc**	Bank of Slovenia	271
Valdis **Dombrovskis**	European Commission	16
Jurand **Drop**	Ministry of Finance, Poland	52, 57
Inês **Drumond**	Portuguese Securities Market Commission	286
Eric **Ducoulombier**	European Commission	186
Helmut **Ettl**	Austrian Financial Market Authority	154
Anita **Fox**	National Association of Insurance Commissioners	173
Pierre **Gramegna**	European Stability Mechanism	30
Giuseppe **Grande**	Banca d'Italia	128
Philippe **Guyonnet-Dupérat**	Ministry of the Economy, Finance and Industrial and Digital Sovereignty, France	34
François **Haas**	Autorité de Contrôle Prudentiel et de Résolution	160, 270
Petra **Hielkema**	European Insurance and Occupational Pensions Authority	174, 176

NAME	INSTITUTION	PAGE
Alex **Ivančo**	Permanent Representation of the Czech Republic to the EU	232
Norbert **Izer**	The Central Bank of Hungary	151
Jacek **Jastrzębski**	Polish Financial Supervision Authority	146
Alexandra **Jour-Schroeder**	European Commission	71
Alfred **Kammer**	International Monetary Fund	23, 32
Jutaro **Kaneko**	Financial Services Agency, Japan	196, 236
Kilvar **Kessler**	Estonian Financial Supervision Authority	241
Christian **Kettel Thomsen**	Danmarks Nationalbank	14
Līga **Kļaviņa**	Ministry of Finance of the Republic of Latvia	92
Miriam **Koreen**	Organisation for Economic Co-operation and Development	291
Signe **Krogstrup**	Danmarks Nationalbank	113
Mariana **Kühnel**	Austrian Financial Market Authority	105, 172
Dominique **Laboureix**	Single Resolution Board	166
Luís **Laginha de Sousa**	Portuguese Securities Market Commission	250
Katja **Lautar**	Ministry of Finance, Slovenia	155
Vasiliki **Lazarakou**	Hellenic Capital Market Commission	121
Mayte **Ledo**	Banco de España	228
Suzanne **Lloyd**	International Sustainability Standards Board	279
Klaus **Löber**	European Securities and Markets Authority	126
Stephanie **Lose**	Ministry for Economic Affairs, Denmark	126
Steven **Maijoor**	De Nederlandsche Bank	279
Francis **Malige**	European Bank for Reconstruction and Development	94
Paloma **Marín Bona**	Spanish Securities and Exchange Commission	91
Francesco **Mazzaferro**	European Systemic Risk Board	268
Michael J. **McGrath**	Department of Finance, Ireland	104, 177
Josef **Meichenitsch**	Oesterreichische Nationalbank	223
Sandrine **Ménard**	Ministry of the Economy, Finance and Industrial and Digital Sovereignty, France	58
François-Louis **Michaud**	European Banking Authority	145, 248
Sasha **Mills**	Bank of England	242
Louise Caroline **Mogensen**	Danish Financial Supervisory Authority	48
Patrick **Montagner**	European Central Bank	269
Mario **Nava**	European Commission	22
Ludek **Niedermayer**	European Parliament	156
Ulrik **Nødgaard**	Danmarks Nationalbank	191

Soledad **Nuñez**	Banco de España	161
Ruairi **O'Connell**	Financial Conduct Authority	235
Peter **Palus**	Permanent Representation of the Slovak Republic to EU	168
Fausto **Parente**	European Insurance and Occupational Pensions Authority	97, 112, 234
Sirpa **Pietikäinen**	European Parliament	284, 292
Sarah **Pritchard**	Financial Conduct Authority	273
Birgit **Puck**	Austrian Financial Market Authority	127
Santa **Purgaile**	Bank of Latvia	167
Sébastien **Raspiller**	Autorité des Marchés Financiers	118
Shaneera **Rasqué**	Commission de Surveillance du Secteur Financier	285
Nikhil **Rathi**	Financial Conduct Authority	251
Emma **Reynolds**	HM Treasury	42
Verena **Ross**	European Securities and Markets Authority	70
Carlos **San Basilio**	Spanish Securities and Exchange Commission	51
Rimantas **Šadžius**	Ministry of Finance of the Republic of Lithuania	28
Andreas **Schirk**	Austrian Financial Market Authority	261
Jean-Paul **Servais**	International Organization of Securities Commissions	44
Giuseppe **Siani**	Banca d'Italia	216
Gediminas **Šimkus**	Bank of Lithuania	199
Tajinder **Singh**	International Organization of Securities Commissions	272
Bruna **Szego**	Anti-Money Laundering Authority	260
Martina **Tambucci**	Commissione Nazionale per le Società e la Borsa	280
George **Theocharides**	Cyprus Securities and Exchange Commission	98, 213
Michael **Theurer**	Deutsche Bundesbank	162
Gerassimos **Thomas**	European Commission	72
Sebastian **Thomasius**	Permanent Representation of the Federal Republic of Germany to the EU	36, 278
Nathalie Pauline **Tuxen**	Danmarks Nationalbank	243
Hanzo **van Beusekom**	Dutch Authority for the Financial Markets	90
Fiona **Van Echelpoel**	European Central Bank	222
Johan **Van Overtveldt**	European Parliament	33
Hanne **Van Voorden**	International Association of Insurance Supervisors	178
Barnabás **Virág**	The Central Bank of Hungary	294
Harald **Waiglein**	Federal Ministry of Finance, Austria	35, 56, 84
Nadine **Wiedermann-Ondrej**	Federal Ministry of Finance, Austria	64

Evelien **Witlox**	European Central Bank	198
Andreas **Zachariades**	Ministry of Finance, Cyprus	29
Ante **Žigman**	Croatian Financial Services Supervisory Agency	262
Marco **Zwick**	Commission de Surveillance du Secteur Financier	119
Clara **Adiceom**	Aéma Groupe	116

INDUSTRY REPRESENTATIVES

Jason **Allegrante**	Fireblocks	245
José Antonio **Álvarez**	Santander	159
Hege **Bakke**	DNB Carnegie	81
Sophie **Barbier**	Groupe Caisse des Dépôts	37
Alexander **Batchvarov**	Bank of America	102
Denise **Bauer-Weiler**	UBS Europe SE	61
Nicholas **Bean**	Bloomberg Trading Facility BV	86
Christoph **Berger**	Allianz Global Investors	93
Laurent **Bertonnaud**	BNP Paribas	252
Jacques **Beyssade**	Groupe BPCE	158
Yves **Blavet**	Société Générale	193
Ingo **Bleier**	Erste Group Bank AG	74
Patricia **Bogard**	Crédit Agricole CIB	147
Philipp **Bohrn**	Bitpanda	215
Philippe **Bordenave**	BNP Paribas	99
Fabrice **Borsello**	PayPal (Europe) Sarl et Cie S.C.A.	258
Haroun **Boucheta**	BNP Paribas	131
Stéphane **Boujnah**	Euronext	75
Niels **Brab**	Deutsche Börse Group	85
Gorka **Briones**	Deloitte Spain	296
Teunis **Brosens**	ING Group	202
Dirk **Bullmann**	CLS Group	197
Laurence **Caron-Habib**	BNP Paribas Asset Management	287
Madalena **Cascais Tomé**	SIBS	203
Christian **Castro**	CaixaBank	201
Francesco **Ceccato**	Barclays Europe	60

NAME	INSTITUTION	PAGE
Roland **Chai**	Nasdaq	77
Stephanie **Champion**	Nasdaq	226
Eric **Cloutier**	Forvis Mazars	67
François **Coste**	Groupama	298
Grégoire **de Montchalin**	AXA Group	283
David **Dechamps**	Mastercard	210
Isabelle **Delorme**	Euroclear S.A.	225
Marianne **Demarchi**	Swift	184
Delphine **Dirat**	London Stock Exchange Group	282
Anna **Dunn**	JPMorgan Chase & Co.	59
Nick **Dutton**	Cboe Europe	88
Stephanie **Eckermann**	Deutsche Börse Group	209
Christian **Edelmann**	Oliver Wyman (UK)	231
Stephen **Fisher**	Deutsche Bank AG	148
Bernard **Frenay**	Euroclear S.A.	129
Marc **Fungard**	Stripe	259
Maria Pilar **Galán**	KPMG International	288
Julie **Gerdeman**	BNY	230
John **Golden**	Apollo Global Management	275
Vittorio **Grilli**	J.P. Morgan	142
Jérôme **Grivet**	Crédit Agricole S.A.	140
Mette **Grolleman**	Visa Europe	194
Aamir **Hanif**	Western Union	266
Jens **Henriksson**	Swedbank	79
Joerg **Hessenmüller**	Standard Chartered Bank AG	152
Valérie **Höß**	Commerzbank AG	246
Monsur **Hussain**	Fitch Ratings	39
Christian **Hyldahl**	BlackRock	80
Simon **Janin**	Amundi	124
Stéphane **Janin**	AXA Investment Managers	274
Julien **Jardelot**	London Stock Exchange Group	132
Mark **Jopling**	Amazon Web Services	206
Daniel **Kapffer**	DekaBank Deutsche Girozentrale	238
Jyrki **Katainen**	Nordea Bank Abp	78

NAME	INSTITUTION	PAGE
György **Kiss-Haypál**	Otp Bank	164
Jerome **Lachand**	CCF Group	265
Yann **Le Pallec**	S&P Global Ratings	87
Linda-Eling **Lee**	MSCI	295
Sun **Lee**	CNP Assurances	253
Jean **Lemierre**	BNP Paribas	136
Bruno **Lepoivre**	Crédit Agricole Assurances	180
Marina **Marecos**	Mizuho Financial Group, Inc. / Mizuho Bank, Ltd.	293
Dea **Markova**	Fireblocks	245
Jodi **Marlette**	Amazon Web Services	237
Giuseppina **Marra**	Desjardins Group	153
Vince **Marriott**	Apollo Global Management	101
Alison **Martin**	Zurich Insurance Company Ltd	106
Brent **McIntosh**	Citi	67
Sara **Mella**	Nordea Bank AB	257
Thiébaut **Meyer**	Google Cloud	244
Cristina **Mihai**	Swiss Re Management Ltd	181
Las **Olsen**	Danske Bank	26
Cosimo **Pacciani**	Poste Italiane	108
Agathi **Pafili**	Capital Group	123
Roberto **Pagán Díaz**	BBVA	187
Ann **Prendergast**	State Street Global Advisors Europe Limited	122
Daniel **Quinten**	National Association of German Cooperative Banks	170
Johannes **Rehulka**	Austrian Raiffeisen Association	171
Michele **Rendine**	Generali	115
Stanislas **Roger**	SMBC Bank EU AG	66
Karolin **Schriever**	Deutscher Sparkassen- und Giroverband	109
Philippe **Setbon**	Natixis Investment Managers	54
Faryar **Shirzad**	Coinbase	218
Bjørn **Sibbern**	SIX Group	53
Michalis **Sotiropoulos**	The Depository Trust & Clearing Corporation	130
Christian **Staub**	Fidelity International	114
Michael **Steel**	Moody's	174
Hein **Tibosch**	Flow Traders	220

Timo **Toenges**	BlackRock	107
Maria **Tsani**	Amazon Web Services	208
Frank **Vang-Jensen**	Nordea Bank AB	163
Fernando **Vicario**	Bank of America Europe DAC	138
Philippe **Vollot**	Rabobank	264
Anne-Karien **von Fumetti**	MUFG	281
Ansgar **West**	Munich Re	38
Kelli **West**	Swift	219
Michael **West**	Moody's Ratings	25
Edwin **Wilches**	PGIM Fixed Income	100
Atsushi **Yasutake**	The Norinchukin Bank	297

OTHER STAKEHOLDERS

Jean-Marie **Andrès**	EUROFI	9
Jean-Jacques **Bonnaud**	EUROFI	40
Didier **Cahen**	EUROFI	9
Christian **Noyer**	Banque de France	96
Agustin **Reyna**	The European Consumers' Organisation	188
Julia **Symon**	Finance Watch	289
Marc **Truchet**	EUROFI	9
David **Wright**	EUROFI	10

EUROFI PRESIDENT // David Wright

SECRETARY GENERAL & PUBLISHER // Didier Cahen

ASSOCIATE PUBLISHERS // Jean-Marie Andrès and Marc Truchet

EDITORIAL COORDINATOR // Daniela Craciun

GRAPHIC STUDIO // Canana Studio - www.canana.studio & Initial P - www.initialprint.be

ABOUT EUROFI

The European think tank for financial services

- **Two major annual international events fostering open dialogue between public authorities and financial industry stakeholders from all sectors and steps of the value chain;**
- **A broad and forward-looking agenda covering regulatory developments, macro-economic trends, and key financial industry transformations;**
- **A neutral, fact-based and general interest approach aimed at enhancing the effectiveness, integration and further development of European financial markets.**

OUR OBJECTIVES

Eurofi was created in 2000 with the aim to contribute to the strengthening and integration of European financial markets.

Our objective is to improve the common understanding between the public and private sectors of the trends and risks affecting the financial sector, and to facilitate the identification of areas for improvement that can be addressed by regulatory or market-based measures.

OUR APPROACH

We work in a general interest perspective for the improvement of the overall financial market, using an analytical and fact-based approach that considers the impacts of market trends and regulations for all concerned stakeholders. We also endeavour to approach issues from a holistic perspective, considering all relevant implications from a macro-economic, risk, efficiency and user standpoint.

We organise our work mainly around two annual international events, which bring together the main stakeholders concerned by financial regulation and macro-economic issues for informal debates. Research conducted by the Eurofi team and contributions from a wide range of private and public sector participants allow us to structure effective debates and provide extensive input. The result of discussions, once analysed and summarized, provides a comprehensive account of the latest thinking on market and economic trends and on financial regulation and helps to identify emerging and pending issues that merit further action or assessment.

This process, which combines analytical rigour, diverse input and informal interaction, has proven over time to be an effective way of advancing the regulatory debate in an objective and open manner.

OUR ORGANISATION AND MEMBERSHIP

Eurofi operates on a membership basis and comprises a diverse range of more than 100 European and international firms, covering all sectors of the financial services industry and all steps of the value chain: banks, insurance companies, asset managers, stock exchanges, market infrastructures, service providers, tech providers... The members support Eurofi's activities both financially and in terms of content.

The association is chaired by David Wright who succeeded Jacques de Larosière, Honorary Chairman, in 2016. Its day-to-day activities are conducted by Didier Cahen (Secretary General), Jean-Marie Andres and Marc Truchet (Senior Fellows).

OUR EVENTS AND MEETINGS

Eurofi organises two major international events each year (the High Level Seminar in April and the Financial Forum in September) for open and in-depth discussions on the latest developments in financial regulation and the implications of ongoing macro-economic and industry trends. These events bring together a wide range of representatives from the private sector, the EU and international authorities and civil society.

On average, more than 1000 participants have attended these events in recent years, with a balanced representation between the public and private sectors. All European countries are represented, as well as several other G20 countries (US, Japan...) and international organisations.

These events take place just before the informal meetings of EU Finance Ministers (Ecofin) in the country holding the EU Presidency. Eurofi has also organised similar events in parallel with G20 presidency meetings.

OUR RESEARCH ACTIVITIES AND PUBLICATIONS

Eurofi conducts extensive research on the main topics on the European and global regulatory agenda, recent macro-economic and monetary developments affecting the financial sector and significant industry trends (digitalisation, sustainable finance...). Three main documents are published every 6 months on the occasion of the annual events. They are widely distributed in the market and to the public sector and are also publicly available on our website www.eurofi.net :

- **Views Magazine:** A unique collection of over 230 articles from leading public and private sector figures offering forward-looking insights on regulatory trends, macro-economic challenges, sustainable finance, and digital transformation in the European financial sector.
- **Macro-economic & Monetary Scoreboards:** Data-driven publications presenting key figures, charts, and analyses on macro-economic developments, monetary policy trends, and their implications for finance in Europe and globally.
- **Conference Summaries:** The latest thinking of the key stakeholders shaping the European financial market on macro-economic priorities, regulatory initiatives, sustainable finance, and digital transformation.

Eurofi also regularly publishes research notes on key topics such as the Banking Union, the Savings and Investments Union, the use of technology in the financial sector, vulnerabilities in the financial sector, sustainable finance....which are published on the Eurofi website.

eurofi



eurofi

www.eurofi.net