

Date: 9 march 2026

How to restore competitiveness and boost financing capacity in Europe through rapid reforms in banking regulation and supervision

The European Commission has launched a Have Your Say public consultation to gather stakeholders' views on how to strengthen competitiveness of the UE banking sector. This initiative comes at a crucial moment, as the European economy faces unprecedented financing needs linked to the green transition, digital transformation and global competition. In this context, the FBF is contributing a set of concrete and actionable proposals to support the Commission's reflection process and highlight the urgent need for fast track reforms capable of delivering immediate economic impact. Strengthening banks' ability to fund the economy is essential to boost growth, competitiveness and investment across Europe.

European banks are resilient and central to Europe's strategic autonomy. Yet the current regulatory environment—designed post-2008 and continuously expanded—has become structurally restrictive. Excessive capital immobilisation layers and cumulative supervisory add-ons reduce banks' financing capacity at a time when Europe faces €750–800bn in yearly investment needs. A study conducted by GARP for the European Banking Federation (2025) quantified that 100 bn euros were added in just 3 years between 2021 and 2024 by national authorities or supervisors through discretionary buffers and add ons. Against this backdrop several studies (as outlined by [Frédéric Gonand, 2025](#)) evaluates that the release of targeted buffers would release a 10 times financing capacity for each euro of defrozen capital. As banks provide around 75% of financing to European businesses, SMEs and households their balance sheets remain the most immediate and scalable channel to mobilise private capital.

The Commission is right: maintaining the status quo is no longer viable. Long-term Single Market reforms remain essential but will take time. **Only rapid, targeted burden-reduction measures can immediately fuel lending capacity and competitiveness. Several actions can and must be implemented without delay, in fast-track mode.** At a moment where European leaders are calling for urgent action to unlock our growth potential it is key to act urgently in 3 targeted domains.

a) Urgently unlock significant lending capacity

The EU should urgently deploy measures that deliver immediate financing effects:

- **Accelerate and stabilise output floor arrangements:** make permanent the treatment of low-risk mortgages, unrated corporates and client hedging; freeze the output floor at its current level.
- **Remove immediately the CET1 software deduction,** recognising digital investment as critical for resilience and competitiveness.
- Apply a **regime to trade finance and specialised lending** fully acknowledging their low risk and strategic importance for EU supply chains and infrastructure.

b) Restore an international level playing field

To stop competitive erosion, which is largely demonstrated by the growing market share of non-European and non banking financial institutions in the main areas of financing (investment banking, project finance, infrastructure financing, etc...) the EU should move swiftly on:

- Implementation of a **competitiveness tool in Level 1 legislation** to ensure growth and competitiveness become explicit secondary regulatory and supervisory objectives.
- **Postponing FRTB** to avoid worsening competitive distortions.
- Finalization of an ambitious **revision of the securitisation framework**, making it risk-sensitive, proportionate and aligned with international standards.
- **MREL/TLAC realignment** to reduce fragmentation and issuance costs.
- A review of **EU-specific goldplating** (O-SII/SYRB buffers, Prudent Valuation, NPL backstop) that inflates capital without stability benefits.

c) Simplify and rationalise the prudential framework

Immediate simplification is crucial to reduce uncertainty and unlock resources:

- **Eliminate redundant buffers** and design a coherent capital stack integrating micro-, macro- and resolution layers.
- Improve **Pillar 2 transparency and predictability**.
- Streamline Level 2/3 rulemaking with consistent ex-ante and ex-post impact assessments.

d) Deepen integration of the European banking market : a longer term goal that cannot prevent advancing swiftly in parallel on the urgent measures

Reforms related to **Banking Union, intra-group flows and waivers** are structural and require a holistic, longer-term process. The EU should:

- Ensure **free circulation of capital and liquidity** within the Banking Union, including *automatic waivers*.
- **Facilitate cross-border consolidation**, with simpler approval processes and reduced home/host frictions.
- Develop robust mechanisms to **reassure host authorities** and enable genuine group-wide optimisation.

Even if advancing on this is needed on a long-term approach, no fast progress can be foreseen in these controversial topics, already debated for a very long time between member States. Thus priority should be given to immediate fast-track actions that can deliver a tangible and rapid boost to EU banks' capacity to finance the economy. **The decisions taken this year will determine Europe's capital availability for the coming decade and implementing them as soon as 2026 is key to be back in the race.**