Helaba

Focus on: Credit
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Large European banks: European Commission for boosting Competitiveness



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Last Friday, as announced, the European Commission published its report on the competitiveness of the EU banking sector. The catalogue of recommended actions is very comprehensive. A legislative proposal is expected to be on the table by early 2027. We welcome the commitment to reducing the high level of complexity and regulatory burden, and hope for bold steps taken during the forthcoming process of transposing the list of recommendations into legislation.

On 17 July 2026, the European Commission presented its **report on the competitiveness of the EU banking sector**.[1] The report had long been anticipated (see our **sector outlook** dated 9 January 2026). It was preceded by a comprehensive consultation. Based on our observations, the European Commission has, on the one hand, recognized the **need to reduce bureaucracy** in the banking sector and, on the other hand, is responding to U.S. initiatives to deregulate the banking market.

In our view, the extensive and, in some cases, overlapping **regulations and reporting requirements** place a burden not only on the institutions concerned. They also make life difficult for the investors for whom the information is intended. For example, in addition to the three statutory categories of common equity tier 1 capital, tier 1 capital and total capital under Pillar 1, there are further Pillar 2 requirements (capital conservation buffer, countercyclical buffer, systemic risk buffer) as well as individual buffers expected by the supervisory authority (Pillar 2 guidance). In this context, the systemic risk buffer can be replaced by a G-SIB buffer for global systemically important banks or an O-SII buffer for other systemically important institutions. In addition, there are reporting requirements (Pillar 3) and numerous rules governing the calculation of underlying assets (standardised approach, IRB approach, output floor with transition periods, etc.).

In the introduction to the report now published, the Commission puts it into context with its Strategy for **the Savings and Investment Union (SIU)**. The aim is to achieve an integrated, efficient and competitive banking sector capable of strengthening Europe's economy by financing growth and innovation. This is to be underpinned by a **more balanced regulatory framework** that creates the conditions for banks to take risks prudently whilst safeguarding the sector's resilience.

The communication sets out specific measures to **reduce excessive complexity**. The Commission intends to:[2]

- make bank-specific capital requirements (Pillar 2 requirements) and supervisory guidelines more transparent and targeted.
- simplify and further harmonise macroprudential buffers and resolution buffers.
- encourage authorities to improve their coordination mechanisms so that they set supervisory requirements in an increasingly coordinated manner.
- to achieve further proportionality, simplification and automation in banking reporting.

[1] See also **the press release**, **Staff Working Document** and **Q&A**.
[2] See **Q&A**.

Below, we summarize what we believe to be the report's most important recommendations from a **credit perspective**.

- **Capital buffers**
  - Reducing the number of regulatory capital buffers and improving their calibration (in particular regarding the countercyclical capital buffer and the systemic risk buffer).
  - Harmonisation of requirements for other systemically important institutions at EU level.
  - Strengthening coordination between supervisory authorities so that overlapping buffer requirements can be reduced and the usability of buffers in times of stress is ensured.

- **Pillar 2 requirements**
  - Remove Pillar 2 capital requirements related to the leverage ratio.
  - Improve individually set buffer targets (Pillar 2 guidance) so that specific risks are covered in a targeted and efficient manner and overlaps as well as double-counting with other requirements are avoided.

- **Requirements for total MREL capital, including liabilities**
  - Revision of the complex MREL requirements[3] for European banks with the aim of achieving a simpler, more predictable and largely automated calibration.
  - Eliminate unnecessary deviations from the TLAC standard[4] for global systemically important institutions and ensure that the requirements for smaller banks are proportionate.
  - Further streamline the process for granting permissions to banks in a sound financial position to speed up authorisation of buybacks and liability management.

- **Implementation of the Basel capital requirements and EU competitiveness**
  - Develop proposals on the output floor and the corresponding transitional arrangements for smaller unrated firms and retail mortgage loans[5], as well as their impact on the competitiveness of EU banks.
  - Continue to monitor the implementation of international standards across jurisdictions and implement a long-term, strategic, EU approach to market-risk capital requirements, based on the experience gathered and on level playing field considerations.[6]
  - Evaluate the regulatory treatment of strategic investments through specialised lending, including project finance for infrastructures and the energy transition, as well as the regulatory treatment of trade finance with a view to ensuring that European banks can support European companies and strengthen supply-chain security.
  - Revising the treatment of software assets (currently largely deducted from core capital), ensuring digital and cyber security, and creating incentives for innovation and digital resilience.

- **Proportionality for smaller banks**
  - Ensuring that smaller banks are subject to appropriate and simpler requirements with regard to micro- and macroprudential risks.

[3] Minimum Requirement for Own Funds and Eligible Liabilities (under EU law).
[4] Total Loss-Absorbing Capacity (applies to global systemically important institutions).
[5] For details on the introduction of the output floor, see our publication **"Major European Banks: Well prepared for Basel IV"** dated 18 June 2024.
[6] As we understand it, this refers to the own funds requirements for market risk, which have not been implemented in the US. In response to US opposition, their introduction was also postponed in Europe. See also our publication **"Major European Banks: Well prepared for Basel IV"** dated 18 June 2024, as well as our **sector outlook** dated 9 January 2026.

- **Cross-border EU banks**
  - Enabling a more efficient allocation of capital and liquidity within cross-border groups (parent companies and subsidiaries); requirements should apply at the level of the parent company.
  - Replacing the 2015 proposal for a single European deposit guarantee scheme[7] with a simpler and more robust framework. The Commission intends to take account of the diversity of the banking sector and national specificities.

What are the next steps? The European Commission intends to draw up **legislative proposals** to amend the regulatory requirements for banks by the first quarter of 2027. This is in line with the **'One Europe, One Market' roadmap.** At the same time, the communication calls on Member States, supervisory authorities and the banking sector to continue their efforts or to adjust their existing approaches in order to achieve the goal of improving the competitiveness of banks to support the EU economy. A **cultural shift in the banking sector** could already bring tangible benefits, regardless of the outcome of further political negotiations on the regulatory framework.

Our conclusion: In our view, the report examines the **weaknesses** in the competitiveness of the European banking sector in a very comprehensive manner and lists numerous **opportunities** for reducing burocracy and simplifying the dense regulatory framework. **We welcome the Commission's aim** of strengthening the efficiency of the regulatory framework in order to reduce the administrative burden on banks and thus boost their competitiveness, whilst at the same time maintaining the overall resilience of the system. However, the adjustments will initially involve a **transition cost**. The drafting and finalisation of the changes to the legal framework are now pending. In our view, a bold step towards simplifying regulations and reducing bureaucracy would be greatly appreciated.

[7] The 2015 European Deposit Insurance Scheme (EDIS) remains a key pillar yet to be finalised in order to complete the banking union.

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