Eurofi

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approach to simplification:

avoiding three misconceptions, and suggesting concrete milestones

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Ladies and Gentlemen,

I am pleased to attend this Eurofi Summit here in Warsaw – the birthplace of Marie Skłodowska-Curie, renowned French-Polish scientist and two-time Nobel laureate. A great European as well, currently among the shortlisted personalities to appear on future euro banknotes. Let me start with one strong belief on Europe, which is our common safe haven. In this newly chaotic world, we have an absolute duty and a unique opportunity to enhance our economic power, which means accelerating on at least two positive solutions: (i) to build a digital euro to anchor our monetary sovereignty, in partnership with commercial banks, (ii) **to have now** a comprehensive legislative package put forward by the Commission to integrate more the Single market and the Savings and Investments Union, following the Draghi and Letta Reports. On both fronts, waiting in tetany or stupefaction would be lethal, and speed is of the essence: let us act faster and further.

Coming back to science, financial stability and banking regulation must likewise be built on rigour – but also on clarity. In times of heightened uncertainty, we must not lose sight of the fundamental "*why*" that underpins our regulatory architecture.

I will first elaborate on three misconceptions and one rightful takeaway for simplification (I), before suggesting a few concrete milestones to go down the road (II).

1. Three misconceptions and a rightful takeaway for simplification

1.1. First misconception: we need US-like deregulation

The first misconception would be to follow the path of deregulation. Today, a strong wind is blowing from across the Atlantic with a dangerous temptation to forget the lessons of the 2008 global banking crisis.

Deregulation would sow the seeds of future financial crises, still more at a time when crypto-assets and the growing role of non-bank financial intermediaries (NBFIs) are expanding the perimeter of systemic risk. Let me be clear, in case anyone here is still tempted to emulate the "example" set by M. Trump's team:

it would be a huge mistake. The Trump administration is heading down the wrong path with its economic and financial agenda – and the severe financial instability triggered after April 2nd is a clear demonstration thereof. We shouldn't and we won't enter a race to the bottom.

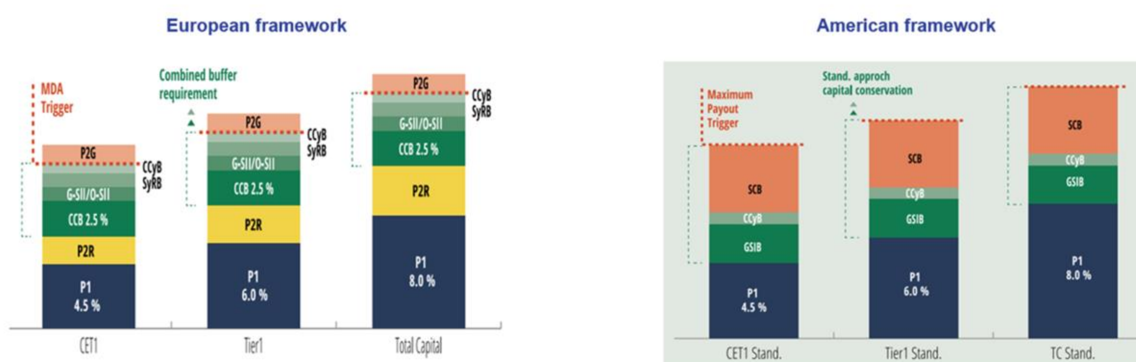
1.2. Second misconception: nothing should change in Europe

The second misconception, conversely, would be that nothing should change – that even modest adjustments would inevitably open the door to broader deregulation and bow to "banking sector lobbying". This fear is unfounded: European regulators and supervisors are competent enough to know where to adjust, and where to stand firm. A decade after its inception, the Banking Union has become strong enough to acknowledge that there is room for possible improvement.

Over the years, a growing number of requirements, guidelines and technical layers have been added to the framework.

BANKING PRUDENTIAL REQUIREMENTS ARE NUMEROUS IN EUROPE

COMPARING BANKING PRUDENTIAL REQUIREMENTS: THE CASE OF THE CAPITAL REQUIREMENTS FRAMEWORK



Source : EBA « stacking orders and capital buffers » rapport (2024).

Notes : 1) Capital requirements related to going-concern solvency (excluding gone-concern MREL/TLAC requirements);
2) The charts aim to reflect requirements for large banks. The size of each requirement layer in the charts is illustrative and does not reflect actual rates (e.g., the CCyB exists in the US but is currently set at 0%).

This is not simply the result of bureaucratic blindness that is all too easily vilified: the different European authorities are doing their job competently and conscientiously. But in Europe at least, there are structural causes. First, there is an accumulation of international, European and national standards, with the

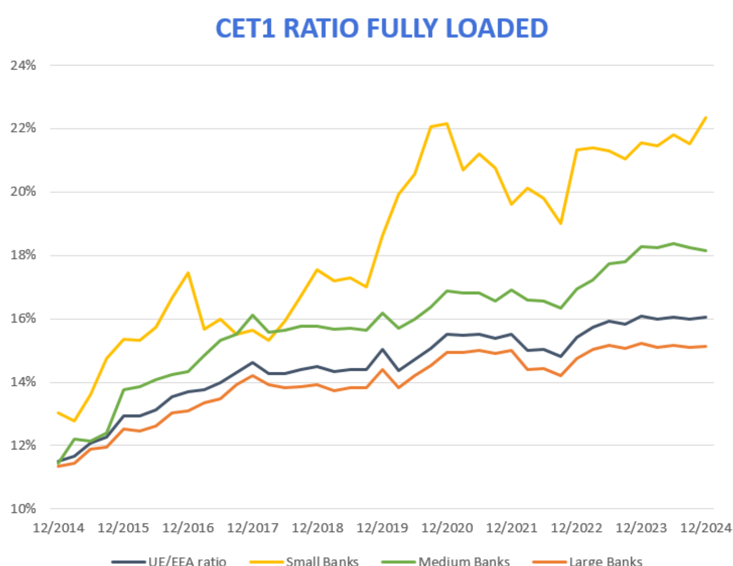
constant temptation to add more. Each country also wants to keep its previous rules, making it difficult to lighten the burden. There are also numerous bodies in charge – the SSM with its microprudential role, the ECB and the European Systemic Risk Board (ESRB) with their macroprudential role, the SRM for resolution, European agencies including the European Banking Authority (EBA) for banks, and various national authorities.

1.3. Third misconception: we should still add requirements on European banks

The weakness of this European architecture is that no single authority is truly responsible for taking a holistic view on the appropriate level of capital. And there is possibly an assumption that more capital is always better, regardless of context or calibration. This dynamic is often driven by siloed optimisation: each authority, acting with the best of intentions, introduces additional layers of safeguards. Such "local" optimisation can lead to a suboptimal race to the top.

But the reality is that European banks as a whole do not lack capital or liquidity. On the contrary, over the past decade, the average CET1 ratio of European banks has increased from 12.5% to 16.1%.

EUROPEAN BANKS' BALANCE SHEETS ARE ROBUST



Source: EBA Risk Dashboard ; Banque de France.

Their resilience has been repeatedly tested and confirmed – recently through the 2023 stress testing exercises, which are credible, and well-recognised by markets, based on a very severe scenario, corresponding to a drop in the GDP approximately twice as strong as during the Great Recession. Moreover, the current 2025 exercise will anchor this credibility, as it is based on a narrative of worsening geopolitical tensions, with large, negative, and persistent trade and confidence shocks.

1.4. A rightful takeaway: we need a European approach to simplification

These three misconceptions lead us to a more grounded conclusion: the need for a European approach to simplification that is firm on objectives, but more nimble in design. The difference from deregulation is threefold:

First, we stick to the **fundamental objectives**: financial stability must remain paramount. The cost of banking crises is too high[i] to be treated lightly. The same holds true for climate change, which is no longer a distant risk but an economic reality.[ii] One word about the objective of **competitiveness**: it is important for the industry, and rightly so; but there is a hierarchy of objectives. Just as in monetary policy, price stability is the primary objective, preceding growth support, financial stability must remain our primary objective. Insofar it is ensured, we should indeed support competitiveness.

Second, we stick to the **international standards**: Basel 3 for the banks, FSB guidelines for non-banks and cryptos. Most jurisdictions implement them: the new US unilateralism is the exception, and cannot become the rule.

Third, simplification is about **diminishing complexity**, and not necessarily diminishing requirements. We must examine how rules interact, how they are applied, and whether their combined and holistic effect truly serves their intended purpose. This applies to both regulation and supervision. Simplification is not a softening of our ambition but a way to make it more effective.

2. Going down the road of simplification: concrete milestones

Let me in this spirit lay down a few concrete milestones towards a European simplification.

2.1 Short term: supervision and reporting – including ESG

In the short term, there are opportunities to reduce the administrative burden for banks and competent authorities. On supervision, we welcome the SSM's "SREP of tomorrow" initiative and the work on reporting simplification. They are important steps forward, and they must now be fully delivered and enhanced. In parallel, the EBA has launched concrete efforts to rationalise Level 2 and 3 texts, as well as reporting requirements, with practical actions to be taken by the end of 2025. I also welcome the Commission's decision to bring forward to 2026 the report on the state of the banking system in the single market, with a focus on competitiveness.

On **ESG reporting**, the Omnibus directive's direction of travel is encouraging. The reduction in reporting burden is welcome – but we can finetune the right balance, especially on CSRD. In particular, for mid-sized companies (from 250 to 1,000 employees) an appropriate reporting framework is still to be defined. Moreover, the upcoming streamlining of the first set of ESRS standards prepared by EFRAG should still contain the most necessary data to address climate-related financial risks, such as information regarding entities' transition plan. Indeed, we strongly support the development of credible transition plans for financial institutions. In this regard, achieving consistency between CSRD and CSDDD is a major step forward. The deferral of sectoral rules at this stage is, in my view, a sensible and proportionate choice.

2.2. Medium term: regulation

Quick wins matter – but we must also keep the broader perspective in view.

As underlined last February in our joint letter to the Commission with the Governors of the Bundesbank, Banca d'Italia and Banco de España[iii], simplification must begin with a **holistic assessment** of the present framework.

This could lead afterwards to constructive discussion of Level 1 texts, and a critical review of gold-plating and Europe-specific layers of complexity.

While we should not pre-empt the outcome of this review, a number of wellknown candidates for simplification already stand out in my opinion. First, on **resolution**, the coexistence of TLAC and MREL requirements, which is a clear case of gold-plating and complexity. Then, the **multiplication of MDA triggers**, which generates uncertainty for capital planning. In particular, the removal of the MREL and leverage ratio-based MDA triggers deserves serious consideration. Beyond these, ambition in simplifying should be maintained even on more complex topics such as the structure of the capital stack, and in particular, the macroprudential architecture.

On **Basel 3**, I am and remain a great supporter of its implementation, with one exception: it is appropriate to postpone by one more year to 2027 the implementation of the fundamental review of the trading book (FRTB) given the international uncertainty. This delay should be used to adjust some of the design of the FRTB. Lastly, current European discussions on the output floor's impact on the P2R should be in line with the spirit of the level 1 text and avoid goldplating.

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To conclude, we can be proud of what has been achieved since the 2008 crisis: the European banking system is now more robust, better capitalised, subject to stronger and more coordinated supervision, giving us greater confidence as we face today's uncertainties. We can now turn to what remains to be done: reducing the complexity of our framework without weakening it. Simplifying does not mean lowering our guard – it means strengthening our foundations. Let us discuss it together, with a bit less passion and mutual suspicion, and a bit more pragmatic action. As Marie Curie said: "Nothing in life is to be feared, it is only to be understood." We must show less fears, and more mutual understanding.
This is, contrary to the latest US drift, the European way I believe in.

[i] "For instance, the median cost of over 150 systemic banking crises during the period 1970–2017 is 6.7% of GDP for advanced economies and 10% for emerging market economies (Laeven and Valencia, 2020)". Source: BIS Working Paper n°1090. Monetary and Economic Department. Claudio Borio, Marc Farag and Fabrizio Zampolli. Tackling the fiscal policy-financial stability nexus. April 2023. [ii] The estimated cost of physical climate damages is projected to rise from 5% of global GDP today to 15% by 2050. Source: Network for Greening the Financial System (NGFS). NGFS long-term climate scenarios – Highlevel Overview. November 2024. [iii] Joint Letter from Banque de France, Bundesbank, Banca d'Italia and Banco de España, to the European Commissioner Albuquerque. 19th March 2025.