SPEECH

Simplification without deregulation: European supervision, regulation and reporting in a changing environment

Speech by Claudia Buch, Chair of the Supervisory Board of the ECB, Goldman Sachs European Financials Conference 2025

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The environment in which European banks are operating is changing fast[1]. Technology is evolving rapidly, transforming how financial services are delivered and information is processed. Banks need to adapt their business models to sustain their long-term profitability. The risk landscape has changed significantly; geopolitical uncertainty is high. This requires good risk management, supervision, and regulation. At the same time, the benefits of post-financial crisis reforms are increasingly being questioned, the current supervisory and regulatory framework is being criticised as excessively complex. A weakening of global rules that help keep the financial system safe and sound is a real risk.

Simplification without deregulation requires strong guardrails.[2] Simplification means maintaining resilience with a more effective and efficient supervisory and regulatory framework; deregulation means weakening regulation and supervision at the expense of resilience. In practice though, it can be difficult to draw a clear line between simplification and deregulation.[3] The current rules are not there because the framework has intentionally been made too complex. Rules and procedures are there for a reason.

Ensuring that simplification does not weaken resilience requires an evidence-based, European reform agenda that enhances efficiency and effectiveness.

The reform agenda should be evidence-based. Good policymaking requires assessing the effects of regulations, including potential unintended side effects. Evidence shows that the benefits of the current framework outweigh negative side effects:[4] improved regulation has led to more and better-quality capital in the European system without impairing the ability of banks to service the real economy. There is no trade-off between growth and resilience. Reporting standards have improved, providing timely and consistent information across countries. The Single Rulebook and European supervision provide a common framework, while duly considering the diversity of market structures and banks' business models. These are solid achievements – and a strong foundation for future growth and financial stability.

The reform agenda should enhance efficiency and effectiveness. We can improve the system and make it less complex. European banking supervision is pursuing an ambitious reform programme to become more effective and efficient, while remaining clearly focused on risks. The reform of the Supervisory Review and

Evaluation Process (SREP) that we are currently implementing is a key element. It will deliver tangible benefits to banks, without weakening their resilience. Our work complements task forces of the ECB's Governing Council and the European Banking Authority that are looking at different aspects of regulation, reporting and supervision.[5]

We should seek European solutions. Looking beyond supervision, there is scope to simplify complex reporting and regulatory requirements. As supervisors, we cannot act alone – the ECB is not a regulatory authority. Policy decisions are needed to harmonise national rules that are relevant for banks across Europe. This would promote the single market and promote cross-border financial integration.

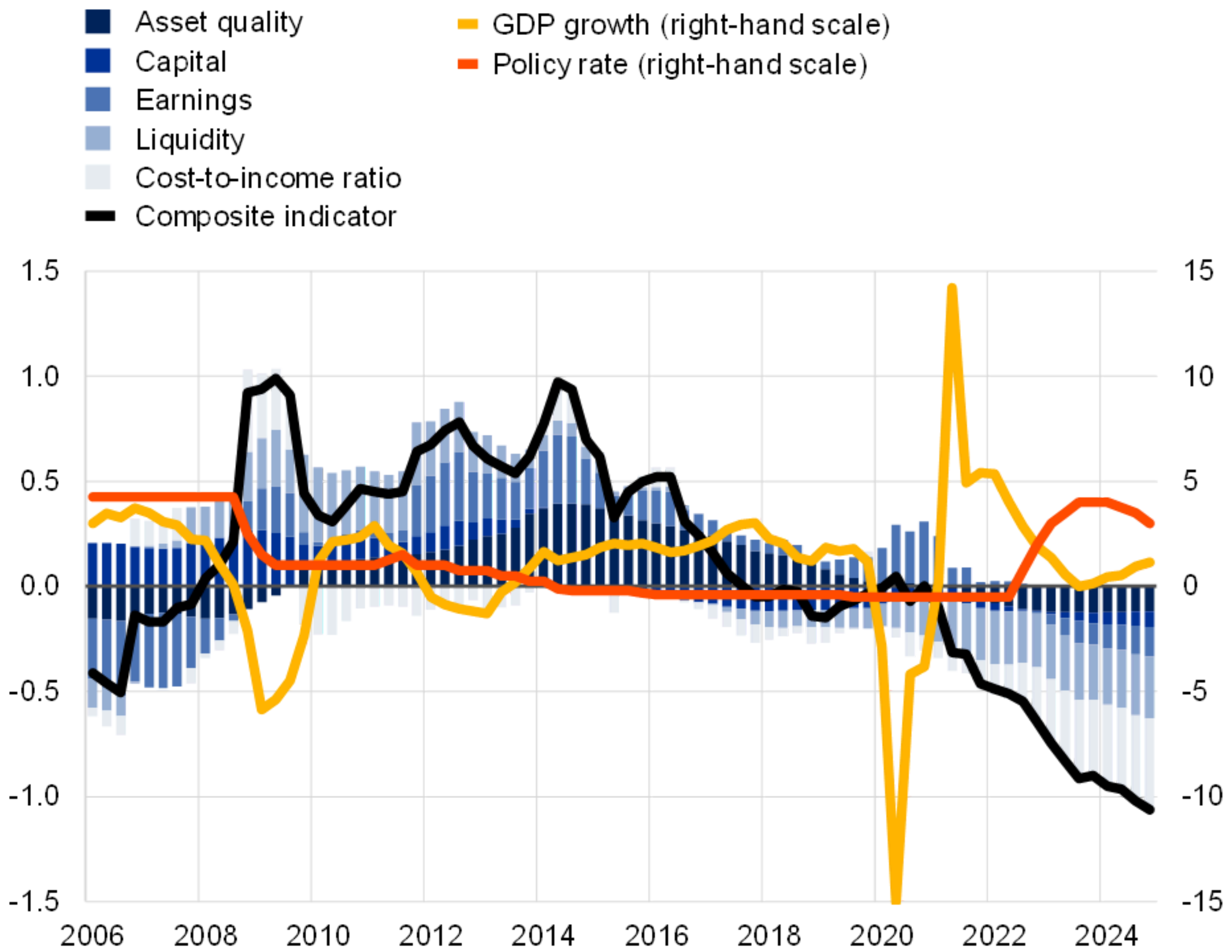
The resilience that was built over the past decade is no coincidence. It is the result of concrete policy action and good supervision in Europe. This is an achievement that should not be put at risk. Improvements should not come at the expense of weaker standards that would expose depositors and taxpayers to increased risk.

The current framework delivers in terms of resilience

The European banking sector has remained resilient through a series of shocks in recent years. During the COVID-19 pandemic alone, euro area GDP declined by 6.6%.[6] Other shocks have followed: the energy crisis in 2022, the turmoil on international banking markets in March 2023 and, more recently, the announcements of new tariffs by the United States. Each of these episodes had the potential to put serious strain on the financial system. And yet, the banking sector emerged largely unscathed. Loan losses have declined, no systemic episode of banking sector stress has emerged. European banks have continued to service the real economy throughout (Chart 1). This is what resilience is all about.

Chart 1: Bank vulnerability

(left-hand scale: z-score; right-hand scale: percent)

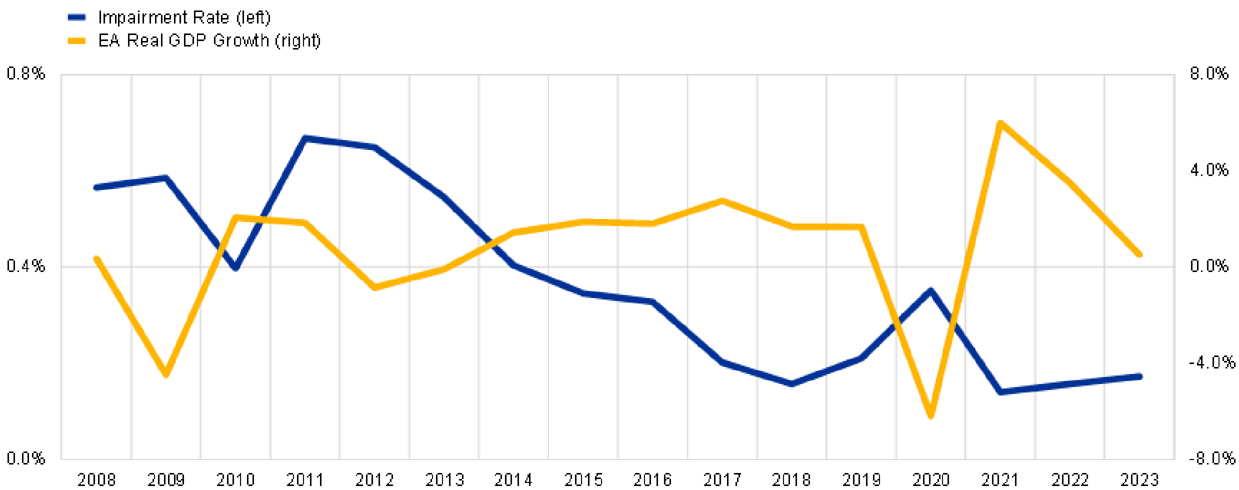


Sources: ECB Supervisory Banking Statistics and ECB Statistical Data Warehouse.
Notes: The composite measure is based on a set of indicators along five dimensions: capital (Tier 1 capital ratio and leverage ratio), asset quality (non-performing loans ratio), management (cost-to-income ratio), earnings (return on equity and return on assets) and liquidity (loan-to-deposit ratio). Z-scores are calculated across all euro area countries and time periods. Positive values indicate higher than average bank vulnerabilities.

In part, the resilience observed in recent years stems from the extraordinary fiscal and monetary policy response to recent shocks. During the pandemic, swift and sizeable fiscal policy interventions supported the real economy and contained losses on banks' balance sheets.[7] Even today, a notable proportion of outstanding loans remain covered by pandemic-related public guarantee schemes.[8] Loan impairments did not materialise to the extent expected – not necessarily because banks were immune to the economic environment, but because policy absorbed much of the shock (Chart 2). After the global financial crisis, in contrast, the impairment rate increased significantly.

Chart 2: Loan impairments and real GDP growth in the euro area

(left-hand scale: impairment rate; right-hand scale: EA Real GDP Growth)



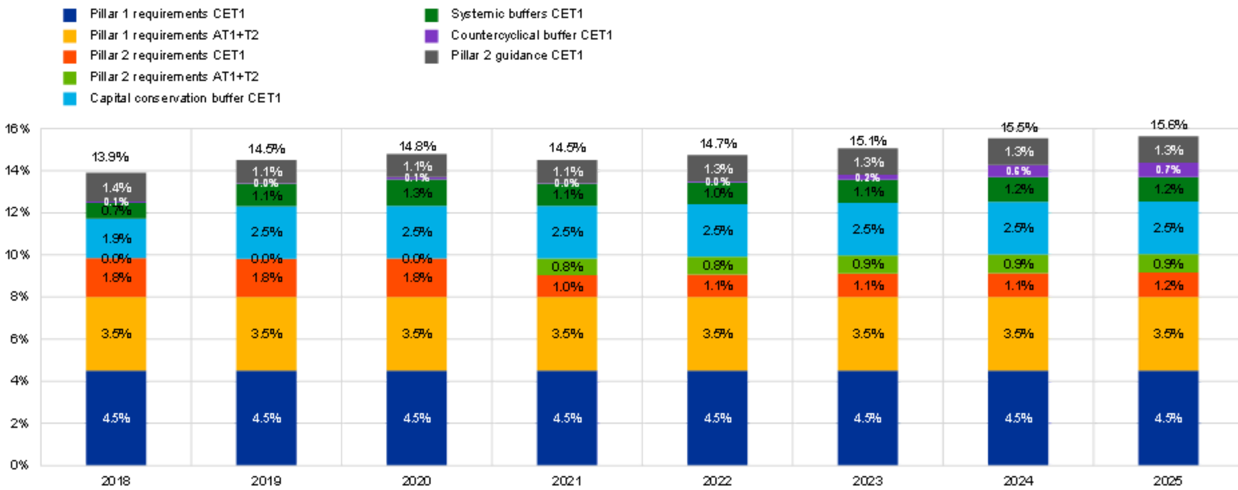
Sources: Consolidated banking data (CBD2) and ECB Statistical Data Warehouse.

Notes: The impairment rate is calculated at system level as the ratio of yearly change in the stock of provisions over total exposures. The impairment rate considers total impairments. The rate of GDP growth of the euro area countries calculated using GDP at market prices.

Stronger regulation and more effective supervision have made banks more resilient and enabled them to take risks. Banks are now better capitalised and better able to absorb adverse shocks. Since the global financial crisis, the capitalisation of European banks has more than doubled in terms of their risk-weighted assets, from around 8% in 2007 to a little over 17% at the end of 2024.[9] The leverage ratio has increased to 5.9%, up from just above 5% in 2016. Since the pandemic, the composition of capital requirements has shifted towards higher macroprudential buffers that can be released in times of crisis (Chart 3).[10]

Chart 3: Overall capital requirements and Pillar 2 guidance in Common Equity Tier 1 (CET1)

(percentage of risk-weighted assets)



Source: ECB.

Better capitalisation has benefits for investors: more capacity to absorb losses means the risk for individual investors declines. If banks sail very close to the wind and are tightly capitalised, investors are more exposed to the risk of sudden losses or capital shortfalls in times of stress. This can lead to greater volatility in share prices, higher funding costs and, in extreme cases, losses. By contrast, well-capitalised banks are better positioned to weather shocks, maintain investor confidence, and sustain dividend payments over time.

As regards supervision, risk prioritisation and benchmarking have allowed for more consistent and forward-looking standards. As early as 2017, European banking supervision started dedicated work on interest rate risk in the banking book. Banks in Europe were better prepared for the sharp change in the interest environment that began in 2022.[11] In 2024, we intensified our work on geopolitical risks, providing banks with a structured framework for how these risk drivers affect traditional risk categories.[12] We can benchmark the performance and practices of banks across European countries. This is a clear advantage over national supervision. A good example is our benchmarking of credit risk provisioning practices under the IFRS 9 accounting standards. By comparing provisioning levels across banks with similar risk profiles, we can identify outliers to ensure a better recognition of credit losses.[13] Similarly, a targeted review of internal models, launched in 2016, has improved the reliability of internal models.[14]

Improvements made in reporting are no less significant. Since 2018, AnaCredit – a harmonised European credit registry – has provided granular data on banks' exposures to individual firms and sectors. The insights drawn from AnaCredit have been valuable in designing pandemic-related support programmes for the real economy and understanding risks for the banking sector.[15] Similar information is needed to understand the impact of tariffs or climate-related risks on banks' credit risks.

Weekly liquidity reporting is another example of how recent changes in the framework serve us well in navigating current challenges. In September 2023, supervisory reporting templates were introduced, in coordination with the Single Resolution Board, to collect more frequent and timely liquidity data from significant banks. This was a response to the turmoil on banking markets in March 2023. We now have timely information on banks' liquidity positions, funding structures and potential vulnerabilities – including in times of stress. This avoids any risk that ad hoc requests during times of stress could be misinterpreted by markets.

The above are a few examples of how the current framework has enhanced the resilience of European banks. But the framework is admittedly complex, and there are opportunities to simplify it without compromising resilience.

But the current framework is complex

Modern banks can be complex institutions, and the current framework reflects this complexity. Take capital regulation as an example. In principle, there could be a much simpler way to impose capital requirements on banks: by applying a leverage ratio – which sets capital requirements based on total assets – or by using standardised risk weights uniformly across all banks.

Proposals to simplify capital regulation were tabled during discussions on the post-crisis financial sector reforms.[16] However, they were often met with opposition from the industry. The main concern was that simplified requirements would not reflect the riskiness of different business models and portfolios. Instead, regulators opted to allow banks to use their internal risk models to calculate risk-weighted assets as a basis for capital requirements. Good internal models are key to good risk management. But maintaining and validating internal models consumes time and resources of banks and supervisors. Material changes to internal models require prior approval from supervisors. Streamlining the model landscape can thus contribute considerably to simplification without making the banking sector less resilient.

Generally, national rules are another key driver of complexity within Europe. The Single Rulebook significantly simplifies prudential regulation. But significant national variations remain within this harmonised prudential framework. These variations arise from differences in the transposition of EU directives into national law or from discretion exercised by Member States. Moreover, consumer protection laws, tax policies and insolvency regimes differ across Member States. This is not just an issue for supervisors: each and every bank operating across borders and offering products such as mortgages across Europe faces many different rules and regulations.

The international Basel standards are the foundation for the Single Rulebook, which applies across all banks and ensures a high level of resilience. At the same time, various exemptions from the Basel rules have been decided politically to reflect the specificities of particular banks or banking markets. Typically, such exemptions are subject to detailed conditions to avoid that they are overused or leave risks uncovered – thus potentially making implementation more complex. Also, it is important that transitional measures remain temporary in nature.

In the EU, the risk-based capital stack is complex. It comprises up to nine layers, including microprudential and macroprudential requirements and buffers, and it can be met with going and gone-concern funding instruments.[17] Within the SSM, the ECB sets supervisory requirements and guidance, while macroprudential policy is a national role with top-up powers at the ECB. Each element serves a specific purpose. But the different elements may interact in unintended ways. Banks may be reluctant to use capital buffers in times of need to avoid the stigma of cancelling payments on hybrid capital instruments.[18] This framework can be reformed to make it simpler and more transparent.

Shifting the balance, making the framework less complex while maintaining resilience, requires proper impact assessments. We need to know whether rules serve their purpose, such as enhancing resilience, and whether there are negative side effects, such as reduced lending or increased costs of funding for the real economy. Frameworks for impact assessments exist. The Basel Committee on Banking Supervision, the Financial Stability Board and the European Commission have frameworks for assessing the effects of regulation. The results of these assessments are quite clear: there is no trade-off between resilience and growth, and the benefits of the post-crisis reforms outweigh the costs.[19] Similarly, there are national and European frameworks for cost-benefit analyses and impact assessments.[20] These frameworks can be used to assess both intended and unintended consequence of regulations – and of possible future changes.

Enhancing the efficiency and effectiveness of the current framework

Since its launch, European banking supervision has developed its supervisory processes and methods to meet the highest international standards. In the early years, we focused on building consistency and establishing a common approach across countries. In recent years, focus has shifted to making supervision more efficient and effective while remaining clearly focused on relevant risks.

Reforming the Supervisory Review and Evaluation Process

In 2022 the ECB invited an independent group of experts to assess the effectiveness and efficiency of the Supervisory Review and Evaluation Process (SREP). The experts found European supervision to be mature enough to evolve towards leaner processes and called for an even sharper focus on risk-based supervision.[21] Their recommendations inspired a comprehensive reform agenda: a reform of the SREP will be completed next year, building on the risk tolerance framework introduced in 2023;[22] an SSM culture project promotes a consistent supervisory mindset across the system; we are assessing our supervisory effectiveness; and we are extending the objectives of the SREP reform to further enhance efficiency, effectiveness and our risk-based approach to all supervisory activities.

The SREP reform has six main objectives.

Focusing risk assessments: assessing every risk with the same intensity each year and for each bank creates a heavy workload and is not very efficient. Our risk tolerance framework and a multi-year approach provide more flexibility to assess bank-specific risks.[23] For banks with low and stable risk profiles, the communication of the SREP outcome is being simplified. We began rolling out this simplified communication in 2023, and we have been extending it to more banks in 2024 and 2025.[24]

Better integrating supervisory activities: insufficient coordination across different supervisory activities can create the impression that work is duplicated and overly burdensome. Improved planning offers better integration and information sharing across activities. For example, Joint Supervisory Teams can draw directly from on-site inspections and horizontal thematic reviews, removing the need to reach out to banks successively to obtain related information. At the beginning of each supervisory cycle, we inform banks of our plans so that they can allocate their resources accordingly.

Using the full supervisory toolkit: a key lesson from past episodes of banking stress is that supervisors must act more quickly to remediate critical findings in banks.[25] Focusing findings on root causes provides better clarity to banks and faster follow up. If banks fail to adequately address weaknesses, we can impose qualitative requirements and take enforcement actions, such as periodic penalty payments.[26] This ensures that risks are not only identified, but actively addressed.

Enhancing communication: faster escalation requires transparent communication. One step into this direction have been executive letters, which were introduced in 2021. Beginning with this year's SREP cycle, we have restructured and shortened the SREP decisions to ensure that they provide a comprehensive assessment for each risk area, the main concerns and the requirements for the bank.[27] For most banks, we expect to adopt SREP decisions and notify banks by the end of October this year – up to two months earlier than in the past. Overall, banks can expect to see fewer qualitative requirements and recommendations in their annual SREP decisions and letters. We are placing greater emphasis on timely action and on issuing qualitative measures to banks as soon as a finding is identified, rather than waiting for the conclusion of the annual SREP.

Stabilising methodologies: complex, frequently changing methodologies are burdensome for supervisors and banks. Stable methodologies ensure consistency over time, making supervision more predictable for banks and improving benchmarking over time. We are therefore simplifying the approach to setting Pillar 2 capital requirements. The new approach is currently being tested and will be applied in the 2026 SREP cycle.[28]

Making better use of IT systems and analytics: making the interaction between banks and supervisors more effective requires adequate technical solutions. We have thus invested into advanced IT systems and analytics. Through our supervisory data collection platforms such as CASPER and the IMAS portal, banks can automatically pre-validate their submissions and easily follow up on supervisory processes.[29] We are currently harmonising and consolidating data and IT infrastructure across the ECB and the national competent authorities. We use advanced analytics to efficiently comprehend bank data and detect weaknesses early.

The SREP reform is in its implementation phase. It builds on earlier decisions and is being implemented over a three-year period. Its benefits will therefore evolve over time. There will be no “Big Bang”. We will monitor and share the progress made via indicators such as the duration of the SREP cycle, the length and clarity of SREP decisions, and information on open findings.

Assessing the effectiveness of supervision is a key element of our reform agenda. Monitoring indicators alone does not provide information about the effectiveness of supervision. A bank’s financial ratios can improve for several reasons: better macroeconomic conditions and other exogenous factors, “good risk management” within the organisation, or good supervision. Disentangling these effects is not easy, and it requires improvements of our analytical tools to better assess the effectiveness of our supervision.

Successfully delivering on our reform agenda requires a shift in supervisory culture. A more risk-based approach relies on teams that can exercise judgement and decide where best to direct supervisory attention. To support this transformation, we have launched an initiative to foster cultural change across European banking supervision. This includes enhancing coordination between the national competent authorities and the ECB.

Enhancing supervisory efficiency and effectiveness and the focus on risks

Our objective to become more effective and efficient, while remaining fully risk-based, applies to all our activities. It does not stop with the SREP. Based on the experience of supervisors across the system and feedback from banks, we have thus developed the following workstreams.

Improving decision-making and harnessing digitalisation

In 2024 alone, the ECB took 2,174 supervisory decisions.[30] The quality and speed of these decisions has direct implications for banks. Take fit and proper assessments, which all board members and key function holders in significant banks are subject to. These assessments account for just over half of supervisory decisions.[31] With the help of digital tools and a fast-track decision-making procedure, we reduced the average processing time from 109 days in 2023 to 97 days in 2024[32], so well within the four months set out in the EBA guidelines. For certain appointments, such as renewals of mandates, we will further streamline the assessment process and the submission of documents. In addition, for authorisation procedures[33] we have developed a risk-based strategy using a traffic light approach to classify risks and streamline processes.

Moreover, we are currently piloting a fast-track process for the supervisory assessment of significant risk transfer in securitisations.[34] This new approach, which was developed in close dialogue with the industry, reduces the review time for sufficiently simple and standardised transactions while ensuring compliance with regulatory requirements.

Internal models

Informative internal models are essential for banks to assess risks and maintain adequate capital levels. However, the time needed to remediate supervisory findings or implement material model changes is often too long. Simplification can be achieved through different channels. Banks can simplify their internal model landscape to focus more on the most relevant models within their organisation. Also, this year's review of the EBA's regulatory technical standards on model changes is a good opportunity to reduce the number of material model changes that require supervisory approval.[35] Moreover, within the ECB, more proportionate approaches could be used in the future to accelerate the approval process, and we will take industry feedback into account.

Stress testing

Stress testing is a key instrument for banks' forward-looking risk assessments. It provides valuable information for setting banks' Pillar 2 capital guidance. But the current approach to supervisory stress tests is seen as costly, despite the recent improvements such as reducing the number of submission cycles from three to two.[36] Further progress is possible within the EU-wide stress tests – conducted together with the EBA – ahead of the next exercise in 2027. Moreover, top-down stress tests can support ongoing supervision and detect vulnerabilities to emerging risks while limiting costs. For that reason, we are increasingly using a more agile, desktop-based approach to support supervisors with forward-looking risk assessments.

Capital-related decisions

Capital-related decisions include supervisory approvals for share buybacks, calls of Additional Tier 1 and Tier 2 instruments and the inclusion of interim profits in CET1 capital.[37] While these decisions are important for preserving sound capital positions, the underlying processes are often resource-intensive. We are improving our internal procedures to make them quicker and more risk-based, including through the use of digital tools. For banks, this will mean clearer expectations, more standardised templates and faster turnaround times. Feedback from banks will be taken into account to ensure that changes duly consider operational constraints.

Reporting

Reliable reporting is crucial for supervisors and banks, but the current system is complex. National and European reporting frameworks coexist, and different authorities may collect similar information. The overall costs related to EBA supervisory reporting account for 1.4% of banks' total operating costs.[38] The political agreement on the Commission's proposal to streamline supervisory reporting and promote data sharing is thus highly welcome.[39]

Already now, the reporting framework provides significant proportionality. For example, since 2021, smaller entities have to report less than 5% of the data required under the full FINREP.[40] But we want to go further. We are currently mapping the prudential reporting and disclosure landscape for significant and less significant institutions, considering national and European mandates, to identify overlaps, outdated requirements and areas where reporting can be streamlined. We are looking at ways to simplify by adjusting materiality thresholds for reporting submissions, with the aim of incorporating them into ECB reporting standards. In parallel, we are working with supervised banks to improve their internal information management systems, as these can hinder timely and high-quality reporting.[41]

Broader changes in reporting frameworks require structured cost-benefit analyses. Simply removing a few items in a standard reporting template does not reduce the fixed costs of maintaining the reporting infrastructure. Reforming the reporting regime can leverage existing frameworks for cost-benefit analyses at the European level. The Integrated Reporting Framework is a good example. It aims to consolidate existing European System of Central Banks (ESCB) statistical reporting as a first step towards integrating statistical, prudential and resolution requirements more broadly.[42] A cost-benefit assessment showed cost savings for the industry.[43]

Tackling complexity requires European solutions

As important as the simplification agenda is, we must not forget its objectives. Europe is strongly bank-based. Future growth and stability hinge upon the banking sector's ability to support the real economy. The capacity for fiscal policy to buffer shocks is likely to be more constrained than it has been in the past. We need to maintain a strong framework that continues to support both financial and operational resilience.

European banking supervision is doing its part to drive greater efficiency in the application of regulatory requirements. Unlike regulators, who define the legal framework, our role is to put the rules into practice – translating them into risk-based supervisory action.

But we cannot tackle undue complexities alone. Achieving real progress requires joint action, including from European and national institutions. National rules need to be aligned with European frameworks, not diverge from them. National reporting requirements that duplicate or contradict European ones should be phased out. The European Commission can play a prominent role by ensuring that, as far as possible, new rules are introduced via regulations, and that when directives are still needed for legal reasons, they are implemented as consistently as possible. The EBA's ongoing work on supervisory and regulatory efficiency is an important step, which we fully support.[44]

The changing environment requires regulatory changes that go beyond the simplification agenda. To complete the banking union, progress must be made on the crisis management and deposit insurance frameworks and on the European deposit insurance scheme. We must advance the capital markets union to reap the benefits of the Single Market.

1.

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Titze, Anneli Tuominen, Florian Weidenholzer, Roberto Ugena and Anton Van de Kraaij for their very helpful input and comments on an earlier version of this speech. All remaining errors and inaccuracies are my own.

2.

See Villeroy de Galhau,, F. (2024) "Towards a realistic simplification, untying some of the knots in European Banking Regulation", November, Paris.

3.

Campa, J.M. (2025), "Beyond Basel III: Charting Europe's Path to Resilient Finance", keynote speech at the 39th ISDA Annual General Meeting, Amsterdam, 15 May.

4.

See Buch, C. (2024), "Building a resilient future: how Europe's financial stability fosters growth and competitiveness", speech at the Eurofi Financial Forum 2024 in Budapest, 12 September, for an overview and references for previous work. See also the Financial Regulation Assessment: Meta Exercise ("FRAME"), which is an online repository of studies on the economic impact of financial regulations maintained by the Bank for International Settlements. On the link between better capitalisation and lending to the real economy, see Financial Stability Board (2019), "Evaluation of the effects of financial regulatory reforms on small and medium-sized enterprise (SME) financing", November, Basel. On the competitiveness of European banks, see Resti, A. (2025), "How have European banks developed along different dimensions of international competitiveness?", *In-Depth Analysis*, European Parliament, April, Brussels; Heider, F. et al. (2025), "How have European banks developed along different dimensions of international competitiveness?", *In-Depth Analysis*, European Parliament, April, Brussels; Mejino-López, J. and Véron, N. (2025), "EU Banking Sector & Competitiveness – Framing the Policy Debate", *Study*, European Parliament, May, Brussels. On potential negative side effects such as procyclicality in times of stress, see Couaillier, C. et al. (2024), "Caution: Do Not Cross! Distance to Regulatory Capital Buffers and Corporate Lending in a Downturn", *Journal of Money, Credit and Banking*, February.

5.

EBA (2025), "Board of Supervisors – Minutes of the meeting on 13 February 2025", February, Paris; De Guindos, L. (2025), "Interview with Die Presse", 3 May, Frankfurt.

6.

ECB (2021), "Annual Report 2020", April, Frankfurt.

7.

Darracq Pariès, M., Kok, C. and Rancoita, E. (2020), "Macroeconomic impact of financial policy measures and synergies with other policy responses", *Financial Stability Review, May 2020*, ECB; European Systemic Risk Board (2021), "Financial stability implications of support measures to protect the real economy from the COVID-19 pandemic", February, Frankfurt.

8.

This pattern was observed in data collected during supervisory stress tests in 2023. The data include information about the maturity schedules of the guaranteed loans, thus also being indicative with regard to the amount of guaranteed loans are still outstanding today.

9.

The aggregate Tier 1 ratio represents banks' core capital (comprising Common Equity Tier 1 capital and Additional Tier 1 capital) as a percentage of their total risk exposure amount. Information on the CET1 ratio has only been available since the start of European banking supervision. The CET1 ratio was 15.9% at the end of 2024, up from 10.9% in 2014. See the ECB's Supervisory Banking Statistics.

10.

Overall capital requirements in the system have increased from 14.8% in 2020 to 15.6% today, driven largely by the countercyclical capital buffer increasing from an average of 0.1% to 0.7%. For details, see the ECB's Supervisory Banking Statistics and ECB (2024) "Aggregated results of the 2024 SREP", December, Frankfurt.

11.

Of course, other factors were at play, including regulatory technical standards devised by the European Banking Authority to identify supervisory outliers in terms of interest rate risk in the banking book, and the prevalence of central bank reserves in EU banks' liquid assets. See Enria, A. and de Guindos, L. (2022), "Are banks ready to weather rising interest rates?", *The ECB Blog*, ECB, 20 December, Frankfurt.

12.

Buch, C. (2024), "Global rifts and financial shifts: supervising banks in an era of geopolitical instability", keynote speech at the eighth European Systemic Risk Board (ESRB) annual conference on "New Frontiers in Macroprudential Policy", Frankfurt am Main, 26 September; Wilkins, C. (2025), "Geopolitics and financial stability: a plan beats no plan", speech given at Fitch Ratings, London, 23 January.

13.

ECB (2024), "IFRS 9 overlays and model improvements for novel risks – Identifying best practices for capturing novel risks in loan loss provisions", July, Frankfurt.

14.

ECB (2021), "Targeted Review of Internal Models – Project report", April, Frankfurt.

15.

ESRB (2021), "Monitoring the financial stability implications of COVID-19 support measures", September, Frankfurt.

16.

See, for example, Haldane, A. and Madourous, V. (2012), "The dog and the frisbee", speech at the Federal Reserve Bank of Kansas City's 366th economic policy symposium, "The changing policy landscape", Jackson Hole, Wyoming, 31 August.

17.

The risk-based capital stack in the EU includes: (1) the minimum requirement, (2) the Pillar 2 requirement, (3) the capital conservation buffer, (4) the buffer for global systemically important banks, (5) the buffer for other systemically important banks, (6) the countercyclical capital buffer, (7) the systemic risk buffer, (8) the sectoral variant of the systemic risk buffer, and (9) the Pillar 2 guidance. Not all banks are necessarily subject to all of these measures. The minimum requirement and the Pillar 2 requirement can be met with a mix of Common Equity Tier 1, Additional Tier 1 and Tier 2 capital. For a detailed description of the capital stack, see EBA (2024), "Stacking Orders and Capital Buffers: Reflections on management buffer practices in the EU", July, Paris.

18.

The ECB has previously noted that credit institutions might not be willing to use their buffers for additional lending due to concerns of being obliged to cancel Additional Tier 1 coupons and face the potentially negative reactions of market participants. See Opinion of the European Central Bank of 20 May 2020 on amendments to the Union prudential framework in response to the COVID-19 pandemic (CON/2020/16) 2020/C 180/04 (OJ C 180, 29.5.2020, p. 4). See also BCBS (2022), "Buffer usability and cyclicality in the Basel framework", October, Basel; and Behn, M., Rancoita, E. and Rodriguez d'Acri, C. (2020), "Macroprudential capital buffers – objectives and usability", *Macroprudential Bulletin*, No 11, ECB, October, Frankfurt.

19.

See Financial Stability Board, "Assessing the effects of reforms", and Basel Committee on Banking Supervision (2022), "Evaluation of the impact and efficacy of the Basel III reforms", December, Basel.

20.

For example, those of the CPB Netherlands Bureau for Economic Policy Analysis or the National Regulatory Control Council in Germany. The European Commission's Regulatory Scrutiny Board is an independent body that reviews and issues opinions on all major impact assessments and evaluations of EU legislation.

21.

Dahlgren, S., Himino, R., Restoy, F. and Rogers, C. (2023), "Assessment of the European Central Bank's Supervisory Review and Evaluation Process – report by the Expert Group to the Chair of the Supervisory Board of the ECB", April, Frankfurt. See also Buch, C. (2024), "Reforming the SREP: an important milestone towards more efficient and effective supervision in a new risk environment", *The Supervision Blog*, ECB, May, Frankfurt.

22.

ECB (2023), "Supervisors' risk tolerance: focusing on what matters most", *Supervision Newsletter*, August, Frankfurt.

23.

See footnote 25 and Section 2.5 of ECB (2024), "Supervisory methodology 2024", Frankfurt.

24.

More specifically, the outcome can be communicated by an operational letter instead of a SREP decision, if the Joint Supervisory Team does not issue new qualitative or quantitative requirements (in which case the previously issued requirements remain in place unless they have been remediated in the meantime).

25.

Board of Governors of the Federal Reserve System (2023), "Review of the Federal Reserve's Supervision and Regulation of Silicon Valley Bank", April, Washington D.C.; FINMA (2023), "Lessons Learned from the CS Crisis", December, Bern.

26.

Please add reference to previous communication on the escalation ladder and combined decisions.

27.

ECB (2025), "SREP reform: towards more efficient and effective supervision**",** *Supervision Newsletter*, May, Frankfurt. Banks will receive more information on the new decision format during their Supervisory Dialogue with the relevant Joint Supervisory Team.

28.

Buch (2025), "Reviewing the Pillar 2 requirement methodology", *The Supervision Blog*, ECB, March, Frankfurt.

29.

CASPER refers to the ECB's Centralised Submission Platform, which allows external organisations and partners to securely submit structured data to the ECB. The ECB's IMAS portal allows supervised banks and third parties to submit information related to supervisory processes, track their status and exchange information with supervisors.

30.

Section 6.3.1 of ECB (2025), "ECB Annual Report on supervisory activities 2024", March, Frankfurt.

31.

Fit and proper assessments accounted for 50.7% of supervisory decisions in 2024. See Section 6.3 of ECB (2025), "ECB Annual Report on supervisory activities 2024", March, Frankfurt.

32.

Banks can initiate and monitor the progress of fit and proper assessments digitally. They receive standardised questionnaires, which include questions tailored to national legal requirements and the appointee's position, and are notified digitally of the final decision. Internally, we have developed the Heimdall tool which facilitates machine reading and analytics. This tool supports judgement and expert knowledge but does not replace it.

33.

These apply to licence applications, voluntary licence withdrawals and acquisitions of or increases in qualified holdings.

34.

ECB (2025), "Securitisations: a push for safety and simplicity", *Supervision Newsletter*, February, Frankfurt

35.

Article 143(5) of the Capital Requirements Regulation requires the EBA to develop regulatory technical standards on model changes for credit risk. See Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (EU) 2013/575 (OJ L 176, 27.06.2013, p. 1).

36.

Submission cycles refer to the submission of data by banks and the quality assurance carried out by the ECB.

37.

Commission Delegated Regulation (EU) No 241/2014 of 7 January 2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for Own Funds requirements for institutions (OJ L 74, 14.3.2014, p. 8).

38.

EBA (2021), "Study on the cost of compliance with supervisory reporting", June, Paris. The 1.4% is based on "annual total reporting costs" including ongoing and implementation costs.

39.

Directorate-General for Financial Stability, Financial Services and Capital Markets Union (2024), "Commission welcomes agreement on proposals to facilitate data-sharing and reduce reporting burden in EU financial services", *news article*, European Commission, 18 December.

40.

Smaller and less complex institutions are exempted from certain more detailed reporting, such as asset encumbrance. The ECB FINREP regulation also provides significant proportionality in reporting via data point reporting concepts for small entities. See Regulation (EU) 2015/534 of the European Central Bank of 17 March 2015 on reporting of supervisory financial information (ECB/2015/13), as amended.

41.

ECB (2024), "Supervisory priorities 2025-27", December, Frankfurt.

42.

See the Integrated Reporting Framework (IReF).

43.

These savings come, inter alia, from shifting from a template-based approach to a structured data model for reporting. See ECB (2021), "Cost-benefit assessment on the Integrated Reporting Framework – analysis of high-level considerations and high-priority technical aspects", December, Frankfurt.

44.

EBA (2025), op. cit.