Denis Beau: What changes can we hope to see in the European banking sector's regulatory framework?

Speech by Mr Denis Beau, First Deputy Governor of the Bank of France, at the General Assembly of the Office de Coordination Bancaire et Financière (OCBF) and the OCBF Services et Formation, Paris, 6 June 2025.

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Mr President, Ladies and Gentlemen,

I would like to begin by thanking you for inviting me to take part in this lunch on the occasion of the General Assembly of the *Office de Coordination Bancaire et Financière* (OCBF) and *OCBF Services et Formation*. Unfortunately, the **geopolitical context** is less cheerful, given in particular the *exceptionally high degree of uncertainty* created by the shifts in policy and unpredictability of the new US administration, which is weighing on our economic and financial situation. As the Governor of the Banque de France recently stated in his annual Letter to the President of the Republic, **this context must not overwhelm us; on the contrary, it should encourage us to take action to regain control of our economic destiny**. France and Europe need **more growth and innovation**. And the financial sector can and must act as one of the levers to help address this need. In order to encourage and assist the financial sector in this endeavour, **should its regulatory framework be changed?** The debate is underway, particularly on what form such changes should take, against a backdrop where the United States intends to lean towards deregulation.

From my perspective as a supervisor, **deregulation is not the right response to this question. Instead, the response should be better regulation** through improvements that help to support growth and innovation on the one hand and to safeguard an asset – our banking system, and financial system more broadly – in a world of proliferating shocks and great uncertainty.

I) Among the improvements that could help to support growth and innovation, **I would like to draw your attention to three of them that I believe are particularly important:**

a) **The first is the simplification of regulation and supervision**. We have reached the end of a cycle with the entry into force in Europe of the key parts of the banking package that transposes the Basel III Accords into law – CRR3 and CRD6. This regulatory effort proved absolutely vital following the 2007-08 crisis. The question is no longer the level of prudential requirements – they are appropriate and must therefore be maintained – but rather **how to rationalise an excessively complex regulatory framework and the form that simplification should take, guided by a holistic approach.**

This drive for simplification is being enthusiastically pursued within the European institutions, and is vigorously supported by the Banque de France and the ACPR. It targets regulation, supervision and reporting; covers microprudential and macroprudential aspects, as well as resolution. **One of the objectives is to maintain high and uncompromising standards regarding risk management, while scaling**

back the resources required for supervised entities, particularly those with the simplest risk profiles. Our position is that we should simplify the rules and apply a principle of proportionality, mainly by easing disclosure provisions and introducing flexibility in supervisory practices, without relaxing the requirements established by the Basel Accords.

b) Next, **we must reduce the fragmentation of the single financial market to better mobilise our resources.** A growth gap has opened up between the European Union and the United States. The Draghi Report shows that since 2000 real disposable income per capita has increased almost twice as much in the United States as in the European Union. It is clear that one of the major challenges for Europe today is to boost productive investment, particularly in R&D. To achieve this, we have an "unknown resource" in Europe, namely our vast private savings surplus. This resource is all the more precious given the significant government deficits – and do not allow us, at least in France, to return to a "whatever it takes" policy. In this regard, it is imperative that we act to make the Savings and Investment Union (SIU) a reality. **We must fight fragmentation and create a single financing market to foster a better allocation of savings.** Almost 40 years after the Single European Act (1986) and 25 years after the monetary union (1999), the bank financing market still operates largely within national borders.

The Banque de France and the ACPR therefore support four very concrete avenues for reform to create a genuine single financing market in the European Union: (i) the development of truly cross-border venture capital funds; (ii) the revitalization of securitisation within a transparent and secure framework; (iii) a single European supervision to ensure a common legal framework and avoid fragmentation; and (iv) a European shared ledger to reduce post-trade fragmentation.

Furthermore, the successful experience of the Banking Union and the Single Supervisory Mechanism should encourage us to now facilitate the use of cross-border waivers, so that liquidity and capital can flow more freely within banking groups in Europe.

c) These regulatory adjustments are necessary, but they will not be enough on their own to successfully bring about the changes we hope to see. **Mobilising all stakeholders – authorities, financial players, but also citizens and savers – is essential.**

One of the major challenges is financial illiteracy, which is a real barrier for people to access productive savings and fully participate in the financial system. Financial illiteracy can lead to mistrust of markets and excessive investment in low-performing products, and thus stifle the mobilisation of savings for growth. Improving the financial education of our citizens is therefore crucial: we need to develop accessible and practical programmes to boost confidence and encourage better individual management of resources. And this is exactly the aim of the national financial education strategy – EDUCFI – spearheaded by the Banque de France since 2016.

Equally, savers and intermediaries must be made more aware of their responsibilities. The current approach is overly focused on rigid processes and strict compliance, tending to make players less accountable and discouraging initiative. Instead, we should promote a relationship based on trust and autonomy, in which everyone knows their rights and responsibilities and acts with a complete understanding of the stakes. As a concrete example, the EDUCFI strategy provides personalised simulation tools prior to subscription to help savers better understand the impact of their choices (risk, return, horizon) and thus help them to be more autonomous in their decision-making.

ii) **Better regulation also means making improvements that must help to safeguard the asset that is our banking system for a Europe in control of its own destiny.**
a) To do so, we must first **remain uncompromising on our high standards regarding financial stability.** Obviously we must not yield to the temptation of a US-style deregulation, which would sow the seeds of future financial crises. We must avoid a race to the bottom and continue to comply with the Basel III framework.

In Europe, the capital requirements for banks are generally well calibrated, as the EBA's stress tests have shown. However, we at the ACPR are receptive to calls for a lighter reporting and supervisory load for the smallest banks.

These objectives hold true for banks, but also for the non-bank financial sector and emerging sectors such as crypto-assets – here too, deregulation would not be the right response to today's challenges. The interconnectedness of the financial system, between non-bank players and between non-bank players and the banking system, is extensive, complex and constantly evolving, and it is thus imperative that we improve access to – and the quality of – the data that allows us to assess the main challenges that we face. **That is why we are currently working on a system-wide stress test to better understand the risks associated with the interconnections** in the financial sector. I would like to take this opportunity to thank the banks that participated alongside teams from the ACPR, the Banque de France and the AMF in the co-construction workshops. We are counting on banks' goodwill and sense of collective interest to participate actively in this exercise, as its success requires broad support.
b) **We must also maintain our ambitious course with regard to the risks associated with the major transitions.**

This is particularly true of climate-related risks and our ESG commitment. Despite the United States' disengagement, we must persevere – we cannot act as if climate change and the financial risks it entails were not real. With its Omnibus project, the European Commission recently proposed a simplification package, which we welcome for the most part, despite certain points of concern. **Nevertheless simplification must not mean abandoning our long-term goals.**

Next, **it is crucial that we continue our work on cyber risk management and the challenges of digitalisation more broadly**. Our everyday payments are too dependent on non-European players, with 66% of card payments in the euro area relying on international card networks. **Furthermore, the surge in stablecoins – which are almost exclusively pegged to the US dollar and encouraged by the US government – raises a serious risk – over and above the financial stability issues that these products entail as they are neither "stable" nor "coins" – that our**

money will become "privatised".
c) **Lastly, we must reconcile innovation and sovereignty in order to reassert our monetary sovereignty and maintain trust in our payments through three levers.**
The lever of **regulation**: we pay close attention to promoting fair competition between payment stakeholders through a clear and balanced framework. It was with this in mind that it was decided to extend the iPhone access to NFC antennas to non-Apple smartphone operators to ensure an open, level playing field. For new innovative players, the MiCA regulation sets out harmonised rules for crypto-asset service providers, while ensuring service-user protection by governing risks.

The lever of **private sector service offerings**: strengthening our sovereignty also involves supporting the development of pan-European payment solutions to ensure that tomorrow's secure and innovative payments are European. This is the case with private initiatives such as the "Wero" digital wallet, which we welcome for its potential to provide our fellow citizens with an innovative European payment solution.

Lastly, the lever of **central bank money services**. In "retail" payments, the Eurosystem is preparing to make a "digital banknote +" available to the general public, which will help to safeguard the sovereignty of our payments and currency. It is also actively working with commercial banks to maximise synergies between their private solutions and the digital euro. At the same time, the future European CBDC will offer an alternative to stablecoin settlement for tokenised transactions, allowing private players to innovate within a framework of trust.

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To conclude, I would like to express my conviction that we are living through a pivotal moment in which Finance has a significant role to play in enabling us to regain control of our economic destiny. To this end, **with you and our European partners, we have the opportunity and the responsibility to refine judiciously the regulatory framework of the European banking and financial system, to help it become a fully fledged tool of growth, stability and sovereignty**. Thank you for your attention.