



Communication from the European Commission on the Competitiveness of the Banking Sector and the Single Market in Banking

October 2026

On 17 July 2026, the European Commission (EC) published a Communication¹ announcing its intention to present a new banking package in the first quarter of 2027, through which it aims to improve the competitiveness of the banking sector at European level by reducing regulatory burdens and promoting cross-border activity. The ultimate objective of the measures proposed in this document is to build a stronger Banking Union that can effectively finance innovation, the green transition and the European Union's (EU) strategic priorities.

With this objective in mind, the EC's Communication outlines the current banking landscape, the challenges facing the sector and the EC's proposals for adapting banking regulations to present needs, highlighting the key role cross-border consolidation plays in making banks more competitive.

Chief among the challenges identified by the EC are: (1) the national fragmentation of the banking sector, which prevents EU banks from achieving the scale necessary to compete with banks from third countries, while limiting cross-border activity and competition, among other consequences; (2) the transposition of international standards into the EU regulatory framework without considering European specificities, which creates an uneven playing field to the detriment of European banks and makes them less competitive than their peers; and (3) regulatory complexity and an excessive administrative burden, largely driven by the various layers of regulation entities are subject to at both European and national level, which leads to overlapping and duplicated reporting on microprudential, macroprudential and resolution aspects, as well as high administrative reporting costs.

To address these challenges, the EC proposes a series of legislative and non-legislative measures. The most notable proposals are: (1) fostering banking integration with appropriate safeguards, so that supervisors of cross-border banking groups can ensure they comply with capital requirements at consolidated level and require the parent company to allocate sufficient resources to its subsidiaries, both under normal conditions and in crisis situations. In addition, the EC will revise the deposit insurance framework (replacing the 2015 EDIS proposal); (2) applying the principle of proportionality to regulated entities and adapting international standards to the specific characteristics of the EU. To this end, the EC proposes establishing a simpler and specific regime for small and non-complex banks under the Regulation on prudential requirements for credit institutions² (CRR), reviewing the prudential treatment of software investments and intangible assets to encourage investment in innovation and digital resilience and adjusting remuneration rules to attract specialised global talent without encouraging excessive risk-taking; and (3) simplifying the regulatory framework for banks and reducing the administrative burden by introducing a series of amendments at the microprudential, macroprudential and resolution levels, as well as by promoting an integrated reporting system.

¹ [Communication on the Competitiveness of the Banking Sector and the Single Market in Banking](#)

² [Regulation \(EU\) No 575/2013 of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and amending Regulation \(EU\) No 648/2012.](#)

Pregunta

Why does the EC consider it necessary to improve the competitiveness of the banking sector, and how does it propose to do so?

Respuesta

A competitive banking sector is essential for financing the growth, innovation and strategic priorities the EU economy requires. In a changing geopolitical landscape, achieving these objectives is key to preserving the European Union's strategic autonomy and reducing its reliance on foreign banks for critical financial services. In the EC's view, the precondition for achieving greater competitiveness in this sector is resilience. Banks must be robust, in terms of capital and liquidity, and profitable so that they can act as buffers against economic shocks and support businesses' investment needs. According to the Draghi Report³, an estimated annual investment of EUR 1.2 trillion would be required to maintain European competitiveness, strengthen security and resilience, and preserve technological sovereignty.

Yet the challenges facing the sector are considerable. Firstly, to improve competitiveness, the EC considers it a priority to ensure that banks can operate seamlessly across borders, enabling them to reach appropriate scale at European level. To overcome fragmentation in the sector, the EC proposes the following measures:

- Allowing cross-border banking groups to manage capital and liquidity more efficiently by strengthening the powers of group supervisors to ensure that the parent entity allocates resources to its subsidiaries. Until now, EU regulations have imposed cross-border requirements on both parent entities and their subsidiaries, forcing entities to comply with capital and liquidity requirements at both individual and consolidated levels. This has tied up more than EUR 230 billion in high-quality liquid assets at national level, which discourages cross-border mergers and prevents groups from managing resources centrally and efficiently.
- Applying the same regulatory treatment to domestic and cross-border intragroup exposures within the EU.
- Taking additional measures to reduce the excessive concentration of sovereign exposures and encourage banks to further diversify their sovereign bond portfolios.
- Taking measures and initiating procedures provided for under EU law to prevent or penalise unjustified national interventions in cross-border bank mergers, as these prevent banks from acquiring scale at EU level⁴.

Other measures proposed by the EC to overcome fragmentation in the banking sector include replacing the 2015 proposal for a European Deposit Insurance Scheme (EDIS) with a new, simplified framework for deposit protection and bank crisis management, which would ensure that cross-border bank failures are managed at European level. The measures also include improving the predictability of banking group resolution strategies and strengthening backstop funding mechanisms to provide liquidity in resolution situations.

In addition, the EC has committed to collaborating with the Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA) in implementing the new anti-money laundering regulation, to monitoring the national application of consumer protection rules, to assessing possible cases of gold-plating practices and to ensuring that the regulatory framework is compatible with digitalisation and new banking business models.

The EC's second objective is to ensure that the implementation of international standards takes account of EU specificities, while also strengthening the application of the principle of proportionality. To this end, it proposes a number of measures, including:

- Making a proposal on the future treatment of the output floor⁵ and its transitional arrangements, particularly regarding the financing of unrated corporates and mortgage lending.
- Continuing to monitor the international implementation of the Basel standards and implementing a long-term strategic approach to market-risk requirements. The Basel III standards, designed for large banks with international operations, are currently applied to all EU banks, even the smallest ones, albeit with some elements of proportionality⁶. The EC will consider adapting certain standards to take better account of specific characteristics, such as size and business models.
- Reviewing the prudential treatment of specialised lending (including project finance for infrastructures, the energy transition and trade finance) and investments in software to promote innovation and digitalisation.
- Exploring measures to ensure access to lending for intellectual property-intensive companies.
- Assessing possible adjustments to the remuneration framework to attract and retain talent.
- Establishing a specific regime in the CRR for small and less complex banks, with simpler prudential, macroprudential and resolution requirements that are tailored to their risk profile.

The EC also considers it essential for supervised entities, regulators and supervisors to change their approach to risk management. This means avoiding a zero risk tolerance culture and adopting an approach based on material risks, in order to strike a balance between responsible risk-taking and maintaining financial stability.

³ Mario Draghi (2025), *The future of European competitiveness*.

⁴ The [new draft merger guidelines](#) give Member States clearer guidance on the circumstances under which they may intervene in transactions subject to merger control at EU level. Such national interventions would only be permitted for specific reasons other than protecting competition. Interventions should be limited to those strictly necessary to protect genuine legitimate interests and must adhere to the principles of proportionality and non-discrimination.

⁵ The output floor is a regulatory safeguard that limits the extent to which banks can reduce their capital requirements with internal risk models, relative to standardised approaches.

⁶ The EU has been implementing the Basel III standards since 1 January 2025, with a number of transitional measures.

Pregunta

What are the main measures proposed by the Commission to simplify the regulatory framework for the banking sector?

Respuesta

Simplifying the banking sector's regulatory framework is the EC's third objective for improving the sector's competitiveness. Banks are currently subject to numerous reporting requirements, reaching total costs of approximately EUR 11.2 billion per year. This creates disproportionate complexity and administrative burden, particularly for small and non-complex banks. Among other measures, the EC proposes reducing these costs by:

- Adjusting Pillar 2 by removing some of its requirements to ensure that its application is more targeted and does not produce overlaps.
- Reviewing the resolution framework in relation to the minimum amount of own funds and eligible liabilities (MREL) to align it with international standards (TLAC) and ensure the requirements are proportional.
- Reducing the number of capital buffers (countercyclical and systemic risk buffers), as well as improving their methodology and calibration. This also includes harmonising the calibration of the capital buffer for other systemically important institutions.
- Designing a streamlined process for granting permissions to banks in a sound financial position to speed up authorisation of buybacks and liability management, reduce regulatory compliance costs and increase flexibility.
- Strengthening coordination mechanisms between authorities responsible for implementing microprudential, macroprudential and resolution rules in order to avoid overlaps.
- Moving certain microprudential, macroprudential and resolution rules into directly applicable regulations.
- Reviewing the mandate of the European Banking Authority (EBA) to strengthen its contribution to the competitiveness of the European banking sector. In particular, it will be mandated to deliver further proportionality, simplification and automation of reporting requirements.
- Moving towards more integrated prudential, statistical and resolution reporting.
- Supporting regular reviews and the removal of duplicative reporting requirements, and granting the EBA more powers to do this.
- Proposing amendments to the EBA Regulation regarding Level 2 acts, mirroring those introduced in the proposal to amend the ESMA Regulation under the Market Integration and Supervision Package.
- Preventing national competent authorities from requiring additional reporting.

Pregunta

How will these proposals affect the Savings and Investments Union?

Respuesta

The EC's forthcoming proposal to simplify the framework for the banking sector and improve the sector's

competitiveness is expected to have a direct impact on the Savings and Investments Union (SIU), as it will help to strengthen the synergies between the banking sector and capital markets.

On the one hand, the proposal aims to achieve greater diversification of funding and investment sources, thereby avoiding the excessive reliance that businesses and retail investors currently have on banks. At present, EU banks are the main source of funding for the real economy, as bank corporate debt accounts for 46% of total corporate debt in the EU. However, debt securities and listed shares make up only 3% and 14% of corporate debt in the EU, respectively, which highlights the underdevelopment of European capital markets compared with those in other jurisdictions (such as the United Kingdom and the United States). Consequently, one of the SIU's objectives is to expand the range of financial investment products and provide businesses, particularly SMEs, with alternative funding options, since their sources of funding are often limited to bank loans⁷.

This proposal is also expected to help capital markets achieve greater depth and liquidity. By simplifying the banking regulatory framework, banks will be able to operate more efficiently, not only as lenders but also by facilitating access to capital markets through underwriting, market-making and investment product issuance, for example, which will bring greater scale and liquidity to the financial system.

On the other hand, investment firms also contribute to the diversity and depth of the capital market by offering services that complement and compete with those of banks. Based on the recommendations issued in a joint report⁸ by the EBA and the European Securities and Markets Authority (ESMA), the EC will revise its prudential framework by introducing targeted changes to thresholds, governance, remuneration and the calibration of capital and liquidity requirements. In addition, any adjustments needed to keep the framework aligned with the amendments made to the banking regulations (CRR/CRD⁹) will be considered, thereby ensuring the two prudential frameworks remain consistent.

In conclusion, the EC considers that larger and more robust banks would boost capital markets, particularly at the cross-border level, while more efficient and integrated capital markets would, in turn, help EU banks to become more competitive, both domestically and internationally. Moreover, combining a more robust and integrated financial sector with a more competitive European banking sector would reduce dependence on foreign financial institutions for critical services, giving the EU greater control over its economic and technological future.

⁷ In fact, according to figures in the [Commission Staff Working Document](#), 40% of banks' total business lending goes to SMEs.

⁸ [Report on the Call for Advice on the investment firms prudential framework](#).

⁹ [Directive 2013/36/EU of the European Parliament and of the Council, of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC](#)

Links of interest:

[Communication on the Competitiveness of the Banking Sector and the Single Market in Banking](#)

This article is an unofficial summary of a public document prepared by the European Commission. It does not necessarily reflect the official position of the CNMV, its managers, directors or other staff members on the matters addressed.

This article has been drafted using material downloaded from the European Commission's website. The European Commission does not endorse this publication and accepts no liability whatsoever for any infringements of copyright or other intellectual property rights, nor for any damage caused to third parties through this publication.

© CNMV. The contents of this publication may be reproduced, subject to attribution.