

Proposals by the Netherlands to simplify the banking regulatory and supervisory framework and to improve the competitiveness of European banks

In response to the targeted consultation on the competitiveness of the EU banking sector

The European Commission recently launched a consultation on the competitiveness of the EU banking sector. The Ministry of Finance and De Nederlandsche Bank (DNB) are jointly responding to this consultation. This note summarises the overall approach of the response, highlighting concrete proposals put forward to strengthen the competitiveness of the European banking sector.

1. The pivotal role of banks in the European economy

European banks play a pivotal role in advancing Europe's broader economic objectives. As an integral part of the financial system, they enable the financing of investment, innovation, and sustainable growth. While it is key to improve the role of non-bank risk capital as part of the Savings and Investment Union agenda, European banks will continue to be crucial for the European economy. To continue fulfilling this role in an evolving environment, European banks must take proactive steps to strengthen the resilience and competitiveness of their business models by reducing structural costs, accelerating the digital transformation, and fostering product and service innovation. These efforts should be supported by a coherent, forward-looking policy framework that enables institutions to adapt and compete effectively.

While the increased requirements in the European banking framework have contributed to financial stability for the European economy, they have also made the framework complex. Meanwhile, the European banking sector remains disproportionately fragmented. The seminal reports by Draghi and Letta emphasise the necessity for reform, aimed at simplifying the framework and increasing both internal competition and international competitiveness. Ambitious proposals should address undue complexity and fragmentation in the internal market.

2. Proposals to strengthen the single market and simplify the framework

In this consultation response, the Ministry of Finance and DNB put forward concrete policy proposals for further improving the competitiveness of the banking sector through: i) strengthening the single market in banking; and ii) simplifying and harmonising the regulatory framework where possible. Guiding principles towards ambitious reforms should be the commitment to international standards and financial stability, fostering an internal and international level-playing field and maximizing harmonization and consistency. These reforms, if adopted, should contribute to the sector's performance, functioning and stability which already improved significantly in recent years.

The main proposals benefiting banks' competitiveness put forward in the response aim to:

1. **Strengthen the internal market for banking by completing the Banking Union.** We propose concrete steps to reduce barriers in cross-border banking (including M&A) processes, conditionally move towards a functioning European Deposit Insurance Fund, and to create a European mechanism ensuring the provision of liquidity in resolution. With regards to an EDIS, steps towards further risk integration should go hand in hand with risk reduction. More fundamentally, key structural barriers to a well-functioning internal market, such as divergences in corporate, insolvency and securities law, should be adequately addressed.
2. **Improve banks' efficient use of liquidity and capital across borders.** The usability of cross-border liquidity waivers should be improved and partial cross-border capital waivers allowed, with guarantees to ensure financial stability. Cross-border banks should be enabled to use liquidity, so as to increase the efficiency of their liquidity management across the euro area. EU legislation should also be amended to allow partial cross-border capital waivers, subject to conditions, in order to strengthen banks' cross-border activities.
3. **Simplify and harmonize the methodology for macroprudential buffers.** We propose to create one releasable macrobuffer by merging the SyRB and CCyB and by harmonizing buffer setting methodology. The releasable macrobuffer should have a broader focus than excessive credit growth and ensure sufficient releasable capital throughout the cycle via a more consistent positive neutral approach. We do not seek to reduce buffer levels but rather tackle fragmentation. For this, a harmonised methodology should lead to significantly more consistency for banks in how macroprudential authorities set their rates. The focus should be on avoiding potential overlap in buffers and heterogeneity in the use of buffers in different Member States, while supporting financial stability.

4. **Ensure that overlap between micro- and macroprudential measures is avoided.** Parts of microprudential and macroprudential policy framework interact. It is important to avoid that this interaction leads to overlapping requirements for the same risk. Therefore, we propose further agreeing on the distinct objectives of each measure and to articulate more explicitly in Level 1 legislation how the measures complement one another. This should ensure a clear delineation between P2G and macroprudential buffers and consistency in avoiding overlaps, while improving buffer usability.
5. **Introduce more harmonization and simplification of the MREL calibration within the European resolution framework.** The EU-resolution framework currently has several indicators to adjust the recapitalization amount (RCA) upwards or downwards depending on various circumstances. This leads to complexity in the framework and a lack of predictability. Instead of these individual adjustments, the RCA should be directly derived from the prudential requirements with a fixed discount to cater for balance sheet changes upon failure, recognising the inherent deep connection between prudential and resolution requirements. This regime should also broadly adhere to the principles of cost neutrality and proportionality.
6. **Align the European resolution requirements (MREL) with international standards (TLAC).** This should be done through full alignment with the eligibility criteria of the FSB TLAC Term Sheet. Large European banks operating globally have to comply with both European MREL frameworks as well as international standards of the FSB (TLAC). This has led to overlapping obligations for these bigger banks, thereby introducing additional compliance costs for both banks and supervisors. Alignment with the FSB will decrease complexity and increase the level playing field globally.
7. **Limit lower-level legislation and guidelines, both in stock and flow of legislation.** The recent Council Conclusions on simplification in financial services legislation emphasised the need to revisit the stock of existing legislation and the flow of new legislation, focusing inter alia on mandates for delegated and implementing acts, technical standards and guidelines by supervisory authorities.¹ While these documents provide clarity for supervisors and banks alike, it is important to limit the number of mandates. Co-legislators should be disciplined in only including a clearly demarcated mandate when there is a justified necessity for such a mandate. Review clauses should be limited and the time frames for such clauses could be standardized. Building on the positive work already conducted by the EBA, supervisory authorities should continue to jointly assess the existing stock of regulation and flow of new regulation regarding mandates for lower level (technical) standards.
8. **Reduce the reporting burden.** In line with the ongoing efforts by the EBA, the ECB and national authorities to simplify and better integrate the European reporting framework, we emphasise the need for a structured and fixed schedule for updates to the requirements with at the same time sufficient lead times for all stakeholders to relief the reporting burden. The frequency of updates should be no more than once per year. No new reporting rules should be introduced unless they are essential and proportionate.
9. **Introduce more proportionality in the prudential framework for smaller banks and allow more institutions to qualify for it.** A revised prudential regime, embedded in the single rulebook, for (a subset of) LSIs could be achieved by expanding the regime for Small and Non-complex institutions (SNCIs) or a different proposal altogether. This regime should continue to adhere to the following principles: i) capital requirements should be based on risk-weighted assets, so as to limit the dichotomy between these and other banks in the internal market; ii) to sufficiently address risks, a simpler regime should be more strict in the level of requirements; iii) proportionality should not hamper flexibility, e.g. in buffer releasability; iv) the regime should be embedded in the single rulebook. Meanwhile, European and national supervisors should continue their efforts to make the intensity and frequency of supervision more proportional. In this context, we note that since 2023 the SSM has implemented an ambitious reform agenda aimed at strengthening the efficiency, effectiveness and risk-based approach of banking supervision through reforms of the SREP and related supervisory initiatives.

These elements combined should enhance banks' ability to support the EU economy and improve its competitiveness by ensuring that banks are able to benefit from the full potential of the EU's internal market and that undue complexity of the regulatory framework is addressed.

¹ Conclusions on simplifying the Union's financial services regulation – Council Conclusions, 12 December 2025.