



Submitted: via Have Your Say feedback portal, 16 September 2026

Subject: BPI Follow-Up Response to the European Commission's Communication on the Competitiveness of the Banking Sector and the Single Market in Banking (COM (2026) 615 final)

The Bank Policy Institute¹ welcomes the European Commission's Communication of 17 July 2026 on the Competitiveness of the Banking Sector and the Single Market in Banking, and the opportunity to offer follow-up comments as the Commission prepares its Q1 2027 legislative package. This letter follows on from our more fulsome response of 19 April 2026 to the targeted consultation which is linked below.²

1. The Communication

We welcome the Commission's identification of fragmentation, excessive complexity and disproportionate implementation of international standards as key challenges. To achieve the competitiveness objectives set out in the Communication, the legislative package should address not only individual requirements, but also the cumulative impact of overlapping prudential, supervisory and resolution measures on banks' ability to support investment and growth.

While the Commission correctly identifies concerns arising from overlapping prudential, macroprudential and resolution requirements and proposes several useful simplification measures, the proposals are at times focused on symptoms rather than the underlying causes of capital inefficiency. The Communication also gives insufficient attention to the international dimension of competitiveness, including the potential impact on the attractiveness of the Single Market to international banking groups and other market participants. These issues should also be addressed directly in the forthcoming package.

We encourage the Commission to recognise more clearly that competitiveness challenges arise not only from legislation itself, but also from supervisory practices, reporting requirements, extensive use of soft-law tools and insufficient home-host deference. Without addressing these drivers, simplification at Level 1 risks delivering limited practical benefits. We therefore support the Commission's work on integrated reporting, greater automation and proportionality, clearer distinctions between binding requirements and supervisory expectations, and stronger accountability for Level 2 and 3 measures.

2. Other priority issues for the forthcoming legislative package

The Communication rightly prioritises reducing fragmentation within the EU banking market. However, several issues that will be equally important to the success of the Commission's competitiveness agenda remain only partially addressed or are absent altogether. Without repeating that response in full, we highlight below several cross-cutting issues that should remain part of the Commission's work as it develops its Q1 2027 legislative package.

- **The international dimension:** The Communication is primarily focused on barriers within the EU but devotes comparatively little attention to the international dimension of competitiveness. Issues such as CRD VI Article 21c, calibration of internal MREL, third-country branch requirements, DORA and other localisation measures, restrictions affecting international provision of banking services and uncertainty around equivalence frameworks remain largely unaddressed. A competitiveness agenda focused solely on internal integration risks limiting access to global capital and financial services. We therefore encourage a

¹ The Bank Policy Institute is a nonpartisan public policy, research and advocacy group that represents universal banks, regional banks, and the major foreign banks doing business in the United States. The Institute produces academic research and analysis on regulatory and monetary policy topics, analyzes and comments on proposed regulations, and represents the financial services industry with respect to cybersecurity, fraud, and other information security issues.

² <https://bpi.com/bpi-response-to-the-european-commissions-targeted-consultation-on-the-competitiveness-of-the-eu-banking-sector/>

parallel review of the international and extraterritorial dimensions of the framework. The Commission should also review and benchmark remuneration requirements, including the bonus cap, which remains a significant outlier internationally and place EU banks at a competitive disadvantage in attracting and retaining talent.

- **Supervisory accountability and mandate discipline:** The Communication recognises the importance of distinguishing binding rules from supervisory expectations and strengthening accountability for regulatory mandates. We strongly support this direction. However, competitiveness concerns increasingly arise not only from legislation but also from supervisory practices, guidance, expectations and other soft-law instruments that can have de facto binding effect. Clearer distinctions between binding rules, supervisory expectations and illustrative good practice would support accountability, proportionality and consistent implementation. The Commission should ensure commitments to mandate discipline extend to supervisory implementation, including through reforms to administrative processes and accountability frameworks. This should include more rigorous procedural safeguards around the development of supervisory guidance and expectations, as well as enhanced oversight and more effective review mechanisms, to ensure that such discipline is reflected in the behaviour of prudential and resolution authorities.
- **Objectives:** The future package should include consideration of whether supervisors themselves should be required to take account of competitiveness and growth objectives, alongside their primary prudential mandates, as is now the case in several other jurisdictions (including the United Kingdom, Australia, Canada, Singapore and Hong Kong). The proposed review of the EBA's mandate provides an opportunity to consider how proportionality, cumulative impact and competitiveness can be reflected in the development of technical standards, guidelines and recommendations. As noted in our April response, the question of whether a secondary competitiveness and growth objective should apply to other supervisory authorities warrants further consideration.
- **Buffer usability and the legal status of Pillar 2 Guidance:** while the Communication suggests reforms to Pillar 2 requirements, leverage-ratio duplication and macroprudential buffers, it does not address the more fundamental question of whether capital buffers are functioning as intended and are used in an effective manner and if they are genuinely usable in periods of stress. Banks continue to face significant supervisory and market disincentives to operating within buffers, reducing the effectiveness of the framework as a shock absorber. Similarly, the legal and practical status of Pillar 2 Guidance remains insufficiently clear, with P2G often treated as effectively binding despite its intended role. These issues have been widely recognised, including through the ECB-ESRB work on buffer usability, and warrant more direct legislative and supervisory action than is currently envisaged. Further work should reflect the broader concerns raised in our April response.
- **A standing cost-benefit requirement:** we continue to believe that competitiveness and proportionality would be strengthened by a more systematic approach to cost-benefit analysis. New legislative proposals, together with significant Level 2 and Level 3 measures, should be accompanied by transparent assessments of their costs, benefits and cumulative impacts, including effects on cross-border business models and international competitiveness. Such analysis should become a standard feature of the regulatory process rather than being undertaken selectively. A more rigorous and consistent framework would improve accountability, support better regulatory outcomes and help ensure that future reforms advance competitiveness objectives alongside financial stability.

3. Delivery, sequencing and cross-pillar coherence matter

The real value of the Communication will be determined by what is delivered, on what timeline, and how coherently across the capital, supervisory and resolution pillars. We urge the Commission to treat the following as integral to the Q1 2027 package and beyond, not as implementation detail to be resolved later. We would also support more ambition in some areas proposed.

- **A coordinated package.** Capital (CRR/CRD, output floor, software assets), supervision (Pillar 2 methodology, SREP, buffer usability) and resolution (MREL/TLAC, resolution planning, variant

strategies) are interdependent. Reforming one pillar without the others risks reproducing “capital stack” duplication. We ask the Commission to publish an explicit proposal and map of how the pillars interact post-reform.

- **Binding timelines and accountability for delivery.** We ask for a published delivery roadmap with indicative dates for each of the legislative and non-legislative actions listed, and for the biennial or annual reporting on banking-system competitiveness envisaged in the Communication to track delivery against that roadmap, as well as market outcomes.
- **Sequencing Level 1, 2 and 3.** As set out in our April submission, Level 1 obligations have repeatedly taken effect before the technical standards that define their content, forcing firms to build twice. The principle that Level 1 requirements should apply only once related technical standards are finalised, with adequate implementation periods thereafter, should be adopted as a binding drafting discipline for every measure in this package.
- **Ongoing engagement with industry should be a core feature of the reform process.** Firms responsible for implementing the framework are often best placed to identify operational inefficiencies and unintended consequences. At the same time, the Commission, Parliament and Council should preserve the overall ambition of the package and avoid diluting simplification and competitiveness objectives during the legislative process.

BPI stands ready to support the Commission's work over the coming months, including through technical engagement ahead of the Q1 2027 proposals. We would welcome the opportunity to discuss any of the points above in more detail.

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