



PROPOSALS FOR SIMPLIFICATION AND EFFICIENCY OF BANKING REGULATION

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PROPOSALS FOR SIMPLIFICATION AND EFFICIENCY OF BANKING REGULATION

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1. The role of the regulatory framework in EU financial stability and growth

A balanced regulatory framework is a precondition for financial stability, growth, and competitiveness of the European Union.



A competitive and resilient banking sector is a prerequisite for financial stability and support for the financing of the economy.

The banking and financial sector play a prominent role in the pursuit of the objective of strengthening the competitiveness of the European Union, now recognized as a priority at all levels by institutions, citizens, and businesses.

A competitive and resilient banking sector is, in fact, a prerequisite not only for ensuring financial stability, but especially for supporting and financing the economy, allowing for the indispensable strategic autonomy of the continent, as well as the implementation of economic and social policies, including those that are relevant to primary areas like sustainability and technological innovation.

Creating the conditions to maintain and strengthen the capacity of banks to face present challenges is crucial.

The Italian and European banking sector is generally solid and is performing the abovementioned role without hesitation. The massive capital strengthening of the last fifteen years has put European banks in a position to cope with even complex situations, as confirmed by the results of the latest EBA stress test, where institutions were challenged with a particularly severe scenario.

Looking ahead, however, it is essential to create the conditions for maintaining and strengthening the ability of banks to address the global challenges arising from the geopolitical context, technological and demographic developments, and all other factors that contribute to increasing

uncertainty and complexity.

For the future, creating the conditions for maintaining and strengthening banks' ability to face the global challenges - linked to the geopolitical context, the technological and demographic evolution and any other elements increasing uncertainty and complexity - is essential.

The definition of a balanced regulatory framework is key.

Against this background, regulation plays a pivotal role, and in particular the definition of a regulatory framework that strikes the right balance between the essential objective of financial stability and the need to ensure Italian and European banks the possibility to offer their services without facing unnecessary obstacles or burdens, operating on a level playing field with other jurisdictions.

The goal is to streamline and simplify the regulatory framework.

One factor that contributes significantly to make the European banking regulatory framework burdensome is its complexity. The reforms introduced at the international level in the wake of the financial crisis, accompanied by initiatives launched at the European level (for example, with regard to non-performing loans), have led to an exponential growth in regulatory output, as well as to the stratification of different levels of regulation that are not always consistent with

one another. Action aimed at rationalization and simplification of the banking regulatory framework therefore appears necessary¹.

Political institutions and Italian and European banking authorities have started reflections in this regard, producing significant contributions and launching initiatives that demonstrate the importance attached to the issue not only by the banking sector but also by regulators and supervisory authorities. These bodies, in turn, operate in an increasingly complex environment and would benefit from a simpler, clearer, and more proportionate regulatory framework and more agile supervisory processes. These would allow everyone - regulators and regulated entities, supervisors and supervised entities - to focus on the main risks and challenges.



¹ With specific reference to prudential matters, a review is also mandated by Article 518c CRR3 (Review of the framework for prudential requirements).

The aim is not to deregulate but to make the regulatory framework more efficient.

This document contains reflections and proposals developed by the Italian Banking Association (ABI) with a view to contributing to the joint effort to improve the efficiency of the regulatory framework and, by this mean, to the competitiveness of banks and, consequently, of the Italian and European economies. In this regard, it is important to emphasize that the goal of a simpler and more proportionate regulatory framework should not be understood as an attempt at deregulation but as the quest for greater regulatory efficiency, without prejudice to the primary objective of financial stability. In other words, the aim is to improve the efficiency of the framework by limiting rules and constraints to what is actually necessary to maintain the level of soundness achieved, eliminating inconsistencies and duplications and capital and operational burdens that are not (or are no longer) justified by concrete and persisting issues.

This requires a structured and analytical approach.

In concrete terms, and with a forward-looking perspective, it is appropriate to limit the complexity of the rules under discussion, drawing on past experience...

The document begins with an analysis of certain crosscutting aspects that make compliance with regulation more complex and costly, regardless of the intrinsic complexity of the subject matter. Based on past experience,

it aims to draw attention to useful points for reflection to help limit the complexity of future regulations, in light of the fact that the banking regulatory framework is not yet stable and that several new measures are still under consideration or in the process of being implemented. In addition, a number of cross-cutting methodological proposals are outlined, which may be useful in defining possible interventions.

...and take immediate action to optimize current legislation, which still has room for improvement.

A second section of the document concerns the identification of certain areas of legislation where there is scope for possible optimization measures.



Priorities for the banking sector



A competitive and resilient banking sector is a precondition for financial stability and support to the economy.



Creating the conditions to maintain and strengthen banks' capacity to face current challenges is essential.



The definition of a balanced regulatory framework is a key element.



The goal is rationalization and simplification of the regulatory framework.



The aim is not to deregulate but to make the regulatory framework more efficient.



In concrete, going forward, action should be taken to limit the complexity of new regulations, drawing on past experience ...



... and to quickly optimize current legislation, which has room for improvement

2. Regulatory divergences and their impact on the competitiveness of European banks

Addressing regulatory divergences among jurisdictions and economic players is essential to avoid penalizing the competitiveness of EU banks.

It is essential that the regulatory framework guarantees a level playing field for European and Italian firms, and namely banks, vis-à-vis their competitors.

In an open market such as the European one, protecting financial stability does not only mean applying stringent supervisory rules to banks, but also promoting the robustness of intermediaries through their ability to generate income. This, in turn, depends on their capacity to offer services under competitive conditions and constitutes a precondition for making investment in banks' capital attractive. Such robustness is indispensable for supporting the level of capitalization required for banks to pursue growth strategies and to provide increasing support to the real economy,

thereby addressing the complexity of the aforementioned dynamics.

It is therefore essential to address the regulatory divergences among jurisdictions and economic players, negatively affecting the competitiveness of EU banks.

For example, in the field of prudential regulation, the differences between the two sides of the Atlantic stem from the different scope of application of the rules (broader in Europe than in the US, where part of the framework is only applied to the largest banks) and the presence of solely European requirements (e.g., the MREL). They are also reflected in a different approach to the application of the regulatory framework and

are accentuated by the different timing of the introduction of the more stringent rules agreed at international level (the reference is primarily to the so-called Basel 3+ package).

This results in European banks being less profitable than US banks, which in turn is reflected in their reduced appeal for investors, and consequently lower share prices and less capital raised to support credit growth, but also a smaller market share in the segments most exposed to international competition.

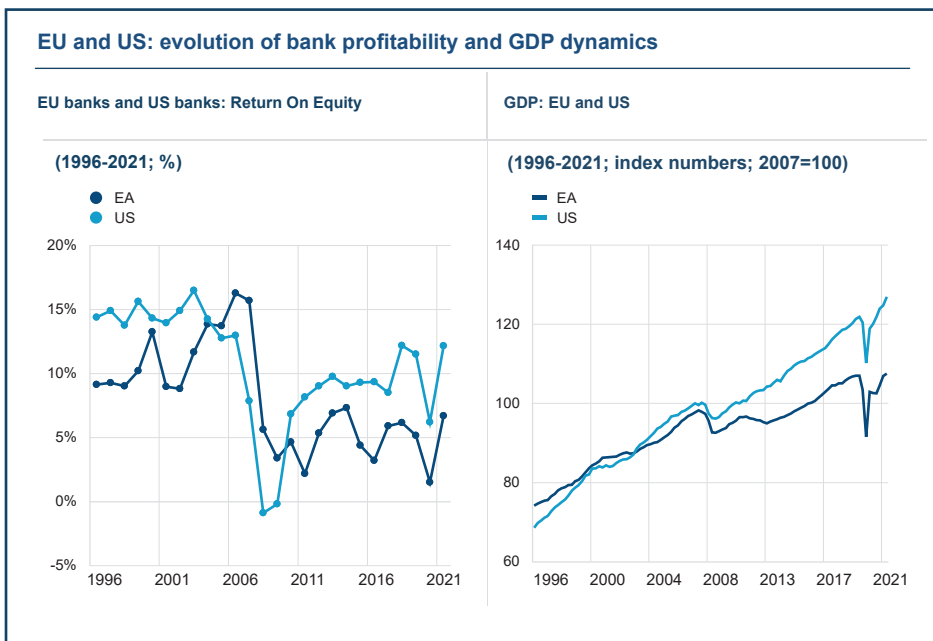
ECB studies² show that EU banks have recorded lower average returns than their US counterparts since 2010.

The same study shows the effect of different profitability in terms of market valuations: during the observation period (2014-2021), while major US banks traded on average

above book value (price/book ratio of 1.53x), for European banks the ratio was well below unity (around 0.79x). It follows that a structural profitability gap may limit the ability of EU banks to raise capital and, consequently, to compete globally. Although the profitability gap is obviously not explained solely by different rules and supervisory practices, the above shows that **action is needed to redress the disadvantage suffered by EU banks.**

Among the factors contributing to lower profitability is the relatively smaller - and further declining - market share in businesses such as investment banking and capital markets.

Furthermore, any assessment of the overall picture cannot disregard the prospective developments taking place in other jurisdictions.



² ECB - Understanding the profitability gap between euro area and US banks (Occasional Paper 327, 2024)

In particular, the United States is adopting regulatory policies that are clearly geared towards stimulating growth.

The overall impact of 21 measures, either already approved – such as the new rules on leverage requirements – or under consideration – including the implementation of the Basel 3+ package (Basel 3 endgame) with the aim of achieving capital neutrality has been estimated for the largest US banks as entailing a 14% reduction in highest quality capital (CET1) requirements. This reduction would correspond to a potential increase of \$2.6 trillion (approximately €2.2 trillion) in the volume of credit and investment services activity. To get an idea of the order of magnitude, it might be worth considering that the entire volume of credit granted by Italian banks to the private sector (households and non-financial companies) and the public sector amounts to approximately €1.6 trillion.

Applying the same approach also for the major UK banks a reduction in capital requirements is expected, opposite to the increase for European banks as a result of the application of the CRR3.

With regard to the United Kingdom, the policy of reducing banks' capital targets was publicly declared by the Bank of England in its December 2025 Financial Stability Report, which set the new Tier 1 capital target at 13% of risk-weighted assets (compared to the previous 14%), corresponding to a ratio of approximately 11% of CET1.

While specific regulatory measures necessary to restore the level the playing field in certain markets or sectors – or to avoid jeopardising it – will be discussed below, more broadly it is essential that competitiveness be given due consideration when defining new rules, for which **a realistic impact assessment is indispensable, demonstrating the actual need for any rules that are not envisaged in other jurisdictions.**



Enhancing competitiveness



It is key that the regulatory framework ensures that European and Italian banks operate on a level playing field with their competitors.



It is therefore essential to address the regulatory divergences among jurisdictions and economic players, in order to redress the disadvantage suffered by EU banks.




The United States is adopting regulatory policies that are clearly geared towards stimulating growth, and even for the major UK banks, the expectation is for a reduction in capital requirements, opposite to the increase suffered by European banks as a result of the application of the CRR3.



Competitiveness must be taken into due consideration when defining new rules, with a realistic impact analysis demonstrating the actual need for any rules that is not envisaged in other jurisdictions.

3. Structured approach to simplify the regulatory framework

To reduce the complexity of the regulatory framework, it is necessary to draw on past experience to fix shortcomings in the rule-design and adoption stages, and to adopt a structured approach to the simplification of existing regulations.



It is important to identify recurring issues in the design and adoption of regulations .

Experience has shown that, in addition to the idiosyncratic aspects of measures, recurring issues related to the adoption process or regulatory design often contribute significantly to the complexity and implementation burden for banks.

It would therefore be desirable, with regard to the upcoming regulations but also to future reforms under consideration, to take these aspects into account in order to prevent that the application of new rules entails an unjustified implementation burden for banks.

In this regard, the following cases are noteworthy. In any case, a reliable and

comprehensive impact assessment, taking due account of the suggestions coming from those affected by the regulations, remains essential.

New rules should not be applied before the entire related framework has been defined, to prevent uncertainty and transitional solutions.

In some instances – most notably the recent banking package – banks have been requested to apply major regulatory reforms well before the implementing rules had been finalised. Applying new rules with incomplete regulatory framework means that banks have to start implementation in a context of regulatory uncertainty, maintain transitional solutions and then implement subsequent

elements as they are defined, with uncertain timelines and, above all, without being able to predict and manage the related impacts (organisational and sometimes economic). It is therefore clear that improving the efficiency of regulation implies that new rules should not be applied before the associated framework has been completed.

Ensure consistency between the various regulatory sources, either dealing with the same subject matter ...

This would also ensure the necessary coordination between the various regulatory sources and levels on the same subject, and possibly lead to the definition of an overall consistent framework.

... and regulating different matters, but presenting areas of overlap.

In order to avoid unnecessary complexity and regulatory burdens, coordination should always be ensured not only among different regulatory levels governing the same subject, but also among legislative and regulatory acts in different areas presenting overlaps (e.g. Digital Operational Resilience Act, known as DORA, and pre-existing supervisory regulations).

Ensuring certainty in terms of timing.

In practice, it is also observed that subsequent publication of additional

documents and specifications (guides, supervisory expectations, best practices, Q&As, etc.) often contributes to further complicating the framework, as they are published after implementation and there is therefore a need for banks to make adjustments, with uncertain and unpredictable timelines.

Ensure that implementing rules do not exceed what envisaged in primary legislation.

The complex regulatory framework associated with the Lamfalussy process creates a level of complexity that is characteristic of the European regulatory framework, making it more difficult to reconcile and apply all the rules from different sources – a complexity that is particularly evident for smaller banks.



Moreover, implementing measures and other instruments, when specifying and detailing legislative provisions, often go beyond merely clarifying the content of primary legislation, instead introducing additional and sometimes unforeseeable elements, making it difficult to adequately manage the related impacts, both organisational and, at times, economic.

More generally, as regards clarity, it is often difficult in concrete to distinguish the effects of binding legal provisions from those of guidelines, supervisory expectations, best practices and other instruments which, in principle, are intended to provide banks with possible examples of proper implementation, but in practice operate as de facto standards from which banks can hardly depart.

It is therefore essential that the nature of such measures and documents be clearly and precisely defined and that, in any event, the guidance contained therein is not more prescriptive than what is provided for under binding legal regulations.

Provide appropriate implementation timelines.

Often, application dates do not appear consistent with the time required for orderly implementation of new measures. When defining the timing for the application of new regulations, consideration should be given not only to directly linked workload, but also to the simultaneous application of other reforms or other tasks (e.g. stress tests) that impose an organisational burden. Importantly, in case of regulations entailing a significant organisational effort and/or economic impact, the implementation timetable should be set taking into account the need for banks to include the necessary human and financial resources in their budget plans well in advance. More generally, the availability of adequate time to analyse the regulations, clarify any interpretative uncertainties, plan interventions, adequately train internal resources and/or find external expertise if needed, is a key lever for reducing the complexity and cost of implementation.

The timelines set out in primary legislation should not be anticipated.

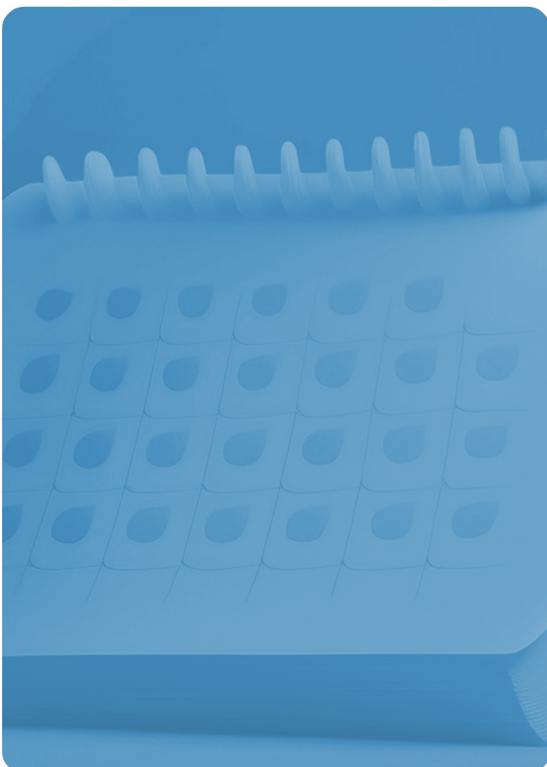
Issues related to timing can be exacerbated by the fact that the application of regulations is sometimes brought forward through supervisory requests (e.g. investigations about “state of preparedness” which de facto imply early implementation; ad hoc data collection to anticipate harmonised reporting). Sometimes, uncertainty also arises as a result of the

length of the approval process for measures, with many months or even years elapsing between the publication of drafts/proposals and the finalisation of rules. It is essential to avoid ambiguity regarding the expectation that banks should initiate implementation on the basis of mere consultation documents or requests that anticipate rules that are not yet applicable.

It would also be useful, in order to improve the comprehensibility of the rules, to ensure the immediate publication of new/consolidated versions of rules that are being amended (reference is particularly made to Regulations and Directives).

Many of these aspects are addressed in the Conclusions of the Council (ECOFIN) of 12 December 2025, which highlight essential principles for simplifying EU financial services regulation.

In light of the above, it is essential that public institutions and authorities follow up to their engagements and declarations, including through regular and effective involvement of stakeholders in the definition of policies and decisions aimed at simplification.



Reducing complexity



Not to apply new rules before the associated framework has been defined, in order to prevent uncertainty and transitional solutions.



Ensure consistency among regulatory sources dealing with the same subject matter



or regulating different subjects, but presenting areas of overlap.



Guarantee certainty in terms of timing.



Ensure that implementing rules do not go beyond primary legislation.



Ensure adequate implementation timelines and avoid anticipating the timelines provided for under primary legislation.



Ensure regular and effective involvement of stakeholders in defining policies and decisions aimed at simplification.

Measures aimed at simplifying the regulatory framework, to be effective, should follow certain basic principles.

In addition to the above, which refers to the drafting phase, some methodological observations might also be worth regarding an effective approach to simplification of existing regulations.

Improving the efficiency of the current regulatory framework requires a major effort to analyse the body of rules and other documents and to identify changes that can bring tangible benefits in terms of burden reduction without compromising the effectiveness of the framework in terms of financial stability.

Therefore, before identifying specific areas where action is considered necessary, below are some practical suggestions for simplification approaches that can be valid in various regulatory fields.

To start, verify and ensure coordination between the various regulatory levels, ideally consolidating the sources on the same issues.

An essential step in the process of rationalisation and simplification is verifying coordination among the various regulatory levels on the same subject, and legislative/regulatory acts on different but interrelated subjects, as well as reducing the number of regulatory references through the consolidation of sources on the same subject.

Assess the impact of simplification proposals.

In any case, before implementing changes aimed at simplification, it is essential to assess the impact of the proposed measures, in order to ensure that compliance with “simplified” measures does not end up entailing costs that exceed the achievable savings. This is particularly important in the case of targeted interventions, which would not result in the complete elimination of requirements or processes but rather in a refinement of existing ones. Indeed, in such cases it is necessary to consider not only the potential positive impact (i.e., the savings) once the measures are fully implemented, but also the cost of implementing the proposed change. As a corollary, it appears in general preferable to proceed with measures in the form of deletions rather than modifications, as the latter entail adaptation actions.

More generally, the involvement of the industry is necessary in order to assess the overall effects of the proposals and to avoid that initiatives, which may theoretically qualify as simplifications, could in practice result in other types of burdens (e.g. changes that appear to be simplifications but could result in increased capital requirements and consequently act as a brake rather than a driver of competitiveness).

Ensuring clarity of rules.

Conducive to simplicity is the clarity of the rules. To enhance clarity, certain expedients might be useful, such as clear explanations in Level 1 and Level 2 texts of how proportionality should be applied in practice (e.g. specific methodological approaches; explicit identification of expectations applicable to small and non-complex institutions or, more generally, graduation of expectations based on banks' characteristics and exposure to risks).

Promoting the availability of texts in digital format compatible with automated processing.

In light of developments in information technology, launching projects aimed at making regulatory texts available in a digital format compatible with automated processing (machine readable) would be useful in reducing the burden on operators associated with reconstructing the complex set of measures from various sources and levels on a given subject. Moreover, it would make it easier to verify interaction with other provisions when drafting new legislation and for first time application by banks.

Where possible, avoid asking individual banks to fulfil requirements that can be managed centrally.

Moreover, in certain cases bank are required to conduct verifications or inquiries regarding external elements or third parties. In these cases, the possibility could be considered to carry out such tasks on a centralized basis, instead of requiring each individual bank to comply and to bear the corresponding costs.



Simplifying the regulatory framework



Verify and ensure coordination among regulatory levels, preferably by consolidating the sources pertaining to the same rules.



Ensure impact assessments of simplification proposals.



Ensure clarity of rules.



Promote the availability of texts in digital formats compatible with automated processing.



Where possible, avoid requiring individual banks to carry out tasks that can be managed centrally.

4. Towards clear and proportionate rules for banks

In specific areas of regulation, measures are needed to simplify the regulatory framework, safeguard the competitiveness of banks, remove competitive disadvantages and ensure proportionality.

ABI, with the support of banks, has identified several specific areas where actions aimed at optimization of the regulatory framework are deemed appropriate, with a view to simplification, safeguard of banks' competitiveness, removal of competitive disadvantages and proportionality.

In light of the above, ABI has identified a series of aspects of the regulatory framework that appear to require intervention likely to have positive effects on banks' competitiveness, either removing provisions that are penalizing or putting Italian or European banks at a competitive disadvantage or enhancing efficiency

via simplifying and streamlining the regulations. The Association has carried out a detailed analysis and identified a series of proposals, either with strategic significance or expected operational benefits, whose rationale lies in one or more of the following objectives: regulatory simplification, improvement of competitiveness, elimination of goldplating with respect to international standards, application of the principle of proportionality. In particular, in addition to the crosscutting issues already outlined above, particularly significant opportunities for efficiency gains have emerged in the following areas:

1. Prudential regulation, supervision and resolution**2. Credit and capital markets****3. Digitalisation , ICT and Cybersecurity****4. Payments****5. Legal and Governance****6. ESG****7. Reporting**

For each, some high level issues and key requests are summarised below.

4.1 Prudential regulation, supervision and Resolution

The aforementioned need for a simpler, more efficient and flexible regulatory framework is clearly evident in the context of prudential matters and, more generally, in the rules and practices relating to supervision and resolution. In this area, due to a proliferation of rules at multiple regulatory levels, not always well coordinated, many of the issues mentioned above can be observed.

Greater efficiency and reduced complexity can be achieved, among other things, through:

- **a rationalisation of the overall design, with particular reference to the macroprudential framework**, ensuring consistency and clarity about the role of each component, as well as the powers attributed to each Authority, avoiding costly duplication of requirements and competitive deterioration that would result from an

increase in capital requirements, given that the Authorities themselves consider the current level of capitalisation of banks to be more than adequate. In particular, the inefficiencies observed in recent years should be addressed, namely the limited effective usability of reserves, linked, among other things, to the lack of predictability of requirements, due to the way in which they have been interpreted by the various macroprudential authorities.

In other words, the framework should be streamlined, clearly specifying the role and conditions for the application of the various buffers (and other measures), avoiding overlaps and considering the prudential framework as a whole (i.e. addressing also possible overlaps with the microprudential requirements). It is also necessary to address the observed issue hindering the actual usability of buffers, like uncertainty (by intervening on aspects such as the predictability of requirements and replenishment of buffers) and reputational impacts. In any case, solutions that result in an increase in capital requirements should be avoided, as the latter is deemed unnecessary in light of the strong capital position of European banks. With specific regard to the microprudential rules, transitional arrangements related to the output floor – targeting exposures like mortgages, and loans to corporates without external ratings - should be made permanent and extended to institutions using the standardised approach for the calculation of the capital requirements

• **reconsideration of certain measures affecting competitiveness, including the treatment of commitments, the definition of trade finance, and the new regime on property valuation.**

The latter issue refers to the new definition of “property value,” set in CRR3 which, starting from the “market value”, must be estimated assuming its “sustainability” over the entire life of the loan. Such definition is not supported by international valuation standards and creates complexity, uncertainty and divergences in interpretations across countries. Property valuation for prudential purposes should instead be linked to “value bases” recognized internationally like the “market value” and “mortgage lending value.” As regards trade finance, the CRR3 definition should be amended to avoid ambiguities about the fact that, consistently with the economic substance and market practice, the scope also includes contracts beyond 12 months. Also, some aspects of the credit conversion factors framework (ie the exposures connected to offbalance sheet items in the form of commitments) should be reviewed, starting from the penalizing zero floor for internal model estimation, which gives rise to an unjustified overestimation of exposures. Still with regard to the credit risk framework, a general reconsideration would be warranted for the treatment of equity exposures, subject to a severe tightening in CRR3. A reassessment of this treatment would be consistent with policy objectives aimed at supporting longterm investment and small and medium-sized enterprises funding

• **effective freedom of movement of capital and liquidity within banking groups, including cross-border groups.**

Constraints to free movements across countries might arise, among others, due to national discretions still present in the large exposure framework. In addition, more frequent application of the so called “liquidity waivers” (for individual legal entities belonging to banking groups), envisaged in the CRR upon supervisory authorization, would also be essential to enable free movement of liquidity in cross border groups. Addressing these issues would support more effective groupwide risk management and better align the regulatory framework with the objectives of the Banking Union and the Single Market

• **simplifications in certain areas where current provisions result in unnecessary compliance burden (e.g. performing due diligence on external ratings).**

The request that banks shall assess external ratings used for credit risk purposes represents an example of compliance burden that does not appear justified by corresponding risk, given that, in the EU, rating agencies are subject to a dedicated regulatory framework. In any case, if further external verification were deemed necessary, it could be more efficiently performed centrally by authorities rather than being requested to each single bank

• **simplification of supervisory processes and requests for data and information from supervisory and resolution**

Authorities. In addition to the aspects pertaining to reporting and data request, that are addressed below in the dedicated section, here reference is made among others to the possibility to streamline and increase the risk focus of supervisory processes (e.g. stress tests, authorisations, investigations), in strict dialogue with the industry to ensure that the changes ultimately reduce the operational burden. Enhanced transparency on methodologies and outcomes of supervisory activities would also be very beneficial to effective supervisory dialogue

• **effective application of the principle of proportionality, providing for a clear specification of the applicable requirements**, taking into account the size and complexity of the intermediary and, more broadly, ensuring that rules are commensurate with actual risks (irrespective of the size of the bank)

• **other very important areas to address in the prudential field are represented by: operational risk**, whereby the envisaged work for better consideration of insurance should be brought forward, to enhance the risk sensitivity of the framework; interest rate risk in the banking book (IRRBB), for which the EU framework is much more stringent than the Basel standard and other major jurisdictions, in particular the United States. As regards the IRRBB framework, while noting that those additional elements not finding

correspondence in other jurisdictions (such as the so-called supervisory outlier test under the net interest income perspective, as well as the broad scope assessment of the credit spread risk in the banking book) have been introduced without a proper impact assessment, it is essential to avoid further tightening (via changes in the supervisory shocks) that would widen further the competitive gap faced by European banks, without any economic justification

4.2 Credit and capital markets

The complex regulatory framework governing banking and financial products and markets - where harmonised European rules coexist with national frameworks (also linked to the specific features of products and market practices in each country) - offers significant scope for efficiency gains, including, inter alia, by means of:

• the creation of a genuine **single European capital market**, allowing for an effective allocation of European savings fostering growth, but also reducing compliance obligations and the burden for market participants when placing products and providing investment services

• a **relaunch of securitization**, as a crucial tool for the competitiveness of European banks. It is essential that the ongoing review of the securitization framework creates the conditions for an actual relaunch of the EU securitization market

- **the introduction of European Secured Notes (ESN)** - bank-issued securities collateralised by loans to SMEs - as an additional funding instrument to increase flexibility in banks' funding strategies and improve financing conditions for small and medium-sized enterprises
- simplify and streamline the regulatory framework for collective asset management
- eliminate the reporting requirement for Over-the-counter (OTC) derivatives and Exchange-Traded Derivatives (ETDs) under the Markets in Financial Instruments Regulation (MiFIR)
- avoid increasing the granularity of reporting requirements solely to align MiFIR with European Market Infrastructure Regulation (EMIR), and avoid changing the reporting format from Extensible Markup Language (XML) to JavaScript Object Notation (JSON)
- at national level, a streamlining of the procedures governing the registration, renewal and cancellation of mortgages.

4.3 Digitalisation, ICT and Cybersecurity

The progress of digitalisation in banking processes and services, including the spread of artificial intelligence, clearly represents opportunities for banks, but also gives rise to "new" risks, which are further exacerbated by the complexity of the geopolitical scenario.

Against this challenging background, competitiveness of banks is key to ensure that the European productive sector can access the financial resources necessary to fully integrate technological progress and, in turn, remain competitive and capable of facing current challenges, within a framework of European strategic autonomy.

With regard to financial services, a matter of particular concern is represented by the legislative proposal on **Financial Data Access (FIDA)**. Allowing free access to European financial sector data by external operators such as the oligopoly of big tech firms (which already benefit from a dominant position as regards individuals and corporate data), without ensuring reciprocity or adequate remuneration for banks' investments, would place banks in a position of significant and unjustified competitive disadvantage. Moreover, the proposal does not appear to be supported by an impact assessment demonstrating added value for customers, linked to the existence of concrete market demand, and therefore lacks one of the fundamental prerequisites that should justify legislative intervention.

Looking more broadly at ICT-related regulations, significant benefits in terms of clarity and simplification could result, among other things, from clearer definitions and more precise specifications of the scope of application and compliance requirements under the digital **resilience regulation (DORA)**, as well as from its timely

coordination with other similar rules and obligations (e.g., with regard to reporting of cyber incidents and attacks).

Legal certainty under the **AI Act** (Regulation (EU) 2024/1689 laying down harmonised rules on artificial intelligence) would be strengthened by clearer definitions of “AI system” and key roles such as “provider” and “deployer”, alongside periodic updates to the techniques covered. Review mechanisms for highrisk and prohibited AI practices should be more dynamic, allowing periodic or event-driven reassessments. A clearer and more adaptive framework would reduce uncertainty and support responsible AI investment.

4.4 Payments

With regard to payments, the following are particularly noteworthy:

- in terms of competitiveness, the need for the new European **regulatory framework on payment services** currently being defined (Payment Services Regulation, **PSR**, and the third Payment Services Directive, **PSD3**) to provide for fair remuneration for the substantial infrastructure investments required to banks and - also by means of guidance that may be set in secondary legislation - provides for an appropriate definition and regulation of fraud, starting with the correct allocation of responsibilities to all operators involved in the payment chain, including telephone operators and large online platforms. A regime of substantially

objective liability on the part of banks alone would discourage fraud prevention by other players and payers themselves, resulting in lower levels of security and trust in payment systems. Proper risk allocation and return on investment are essential prerequisites for the competitiveness of the European payments industry, including in terms of its ability to sustain the investments needed to advance the innovation of the services offered

- From the simplification perspective, there is scope for interventions in several areas, particularly concerning the **instant payments**, the need for coordination among the various relevant payment regulations, as well as the update of certain national rules (relating to electronic payments via payment cards) in order to ensure alignment with European rules

- Moreover, under the Instant Payments Regulation (IPR) and proposed Payment Services Regulation (PSR framework), payment service providers (PSPs) should retain flexibility, based on fraud risk, to differentiate limits for instant and regular transfers, apply cooling-off periods, and decide on default settings and channels. Given the immediacy of the SEPA scheme (SEPA Credit Transfers, SCT Inst), such safeguards are essential to mitigate fraud and preserve trust

- Lastly, a targeted revision of the **Payment Accounts Directive (PAD)** is warranted to address persistent operational complexity

in the transfer of payment services such as the handling of direct debit mandates and pending transactions, the precise interdependence between balance transfers and account closure, and a more robust and unambiguous definition of incoming recurring credit transfers.

The shape that the **digital euro** - that will add up to existing electronic payment tools - will assume remains obviously central.

Its potential role in strengthening the EU economy and strategic autonomy - opposed to money laundering and the monopolistic positions of Big Tech and non EU PSPs - is valuable. However, in its implementation, negative effects on financial stability should be avoided, as well as crowding out banks in the payment services market. The digital euro should be an innovative instrument allowing the development of value-added services by banks. In this regard, careful attention should be paid in the design of its "offline" use, that should be fully integrated within the legal framework aimed at preventing money laundering and terrorist financing.

4.5 Legal and Governance

Banks are subject to a comprehensive set of rules designed to ensure the certainty of contractual relationships and transactions, with a view to protecting customer rights and the stability of the banking and financial sector (reference is made, for example, to the rules on the transparency of contractual

terms and conditions, and on the protection of personal data). The role of banks as safeguard of legality is not secondary, as they ensure compliance with anti-money laundering and terrorist financing regulations as well as international sanctions. These objectives are fully shared, and therefore the need to maintain a robust regulatory framework for these purposes is undisputed.

However, these framework require banks to ensure compliance with rules which have often piled up over time, in some cases in the absence of coordination between national and European regulations.

Furthermore, requirements were partly designed in historical phases when digitalization was less advanced. In light of the above, there are significant opportunities for optimising costs and improving efficiency through procedural simplification and rationalisation, exploitation of the opportunities offered by new technologies, and harmonisation of national rules with European requirements.

4.6 ESG

In the previous legislative term, a significant effort was made to translate the objectives and strategies of the transition towards a more sustainable economy into a comprehensive regulatory framework, spanning the entire productive sector. A comprehensive reassessment of this approach is now underway, involving the rationalisation and simplification of rules and obligations (such as those related to reporting) on the one hand, and an in depth

examination of the appropriate measures to provide concrete incentives for financing the transition, both in terms of credit and capital markets, on the other hand.

With regard to regulation, it is essential to ensure consistency **between the rules and supervisory expectations applied to banks**, with reference to asset holdings and risk management, **and the actual availability of information on businesses** (an area in which a feasible and highly important short term measure would be to make information present in existing administrative databases available to the banking sector).

In the same vein, the entity-level disclosure obligation (the so-called “Principal Adverse Impact statement”) envisaged under **the Sustainable Finance Disclosure Regulation (SFDR)** should be removed, given the disproportionate effort required to collect aggregated data despite the limited usefulness of this disclosure for clients. The proposal for the revision of SFDR by the European Commission moves towards the right direction of simplifying the sustainable finance disclosure framework.

4.6 Reporting

When it comes to simplification and reduction of administrative burdens, the volume of reporting and information requests frequently received by banks - in a more or less structured and recurring form - comes into focus. This clearly represents an area where rationalisation is possible,

and the Authorities are already working to this end. Beyond specific interventions, some crosscutting considerations may apply. For example, it could be envisaged, where possible, to request reporting only at the consolidated level rather than also at the individual level, and to calibrate requests proportionately to the bank’s risk profile.

Furthermore, in addition to reporting and specific data requests (already in scope of initiatives to reduce administrative burdens), it would be appropriate to reassess the necessity, scope, and potential areas of overlap of the many reports, statements, and plans that banks are required to produce (ICAAP, ILAAP, Recovery Plan, Funding Plan, ...).

For ad-hoc requests — which are increasing significantly and whose use should generally be limited —it is important that the structure of templates and data quality checks be shared with the banks in advance (to avoid inefficiencies during fulfilling), and that appropriate deadlines for submission be established (also taking into account temporal overlaps with other requests and obligations, e.g., the well known concentration of requests in the first quarter of the year).

Key points by regulatory area



PRUDENTIAL REGULATION, SUPERVISION & RESOLUTION

- Rationalisation of the overall framework, with particular reference to the macroprudential framework.
- Measures to promote competitiveness (e.g. treatment of commitments; definition of trade finance; new rules on property valuation).
- Free movement of capital and liquidity within banking groups, including crossborder groups.
- Simplification of unnecessary compliance requirements (e.g. due diligence on external ratings).
- Simplification of processes and requests for data and information.
- Concrete application of the principle of proportionality.



CREDIT AND CAPITAL MARKETS

- Creation of an effective single European capital market.

- Streamlining of rules governing the registration, renewal and cancellation of mortgages (at national level).

- Relaunch of securitisation market.

- Withdrawal or reconsideration of the legislative proposal on Financial Data Access (FIDA).



DIGITALISATION, ICT E CYBERSECURITY

- Clarifications and improved specifications regarding the scope of application and requirements related to the Directive on Operational Resilience (DORA).

- Timely coordination of the DORA framework with other similar regulations and requirements (e.g. with regard to reporting cyber incidents and attacks).



PAYMENTS

- Need for the upcoming new European regulatory framework on payment services (PSR and PSD3) to provide for fair remuneration of banks' infrastructure investments.
- Appropriate definition and regulation of fraud cases, starting with the correct allocation of responsibilities among all operators involved in the payment chain.
- Simplifications in various areas (e.g. instant transfers).
- Coordination between the various relevant regulations on payment systems.
- Updating of certain national rules (relating to electronic payments by payment cards).
- Shaping the digital euro to avoid negative effects on financial stability and crowding out banks in the payment services market.



LEGAL AND GOVERNANCE

- Rules such as those concerning transparency of contractual terms, personal data protection, and anti money laundering are essential, yet they have piled up over time, in some cases without systematic alignment between national and European regulations.
- Lines of action: procedural simplifications and rationalisations, exploitation of opportunities offered by new technologies, and harmonisation of national rules with European requirements.



ESG

- Ensure consistency between general rules and supervisory expectations applied to banks.
- Make information contained in existing administrative databases (but currently inaccessible) available to the banking sector.



REPORTING

- Preference for consolidated reporting rather than individual reporting.
- Reassessment of the necessity, scope and possible areas of overlap of the many reports, statements and plans that banks are required to produce (ICAAP, ILAAP, Recovery Plan, Funding Plan, etc.).
- Requests proportionate to the bank's risk profile.
- Limitation of ad-hoc requests to what is strictly necessary, sharing with banks in advance the relevant templates and data quality checks, and providing reasonable deadlines for delivery.





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