EUROPEAN CENTRAL BANK

EUROSYSTEM

Simplification of the European prudential regulatory, supervisory and reporting framework

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Contents

Introduction

In March 2025 the ECB's Governing Council created the High-Level Task Force on Simplification (HLTF) to develop recommendations for simplifying the European prudential regulatory, supervisory and reporting framework for banks. The HLTF's objective has been to identify undue complexities within the European regulatory, supervisory and reporting framework which may unnecessarily hamper the competitiveness of euro area banks and could place an excessive burden on them, potentially impeding their ability to provide services to the real economy. To address these complexities and the undue resulting burden on banks, the HLTF has formulated high-level policy recommendations, which are outlined in this report. The numbering of the recommendations does not indicate any specific order of priority.

The ECB's Governing Council endorsed the HLTF recommendations in December 2025.

Provided that the recommendations find support, operationalisation, impact analyses and effective implementation should take place in close cooperation with the relevant authorities in the European Union (EU), while also duly considering the impact this may have on Member States not participating in the Single Supervisory Mechanism. Under the steer of the European Commission, recommendations to simplify the regulatory and supervisory framework could be further developed by the European System of Central Banks, the Single Resolution Board (SRB), the European Systemic Risk Board (ESRB) and the European Banking Authority (EBA), with the ECB providing continued support. The operationalisation of recommendations to simplify the reporting framework that affect the European supervisory authorities (ESAs), the SRB, national competent authorities (NCAs), national central banks (NCBs) and the ECB should be developed in close cooperation with these authorities, also leveraging on the relevant initiatives and projects ongoing at the EBA, the ECB and the Joint Bank Reporting Committee (JBRC).

The high-level policy recommendations for simplification were formulated based on the following principles:

- **Resilience should be maintained** – any proposal to change the EU prudential framework should sustain current levels of resilience.
- **Effectiveness in meeting prudential objectives needs to be maintained** – microprudential, macroprudential and resolution authorities should be able to meet their respective objectives in an effective manner and capture all relevant dimensions of risk.
- **European harmonisation and financial integration should be fostered** – proposals shall take a European perspective and aim to foster more

harmonisation across Member States in areas where a lack of harmonisation is a source of complexity or inconsistency.

- **International cooperation should be upheld** – international standards and multilateral cooperation are crucial, and all jurisdictions should ensure full, timely and faithful implementation of Basel III.

In parallel with this report, the Governing Council welcomes the Supervisory Board's four-pronged reform agenda to further increase the efficiency, effectiveness and risk-based focus of prudential supervision. First, a reform of the Supervisory Review and Evaluation Process (SREP) is well advanced. Second, the objectives of the SREP reform are now being extended via the "Next-level supervision" project to areas such as decision making, internal models, capital related decisions, stress testing, reporting and on-site inspections. Third, a dedicated initiative is under way to further promote a unified supervisory culture within the SSM in line with the objectives of the supervisory reforms. Lastly, the ECB is improving its analytical tools to better assess the impact and effectiveness of its supervision. These reforms are intended to facilitate more in-depth scrutiny of the most material risks, while also allowing supervisors to take on new tasks and address emerging risks. The Governing Council welcomes the ECB Banking Supervision report entitled "Streamlining supervision, safeguarding resilience", which outlines its initiatives to increase the efficiency, effectiveness and risk focus of supervision, as well as the ESRB's publication on the simplification of its tasks through legislative amendments.

The Governing Council strongly encourages the completion of banking union and the savings and investment union to reduce national fragmentation and allow for more efficient capital markets.

1 Proposals to simplify the regulatory framework

This section describes complexities in the existing regulatory framework and provides high-level recommendations to address them.

Reduce the number of elements in the risk-weighted and leverage ratio framework

The number of elements in the EU's risk-weighted (RW) and leverage ratio (LR) capital stack exceeds those foreseen by the Basel standards, potentially causing overlaps and inconsistencies. EU-specific elements are the Pillar 2 Requirements (P2R) and Pillar 2 Guidance (P2G) – which implement the Basel standard on supervisory review process[1] – the systemic risk buffer, macroprudential risk weight measures and the Pillar 2 leverage ratio add-ons (P2R-LR and P2G-LR). The variety of capital elements in place in the EU may decrease transparency and increase uncertainty as market participants face more challenges in assessing the capital framework, the overall level of requirements and the available capital headroom. Other jurisdictions such as the United Kingdom and the United States have fewer elements compared with the EU. Uncertainty and a lack of transparency also arise from differences in the way the tools are applied across countries.

Recommendation #1 proposes reducing the number of capital stack elements in the prudential framework. This could be achieved by merging the different capital buffers into two: a non-releasable buffer (merging the capital conservation buffer and the higher of the other systemically important institutions (O-SII) and global systemically important institutions (G-SII) buffers) and a releasable buffer (merging the countercyclical capital buffer and the systemic risk buffer). P2G would be kept separate, on top of the releasable buffer. Any reduction in the number of buffers must maintain the current allocation of macroprudential and microprudential powers and preserve the competencies of national and supranational authorities within the banking union. The calibration of all elements through clear common principles and methodologies, including a single exercise, would serve to avoid unwarranted overlaps or inconsistencies. This single exercise could be based among others on a modified EU-level stress test, reflecting European and national financial cycles and risks, as a starting point for the releasable buffer and the P2G. It should also avoid creating undue additional expectations.

In a similar vein, the leverage ratio framework in the EU consists of four elements, while the Basel III framework only has two. Merging or adjusting the EU-specific elements (P2G and P2R LR add-ons) would be one way to simplify this while maintaining Basel compliance. An option could be to have two

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1 See Basel Committee on Banking Supervision – Supervisory review process.

elements: one LR minimum requirement and one LR buffer. For G-SIIs, the LR buffer would be floored at the Basel G-SIB LR buffer rate, while for other banks the LR buffer could in principle be set to zero. Mechanically linking the leverage ratio framework with the risk-based buffer framework could also be explored further; however, this would pose challenges in terms of capital neutrality and overall calibration.

This recommendation aims to reduce the complexity of the capital stacks, in particular the RW and LR stacks, which exceeds the complexity foreseen by the Basel framework. It would increase transparency and facilitate capital planning for banks and investors, particularly for banks operating across multiple jurisdictions.

Minimum requirements composed of the highest possible quality of capital, ensuring sufficient loss-absorbing capacity

The value added by including Additional Tier 1 (AT1) (and Tier 2) instruments in the going-concern capital stack has been questioned. The degree of going-concern loss-absorbing capacity[2] of AT1 instruments is unclear.

Recommendation #2 suggests that the going-concern loss-absorbing capacity of the capital stack could be improved by adjusting the design or the role of AT1 (and Tier 2) instruments. Two alternatives can be considered. First, the features of AT1 instruments could be enhanced to further ensure their loss-absorption capacity in going concern and provide additional clarity to banks and investors on the going-concern loss-absorption properties of AT1 instruments. This option would be Basel-compliant. It would not modify the role of AT1 (and Tier 2) instruments, and would therefore not reduce the overlap with gone-concern requirements. Alternatively, non-CET1 instruments could be completely removed from the going-concern capital stack. This could be achieved either by fully or partially replacing them with CET1 instruments or by eliminating them without any replacement in the going-concern framework. This alternative would (i) decrease the complexity in the going-concern framework, as only one type of instrument would have to be considered in going concern; and (ii) reduce the interplay between the different requirements. However, unless non-CET1 instruments were fully replaced with CET1 (implying a tightening of CET1 requirements), this alternative would raise difficult questions with regard to maintaining resilience and Basel compliance, potentially conflicting with the principles guiding the formulation of the high-level recommendations. In addition, irrespective of the calibration, it would lead to changes in the regulatory CET1 demand, raising questions of capital neutrality.

This recommendation aims to strengthen the quality of capital required under the EU regulatory framework, align the functioning of the going-concern capital stack with its intended purpose and thereby increase transparency for banks' creditors.

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2 The capacity to absorb losses before a bank is failing or likely to fail.

A dedicated, prudent and materially simpler prudential regime for smaller banks, building on the existing EU regime and introducing significantly more proportionality

The Basel standards are designed for internationally active banks; the EU decided to apply them to all banks in an effort to achieve a unified regulatory framework. While the EU regime includes various ad hoc proportionality provisions, including for small and non-complex institutions (SNCIs)[3], the application of Basel standards to all banks might have given rise to undue complexity. Applicable rules for smaller banks may benefit from an approach which strikes a better balance between complexity and regulatory burden. In the EU, the package of revised rules on capital requirements for banks (the Capital Requirements Regulation II and the Capital Requirements Directive V) introduced the concept of SNCIs for institutions with less than €5 billion in total assets. Compared with other key jurisdictions (such as the United States, the United Kingdom and Switzerland), the level of proportionality provided to SNCIs is relatively limited. It focuses on reporting and does not disapply Basel risk-based capital requirements or triggers for distribution restrictions (maximum distributable amount (MDA)) in favour of simpler metrics. This may result in a mismatch between systemic relevance and regulatory costs in the EU.

Recommendation #3 proposes expanding the degree of proportionality in the EU under the existing SNCI regime in a prudent manner. This could be done, inter alia, by increasing the scope of eligible small banks through an increase of the €5 billion threshold of the SNCI regime, as well as extending the scope of the simplified rules. Institutions that would qualify as SNCIs, but that are deemed by the relevant competent authorities (CAs) inappropriate to be considered thus, owing for example to their systemic relevance in a particular Member State or their risk profile, should continue to fall under the current regime. In addition, institutions should have the possibility to "opt out" of the SNCI regime if they prefer to be covered by the regular regime. The recommendation does not propose a tailored regime for mid-sized banks. Inspiration may be taken from the Small and Domestic Deposit Takers regime in the United Kingdom, the Swiss small banks regime and the Community Bank Leverage Ratio regime in the United States, whereby only one prudential capital stack (LR or RW) is applied, Basel MDA triggers are not applicable and risk modules are simplified or removed. The new simpler regime would be harmonised and calibrated in a more conservative manner, to maintain resilience and ensure sufficient risk coverage, minimise potential contagion and avoid competitive distortions and potential regulatory arbitrage by banks.

In addition, recommendation #3 proposes regulatory changes to facilitate and further increase consistency in the application of the proportionality principle in supervision. Supervisory requirements for smaller institutions that currently apply differently across Member States could be harmonised. For instance, in the area of governance, harmonised, simpler requirements could be established in areas such

3 SNCIs are credit institutions that meet the criteria laid down in Article 4(1)(145) of the Capital Requirements Regulation.

as internal reporting, remuneration, outsourcing, risk committees, internal stress testing, recovery plans, management bodies and risk functions. Harmonising EU legislation to allow for lower frequencies and lower granularity for the SREP (and commensurately for banks' internal capital and liquidity adequacy assessment processes) for SNCIs and less significant institutions[4], while continuing to allow the diversity of those institutions to be duly considered, would also contribute to the consistent application of proportionality by NCAs. The supervisory processes for determining which banks qualify as SNCIs, in view of the given regulatory criteria as recommended above, should also be harmonised. Any potential changes to support further proportionality in supervision should not be to the detriment of the key supervisory goals of ensuring the resilience and stability of individual institutions, nor of the financial system.

Complementing these changes, any simpler regime for smaller banks needs to be accompanied by a credible, flexible and efficient crisis management framework for these institutions. The political agreement reached at EU level on the Crisis Management and Deposit Insurance framework is a valuable step forward in this respect.

This recommendation aims to reduce the regulatory burden and compliance costs faced by smaller institutions.

Reciprocate macroprudential measures automatically, up to a threshold

The process of reciprocation of macroprudential measures by macroprudential authorities across different Member States is seen as complex by both authorities and banks.[5] Authorities find the procedures for voluntary reciprocity lengthy and the recognition of heterogeneous measures by Member States complex. Banks struggle to assess which measures to apply to their capital requirements, as reciprocated measures are often communicated through different outlets. Reciprocated measures can come as a surprise to banks, adding to the perception that they are piling up in a piecemeal manner.

Recommendation #4 proposes reciprocating measures automatically up to a certain threshold, combined with, and conditional on, a more standardised application of macroprudential tools. It should also be ensured that bank exposures subject to the measures are identified based on harmonised common reporting templates (COREP and FINREP), so that both banks and reciprocating macroprudential authorities can easily access and apply them. Without prejudice to the spirit of this recommendation, its implementation should not result in an undue burden on banks when a reciprocated macroprudential measure would only apply to very small exposures. In addition, it is proposed that the ESRB communicate semi-annually about the existing and new reciprocated measures that banks need to apply

4 "Less significant institutions" are credit institutions of Member States participating in the SSM that meet the criteria laid down in Article 6(4) of the SSM Regulation.

5 See the Reciprocation of measures section of the ESRB's website for further information.

to their capital requirements. Importantly, the proposal hinges on a more consistent and harmonised application of prudential tools within the EU. Otherwise, automatic reciprocity of heterogeneously applied tools may lead to inconsistency and double counting of risks.

This recommendation would alleviate the burden on banks, as communication on reciprocation would be clearer. For authorities, this would result in simplification, as lengthy reciprocation processes would be removed.

Align the MREL and TLAC frameworks more closely – without reducing gone-concern resources – and review their interactions with the going-concern framework

The gone-concern framework defines a wide variety of parallel requirements that also interact with the going-concern framework. In particular, G-SIBs face several resolution requirements, as they comply with total loss-absorbing capacity (TLAC) requirements, minimum requirements for own funds and eligible liabilities (MREL) and subordinated MREL, which are simultaneously expressed in risk-weighted and unweighted terms. In addition, as CET1, AT1 and Tier 2 capital can be used in parallel in the going and gone-concern stack, the frameworks interact. This leads to complex issues resulting in constrained buffer usability, which can also arise owing to interactions between the risk-weighted and leverage ratio prudential requirements independently of MREL/TLAC. It can also lead to difficulties in assessing the interrelations between the different MDA triggers and minimum requirements.

Recommendation #5 proposes aligning the MREL and TLAC frameworks more closely – without reducing gone-concern resources – while reviewing their interactions with the going-concern framework. An option for aligning the MREL and TLAC frameworks would be to reduce the number of elements and stacks in the MREL framework, while remaining compliant with the international standards set by the Basel Committee on Banking Supervision and the Financial Stability Board, maintaining the current level of gone-concern resources. Access to additional funds also needs to be ensured. MREL could consist of a uniform floor – calibrated at the level of the TLAC requirement – and a bank-specific component determined by the resolution authority on top. A lower number of stacks would reduce the complexity related to the multiple distribution restrictions in the MREL framework. It would also limit undue interactions between the going and gone-concern frameworks.

The recommendations aim to increase the transparency and predictability of the requirements, reducing monitoring costs for banks and investors and mitigating unwarranted interactions.

Refocus from directives to regulations and review the number of level 2 and 3 mandates

Continued reliance on directives creates heterogeneity in the applicable law and disparities in how institutions are supervised across the EU. Alongside regulations, the Single Rulebook for banking also relies on directives, such as the Capital Requirements Directive and the Bank Recovery and Resolution Directive. In contrast to regulations, directives need to be transposed into national law, which can lead to significant heterogeneity in the applicable law and can thereby also complicate cross-border banking. In addition, the Single Rulebook also consists of numerous level 2 (delegated and implementing) and level 3 (soft law) acts which further detail the requirements set in level 1 texts (directives and regulations). Although these level 2 and 3 acts fulfil an important role in terms of harmonising supervisory practices across the EU, they also add complexity and have grown in number and level of detail.[6]

Recommendation #6 proposes refocusing EU prudential law from directives to regulations, increasing harmonisation and regulatory transparency, and streamlining level 2 and 3 acts. More use of regulations would prevent a heterogenous transposition into national law. It would facilitate uniform supervision and cross-border banking, benefiting in particular banks that operate across various jurisdictions and their investors. Applying regulations would also help harmonise the legal basis for using supervisory guidance and expectations within the EU. A thorough review of level 2 and 3 acts and their implementation would reduce the level of prescriptiveness of some acts; this may thus increase the level of supervisory discretion.

This recommendation would make the legal framework more comprehensible, lowering barriers to entry as well as reducing the regulatory burden on banks. On the other hand, transitioning from directives to regulations would limit national discretion and flexibility. The recommendation suggests moving in this direction, while being conscious of the trade-offs involved.

Simplify the EU-wide stress test methodology and increase the usefulness of results, from both a system-wide and bank-specific perspective

In the EU, the EBA-led bank solvency stress test has become a complex and resource-intense exercise. The EU-wide stress test is a constrained two-yearly bottom-up stress test. It is backed by (i) a complex and binding methodology updated under the aegis of the EBA and (ii) an adverse scenario designed by the ESRB. The exercise relies on granular data collections, with banks submitting two profit and loss projections which are quality assured by ECB and NCA staff. The

6 For example, with the last banking package the EBA is expected to deliver around 140 mandates covering a broad range of technical areas. See EBA (2023), "The EBA publishes roadmap on the implementation of the EU Banking Package", Press Release, 14 December.

resource footprint for the exercise has grown over time both for authorities and banks.

Recommendation #7 calls for the simplification of the EU-wide stress test, streamlining the methodology and increasing the usefulness of results from both a system-wide and bank-specific perspective. A simplification of the stress test should result in a more efficient process for both banks and authorities. The adequacy of the EU-wide stress test should be reassessed against recommendations #1 and #8, which call for common tools informing micro- and macroprudential requirements. Any reform should be based on a clear and agreed direction of travel, for instance in terms of goals, overall approach (in particular bottom-up versus top-down) and use of results. Changes would need to consider various issues: (i) the risks captured by the stress test, (ii) the scenario, (iii) the methodology, including for example how to develop an increasingly top-down approach, (iv) the granularity of the data and their alignment with existing reporting, (v) the frequency of the exercise, (vi) simplifications in the quality assurance process, and (vii) the role of banks, including the required degree of transparency.

The recommendation aims to reduce the compliance costs of the current EU-wide stress test for both banks and authorities, while increasing the usefulness of the results from both a system-wide and bank-specific perspective.

A European governance mechanism whereby the Governing Council of the ECB takes a holistic view on the overall level of capital demand within and across banking union

The EU has a complex governance structure for banks, with no authority mandated to provide a holistic assessment of overall capital requirements. Within the SSM, the ECB supervises significant institutions, while national supervisory authorities execute supervisory decisions and supervise less significant institutions. Macroprudential supervision is a shared responsibility between national authorities and the ECB, with the ECB being able to "top up" any macroprudential measures applied by the national authorities. Authorities apply different approaches and calibration methods when setting requirements and buffers. As prudential policy mandates for banks are spread across numerous authorities in the EU, a holistic assessment of micro- and macroprudential requirements, with a view to identifying unwarranted overlaps and/or unaddressed risks, is lacking. Moreover, if the number of buffers is reduced as proposed under recommendation #1, clear common principles and criteria for setting different buffers would be essential to avoid fragmentation.

Recommendation #8 proposes making the ECB Governing Council responsible for taking a holistic view of the overall level of capital demand within and across the banking union, while fully adhering to the principle of separation. While macroprudential policy decisions should remain at national level, with possible top-up measures by the ECB, and the ECB's supervisory powers should remain unchanged, there is a need for increased coordination and a process whereby the overall level of capital demand and cross-country heterogeneities can be discussed from a qualitative angle. This could be done by augmenting the role of the Macroprudential Forum, which already brings together the Governing Council and the Supervisory Board to discuss matters of joint relevance. Leveraging on the Macroprudential Forum would also avoid the multiplication of bureaucratic layers, while keeping the separation principle intact. After hearing the views of the SRB and the ESRB, the Macroprudential Forum would perform a qualitative assessment of the adequacy and appropriateness of the overall level of capital requirements and buffers imposed on the SSM banking sector, abstracting from individual bank-level decisions. The assessment should rely on common methodologies and guidelines, including stress testing, to assess the level of heterogeneity in capital decisions and to foster greater coordination and consistency in setting micro- and macroprudential instruments across jurisdictions. Better coordination and more consistency would themselves constitute a considerable simplification.

In a similar vein to recommendation #1, this recommendation would increase transparency and facilitate capital planning for banks and investors, although it would also increase the number of interactions across authorities. Open issues regarding this recommendation include whether – and how – to address interactions with countries that do not participate in the SSM, as well as what mechanism the Governing Council's findings would be implemented through.

Finalise the savings and investment union – including completion of the banking union – to foster cross-border integration and allow for more efficient capital markets

Relative to other large markets, EU banks face a competitive disadvantage owing to the lack of scale that results from an incomplete Single Market. Banking union has not been finalised, as a European deposit insurance scheme (EDIS) is lacking, and insolvency law is fragmented, which complicates cross-border banking. As the European single market for banks has not been finalised, banks face obstacles with regard to market integration and cross-border consolidation, and the share of European banks that are active on a European scale remains low. In particular, the incomplete single market for banks hampers EU competitiveness in a digitalised world, as it results in unexploited potential in terms of economies of scale and cross-border business. Furthermore, the EU lacks deep capital markets, hindering the ability of EU companies to finance innovation.

Recommendation #9 encourages the finalisation of the savings and investment union, including completion of banking union, to reduce national fragmentation and allow for more efficient capital markets. This includes taking concrete steps towards the finalisation of EDIS, with a clear timetable for implementation, and fostering deeper capital markets by progressing on the savings and investment union. To lay the foundations for increasing cross-border banking, the completion of banking union should facilitate other measures that support integrated and efficient risk management at consolidated level. This will enable capital and liquidity to flow within banking groups in the banking union.

This recommendation aims at breaking down national fragmentation by progressing on these EU priorities with a view to making conducting business within the EU simpler. This would allow firms to concentrate on welfare-improving business and ensure more efficiency, benefiting banks, investors and the European economy.

2 Proposals to simplify the supervisory framework

This section makes recommendations for legislative changes that would further increase the efficiency, effectiveness and risk-based focus of European supervision.

Strengthen and complete the EU Single Rulebook to simplify supervision and help deepen the internal market in banking

Divergent national laws, regulations and administrative codes add to the complexity of European supervisory processes. When carrying out its tasks and exercising its powers, the ECB applies relevant Union law, which consists of directly applicable regulations, for example the Capital Requirements Regulation (CRR), but also national laws that transpose directives, for example, national law provisions transposing the Capital Requirements Directive (CRD). This includes the exercise of specific supervisory powers, granted under national law to national competent and designated authorities, which fall within the scope of the ECB's tasks and underpin a supervisory function under Union law.[7]

Despite some progress, national powers are not yet fully harmonised at European level. In addition, European prudential legislation contains certain options and discretions that permit Member States to apply diverging national prudential requirements, including for those institutions directly supervised by the ECB. In some cases, these options and discretions may not be warranted or may have undesirable consequences (for example, impeding integrated risk management at a consolidated level in the EU). More generally, disparate national standards not only add to the complexity of supervision but also raise costs for banks operating on a cross-border basis. They can also impede integrated risk management at a consolidated European level.

Recommendation #10 proposes strengthening and completing the Single Rulebook to simplify and harmonise supervisory practices and help deepen the internal market in banking.[8] This should involve reducing the complexity arising from diverging national powers, taking into account the recommendations made by the International Monetary Fund (IMF) in the recent euro area Financial Sector Assessment Program review. In particular, implementing the IMF's recommendations to further harmonise rules concerning licensing, qualifying

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7 See the section of the ECB's banking supervision website on national powers exercised by the ECB. The ECB exercises certain supervisory powers under national law, even if not explicitly mentioned in EU law, provided that they (i) fall within the scope of the ECB's tasks under Articles 4 and 5 of the SSM Regulation and (ii) underpin a supervisory function under Union law.

8 This recommendation is consistent with the recommendations contained in the reports by Enrico Letta and Mario Draghi on strengthening the competitiveness of the EU economy.

holdings, governance, fit and proper assessments of bank managers and transactions with related parties could alleviate some of the complexity of the applicable law for supervising euro area banks.[9] It should also involve a structured review of options and discretions assigned to Member States in the CRR, CRD, BRRD and associated level 2 or 3 legislation, with a view to enabling further legislative harmonisation while also respecting the need to cater for national specificities. In addition, the review could also consider whether certain provisions currently set in directives, such as those pertaining to the provision of financial services by third-country providers or related to qualified holding procedures, could be established in directly applicable regulation. Strengthening and completing the Single Rulebook should be achieved at all levels, including level 2 and 3 legislation.

Building on recommendation #9, which calls for the completion of banking union and significant progress on the savings and investment union, further regulatory steps towards harmonisation would significantly simplify the supervisory framework and support effective risk management of cross-border groups.

Increase the risk focus of supervision by changing the level of prescriptiveness of regulation governing supervisory processes

While the current regulatory framework in the EU provides a sound basis for prudential supervision, in some instances regulation is very prescriptive regarding supervisory processes and the frequencies with which certain activities must be performed. While this approach provides a high level of legal certainty for all stakeholders, fixed frequencies and prescriptive requirements can result in supervisory processes not always being well aligned with underlying risks.

Recommendation #11 proposes reconsidering the level of prescriptiveness of legislation governing supervisory processes to identify areas where more risk-based approaches can be implemented. Such reconsideration should not create gaps in terms of risk management and coverage, nor reduce the resilience of individual banks or the banking system. Examples include reviewing mandatory activities and frequencies related to internal models, including the compulsory review of internal models every three years pursuant to Article 101(1) of the CRD. Similar provisions can be found in the relation to the supervision of market risk (Article 325c of the CRR). Greater flexibility to determine minimum frequencies for stress testing, in line with banks' risk profiles or other relevant considerations, could also support a more efficient allocation of bank (and supervisory) resources. The obligation to undergo binding supervisory approval processes in specific areas could also be reviewed. This could include removing requirements for banks to obtain certain prior

9 See IMF (2025), Euro Area: Detailed Assessment of Observance-Basel Core Principles for Effective Banking Supervision, June. See in particular p. 76 for recommendations on licensing, p. 83 for recommendations on qualified holding procedures, p.162 for recommendations in the area of governance and p.212 for transactions with related parties.

supervisory permission for changes to their own funds.[10] Furthermore, the requirement established under Article 11 of the European Market Infrastructure Regulation for CAs to provide entity-specific approval for the use of industry-wide initial margin models for over-the-counter derivatives transactions, after these models have already been validated by the EBA, could be replaced by a simpler non-objection requirement.[11] Regardless of any changes affecting the frequency of supervisory processes or requirements for supervisory approval, the ECB reiterates that banks will remain responsible and accountable for ensuring their own resilience and effective governance and risk management.

The work of the EBA in reviewing existing and upcoming level 2 and 3 instruments is closely related to this recommendation and is fully endorsed. More specifically, this includes reviewing the Regulatory Technical Standard on Assessment Methodology to allow CAs more flexibility in selecting appropriate methods when reviewing internal models. In addition, the review of the Regulatory Technical Standard on model changes, which governs what material changes require prior permission from CAs, could also allow for more risk-based supervision of internal models.

This recommendation aims to increase the risk-focus of supervision, thereby reducing administrative costs for banks on lower-risk issues.

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[10] For example, the requirements for prior permission for inclusion of interim profits in CET1 and the replacement of capital instruments with capital of equivalent or better quality, which have net zero or positive impact on the capital position, could be reviewed subject to maintaining compliance with Basel standards.

[11] Further areas for potential review include requirements for mandatory notifications to the ESAs and requirements for CAs to evaluate the equivalence of third-country requirements in certain areas (where centralised determination by the Commission could be more straightforward).

3 Proposals to simplify the reporting framework

This section describes complexities in the existing reporting framework and provides high-level recommendations to address them.

Request once: step up coordination and data sharing among key stakeholders to avoid redundancy in data requests

Effective coordination among key stakeholders, including the ESAs, SRB, NCAs, NCBs and the ECB (both in its supervisory and central banking function) is key to streamlining data requests and reducing reporting costs for financial institutions. Improved data sharing between authorities could help minimise overlapping data requests, addressing a long-standing concern raised by the banking industry – one that the ECB and the EBA have addressed by establishing the Joint Bank Reporting Committee (JBRC). The ECB has also implemented the "horizontal reporting requests process" to ensure that data collection requests are necessary, proportionate and well drafted. This process minimises reporting costs for banks while making sure data quality remains high. Moving forward, the ECB will strengthen internal coordination and collaboration with NCAs. Additionally, the ECB will improve its change management process, with a particular focus on early planning and consultation with other authorities and the industry through the JBRC. These efforts will avoid duplication, ensure effective coordination and create a more efficient and harmonised reporting framework.

Recommendation #12 proposes encouraging European authorities to foster mutual data sharing, for example by operationalising the Better Data Sharing Regulation. Additionally, it advocates promoting, through an EBA-led change management process, a regular coordination of EU-level data collections[12] (including, as appropriate, via the JBRC under common rules of procedure). The recommendation suggests that the European Commission propose targeted level 1 amendments[13] fostering the sharing of supervisory data among CAs, leading to a reduction in the need to make overlapping data requests to the financial industry, including the banking sector. The overarching coordination mechanism for data collection across the ECB, ESAs, SRB, NCAs and NCBs should promote early-stage alignment and harmonised data definitions (including, where appropriate, via the JBRC) while also strengthening the mechanisms for sharing data among authorities, including the ESRB.

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12 Including SSM-level data collections.

13 Such as Regulations (EU) No 1092/2010, (EU) No 1093/2010, (EU) No 1094/2010, (EU) No 1095/2010 and (EU) 2021/523 as regards certain reporting requirements in the fields of financial services and investment support.

National data collections affecting LSIs would remain under the national remit and be managed by NCAs. These collections would follow a sound local process, implemented in accordance with harmonised high-level principles, in line with those applied by ECB Banking Supervision.

The objective would be to ensure that data collections are of material value for the supervisory mandate and are based on a need-to-have (rather than a nice-to-have) principle. They should be proportionate for banks, avoiding excessive burden and undue compliance costs, and should be designed with a long-term, transparent strategy to minimise frequent adjustments and implementation costs. The relevance of ad hoc requests should also be assessed based on the same principles. These efforts are essential to avoiding redundancy, increasing efficiency and ensuring the consistent use of reported information, all without compromising the flexibility needed to address urgent, crisis-driven data needs or specific data needs that may arise for CAs at a European and national level where data are not available within the harmonised reporting framework.

Report once: establish an integrated reporting system applicable across domains to eliminate redundancy and facilitate the multi-purpose use of data

The initiatives recently launched in the bank reporting domain constitute a paradigm shift in the way quantitative data will be collected from financial agents.[14] An integrated reporting system, whereby the same single dataset is utilised for both statistical and prudential purposes, could be considered a first use case at European level.

Recommendation #13 proposes formulating a long-term vision within the JBRC, which would include monitoring the progress of initiatives to establish a fully integrated reporting system at European level for statistical, prudential and resolution purposes. This recommendation suggests that the European Commission support the JBRC in its role as facilitator of the integration process by making sufficient resources available. The JBRC should help develop a consensual way forward to a fully integrated reporting system, leveraging on ongoing initiatives[15]. It should also be tasked with monitoring the progress accomplished.

This recommendation would effectively increase standardisation in bank reporting and guarantee a redundancy-free collection of data from the onset. Given its greater similarities with banks' internal information systems, such a granular reporting

[14] See the ECB's website for an overview of the tasks conferred on the Joint Bank Reporting Committee (JBRC), which include pursuing semantic integration across domains and developing integrated reporting requirements.

[15] A future integrated European reporting framework would be based on a different legal basis for the prudential and resolution domain on the one hand, and the statistical domain on the other. Both would be anchored in the Treaty on European Union. Integrated reporting would then be legislated by the authorities in their area of responsibility, referring to a common data model and dictionary that could be managed by the JBRC.

framework could contain compliance costs and bolster acceptance among reporting agents.

Resubmit less: reduce the number of data resubmissions required from banks to lower their administrative costs

Resubmissions represent a significant challenge for banks today, particularly the requirement to resubmit reports for even minor amounts. Current legal frameworks lack clear provisions for immaterial deviations or acceptable tolerances, leading to an unnecessary administrative burden. Introducing exemptions for immaterial revisions is key to reducing reporting costs and allowing banks to direct their resources more effectively towards core reporting tasks. This would increase operational efficiency and provide greater flexibility in how banks fulfil their reporting obligations. In parallel, the ECB has long considered risk data aggregation and reporting to be a supervisory priority, focusing on improving banks' ability to effectively manage and report their risks and on remediating shortcomings in their internal information.

In collaboration with the EBA and NCAs, the ECB is developing a proposal to introduce materiality thresholds for supervisory reporting. Under this recommendation, banks will not be required to resubmit reports when the difference between the initially reported data and the revised values fall below predefined materiality thresholds. These thresholds are expected to increase reporting efficiency for banks, avoid unnecessary monitoring costs – especially for smaller institutions – and maintain the expected data quality standards. In addition, the increased coverage and use of the voluntary Banking Integrated Reporting Dictionary (BIRD) has the potential to improve the quality of the data reported, thereby reducing errors and, consequently, resubmissions.

Recommendation #14 proposes defining a supervisory tolerance margin for minor errors to be disregarded. This recommendation suggests that, through level 1 regulation, the European Commission and the legislators give the EBA the mandate to define materiality thresholds or supervisory tolerance margins for minor reporting errors, taking into account the industry's experience. This would exempt immaterial corrections from resubmission requirements, allowing financial institutions to allocate their resources more effectively to core reporting tasks. This definition and its implementation could leverage on existing initiatives, such as the materiality framework for supervisory data currently being discussed at the ECB, and should be developed by both the ECB and the EBA. The process should adhere to the principles of relevance, simplicity and proportionality. In addition, the effort required to determine whether the thresholds have been met should not outweigh the benefit they are intended to deliver.

This recommendation is intended to support the development of a more efficient and proportionate reporting system by reducing compliance costs and contributing to a more effective allocation of supervisory resources, ultimately strengthening efficiency in the European banking sector.

More transparency: regular and structured publication of reporting initiatives to increase transparency and reduce redundant data requests

Publishing a list of data collections would provide full transparency on existing reporting requirements to all stakeholders, including the banking industry. Transparency is key in reducing overall administrative costs and enhancing operational efficiency. It fosters closer cooperation among authorities – such as the ECB, ESAs, SRB, NCAs and NCBs – as stipulated in the Better Data Sharing Regulation. It also strengthens accountability and discipline among data collection requesters by introducing stronger governance and the potential for public scrutiny.

In cooperation with the NCAs, the ECB has developed an SSM repository of data collections (referred to as the "SSM-wide data collection database"). This database is currently mainly focused on supervisory data requested from significant institutions. It facilitates the monitoring of data collections by (i) avoiding duplicative reporting and (ii) supporting work to integrate reporting frameworks. In the future, in alignment with the Better Data Sharing Regulation, the repository can be extended to include countries outside European banking supervision, additional (non-banking) data collections and other authorities. The publication of any list of data collections would require the development of definitions and principles that are fully harmonised and consistent across Member States.

Recommendation #15 proposes publishing an inventory of non-market sensitive reporting requirements imposed on banks. Without introducing additional complexity to data collection processes themselves, the European Commission should, either directly or by mandating the relevant authorities through level 1 regulation, ensure the publication of an inventory of all reporting requirements imposed on banks, including ad hoc requests outside of the established reporting frameworks. Such an inventory should only include data collections which are not market sensitive. The ECB's publication of the SSM-wide data collection database can be considered as one additional step towards the establishment of the Integrated Reporting System (a "single contact point" for entities to indicate instances of duplicative, redundant or obsolete reporting or disclosure requirements) as stipulated in the Better Data Sharing Regulation. European authorities could leverage on existing tools, such as the ECB's SSM-wide database, as a first step towards a more integrated solution. This solution could be expanded to include (i) countries not participating in the SSM and (ii) resolution data collections and authorities (such as the SRB) and non-banking supervisory data collections and authorities (such as the European Insurance and Occupational Pensions Authority, the European Securities and Markets Authority and the Authority for Anti-Money Laundering and Countering the Financing of Terrorism).

By avoiding duplicative reporting and supporting work on integrated reporting frameworks, this recommendation aims to reduce the reporting burden on banks.

Review regularly: a coordinated, periodic review of reporting requirements to ensure they remain relevant and adequate

The continuous increase in reporting requirements is partly driven by the fact that existing data collections at both national and European level are rarely terminated. While authorities often have arrangements in place that clarify the process for initiating data requests (see also recommendation #12), obligations and procedures to periodically and independently validate the necessity of existing reporting requirements are often underdeveloped or missing from the change management process. Furthermore, existing frameworks lack the objective criteria necessary to support such “need to keep” assessments. Over time, the accumulation of requirements not only increases institutions’ compliance costs but also creates a perception of reluctance on the part of the authorities to streamline or retire irrelevant or outdated data collections, potentially leading to reputational risks for the issuing authorities.

Recommendation #16 proposes establishing explicit obligations to conduct periodic assessments to validate the relevance and up-to-dateness of reporting requirements, based on objective criteria. Through amendments to existing legal acts, the European Commission and co-legislators should require supervisory authorities issuing permanent reporting requirements to adapt their existing processes to include regular “need to keep” reviews. For example, the Implementing Technical Standard on supervisory reporting, which is amended following a predefined release calendar, could incorporate such periodic reviews. To maintain the necessary level of stability in reporting requirements, such assessments could be conducted every three to five years. A coordinated approach towards the decommissioning of outdated requirements could be achieved via the JBRC, ensuring broad representation and alignment among the European authorities responsible for issuing reporting requirements.

The aim of this recommendation is to reduce the reporting burden on banks by terminating redundant or no longer relevant reporting requirements.

Reform public disclosure: increase consistency between European reporting and disclosure requirements and extend the Pillar 3 Data Hub to bring bank disclosure into the digital age

The content of data reported to the authorities and disclosed to the public is often identical. However, the current EU prudential reporting and disclosure frameworks co-exist in isolation in terms of data transmission processes. Currently, in addition to transmitting supervisory reporting data, each bank is required to publish its own Pillar 3 disclosure report. Supervisory authorities then reconcile these reports with the supervisory reporting data, a process that also requires manual data handling. This parallel transmission system results in double reporting, thereby violating the “report once” principle. The forthcoming Pillar 3 Data Hub (P3DH) will simplify such transmission mechanisms by centrally storing and disseminating banks’ Pillar 3 data. For SNCIs, the EBA will directly derive disclosure data from banks’ supervisory reporting submissions. However, for non-SNCIs, the parallel transmission process for supervisory and disclosure data will remain in place, retaining the risk of inconsistencies and falling short of harnessing the full potential offered by digitalisation.

Recommendation #17 proposes fundamentally reforming the EU public disclosure process by terminating the parallel transmission of supervisory and disclosure data. Through amendments to existing level 1 regulation, the European Commission and co-legislators can bring forward the legislative proposal provided for by Article 434c of CRR3 by extending the EBA’s mandate to derive P3 data from supervisory reporting for all banks and increase the coherence of supervisory reporting and disclosure frameworks more broadly. The principle that public disclosure data should strictly form a subset of supervisory reporting data should be enshrined in level 1 regulation. In the same vein, the usefulness of certain very detailed level 1 disclosure (and thus reporting) requirements (for example, in the area of internal model credit risk exposures) for smaller banks should be revaluated and eventually cut, while retaining compliance with the Basel principles (see also recommendation #5). This recommendation is in line with international best practices, such as the United States’ entity-level regulatory disclosure framework.

This recommendation aims at lowering the reporting burden on banks by reducing double reporting.

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For specific terminology please refer to the ECB glossary (available in English only).

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