



## TOPICS:

Banking System

## SOURCE

European Central Bank

## ECB: Simplification Without Deregulation - European Supervision, Regulation and Reporting in a Changing Environment

- **The European banking sector faces a rapidly evolving environment** marked by technological transformation and heightened geopolitical risks. In this context, Claudia Buch, Chair of the ECB's Supervisory Board, argues for **"simplification without deregulation"** to maintain financial resilience while **streamlining supervisory and regulatory frameworks**. **Simplification must preserve the post-crisis gains in resilience**, which have made banks better capitalised and able to withstand recent shocks such as the COVID-19 pandemic, the 2022 energy crisis, and banking market turmoil in 2023.
- **To avoid unintended deregulation**, Buch emphasises **an evidence-based European reform agenda**. This includes rigorous impact assessments to ensure that rules effectively enhance resilience without undue complexity or adverse effects on lending and funding.
- **The ECB's current reform efforts focus on increasing supervisory efficiency and effectiveness**. Key initiatives include a **comprehensive overhaul** of the Supervisory Review

- and Evaluation Process (**SREP**), promoting a more risk-based and proportional supervisory approach. Enhancements involve **streamlining supervisory communications, improving coordination of activities, and leveraging IT tools** for better data management and decision-making.
- **Specific areas targeted for simplification** include **internal model approval processes, supervisory stress testing, fit and proper assessments, capital-related decisions, and reporting requirements**.
- However, Buch underscores that **further progress depends on European-level solutions**. Harmonisation of national regulations and reporting frameworks is essential to foster cross-border integration and avoid fragmentation. The ECB supports ongoing EU initiatives, including the advancement of the Capital Markets Union and the completion of the Banking Union, particularly in areas like crisis management and deposit insurance.

FOLLOW US!

