


TOPICS:

Banking System

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[European Central Bank](#)

ECB: Governing Council Proposes Simplification of EU Banking Rules

- In December 2025, the ECB's Governing Council endorsed recommendations from the High-Level Task Force on Simplification (HLTF) aimed at **reducing undue complexity in the EU's prudential framework for banks**. These proposals target regulatory, supervisory and reporting reforms to **improve transparency, efficiency and proportionality**, while maintaining financial resilience.
- **Regulatory Framework** - Key recommendations include: 1) **Reducing capital stack complexity** - Proposes consolidating EU-specific capital buffers into a streamlined structure, aligning more closely with Basel III to enhance transparency and reduce uncertainty; 2) **Revising AT1 and Tier 2 instruments** - Calls for either enhanced design or removal from the going-concern capital stack to improve loss-absorbing capacity clarity; 3) **Simplifying rules for smaller banks** - Suggests expanding the small and non-complex institutions (SNCI) regime with increased thresholds and harmonised supervisory proportionality; 4) **Automatic reciprocity of macroprudential measures** - Recommends standardized and automatic application of measures to reduce fragmentation and compliance burdens; 5) **Aligning MREL and TLAC** - Proposes consolidation and clearer interaction with going-concern requirements to improve buffer usability;

6) Refocusing from directives to regulations - Advocates using EU regulations over directives to enhance legal harmonization; 7) **Simplifying EU-wide stress tests** - Suggests moving towards top-down, risk-relevant and less resource-intensive exercises; 8) **Centralising capital oversight** - Recommends empowering the ECB's Governing Council to coordinate capital requirement levels across jurisdictions; 9) **Completing the banking and capital markets union** - Emphasises removing legal and structural barriers to foster cross-border banking and investment.

- **Supervisory and Reporting Framework** - Further proposals include: 1) **Harmonising supervisory powers and reducing legal fragmentation** (Rec. #10); 2) **Adopting risk-based supervision with fewer rigid regulatory timelines** (Rec. #11); 3) **Improving data governance** - Through "request once/report once" principles, fostering integrated data systems, materiality thresholds and periodic review of reporting obligations (Recs. #12-16); 4) **Digitalising disclosure** - The Pillar 3 Data Hub will streamline supervisory and public data transmission, reducing double reporting (Rec. #17).