

Press release

Simpler EU Bank Capital Rules Could Unlock EUR 2.8 trillion in Lending, Finds New AFME Report

18 March 2026

- New AFME report calls for the EU bank capital framework to be simplified, which could unlock **EUR 2.8 trillion in additional lending to the real economy**.
- The analysis finds **simplification could reduce EU banks' cost of capital by around 62 basis points**.
- The EU's complex bank capital framework currently includes **7 overlapping buffer layers** which can impose up to **86 buffer requirements on cross border banks**.

The Association for Financial Markets in Europe (AFME) has today published proposals to simplify the EU bank capital framework, arguing that reducing regulatory overlap and simplifying the current structure would strengthen efficiency while maintaining financial resilience.

According to AFME's analysis, simplifying the framework could **reduce EU banks' cost of capital by around 62 basis points and unlock up to €2.8 trillion in additional lending across Europe**, supporting credit for households and businesses.

Adam Farkas, Chief Executive of AFME, added: *"Strengthening Europe's competitiveness requires a regulatory framework that is both resilient and efficient. Simplification of overlapping capital requirements would maintain financial stability while allowing banks to better support growth, investment and the financing needs of the European economy."*

Caroline Liesegang, Managing Director, Capital and Risk Management at AFME said:

"Europe's bank capital stack has become overly complex with overlapping buffers that add cost without clear prudential benefit. Our proposal shows the system can be simplified while preserving the resilience built since the financial crisis. A clearer framework would lower banks' funding costs and strengthen their capacity to support lending to Europe's economy."

The report highlights that EU banks currently operate under a particularly complex system. EU banks face a stack of **seven capital buffer layers**, several of which are set at national discretion. As a result, a cross-border banking group operating across all EU Member States may be subject to **as many as 86 distinct buffer layer requirements**, reflecting different national calibrations. By comparison, large banks in the United States operate under a simpler framework with just three nationwide capital buffers.

AFME also notes that EU banks hold **Tier 1 capital ratios of around 17.7%** - above many estimates of optimal levels of around 10-15% and higher than benchmark requirements in some other jurisdictions. According to the report, the accumulation of overlapping buffers has created inefficiencies that ultimately increase the cost of financing for businesses and households.

AFME estimates the reforms could free approximately **€281bn of CET1 capital** which banks could redeploy to support lending.

The report also finds that the impact would vary across banks, with cost-of-capital reductions estimated at **28 basis points for global systemically important banks (G-SIIs)**, **51 basis points for other systemically important institutions (O-SIIs)**, and **132 basis points for less significant institutions (LSIs)**.

The report sets out reforms to the EU's capital stack - which currently layers multiple overlapping buffers on top of minimum capital requirements - with the aim of creating a clearer and more coherent framework.

AFME's proposals include:

- **Simplifying the going-concern EU capital stack into three layers** and removing overlapping buffers, including phasing out the Systemic Risk Buffer and resetting the countercyclical buffer.

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- **Replacing the EU's MREL framework** with a simpler resolution structure based on internationally agreed TLAC standards for loss absorbency requirements.
- **Streamlining the leverage ratio and improving regulatory coordination**, including removing additional supervisory layers.
- **Establish a central EU banking forum** between relevant authorities to help consider the operational impact and capital demand of their decisions on firms.

The report comes as European policy makers examine ways to simplify the EU prudential framework. In December 2025, the ECB's High-Level Task Force on Simplification published 17 recommendations to streamline EU banking rules while maintaining resilience, which will feed into upcoming European Commission work on the framework.

AFME looks forward to engaging with policymakers and stakeholders across Europe to further discuss these proposals and support the development of a simpler, more effective capital framework.

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Notes:

1. The Association for Financial Markets in Europe (AFME) is the voice of the leading banks in Europe's financial markets, providing expertise across a broad range of regulatory and capital markets issues. We represent over 150 leading global and European banks and other significant market players. Our members play a vital role in Europe's financial ecosystem, underwriting around 90% of European corporate and sovereign debt, and 85% of European listed equity capital issuances. Importantly, AFME members are market makers, providing liquidity, which is essential for ensuring financial markets can function efficiently. We also represent law firms and other associate members which advise market participants and support AFME's legal and regulatory initiatives. For more information please visit the AFME website: www.afme.eu
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