Annex - AFME initial list of issues on simplification/burden reduction – May 2025

The topics are listed in the following categories, and where an item relates to regulatory reporting, this is noted in the left hand column:

- Banking regulation
- Markets regulation
- Digital finance regulation
- AML regulation
- Lamfalussy process/architecture
- Supervision

Topic	Recommendation	Reasoning	Toolkit
Banking regulation			
Prudential level 2 (Regulatory Reporting item)	• We emphasise the urgent need for **simplification** and transparency in the elaboration of Level 2 mandates entrusted to the EBA under CRR3/CRD6. • **We would encourage the EBA, European Commission and co-legislators to establish a mechanism and (quantitative) assessment enabling the continuous assessment of the cumulative impact of all RTS/ITS in the EBA's mandate to ensure there is no further Level 2-driven increase in capital requirements**. This	• In a number of instances, the industry has identified examples (see below) in which the EBA's draft regulatory products (ITS, RTS or guidelines) have gone beyond the mandate given by level 1, introducing unnecessary complexity or having an impact which will not have been factored in to the initial overall cost/benefit analysis of the banking package. **<u>Examples of gold-plating in L2 mandates</u>**	Better Regulation + additional impact assessments (broadened to include in-flight RTS)

	will be especially important considering the number of upcoming mandates (approximately 140) that could have a capital impact on banks.	• The consultative paper on allocation of **off-balance sheet items and unconditionally cancellable commitment** (UCC) considerations introduces significant changes that we believe go beyond the Basel standards agreed in December 2017 and CRR3 amendments in Annex I, in particular financing commitments for which the credit conversion factors (CCF) were calibrated at 40%, while EBA proposes to introduce significantly higher levels (100%). Additional conservatism in the EU would especially harm retail customers but also banks in their ability to remain competitive in the retail sector. • In the case of the **draft RTS of the business indicator of operational risks**, we consider that the proposals exceed their mandate and have the effect of amending the intention of the CRR3 text. In particular, CRR3 excludes 'income and expenses from insurance or reinsurance business' from the calculation of the business indicator. In contrast, the RTS envisages their inclusion. • With regard to the **draft RTS on the taxonomy of operational risk losses**, the EBA's proposed taxonomy for operational risk losses is much broader than expected and could have a significant impact on institutions' management of operational risk if implemented. The proposals appear to have diverged from the BCBS standards in contrast to the wording of the Level 1 text, and would lead to increased fragmentation and lack of comparability. Furthermore, this will be a burden for large banking groups operating internationally that will be required to maintain different	

		taxonomies simultaneously (EU and international), making their management of operational risk more difficult and making information complicated to compare.	
EBA Monitoring Reports	• The EBA should either define a framework for consultation on monitoring reports or avoid the introduction of policy recommendations outside of the level 2 mandate.	• The EBA published monitoring reports on the NSFR in January 2024, and on 'Additional Tier 1, Tier 2 and TLAC/MREL eligible liabilities instruments of European Union institutions' in June 2024. • In both instances, AFME notes that policy recommendations are included in the monitoring reports and these may have a material impact on banks' activities and their management of capital and liquidity ratios.	Better Regulation + additional impact assessments (broadened to include guidance)
Macro prudential framework for banks	• We would welcome a holistic review of the macroprudential framework to reduce complexity and overlapping requirements, with a view to the implementation of a coherent and transparent regime that works consistently across the EU. This review should also consider the simplification of capital stacks (going as well as gone concern) and the interplay between risk-based requirements and non-risk-based measures. • The Capital Conservation Buffer (CCoB) and Counter Cyclical Buffer (CCyB) should be rebalanced without increasing overall capital requirements to allow greater and more timely responsiveness through the cycle. • Equivalent recalibrations should be carried out across the three parallel capital stacks and there should be a coherent and transparent regime that	• In addition to the minimum requirements of the prudential framework (i.e. Pillar 1), banks operating across the EU/EEA are subject to a complex set of additional micro and macroprudential requirements originating from different sources and which partially target the same types of risk. These include a Pillar 2 requirement and guidance, set by micro prudential authorities (for large Eurozone banks, the ECB's SSM) but which in practice are also used in part to address macroprudential or sector-wide risks. Alongside this, national macro-prudential authorities apply a combination of other buffers including a fixed capital conservation buffer (CCoB), a countercyclical buffer (CCyB) and various structural buffers (including the systemic risk buffer (SyRB), G-SII and O-SII buffers).	Omnibus (together with capital and resolution frameworks)

	works uniformly across the EU with respect to triggers for restrictions on distributions.	• *The opaque and complex design contributes to overlapping requirements and capital accumulation within EU banks.* This has, in general, led to a proliferation in additional capital requirements. It should be recognised that capital accumulation beyond a certain level stifles investment and leads to a deterioration in institutions' revenue generation capacity. In practice, large cross-border banks tend to face high overall buffer requirements that do not correspond to their risk profile, further detaching capital requirements from risks. This disincentivises cross-border business models and consolidation, leading to less competitiveness and inefficiency. • While we agree that buffers may need to be more releasable, this should not lead to creating more buffers on top of existing ones, nor to increasing the overall size of the buffers. Rather we support rebalancing the existing micro and macro buffers (e.g. eliminating those with overlapping scope) that are already in place and ensuring a more consistent and transparent (e.g. by aligning timeline for publication of CCyB changes) use of buffers across the EU/EEA.	
CMDI (Regulatory Reporting item)	• Any modification to the SRB's governance arrangement may change the interplay between national resolution authorities' (NRAs) views and the SRB Executive. Furthermore, such a change may create a greater risk of fragmentation to the Banking Union (if more power is given to NRAs) and create operational difficulties in reaching agreement within the SRB.	• While enhanced transparency of the Single Resolution Board (SRB) is welcomed by the industry, any new powers should remain with the SRB's Executive Board. • We oppose changes proposed by the Council to the competence and powers of the SRB "Executive session" in order to give more powers to the "plenary session". We believe such changes would	Better Regulation + additional impact assessments

	• Our proposal is therefore to retain the existing text, so as to avoid proliferation of further fragmented requirements and operational difficulties.	introduce national sensitivities into the SRB's work and could eventually lead to more conservatism and fragmentation being reflected in guidelines and policies.	
CMDI	• Duplication of costs for insuring deposits should be eliminated. • We support the European Parliament's proposal on portability of funds. However, we would propose that the mandate for the EBA to develop a methodology for risk-based transfers should be framed more clearly and allow for actual transfers commensurate with the risk being transferred.	• Under the current DGSD (Article 14(3)), a bank that wants to switch between national DGSs, for example because of a changing corporate structure, or when it sells or acquires a business, can only recoup and transfer the contributions paid in the previous 12 months to another DGS. • All other funds paid into the DGS over the years cannot be transferred. The DGS to which the bank transfers covered deposits will rightly want to ensure adequate financing of the additional covered deposits under its purview. This means the bank could pay twice for insuring the same deposits. This provision strongly disincentivises cross-border consolidation as well as branchification strategies. We believe that banks should be able to transfer contributions from one national DGS within the EU to another, commensurate with the risk being transferred. This is also an important feature of furthering the Banking Union. • We note that the European Council's proposal maintains the limitation of 12 months, which we view is an obstacle to the portability of funds between the DGSs.	Better Regulation + additional impact assessments
CMDI	• There is no need to increase the reporting burden**.** AFME would strongly caution against the Parliament's proposed amendment, which would	• Banks already provide reports for the purpose of Point of Entry (POE) and the relevant legal entities, within the Liability Data Report (LDR	Better Regulation + additional

	extend the reporting of bail-in recognition clauses to all entities within the resolution group.	report). The proposal would greatly extend this to all entities within the resolution group, even if they are not deemed relevant by the national competent authority. • Since 2016, banks have been working on the LDR, requiring investments in tech developments and resources, with costs that will keep growing. Ideally, the proposed extension should not be included in the final text. • Further extending such reporting could also be viewed as contrary to the European Commission's Strategy on supervisory data in EU financial services.	impact assessments

Markets regulation			
RIS	• The new Value for Money (VfM) framework should be set up using asset-type/asset-class specific methodologies (both quantitative and qualitative), as appropriate for each of them. • The future VfM should also allow for alternative assessments that take into account the specificities of each product for which a benchmark does not exist and/or for which peer grouping comparison does not work. • The VfM assessment for structured products should be based on robust forward-looking methodologies developed by manufacturers/distributors of such products, allowing for a synthetic benchmarking (the "next best alternative" methodology already used by manufacturers in some jurisdictions) that can be	• AFME supports the objective of identifying investment products that are outliers, based on performance and costs. To deliver on the aim of removing these harmful products from the distribution channels, the VfM framework should be designed in a way that is effective and appropriately suited to all products. • A prescriptive, quantitative only benchmark-based VfM approach is unworkable. A more qualitative, outcomes-based approach that also considers factors beyond costs should be adopted instead. • A purely quantitative approach, whereby a product would be deemed inappropriate for distribution once a quantitative assessment "failed", could result in retail investors receiving	Better Regulation + additional impact assessments

	properly supervised by the relevant competent authority. • This approach has been implemented in other jurisdictions with success, and led to major, positive shifts in behaviours and outcomes. This should be carefully explored in the context of the future Retail Investment Strategy to ensure the new EU wide VfM framework will have a similar effect.	products that do not offer VfM for them. Quantitative criteria only, such as costs and performance, might overlook qualitative factors which retail investors value. • Moreover, benchmarks and/or peer group comparisons do not work for all products, particularly for the very diverse structured products' category. • A VfM analysis based on peer-grouping and benchmarking will only be practicable when the identification of product peers is possible and the required data is available. This implies finding product characteristics that are close enough to form peer groups and historical data to make the comparison, which is impossible for structured products given the fact that past performance, nor costs of previously issued products remain valid at the time of issuance of new products.	
RIS	• Additional checks and safeguards in the form of new, prescriptive best interest criteria or tests (even if presented as a revised suitability test) that are duplicative and mono-dimensional in their cost-centric nature should not be introduced.	• The existing regulatory framework already requires investment firms to act honestly, fairly and professionally in accordance with the best interests of its clients. We support this regime and note that it is well embedded in firms' operational procedures while dealing with clients and is suitably outcome focused. • Additional checks and safeguards would also reduce the number and diversity of investment products on offering and ultimately investors' choice (if suitable for the investor's objective, investments with additional features may provide for a superior risk/return outcome). • Curtailing investor choice in turn would reduce EU markets' competitiveness compared to other	Better Regulation + additional impact assessments

		jurisdictions with a more balanced approach to consumer protection. • If the Co-Legislators do not agree on a framework that is more proportionate and workable in practice, investors may consistently be offered investment products that fail to deliver on their expected returns.	
RIS	• We welcome an outcome where inducements are not banned. • We believe that any alternative safeguards in the form of an additional inducement test would need to be appropriately calibrated, principle-based and sufficiently flexible to cater for the different investment products. This would also need to be fully harmonised across the EU to avoid further market fragmentation, which is frustrating for consumers to navigate and for firms to operate in.	• AFME believes that an inducements ban, in any form, will undermine and contradict the policy intention to increase retail investor participation in EU capital markets and to unlock the funding needed for the EU priorities for the next cycle. • Less affluent segments of retail clients with relatively low amounts of investible assets would be driven out of value adding services (i.e. investment advice) as a result of an outright prohibition of inducements, without also prompting commensurate cost efficiencies to the advantage of the wealthier segment of retail clients.	Better Regulation + additional impact assessments
RIS	• A new client categorisation framework should also offer greater flexibility for firms to proactively present to eligible clients the option of being classified as professionals, and allow clients to state and/or document their experience instead of requiring firms to assess that on an individual basis. • Legal entities used by sophisticated retail investors should benefit from the professional client status (even without any financial track record).	• We support the overarching objective of the RIS proposals which seek to enable sophisticated retail investors, with appropriate knowledge and experience to be treated as professional investors "upon request" and, as a consequence, their increased participation in EU capital markets. • Although the Co-Legislators seem to agree on the objective, the proposals, as currently drafted, would risk not meeting their intended purpose. • Sophisticated retail investors may not trade as frequently as envisioned by the proposed criteria (i.e. those investors may just hold a significant	Better Regulation + additional impact assessments

		portion of their assets on a "buy and holding" strategy until maturity of a particular investment product) and may undertake some of their investment through legal entities specially created for that effect.	
RIS	• We support the overall intention of the EC to improve the framework of regulatory disclosure, but we do not support proposals for an extensive and granular annual statement as currently drafted.	• Different types of information have been conflated and additional irrelevant information would be required, affecting the readability and intelligibility of the document for retail investors. • Instead of empowering clients, this would rather risk defocusing their attention away from the core subject of the disclosures i.e. the costs.	Better Regulation + additional impact assessments
MIFID new RTS on order execution policy	• The proposed requirements for establishing and assessing the effectiveness of investment firms' order execution policies are too granular and should be less prescriptive. • The draft RTS should differentiate, as appropriate, between client categories, and between asset classes. • The hierarchy amongst data sources and the wording in the draft RTS which implies mandatory consumption of consolidated tape data should be removed. • A more proportionate way to address the shortcomings which ESMA has observed in section 18 of the Policy Background in relation to firms' actual implementation of execution policies would be to codify existing available material, such as existing Level 2 rules (which can be found in different legal sources), into the new draft RTS. • Where existing rules apply, these should not be rephrased. These existing rules should be lifted	• ESMA consulted stakeholders on a new draft RTS on order execution policy. • The consultation raised some significant concerns, including the following: • **There are no clear benefits to clients from the proposed overly prescriptive requirements, but clear compliance costs which would ultimately be borne by the end-client**: we are concerned that ESMA did not conduct a cost-benefit analysis on the basis that they believe that the proposals would provide "significant benefits, while not creating substantial new costs" without providing evidence to support this analysis. In addition, we note that the removal of RTS 28 reports (which contained information on the identity of execution venues and on the quality of execution) was precisely due to the fact that the reports were "hardly read and did not enable investors … to make meaningful comparisons based on the information provided in them".	Better Regulation + additional impact assessments (broadened to include in-flight RTS)

	and shifted into a draft RTS to ensure stable language and legal certainty. • A consolidation exercise should also be carried out in relation to existing Q&As. Having all the relevant rules and guidance in a consolidated and cohesive format would facilitate ease of consumption for firms and, in turn, would be likely to enhance compliance with the existing rules, which we argue continue to be fit for purpose. • We note that the final report from ESMA takes into account some of the above points, and in particular it is stated in paragraph 68 that "it is not the intention of the draft RTS to introduce a de facto mandatory consumption of the consolidated tape data".	• While clients need to be able to compare execution brokers, order execution policies are not the appropriate place to reintroduce this overly granular comparability, which goes against the burden reduction agenda of the European Commission and could ultimately lead to greater confusion for clients. • Buy side firms already produce order execution policies that are regularly updated, and which are complemented by periodic reports to clients showing analytical data. If anything, we note that order execution policies are considered a competitive tool for differentiation versus competitors. • By nature and purpose therefore, order execution policies (which are not reporting tools) have to be descriptive and are not meant to deliver analytical results. For this reason, we do not welcome the level of granularity in the specification of the criteria for establishing and assessing the effectiveness of investment firms' order execution policies. For example, the required consideration of historical prices in determining both the execution venues to include in the execution policy and the execution venue to be selected upon receipt of a client order, is overly burdensome (and we note that Article 27 (1) of MiFID II already lists the criteria to assess best execution, price being one of many others factors). • **The draft RTS scope does not consider the differences, or provide the necessary carve outs, between client categories or asset classes, where appropriate**: we believe that several requirements would not be appropriate	

		for professional investors, who are more sophisticated and may trade in markets such as those for OTC derivative contracts, which are characterised by very little retail client participation. • In addition, trading protocols in bonds and derivatives markets, such as voice and RFQ trading systems, significantly differ from order book or auction procedures used in equities (or other securities). • Several suggested requirements in the draft RTS, in particular the pre-selection of execution venues may not be appropriate for these types of transactions. • **Consolidated Tape (CT) data should not be mandatory to consume**: we have very strong concerns about the de-facto mandatory consumption of CT data pursuant to Recital 11, Articles 4(2), 6(5)(a), and 7(2)(a) of the draft RTS. We stress that Level 1 does not impose such consumption: Recital 9 of the revised MiFID states “that [i.e. the CTP] information **can** be used for proving best execution." With this in mind, we propose that the hierarchy amongst data sources and the wording in the draft RTS which implies mandatory consumption are removed. In the aforementioned articles there is also the implication that price is the only determinant of execution quality. Though price is no doubt a very important factor, the total consideration approach should not be compromised, and, depending on market circumstances other factors may also become more important.	

MIFID RTS 22 on transaction reporting and related level 1 MIFIR (Regulatory Reporting item)	• ESMA should not proceed with additional transaction reporting requirements which would be excessive or unsuitable for the objective. • Align banking regulations with asset management regulations and eliminate, within banking regulations, the obligation of transaction reporting on individual client transactions related to discretionary portfolio management, while maintaining the obligation for the aggregated order placed by the manager on behalf of multiple portfolios. • Duplication of data and fields represents another source of serious concerns, ESMA should eliminate the obligation to report OTC and ETD derivatives under the MiFIR Regulation, in alignment with EMIR and SFTR, and in accordance with Recital 35 of MiFIR, which states that 'It is desirable to avoid the double reporting of the same information,' as well as Article 26(7).	• ESMA's proposals on the review of RTS 22 on transaction reporting run counter to simplification objectives, in particular with respect to reporting burdens: the new fields and identifiers that ESMA proposes to introduce will increase the scope of transaction reporting and, in some cases, exceed the legal mandate under Article 26 MiFIR. The CP also lacks any cost-benefit analysis performed by ESMA and does not give regard to the implications of the proposed increase of the reporting fields for the growth and competitiveness of the EU financial markets.	Better Regulation + additional impact assessments (broadened to include in-flight RTS)
MIFID RTS 1 on equity market transparency	• A specific date of entry into force for the RTS on equity market transparency should be stipulated. • This date should be at least six months after publication in the OJEU to allow enough time for the industry to adequately prepare.	• The final text of the RTS on equity market transparency sets out various dates of entry into force for different provisions. Although an implementation date (1 June 2026) is specified for certain articles, in most cases the entry into force will be either (a) 20 days following publication in the OJEU or (b) an unspecified number of months following the finalisation of RTS 23. • AFME Members believe that this adds significant complexity and uncertainty to their technical and operational implementation projects. Of most significant concern to members are: • Changes to what trades qualify as negotiated transactions and transactions not contributing to	Better Regulation + additional impact assessments (broadened to include in-flight RTS)

		price discovery (Articles 2 and 6) and changes to the definition of 'give-up' transactions, and the requirement to exclude said transactions from pre-trade transparency obligations:: AFME members do not consider it realistic to implement these changes within 20 days of publication in the OJEU.	
SECR	• Due diligence requirements imposed on institutional investors should be simplified, and the whole of Article 5 should be made explicitly subject to a proportionality approach.	• Specific provisions within Article 5 of the Securitisation Regulation (SECR) generally impose disproportionate obligations upon investors and in doing so, unnecessarily inhibit investment in the product. • The one-size-fits all approach of Article 5 means that an investor investing in the safest part of the capital stack, i.e. the senior tranche, would have to perform the same level of regulatory due diligence as the investor investing in an equity exposure, i.e. the riskiest tranche. This non risk sensitive approach results in a disproportionate amount of administrative work, which has the effect of disincentivising investors from investing in the least risky part of the capital structure, namely the senior tranche. • Interpretations of Article 5 by National Competent Authorities vary substantially depending on the Member State, so some asset managers are subject to more challenging environments than others.	Better Regulation + additional impact assessments
SECR (Regulatory Reporting item)	• Transparency requirements imposed on originators, sponsors and Securitisation Special Purpose Entities (SSPEs) should be simplified with accompanying changes to the disclosure templates, namely:	• Article 7 SECR is highly complex and prescriptive, and the current design of the disclosure templates lacks proportionality, especially in relation to private securitisations.	Better Regulation + additional impact assessments

	• The introduction of a single, dedicated template for private securitisation to address supervisors' needs, thereby removing burdensome regulatory reporting on private securitisations and also removing compliance challenges faced by EU investors when seeking to invest in third country securitisations. • Targeted amendments to the public reporting templates, such as replacing unnecessary loan-by-loan reporting for certain highly granular and revolving asset classes, such as credit card receivables, and by making certain other targeted improvements that take into account previous industry feedback to ESMA on the field-by-field review of the reporting templates.	• The burdens of securitisation reporting are multiple, specific and have a complex interplay with reporting and notification requirements originating not only from the Securitisation Regulation (SECR) but other reporting frameworks as well, such as the EBA COREP, notification of Significant Risk Transfer transactions to the ECB, the EU NPL Directive and additional (and fragmented) ESG reporting requirements, whereby the templates and their field definitions may be similar in some respects as well as different in others, with different formatting rules prescribed under each reporting/notification regime – all are contributing to a burden that many potential securitisation issuers are not willing or able to carry and to costs that they are not able to absorb. • An overview of the reporting obligations is set out in the article "Reviving securitisation in the EU: A critical analysis of the reporting requirements" by Olivia Hauet, Principal Economist at the ECB. • There is a disparity in regulatory requirements compared to other capital market instruments with a similar risk profile. For example, corporate bonds have minimal disclosure requirements, whilst disclosure costs for covered bonds are also smaller given the fact that aggregated reporting is required rather than loan-by-loan.	
SECR	• Simplify the criteria for Simple, Transparent and Standardised (STS) securitisations to make the process more efficient and reduce the burden for investors (in terms of due diligence) and sell-side	• The STS label has existed for over five years now but has not achieved the expected outcome of scaling up the EU securitisation market. • The 100+ STS criteria are overly lengthy and complex in nature.	Better Regulation + additional impact assessments

	entities (in term of checking eligibility of the assets).	• Some originators have structural difficulties with achieving the STS label, e.g. new companies (such as fintechs or solar panels manufacturers) that cannot meet the requirement for 5 years of historic data, or smaller banks that, by construction, handle smaller pools and fail to achieve the granularity or homogeneity criteria. • Likewise, the need to diligence STS criteria on the buy side involves the need to adapt existing systems and be able to "tick the box" even where the institutional investor in question is not relying on the STS status of the deal. Having these systems in place involves additional cost and administrative burden.	
Equities – share trading obligation	• Removal of Share Trading Obligation (STO)	• The STO was originally established to mandate for EU investors when trading shares the use of trading venues (exchanges and alternative venues) and systematic internalisers only in the EU. It would allow EU investors to trade outside of this rule only under certain exceptions which includes where a non-EU jurisdiction's venues are deemed equivalent. • The STO does not result in positive outcomes for investors and increases complexity in market structure. Mitigating the loss of access to important external pools of liquidity or to significant alternative trading mechanisms for EU investors through legislative adjustments to the obligation has taken significant effort from officials, regulators and practitioners across the industry. • Removal of the STO will ensure that investment firms have the ability to execute trades through	Omnibus and/or stress testing (fitness check)

		trading mechanisms where they will achieve optimal results for their clients. The STO stands as a direct barrier to firms being able to do so because it restricts trading in a way that is inappropriate, ineffective and not conducive to price formation or stability. • MiFID requirements already ensure that multilateral trading cannot take place outside of a regulated market or a multilateral trading facilities. Further, the Systematic Internaliser regime and its qualifying thresholds ensure adequate supervision of firms when trading bilaterally with clients. • Finally, the overall transparency regime for equity markets ensures visibility of both pre and post trade information which underpins healthy price formation.	
Equities – pre trade transparency	• Removal of volume cap	• Enforcing increased lit trading does not necessarily improve price formation and, conversely, may impact the ability of firms to provide best execution for their clients. • For these reasons, AFME has consistently called for the removal of volume caps, which have resulted in no demonstrable benefits for end investors and instead created unhelpful complexity in equity market structure. • EU markets are now alone in applying a volume-based constraint on dark trading, making them a global outlier. Investors utilising dark pools do so with the objective of reducing market impact and therefore implicit cost. This in turn contributes to achieving better execution performance for the end investor.	Omnibus and/or stress testing (fitness check)

		• For these reasons, we support the removal of the volume cap and believe that this approach will significantly reduce operational complexity in markets, lower compliance costs and increase stability and predictability in the trading of equity instruments, with consequent positive implications for investors. • We note further that, since the removal of a volume cap in the UK, the FCA reports that there has been no material change in the level of dark trading.	
Equities – post trade transparency	• Simplification of post trade transparency requirements	• Post trade transparency requirements help to support market integrity and investor protection objectives, and also help market participants understand addressable liquidity. • Currently, there are a large number of post-trade reporting flags providing detailed information on how the transaction was executed. This adds significant complexity to reporting requirements. • A simpler regime with a much reduced number of flags would not materially impact the effectiveness of the regime in differentiating between addressable and non-addressable liquidity.	Omnibus and/or stress testing (fitness check)
Post trade	• A common definition of shareholder should be agreed, to reduce the administrative burden for issuers and investors.	• The Shareholder Rights Directive (SRD II) does not contain a definition of the term "shareholder", instead relying on national corporate and securities laws of the country of issuance of the security in question. This means that, in practice,	Omnibus and/or stress testing (fitness check)

		the party identified as the shareholder differs from country to country. • This is especially problematic from a cross-border investment perspective. Typically, cross-border custody chains are longer and more complex than domestic custody chains – in other words, issuers and investors are separated by more layers of intermediaries. This increases the probability that, under national transpositions of SRD II, and under specific national registration processes, the true 'end investor' is not identified as the 'shareholder'. • This makes it more difficult both for issuers to meaningfully identify their shareholders, and for investors to exercise their rights. Difficulties in the exercise of rights occur most frequently in the exercise of voting rights. Common problems include issues arising out of requirements for the provision of paper-based power of attorney documents, out of badly placed record dates for voting entitlements (i.e.: record dates that are too close to or after the market deadline for voting instructions), and out of difficulties in message formats. • Some of the difficulties in the exercise of rights are exacerbated by the fact that SRD II is a directive, and the key Level 1 requirements of SRD II take effect through transposition into the national law of each member state. Consequently, and despite the fact that the Level 2 requirements have the legal form of a regulation, the Directive falls short of delivering a single pan-European legal or operational framework for delivering its objectives.	

Withholding tax	• A common definition of beneficial ownership should be established to reduce the administrative burden for investors, issuers, intermediaries and tax authorities.	• The application and outcome of current withholding tax relief processes is fundamentally uncertain. • A primary cause of this uncertainty stems from the application of the beneficial ownership test. There is no agreement or clarity on the meaning of beneficial ownership. • Different MS interpret the concept in different ways, and in most MS there is very limited guidance and case law on this topic. The OECD have provided guidance on the meaning of the term "beneficial owner", but in practice the OECD guidance is not followed in many jurisdictions. • The absence of a clear understanding of what is required to fulfil the beneficial owner test means that in practice it is often necessary for investors or their agents to take a view as to what is sufficient to meet the test. This inevitably means that there is potentially less consistency in the standards applied. It also increases administration of the rules by tax authorities given some interpretations of the test may be at variance with the intended standards of a tax authority or at variance with what a tax authority ultimately decides are the standards it wishes to apply. • This creates uncertainties for investors as well as for tax authorities • The FASTER directive introduces a coordinated WHT system but there is still no definition of 'beneficial ownership'.	Omnibus and/or stress testing (fitness check)

		• A common definition would reduce the administrative burden and compliance costs for the tax authorities and taxpayers.	
Tax/payment services (Regulatory Reporting item)	• The European Commission should revisit and simplify the comprehensive reporting obligation introduced in 2020 for payment service providers as part of the EU Directive on a common system of value added tax (2006/112/EC; EU 2020/284) to address the risk of tax evasion in cross-border commerce and e-commerce activities.	• In absence of a tangible common system of value-added tax applied across all EU Member States, payment service providers have been required to implement a highly detailed transaction-level reporting for cross-border payments. • Not only did this introduce significant administrative burden and compliance cost for payment service providers, but it is highly questionable that the data reported to the national competent authorities is actually feasible to identify tax evasion or the originator thereof. • Furthermore, whilst the European Commission did introduce a centralised database (Central Electronic System of Payment Information – CESOP), PSP still have to report at national level to competent authorities via differently matured digital reporting methods. For multi-country PSP this creates additional administrative burdens.	Omnibus and/or stress testing (fitness check)

Digital finance			
DLT	• Remove unnecessary barriers to participation in the DLT pilot regime • Solutions to be considered: • **Simplified authorisation:** One solution is to create a new regime for the establishment of a distributed post-trade securities network, which is not based on existing regulations such as CSDR,	• A serious obstacle to the development of the DLT Pilot Regime is the burden of obtaining authorisation as a specialised CSD by an investment firm/credit institution if they wish to operate a DLT Securities Sandbox Authorisation. • Such authorisation cannot be attained easily by credit institutions and investment firms, due to commercial and regulatory constraints.	Stress testing (fitness check)

	but takes a novel approach based on permissioning of functions. • This would be similar to that in MiCAR for crypto-asset service providers, permitting credit institutions and investment firms to extend their service offerings by notice to the competent authorities. • Rather than requiring a firm to turn itself into a full CSD, serious consideration should be given to leveraging its existing authorisation to encompass the relevant activity, thereby preventing duplication of rules and resolving the contradictions set up by the CSDR. • **Creation of a parallel regime to the CSDR which recasts the CSD core functions**: DLT can also be used to perform discrete functions, including providing the initial registration of securities, settling transactions, and maintaining records of entitlements, in ways that are at least as effective as traditional FMIs but on a distributed basis. While existing FMIs are well-placed to adapt their core services and functions to a DLT-based system, the distributed nature of DLT – permitting entities and validators to connect to the same network – can in fact facilitate a greater number of companies and entitles to perform FMI core or ancillary functions (subject to authorisation). To facilitate the full potential of DLT and allow for greater competition, the regulatory regime going forward should permit eligible actors to perform services at the functional level. This would promote innovation as well as facilitate greater competition without creating additional risk.	• While an investment firm/credit institution could perform the core functions of a CSD through the DLT TSS route, this would require the set up and operation of an MTF, which is prohibitive for many investment firms/credit institutions that do not wish to commercially carry out trading venue activity. • We consider that the DLT Securities Sandbox function should be a most appropriate route available for investment firms/credit institutions to perform the CSD core functions under the DLT Pilot Regime.	

DLT	• Transaction thresholds should be significantly increased to widen participation in the DLT pilot regime	• **The current thresholds under the Pilot Regime are inadequate**. They are low enough that six bond issuances of just under EUR 1 billion – the threshold for eligibility pursuant to Art 3(1)(b) of the DLT PR – would use up the entire capacity of a DLT TSS or DLT SS pursuant to Art 3(2) of the DLT PR, irrespective of the volume of trading in the bond. • Given evolving market dynamics and the pace of growing issuances (outside of the DLT Pilot Regime and internationally), we recommend lifting the thresholds imposed by the Pilot Regime by 10x in keeping with broader market developments. • In addition, to allow for more flexibility in the EU regime and the ability to ensure that the DLT Pilot Regime remains competitive and attractive, the Commission should maintain the power to remove the thresholds altogether through Delegated Regulation. • Alternatively, the Commission could consider the ability to increase or lift the caps through a supervisory mechanism.	Stress testing (fitness check)
DORA	• Risk Management obligations should be harmonised by exempting financial services from horizontal frameworks where sectoral rules provide for equivalent level of protection: specifically this should be applied with regard to the Cyber Resilience Act, where the "products" within scope are effectively covered by DORA .	• Currently there is significant overlap between the provisions of DORA and the Cyber Resilience Act, where products under the CRA are captured by the holistic approach to risk management of DORA. • This creates significant operational burden for firms with no net benefit and is undermining the harmonisation objective of DORA.	Stress testing (fitness check)
DORA/CRA (Regulatory	• In the event that there is no sectoral exemption from the Cyber Resilience Act, the vulnerability	• Banks are required to submit multiple, duplicate reports to different authorities during a live	Omnibus

Reporting item)	notifications to Computer Security Incidence Response Teams (CSIRTs)should only be required where the issue would not be captured by the incident reporting obligations under DORA to avoid duplicate reporting. • If the EU proceeds with the proposed EU incident reporting hub, the EU should consider whether firms should be submitting notifications under the Cyber Resilience Act via the hub. • The Commission should also review whether data collected through DORA incident reporting is fit-for-purpose. Currently a considerable volume of information is sought which is not relevant for incident management purposes.	incident. (Banks are 'firms' under DORA and 'manufacturers' under the Cyber Resilience Act, and are therefore subject to both DORA and the CRA). • It is critical that firms' limited resources are utilised effectively during the management of a live incident/vulnerability. • The inclusion of data fields within incident reporting which are not actionable or tangible, or which do not relate to incident management, cause considerable operational burden, and risk transforming incident reports into generic data analysis.	
AI Act	• Within the definition of an "AI system'", clarify the definitions of "autonomy" and particularly the term, "varying levels of autonomy".	• In our members' view, any AI model that relies entirely on human input for its design and training (e.g. to preprocess data, select features and interpret results), and which does not have capacity to take decisions independently which directly influence the final user, should not be considered autonomous, and therefore should not be considered an AI system.	Stress testing (fitness check)
AI Act	• The definition of "substantial modification" should be clarified, and illustrated with examples, especially in the context of high-risk AI systems.	• The definition of "substantial modification" as stated in Article 25(1)(b) of the AI Act, that could lead to an operator being deemed a provider, is unclear. Recital 128 refers to substantial modification as being in line with established EU law, which we read as a broad test to refer to a change to an AI system after its placing on the market or putting into service, which (i) is not foreseen or planned in the initial conformity assessment and affects compliance of the AI	Stress testing (fitness check)

		system with the requirements in Chapter III, Section 2, or (ii) results in a modification to the intended purpose. • Further metrics and examples of the most commonly applicable use cases, particularly in reference to High-Risk AI Systems and minor changes e.g. reformatting output, should be provided. • Our members would appreciate specific clarity from the Commission that, as is commonly understood in relation to existing EU legislation, the substantial modification of an AI system would have to go to the heart of its purpose, as opposed to changes such as refinements and fine tuning.	
	• Clarifications in relation to General Purpose AI models	• Recital 97 provides that (i) when a provider of a general-purpose AI model incorporates their model into an AI system that is then made available on the market or put into service, the model is considered to be "placed on the market." In such cases, the regulatory obligations for both the model and the AI system apply; and (ii) the obligations for models do not apply if the model is used solely for internal processes that are not essential for providing a product or service to third parties, and where the rights of natural persons are not affected. This exemption recognises that internal uses, which do not impact external stakeholders or infringe on individual rights, do not necessitate the same level of regulatory oversight. However, it is unclear whether a deployer would be designated as a provider if a firm develops General Purpose AI (GPAI) based on systemic GPAI registered in	Stress testing (fitness check)

		the EU GPAI Register, which should be exempt for the same reasoning as above. • Additionally, our members would appreciate additional clarity on the timeline on which the metrics (such as the 10^25 FLOPS) for compute thresholds designating general purpose AI models as those with systemic risk will be recalibrated and updated.	
FIDA	• The proposal needs to be simplified (AFME is developing further specific proposals on how this could be achieved). • At a minimum, there should be a carveout for wholesale and institutional clients.	• The FIDA proposal is overly complex (as recognised by Member States ahead of the trilogue). In its current form, FiDA adds regulatory burdens at a time when European financial institutions are already facing high economic and compliance challenges. In the absence of customer demand, these requirements impose disproportionate costs.	Better Regulation + additional impact assessments
GDPR	• The Commission should take the opportunity to consider the interaction of GDPR with other regulation, to ensure that digital innovation can be taken forward without compromising data privacy. • Develop processes to reduce inconsistent interpretation of GDPR, for example through enhanced coordination between the EDPB and national authorities, and through structured dialogue with industry to ensure that interpretations are practical and reflect the evolution of digital business models.	• We understand that the European Commission is preparing a draft proposal on the simplification of record-keeping obligations under the GDPR, which is planned to be part of the Fourth Omnibus to be adopted in May 2025. • We also expect that aspects of GDPR may be relevant in the context of the digital simplification package (planned for Q4 2025). • Inconsistent interpretation of GDPR creates legal uncertainty and operational inefficiencies for cross-border financial institutions.	
AML regulation	• We encourage the EBA to act within the scope of the mandates given at Level 1 and to refrain from making policy choices which were not made by the	• The AML Regulation provides a mandate to the EBA to develop a draft RTS under Article 28(1) AMLR.	

	co-legislators. Examples are provided in the next column. • We particularly encourage the EBA to respect the proportionate, risk-based approach negotiated by the co-legislators.	• The draft has however gone beyond the mandate in several cases. • Illustrative examples are provided below. **Proposed approach to Enhanced Due Diligence** • Article 34 AML requires obliged entities to apply enhanced due diligence in cases of higher risk, which it states 'may include' a series of measures that it sets out. From the text of the Article however, it is clear that the list is illustrative, with obliged entities expected to tailor the measures they take to their assessment of the risk presented, in keeping with the risk-based approach. • Articles 24 to 27 of the EBA's draft RTS under Article 28(1) of the AMLR take however a prescriptive approach, This is a significant departure from the proportionate, risk-based approach chosen by the co-legislators. We recommend that the EBA retains the flexibility granted by the co-legislators for obliged entities to tailor the measures they take to their assessment of the situation at hand. **Identification of the purpose and intended nature of the business relationship or the occasional transactions** • Article 20 (1) (c) AMLR requires obliged entities to obtain information on and understand the purpose and intended nature of the business relationship or the occasional transactions 'as appropriate'. Article 25 AMLR similarly requires	

		obliged entities to obtain information 'where necessary'. • Article 15 of the EBA's draft RTS under Article 28(1) of the AMLR does not take into account the need for obliged entities to consider whether and where such measures need to be taken into account – it simply assumes that in all circumstances they must be taken. **Minimum information to identify the purpose and intended nature of the business relationship or occasional transaction in low-risk situations** • Article 33 (1) (c) AMLR allows obliged entities to reduce the amount of information collected to identify the purpose and intended nature of the business relationship or occasional transaction, or to infer it from the type of transactions or business relationship established. • Article 23 of the EBA's draft RTS under Article 28(1) of the AMLR appears to remove this second possibility by setting out minimum requirements and requiring the collection of certain information to identify the purpose and intended nature of the business relationship – that is to say, to remove the possibility to infer otherwise granted by Article 33 (1) (c) AMLR. **Reasonable measures for the verification of the beneficial owner** • Article 22 (7) requires obliged entities to verify the identity of the beneficial owner and, where relevant, the persons on whose behalf or for the benefit of whom a transaction or activity is being	

		carried out either through the measures prescribed for the customer, or by the taking of 'reasonable measures' to obtain the necessary information. • Article 9 of the EBA's draft RTS under Article 28(1) of the AMLR acknowledges the 'reasonable measures' set in Level 1, but then sets out a list of measures which it appears to consider 'reasonable', which include the collection of 'utility bills'. There is however no mandate in the Level 1 for the EBA (or AMLA) to provide such examples. **Verification of the identity of the customer and of any person purporting to act on their behalf** • Article 22 (6) of the AML Regulation (AMLR) permits obliged entities to verify the identify of the customer or any person purporting to act on their behalf either through the submission of an identity document, passport or equivalent and, where relevant, the acquisition of information from reliable and independent sources, or electronic identification means. • Article 6 of the EBA's draft RTS under Article 28(1) of the AMLR limits however obliged entities to only the second of these options ('*obliged entities shall use electronic identification means…*'). This removes a possibility carefully discussed by the co-legislators and makes a policy choice removing a possibility intended to be available to obliged entities and causing unnecessary costs to be incurred. **Extra detail required on 'place' of birth**	

		• Article 22 (1) AMLR also requires obliged entities to collect information on the 'place' of birth. This is intended to prevent confusion between individuals (including those who may be on lists of sanctioned individuals) who may share the same name. • The word 'place' (and the flexibility it implies) was a deliberate choice of the co-legislators, who noted that many passports and identity documents (including those issued by EU Member States and other leading global jurisdictions) often provide 'place' of birth only at the sub-national region or state level. • Article 3 of the EBA's draft RTS under Article 28(1) of the AMLR requires however that 'city' of birth be provided. If implemented, it would mean that obliged entities would not be able to accept identity documents issued by a significant number of EU jurisdictions.	

Lamfalussy process			
Lamfalussy process – rule-making	• The current legislative process should be simplified at both level 1 and level 2, as follows: • While level 1 and level 2 proposals are already subject to impact assessments in cases where proposals are likely to lead to significant impacts and the Commission has a choice between policy options, we consider that all proposals should be subject to at least a thorough cost-benefit analysis. • At Level 1, the co-legislators can make significant amendments which could change the impact. If this is likely to be a significant change, there	• The current length and complexity of the EU legislative process is often a source of inefficiency. • The objective should be to ease regulatory burdens through (a) better designed rules and (b) reviews of legislative texts based on clearly identified needs, unlike the current semi-automaticity at present (e.g. where legislative reviews tend to be mandated every three years). • The European Commission communication on implementation and simplification has a chapter on "Improving how we make new rules". The	Better Regulation + stress testing (fitness check applied to ESA Regulations)

	should be a process for assessing the impact (whether this is a formal impact assessment or some other type of evidence-gathering and analysis). • At Level 2, many of the delegated and implementing acts are technical and have limited impacts, and therefore do not require a dedicated impact assessment. However it can be the case that there are significant impacts which were not taken into account when preparing the level 1 proposal. In such cases, there should be a process for assessing the impact (whether this is a formal impact assessment or some other type of evidence-gathering and analysis). • Formal impact assessments and other types of analysis should consider the coherence of the various proposals, including sequencing of level 1 and level 2, and the interaction between different regulations • They should also seek to quantify any synergies that could be achieved (e.g. simplification, lower costs, reduced burdens) and to identify inefficiencies (e.g. excessive burdens, overlaps, gaps, or inconsistencies) • There is legitimate debate to be held as to how best to allocate regulatory responsibilities between level 1 and level 2. As a practical matter we consider that it makes sense to set out the essential principles of the policy framework in level 1 and to propose the detailed calibrations in level 2, which should be based on robust data analysis, with such proposed calibrations then being subject to scrutiny by the Commission and the co-legislators.	Commission proposes building on the Better Regulation approach, with the help of new tools. • Level 1 - The Commission will put forward suggestions to the co-legislators on a simple methodology for assessing the impacts of significant amendments made by the co-legislators (ie during the level 1 process), so that the impact can be assessed without unduly delaying the legislative process. • Level 2 – The communication states that when the empowerment given to the Commission is such that the Commission has to choose between policy options, and where there are significant impacts which were not taken into account when preparing the Commission proposal on the basic legislation, and additional *cost or cost-savings analysis* in cases where there is no policy choice.	

Lamfalussy process – forbearance tools	• Level 2 regulators should be able to intervene to make adjustments as market conditions and the corresponding data change. In this way, the markets would not be dependent on opportunities to revise level 1 texts (which can be a lengthy and uncertain process) to ensure that the regulatory framework is appropriately calibrated. • More effective forbearance tools should be granted to EU authorities	• Since 1 January 2020, the ESAs have had the power to issue what are commonly described as no-action letters. However, these powers are not as effective (lack legal certainty and are lengthy) as in other jurisdictions. • The ESAs and EU supervisors should be allowed to refrain from enforcing a rule should it be objectively justified. The lack of such flexibility leads to uncertainty costs for firms and undermines trust in the regulatory system. Efficient capital markets need predictability to be able to serve their clients in the best way possible and compete effectively on global markets. • With a wide range of regulatory reviews having been completed over recent years and now requiring implementation, which entails production of a significant suite of level 2 and level 3 products by the ESAs, the ability to introduce temporary no action relief is also likely to be helpful in enabling smooth regulatory implementation.	Stress testing (fitness check applied to ESA Regulations)
Lamfalussy process - objectives of ESAs	• International competitiveness of the EU should be incorporated into the ESA's mandate as a secondary objective.	• The role of the ESAs should remain primarily to 'protect the public interest by contributing to the short-, medium- and long-term stability and effectiveness of the financial system, for the Union economy, its citizens and businesses.' • However, as in other major jurisdictions, the EU should consider incorporating the objective of competitiveness in the mandate of the ESAs as a secondary objective to its regulatory function. • This would help to ensure that the regulatory technical standards and guidelines are proportionate to the policy objective.	Stress testing (fitness check applied to ESA Regulations)

Lamfalussy process – governance of ESAs	• ESAs' governance structure should be reformed, with an executive committee as main decision-making body, composed of the respective ESA Chair, its executive director and a limited number of independent full-time members.	• The Board of the Supervisors of the ESAs approves all regulatory or implementing technical standards, guidelines and other decisions. • The current configuration of the Board, where the 27 national competent authorities sit and vote, does not necessarily provide the safeguards necessary to ensure that the overall EU interest prevails. • This is an issue at a time when scaling up and integrating the EU's capital markets are at the core of current policy considerations. • It therefore appears necessary to rethink the ESAs' governance arrangements to bring to life a truly single market for capital across the EU.	Stress testing (fitness check applied to ESA Regulations)
Supervision			
ECB	• Increase transparency of the SREP process and Pillar 2 methodology • Continue the shift towards a fully-fledged risk-by-risk model - the SREP should ensure that the same risks are treated alike across banks, whilst allowing for an idiosyncratic and risk-based approach to each supervised institution • Avoid overlap between P1 and P2 given Basel 3 implementation and have a clear explanation as to how this will be done in practice. To date we know that this will be through 'some methodological change' and JST judgement. • Even though the ECB SSM's new SREP approach will see ICAAP being decoupled from the SREP for the purposes of P2 requirements, banks consider it vital to be able to continue using their ICAAP to discuss and challenge their P2R outcomes,	• The powers of the prudential supervisors are set out in Article 104 CRD. The powers are subject to various conditions (such as those set out in Article 104a) but are still extremely broad. • In connection with its supervisory role, the ECB publishes guidelines and sets supervisory expectations, which may go beyond the strict regulatory requirements - in such cases, the ECB is effectively acting as a rule-maker. • The ECB may also have an influence on the way that the ESAs exercise their powers, through its board membership (non-voting) • The cumulative effect of regulation, supervisory guidelines and supervisory expectations places a significant burden on firms • On 11 March 2025 the ECB Banking Supervision published a communication on reviewing the	Stress testing (fitness check applied to powers)

	including with their JSTs, as a good indicator of economic and risk management.	Pillar 2 requirement. The communication sets out proposed procedural and technical changes to the P2R. It also confirms that the methodology will undergo a pilot phase for the 2025 SREP and will be applied from the 2026 SREP cycle. However, it does not provide concrete details on methodological changes, and thereby creates uncertainty around supervisory expectations for capital.	
SRB	• We propose greater proportionality and assessment of cost/benefit in the development of guidance.	• The recent sets of guidance on Minimum Bail-In Data Templates, Resolvability Testing, and Expectations on Valuation Capabilities, taken together, amount to an extensive increase in supervisory expectations. This will entail significant costs and appears disproportionate to the expected benefits in terms of efficiency and resolvability.	