

Press release

AFME Calls for Targeted EU Banking Reform

Association Urges Global Alignment, Simpler Rules and Completion of the Banking Union

20 April 2026

The Association for Financial Markets in Europe (AFME) has responded to the European Commission's *Targeted Consultation on the Competitiveness of the EU Banking Sector*, setting out clear recommendations to ensure European banks can effectively support growth and investment while maintaining financial stability.

AFME's response highlights the central role of banks as lenders, market intermediaries and providers of risk management tools for corporates, investors and governments. It also draws attention to the significant challenges banks face in Europe and how they will be essential for financing the EU's future investment needs. A competitive banking sector is one that can operate at scale and is essential to ensuring capital is allocated efficiently across the EU economy, risks are absorbed and diversified, and markets continue to function smoothly through economic cycles.

Adam Farkas, CEO of AFME, said: *"A strong and competitive banking sector is essential to delivering the EU's strategic objectives as it underpins efficient capital allocation across the economy. Europe therefore needs a fully functioning Banking Union, supported by a streamlined and agile institutional framework. Modern, simplified and globally aligned banking rules are essential if banks are to innovate, finance growth and compete both within the EU and internationally. This is not about deregulation, but about advancing the single market for banking and simplifying the regulatory framework. The Commission's competitiveness report must lead to real reform, so that Europe's banking sector can play its full role in supporting competitiveness, resilience, and long-term prosperity."*

Key Takeaways from AFME's Response:

- **Completion of the Banking Union is urgent**

A single market for banking where capital and liquidity can flow freely within EU banking groups is necessary to overcome fragmentation, enable banking consolidation and remove non-prudential barriers that continue to hold back scale, efficiency, and competitiveness, particularly in banks' capital markets activities that support private and public investment. Completing the Banking Union would facilitate the much-needed removal of duplicative and overlapping requirements, allow the EU's complex capital stack framework to be simplified and enable closer alignment with global standards. This will expand banks' capacity to finance infrastructure, corporate lending and essential investment in digital and technological capabilities.

- **Global level playing field and Basel alignment are critical**

EU banks must be able to compete on equal terms with global peers. International standards such as Basel III should deliver equivalent outcomes across jurisdictions, reflecting Europe's more bank-based financing model while avoiding EU-specific over-conservatism.

- **Rigorous international benchmarking needed, with scope to reopen Level 1 Regulation**

A comprehensive comparison of prudential regulation and supervision frameworks across major jurisdictions is essential, taking account of structural market differences and varying approaches to macroprudential and microprudential buffers. Material divergences should be addressed swiftly in the EU, including through reopening Level 1 legislation where necessary, and pursued in parallel at international level in order to maintain global standards.

- **The current framework on internal governance is extremely complex**

The EU's internal governance framework has become highly detailed and complex, with requirements spanning Level 1 legislation through to extensive Level 3 guidelines. While strong governance arrangements - including effective internal controls, robust risk management and conduct standards - are essential to the stability and sound functioning of EU banks, certain elements of the current framework go beyond what is necessary for effective risk management and have a materially constraining impact on competitiveness

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- **Banks continue to be at the centre of a profound digital transformation**
Digitalisation is significantly reshaping the activities and business models of banks in the Single Market. However, structural and regulatory factors may limit the relative impact of these investments compared to international peers and large digital players.
- **EU rulemaking and supervision must be simpler, more proportionate and accountable**
Greater emphasis should be placed on proportionality, coherence and cumulative impact to ensure financial stability objectives are met without unnecessarily constraining banks' ability to support growth and investment. Increasingly complex and overlapping requirements have become a drag for banks operating in the EU compared to those in single jurisdictions. The financial services rulemaking process (Lamfalussy process) should be streamlined to produce more consistent regulatory outcomes and to better support competitiveness. In the absence of broader change, competitiveness should be more clearly embedded within all EU supervisory and regulatory mandates. There should also be greater clarity around supervisory roles and accountability with consideration given as to how and why the ECB (SSM) tends to act as a quasi-regulator and whether its current mandate is fit for purpose, allowing for effective challenge and public accountability
- **Urgent need for follow-through after the Commission's competitiveness report**
In line with the European Council's recent conclusions, the Commission's competitiveness report should be followed swiftly by targeted legislative proposals to strengthen the banking sector's capacity to finance the EU economy while preserving financial stability and a global level playing field.

As the Commission prepares its competitiveness report due this summer, AFME emphasises that competitiveness is a means to enable Europe's banks to support the real economy and the EU's strategic priorities. A more proportionate, coherent and globally aligned framework, followed by timely, targeted legislative action will be essential to strengthen banks' capacity to finance investment and deliver long-term growth, while safeguarding financial stability.

AFME stands ready to engage constructively with the European Commission and other stakeholders as discussions progress.

– Ends –

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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
2. Follow us on X, formerly Twitter [@AFME_EU](https://twitter.com/AFME_EU)

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