La Tribune

Paris, 10 September 2026

The EU banking framework is strong. Let's ensure it is fit for purpose

Op-ed by Denis Beau

First Deputy Governor of the Banque de France

and President-designate of the ACPR

&

Michael Theurer

Deputy Governor of the Bundesbank

We have entered a time of geopolitical tensions in which global cooperation can no longer be taken for granted. The European Union's international competitive position is now not only an issue of economic growth, but of sovereignty. It is high time Europe mobilises its abundant savings towards financing the continent's strategic priorities such as climate transition, digitalization and defense. Strengthening Europe's capacity to finance its priorities also requires a more self-sufficient financial system. As of today, the combined capitalisation of US bond and equity markets far surpasses that of the EU. And the venture capital market, crucial to finance innovation and growth, is 6 times bigger in the US. Europe needs to improve in this regard, and advancing the Savings and Investments Union is the way forward.

Given its crucial role in financing Europe's economy, the strong impetus to improve competitiveness has reached the EU banking sector. In this context, one might be tempted to call for deregulating the banks, arguing that this would enhance their competitiveness and capacity to drive economic growth. It would be a mistake. The sector's resilience – bolstered by reforms following the 2008 financial crisis – is instrumental in ensuring that banks can continue to support the large and growing financing needs associated with Europe's strategic ambitions. And the more volatile the international environment gets, the more valuable resilience becomes.

Resilience alone, however, is not enough. The topical question is how to ensure that the European banking sector can help meet those financing needs effectively. In our view, the answer lies in simplification. The EU framework is overly complex. While post-crisis reforms have greatly strengthened financial stability and confidence, more than a decade of cumulative regulatory initiatives has also added layers of complexity, including overlapping requirements or supervisory processes that could be streamlined to deliver greater efficiency and effectiveness. There is therefore significant potential to make the rules more efficient without compromising resilience. This would support the competitiveness of the European banking sector and its ability to finance the real economy.

Banque de France and Deutsche Bundesbank have contributed a range of proposals to the consultation that informed the European Commission's communication published on July 17, which could lead to legislative proposals in early 2027. We welcome its overall direction and simplification avenues, which would support a financial system that is more integrated, diverse and more autonomous at the European level.

Simplification should lead to greater European integration. In particular, banks operating across the European banking union should be able to manage their capital and liquidity at group level, rather than having to hold separate pools in each country. This could be achieved in the short term, without waiting for the completion of the deposit insurance framework, through cross-border waivers that allow resources to be allocated more efficiently across the group. Appropriate safeguards could take the form of strong mechanisms to enforce the support from the parent company to the subsidiaries in host countries.

Simplification should also strengthen proportionality. A diverse and efficient banking market can provide tailored financing solutions for the equally diverse European economy. The prudential framework should be neutral towards different business models. Greater proportionality does not mean weaker regulation for smaller banks, but rather regulatory, reporting and supervisory requirements that are more commensurate with their size, complexity and risk profile. Europe should therefore move beyond limited adjustments and significantly simplify the regulatory framework for small and non-complex institutions while maintaining the same high level risk management requirements to preserve their resilience.

At the same time, while preserving the current level of resilience in the financial system, we should remain attentive to those areas where banks compete globally and where the regulatory treatment may have tangible implications for the international level playing field.

The Commission’s communication is an important step in the right direction but achieving our objectives will require greater ambition in some areas. Taken together, deeper integration of the European banking market and a simpler, more proportionate regulatory framework would strengthen Europe's banking sector and making it better equipped to finance the continent's strategic priorities.