EUROPEAN CENTRAL BANK

EUROSYSTEM

Press release

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ECB Governing Council urges Single Market boost to strengthen bank competitiveness

- Euro area must function more as a single jurisdiction, with capital and liquidity moving freely within banking groups
- Barriers still hold back cross-border banking integration and scale
- Resilient banks underpin sustainable growth and competitiveness
- Simplification must cut undue complexity, not lower resilience
- Governing Council's 2025 simplification proposals integral to today's response

The European Central Bank (ECB) today published proposals to make banks, and the financial infrastructure in which they operate, better able to support the economy. These proposals are endorsed by all euro area central banks. The proposals form the ECB Governing Council's response to the European Commission's public consultation on the competitiveness of the EU banking sector.

The Governing Council's proposals to simplify EU banking rules, published in December 2025, form the basis for this response and are integral to it. Those proposals and the ones released today should be read together.

Resilient banks are a prerequisite for the euro area's long-term growth and competitiveness, especially in today's uncertain environment. Competitiveness arises from harmonisation, integration and scale, not from deregulation. Competitiveness is now being held back by unnecessary complexity and cross-country fragmentation.

To overcome these challenges, the euro area must function more as a single jurisdiction in terms of financial regulation. To break the current deadlock in advancing the banking union, the Governing Council calls for synchronised progress on the key components, including concrete steps towards creating a European Deposit Insurance Scheme (EDIS), with a clear timetable for implementation. Capital and liquidity should be allowed to flow freely within a cross-border banking group in the euro

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area. The Governing Council also urges policymakers to foster deeper capital markets by progressing on the savings and investments union.

“Euro area central banks are united: the crucial step to strengthen Europe’s competitiveness is a truly single banking market where capital and liquidity can move across borders and all deposits are protected equally,” said Luis de Guindos, Vice-President of the ECB. “The Eurosystem is firmly committed to addressing undue complexity in the EU.”

“Better integrated markets and more cross-border competition can allow banks to better reap economies of scale and diversify their activities. This, together with guardrails that safeguard financial stability, can strengthen banks' business models and their resilience,” said Claudia Buch, Chair of the ECB’s Supervisory Board.

Moves to simplify regulation must tackle undue complexity without weakening resilience. The reforms implemented after the global financial crisis were instrumental in restoring confidence in euro area banks: they made banks more resilient without restricting their ability to finance the economy. Backstops like the output floor and the prudential treatment of non-performing loans help cover risks adequately and should be maintained.

Capital requirements for euro area banks are broadly comparable to those in other jurisdictions and in line with international standards. Euro area banks have been able to maintain lending, even during recent periods of acute stress. There is no evidence that capital requirements have hampered banks’ efficiency or lending capacity.

The Governing Council calls for concrete changes to EU banking rules, including:

- shifting the banking rules from directives to directly applicable regulations;
- merging the existing five macroprudential buffers[1] into two;
- increasing proportionality for small banks;
- streamlining reporting;
- being made responsible for taking a holistic view of the overall level of capital.

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[1] The five macroprudential capital buffers are: the Capital Conservation Buffer (CCoB), which is intended to improve banks’ general loss absorbing capacity; the Global Systemically Important Institution (G-SII) and Other Systemically Important Institution (O-SII) buffers, which address the risk that the failure of systemically important institutions may pose to the economy and the financial system as a whole; the Countercyclical Capital Buffer (CCyB), which is aimed at building resilience to cyclical systemic risks; and the Systemic Risk Buffer (SyRB), which targets systemic risks not covered by other instruments.

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Notes

- In February 2026, the European Commission launched a targeted public consultation to inform its forthcoming report on the competitiveness of the EU banking sector. The ECB's Governing Council response released today builds on the Governing Council's proposals to simplify EU banking rules published in December 2025.

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