

Newsletter



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Law & Regulatory Update ECB Proposals to Simplify Supervisory and Reporting Framework

In December 2025, the **European Central Bank (ECB)** published the **report and recommendations** of the **Governing Council's High-Level Task Force on Simplification (HLTF)**, aimed at reducing the complexity of the European prudential regulatory, supervisory and reporting framework for banks. The proposals were formally **endorsed by the Governing Council** and are now being transmitted to the **European Commission** for further consideration, with expected legislative and policy actions in 2026.

The exercise aligns with broader EU policy objectives to **simplify financial regulation without compromising resilience**, enhance supervisory effectiveness, **reduce reporting burdens**, and strengthen the **Single Market for banking services**. The initiative reflects an ongoing response to criticisms that the post-financial crisis regulatory architecture has become overly complex and costly, particularly for smaller institutions.



Key Recommendations

The HLTF's report outlines **17 recommendations** grouped under three principal pillars: **regulatory, supervisory and reporting frameworks**. These recommendations seek to inform the European Commission's 2026 "Report on the Banking Sector in the Single Market" and future EU policymaking.

1. Regulatory Framework

Focus on simplifying capital and prudential requirements to reduce overlap and improve usability:

- a) **Rationalise the capital stack**, including potential consolidation of capital buffer categories and reduction in auxiliary layers.
- b) **Simplify stress-testing and macroprudential reciprocation mechanisms** to reduce excess complexity and avoid unintended constraints on lending capacity.
- c) Proposals also consider dedicated **proportional regimes for smaller banks** to balance regulatory burden and systemic risk.



2. Supervisory Framework

A shift towards **risk-based and less prescriptive supervision**:

- a) Enhance consistency across national competent authorities within the Banking Union.
- b) Prioritise supervisory resources on material risks and improve clarity on supervisory expectations.
- c) Promote more harmonised supervisory practices under the ECB's Single Supervisory Mechanism (SSM).

3. Reporting Framework

Reduction of reporting burdens and enhanced data sharing:

- a) **"Define once, report once"** principle to eliminate duplicative reporting across authorities.
- b) Establish an **integrated EU-wide reporting system** harmonised across domains.
- c) Reduce frequency and volume of resubmissions where possible.

Collectively, these measures aim to modernise European reporting regimes and leverage data sharing to reduce repetitive data calls – an issue that current European Banking Authority reporting inventories also highlight.

Next Steps & Regulatory Outlook

The HLTF's recommendations now sit with the **European Commission** and are expected to influence the Commission's 2026 **report on the banking sector in the Single Market**. Subsequent consultations, impact assessments and potential legislative proposals may follow in 2026–2027.

Stakeholders should monitor:

- a) EU Commission communications and impact assessment outcomes.
- b) Proposed changes to **Capital Requirements Regulation/Directive (CRR/CRD)** and related Level 2/3 acts.
- c) Developments in standardised reporting frameworks and integrated data platforms.



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