

Newsletter



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From Rule Accumulation to System Design

Over the past decade, EU regulation has expanded rapidly in response to **financial instability, digital transformation, cybersecurity risks, sustainability objectives, and geopolitical uncertainty**. While this expansion addressed real and emerging risks, it also resulted in regulatory frameworks that are increasingly complex and demanding to apply in practice.

Recent EU initiatives suggest that regulators are now focusing on a different question: not whether regulation is necessary, but whether **regulatory systems themselves function effectively**. This reflects a gradual shift from the accumulation of rules toward the **design and optimisation of regulatory systems**.



A Shift in Regulatory Thinking

Current regulatory discourse places growing emphasis on proportionality, reporting efficiency, data quality, and operational feasibility. The objective is not deregulation, but **regulatory effectiveness**, ensuring that existing frameworks deliver **meaningful supervision and reliable information** without unnecessary duplication or administrative burden.

Simplification initiatives and reporting rationalisation efforts reflect an acknowledgement that complexity, when unmanaged, can weaken both compliance outcomes and supervisory insight. In this context, simplification means **better alignment between regimes, clearer interfaces, and improved coherence across regulatory processes**.

From Compliance to Functionality

Increasingly, regulation is being approached as an information and governance system, rather than a collection of isolated legal obligations. Concepts such as integrated reporting architectures and the principle of **“define once, report once”** illustrate this shift, aiming to reduce duplication while improving consistency and supervisory insight.



For institutions, this places greater emphasis on robust data governance and data quality, clear management accountability, coherent internal control and reporting frameworks, and the ability to ensure alignment between supervisory reporting and public disclosures through operationally workable processes.

For example, supervisors increasingly expect COREP and FINREP figures to be reconcilable with management reporting, and ESG disclosures to be grounded in the same underlying data as prudential submissions. The focus shifts from producing individual reports to demonstrating that reporting systems operate coherently end-to-end.

Governance as a Key Differentiator

As regulatory frameworks mature, governance becomes a critical factor in determining outcomes. The focus moves beyond formal compliance toward how organisations allocate responsibilities, escalate issues, and integrate regulatory expectations into **strategic and operational decision-making**.

In this sense, many recent regulatory reforms implicitly test whether institutions can connect compliance with strategy and ensure that regulatory systems support resilience rather than formality. Similarly, there is growing supervisory focus on whether reported figures can be traced back through documented data flows, controls and ownership, allowing institutions to explain not only what was reported, but how and by whom it was produced.

Looking Ahead

EU regulation appears to be entering a phase of consolidation and refinement. The effectiveness of regulation will increasingly depend on how well regulatory systems operate in practice, rather than on the number of rules in force.



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