

Newsletter



14 August 2026

European Legislative Strategy for the EU Banking Sector

In a recent development, on 17 July 2026, the European Commission adopted a Communication outlining measures to strengthen the competitiveness of the EU banking sector and further integrate the Single Market for banking. The initiative forms a key component of the Savings and Investments Union strategy and seeks to enhance banks' capacity to finance economic growth, innovation, the clean transition and other strategic priorities, while preserving financial stability.



The Communication identifies three principal obstacles to the effective functioning of the EU banking market:

- Persistent national fragmentation, which restricts cross-border activity and prevents EU banking groups from achieving the scale and operational efficiencies required to compete internationally.
- The implementation of certain Basel III standards in the EU, which may not adequately reflect the specific characteristics and diversity of the European banking system, including differing institutional sizes, business models and financing structures.
- Regulatory complexity, particularly as regards the interaction between microprudential, macroprudential and resolution requirements, together with extensive reporting obligations.

To address these challenges, the Commission outlines measures across three principal areas:



1. Promoting Market Integration

The Commission intends to examine prudential and non-prudential barriers to cross-border banking activity. The proposed measures include:

- Facilitating the more efficient allocation of capital and liquidity within cross-border banking groups, subject to appropriate safeguards for financial stability and local financing.
- Proposing a simpler and more effective common deposit protection mechanism for the Banking Union, replacing the 2015 European Deposit Insurance Scheme proposal.
- Promoting more consistent implementation and supervision of anti-money laundering and consumer protection requirements across Member States.

2. Adapting Prudential Regulation to EU Specificities

While remaining committed to the application of international standards, the Commission intends to reassess aspects of their implementation that may unduly constrain lending by EU banks. Possible measures include:

- Revising certain prudential and corporate governance requirements to better reflect banks' size, business models and activities.
- Introducing greater proportionality, particularly for smaller and less complex institutions.
- Reviewing the prudential treatment of certain exposures, including mortgage lending and lending to unrated corporates.

3. Simplifying the Regulatory Framework

The Commission also proposes to reduce unnecessary complexity and administrative burdens without weakening the resilience of the banking system. The areas under consideration include:

- Simplifying the capital stack and further harmonising macroprudential buffers.
- Standardising and streamlining resolution capital requirements and processes.
- Adjusting the criteria and thresholds applicable to "small and non-complex institutions".
- Developing more proportionate, streamlined and automated supervisory reporting requirements.

The Communication does not itself amend the existing regulatory framework. Rather, it sets out the Commission's policy direction and provides the basis for a legislative package expected in the first quarter of 2027. Its practical implications will therefore depend on the content of the forthcoming legislative proposals and their subsequent negotiation by the European Parliament and the Council.



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