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To: Commissioner Maria Luís ALBUQUERQUE

CC: Director-General John BERRIGAN

5 February 2025

Dear Commissioner Albuquerque,

Let us first congratulate you for your nomination as Commissioner for Financial Services and the Savings and Investment Union and wish you much success in your mission. As we are about to enter a new European legislative cycle, there appears to be a broad consensus, including among public authorities, in favour of simplification. The recent Draghi report, and before that the Letta report, singled out regulatory simplification as one of the keys to European competitiveness. The European Commission itself has committed to the Better Regulation agenda for several years and has made further easing the regulatory burden one of the focuses of its forthcoming mandate.

Let us be clear: simplification is not and should not be deregulation. A resilient financial system is a prerequisite for a competitive European Union. Following the 2007-09 global crisis, significant and much-needed actions have been taken to strengthen financial sector regulation at the international level. In particular, enhanced capital and liquidity requirements have allowed the European banking sector to weather successive stresses over the recent years; this precious legacy should not be overlooked. The priority remains the implementation of the final package of Basel III in all jurisdictions, as performed in the EU with the entry into application of CRR3 in January 2025. As a matter of fact, the "Omnibus" project should rightly focus on the directives on sustainable finance, rather than on the CRD and CRR directives.

In parallel to this process, it is necessary to take a step back and make sure that the complexity of the cumulative layers of regulations in Europe does not constitute an obstacle to achieving our goals. Financial stability requires a clear, predictable and proportionate regulatory framework, and resolute and reasoned actions to streamline regulations would help the effective implementation of these rules. In that regard, we believe that a priority should now be to develop a "holistic" assessment of the rules that apply to European banks. To this end, a comprehensive analysis of the implications of all the standards produced in Europe should be carried out, including level 2 and 3 standards to ensure that they do not cumulatively add unintended layers of rules and expectations in addition to what is provided for in the political agreement in respect of the level 1 text. This in-depth assessment, which must include the microprudential, the macroprudential and the resolution frameworks, could also assess the proliferation of additional regulatory projects which might prevent the stabilization, the predictability and, hence, the simplification of the EU overall regulatory framework. By identifying areas where the European framework is unduly complex and may create competitive distortions at international level, without any significant financial stability benefits, this analysis could also contribute to ensuring a level playing field with other major jurisdictions.

Given the broad scope of the assessment and its potential legislative implications, we would suggest that this work could be carried out under the aegis of the European Commission and involve all of the European supervisory and regulatory authorities as well as national authorities.

We informed the President and the Governing Council meeting of the ECB of this letter.

Yours sincerely,

José Luis ESCRIVÁ

Governor of the Banco de España

Joachim NAGEL

President of the Deutsche Bundesbank

Fabio PANETTA

Governor of the Banca d'Italia

François VILLEROY DE GALHAU

Governor of the Banque de France

CC:

- Madame Christine LAGARDE, President of the ECB
- Mr. José Manuel CAMPA, Chair of the EBA
- Ms Claudia BUCH, Chair of the SSM