## SIMPLIFICATION – CUTTING THE RED TAPE
## FBF's views and proposals

In her political guidelines of July 2024, President Ursula von der Leyen underscored the reduction of administrative burdens as a top priority for the College of Commissioners, nominating Valdis Dombrovskis as Commissioner-designate for Implementation and Simplification.
**The French Banking Federation (FBF) welcomes the growing political awareness on simplification**, which is key to safeguarding European competitiveness and ensuring a more innovative and business-friendly environment.

Nevertheless, actions are now required and FBF calls to act on recommendations from the Draghi report. It is essential to simplify the European regulatory framework and to create a more flexible regulatory environment that promotes business growth and innovation without compromising essential standards.

To foster an environment conducive to competitiveness, innovation and sustainability, FBF has identified several measures regarding inefficient and disproportionate administrative burdens and compliance costs for businesses. Regarding the timeline, this document identifies the main issues to be addressed.

### Corporate Sustainability Reporting Directive (CSRD)

The CSRD aims to make more ESG data available, with the idea that this would encourage the transition to a low-carbon and sustainable economy. **However, an over-application of this regulation, along with certain inconsistent, inappropriate, and/or insufficiently robust data requests, could lead to disproportionate reporting efforts, to the detriment of investments that have a direct impact on the transition (such as building energy efficiency, industrial modernisation, etc.).**

<u>State of play</u>

- **The practical infeasibility** for a diversified bank to identify, assess, mitigate and report on impacts on its entire value chain should be better taken into account: there are hundreds of thousands or millions of players composing this chain and **going beyond tier 1 is a road fraught with pitfalls** (like the refusal of tier 1 to communicate information on its own suppliers).

- The CSRD relies on the principle of double materiality assessment (DMA), which may be quite complex to implement for banks. **This complexity should not lead sustainability auditors to request for an overapplication of the text.** Auditors should provide their opinion of the process of the DMA implemented by each, not more.

- **For the banking sector, it is inappropriate to set absolute GHG emission reduction targets** (going further than the 3-year phase-in for absolute GHG emission target disclosure, which is appreciated, this request should be suppressed). As a reminder, ESRS E1-4 (§34a) requires the publication of absolute targets, while ESRS E1-4 AR23 allows for intensity targets with associated absolute values.
    - It took 3 years to banks in the context of the NZBA (Net Zero Banking Alliance) to define methodology finding the right balance between the need for banks to align their portfolio with NZE (Net Zero GHG Emissions) scenarios and continue to support the decarbonation efforts of emitting companies.
    - Moreover, it is unrealistic to expect banks to publish absolute GHG reduction targets, due to uncertain financial projections and the need for multiple environmental assumptions. Setting such targets now is premature as many companies have not yet published their emissions or established decarbonization trajectories. This could also hinder the role of banks in financing the low-carbon transition of the economy.
    - Data reliability is a major issue. As a matter of fact, the data available is not yet sufficient to establish a representative baseline. High volatility of figures published by counterparties is expected, due to changes in methodology and estimates. In the absence of data

published by counterparties (such as SMEs and ETIs or non-EU companies), banks have to use estimates based on sector proxies, data providers or internal models.

- Regarding the obligation to publish separate sustainability reports for listed subsidiaries, the CSRD provides for two different regimes for subsidiaries within the same group: listed subsidiaries must publish their own sustainability report, while unlisted subsidiaries are exempt.

- **Banks are reliant upon disclosures from their clients to enable their own reporting and risk management**. It is therefore essential to look at the framework holistically.

- **The digitisation of sustainability information will represent a significant additional burden for companies**. The digitisation of sustainability reports will have to be carried out as soon as the technical measures defining the format (XBRL) and digitisation methods (ESRS digital taxonomy) are adopted by the European Commission (first application in 2027). As of today, many stakeholders consider that the ESRS digital taxonomy drafted by EFRAG is too complex and burdensome to implement. The development of new technologies and, in particular, artificial intelligence, calls into question the relevance of digitising sustainability reports.

**Core demands**

- **Flexibility is needed from the sustainability auditors, in line with what is requested from them in the CSRD**: A safe harbour should be granted to companies for their CSRD publication, in particular given the lack of consensus between audit practices at this stage. **Audit «reserves» should be excluded on the results of the Double materiality assessment (DMA), with only potential «remarks» being applicable.**
    - Specifically, audits on DMA should focus on the process, as requested in the CSRD and the associated ESRS, and not pave the way to an overapplication of the regulatory texts.
    - Move to reasonable assurance only for quantitative elements (hardly feasible for qualitative ones). Also, ensure rapid production of comprehensive guidelines/standards for assurance, which should clearly remind the limits of the auditors' mission.

- **The simplification mandate should be extended to EFRAG, in particular for sector specific standards**. The pursuit of sectoral standardisation must be conditional on the prior simplification of cross-sectoral standards and a change in the method and outcome of the development of sectoral standards provided for by the CSRD.
    - Specifically, the sectoral standard for banks must have the following objectives (this simplification mandate could be addressed by amendments in Level 1):
        - **significantly reduce the number of requested datapoints** (especially by explicitly excluding the generic datapoints that are not relevant for banks), and not add any new indicator;
        - provide guidance on how to apply the ESRS of set 1 taking into account the specificities of banking activities, and the banking-insurance conglomerates that bring together the banking, asset management and insurance professions;
        - **identify requirements that do not make sense for banks and are therefore not applicable**, and clarify the existing sector agnostic ESRS, especially on the definitions that are inadequate for the banking sector (e.g. on "net revenues"). For example, the following requirements are specific to corporates and are not applicable to banks:
            - quantitative datapoints based on CAPEX and OPEX concepts;
            - locked-in emissions.
        - replace and not add any new transsectoral requirements;
        - ensure consistency with other regulations (SFDR for example, CRR3/CRD6, Pilar 3);
        - remove the notion of "Essential intangible resources", due to lack of clarity.

- Given the challenges associated with setting absolute GHG emission reduction targets for the banking sector, **we propose that banks focus on establishing physical intensity targets instead, as recognized in pillar 3 disclosures.** These targets, which measure emissions relative to a specific metric such as revenue or assets, provide a more accurate and practical approach. They account for the varying sizes and activities of banks and offer a reliable way to track and reduce emissions.

- **Limit the requests regarding the value chain of banks only to data that is robust, measurable and relevant**. It should be kept in mind that collecting and disclosing ESG data aims at facilitating the energy and ecological transition.
    - Thus, ESG data collection should focus on activities for which banks can collect **relevant and robust data** and can have a **real impact on the ESG transition**.
    - Furthermore, resources used (human and financial) to collect, assess and disclose such data should be **proportionate** and not create an excessive administrative burden for the actors involved along the value chains (e.g. from the corporates collecting and disclosing the primary data to the banks collecting, assessing and disclosing the data from their clients). All this value chain data collection should contribute to the collective efforts undertaken to foster the ecological transition, not distract resources from these efforts.

- **Do not request more data from banks that what will be reported by non-financial corporates:** To the extent that CSRD reporting is streamlined for non-financial corporates, financial sector reporting and ESG risk management requirements need to also be reviewed to accommodate this. Without such alignment, banks will be required to keep on asking companies for the information on a bilateral basis, creating more burdens for companies than standardised reporting, failing to reach the simplification objective.

- **Listed subsidiaries with headcounts below 250 (with the threshold on headcounts becoming binding / mandatory) should be exempted**, to avoid requiring very small subsidiaries to report alongside CSRD).

- Introduce a **provision in CRD 6 providing that the ESG risks management requirement guidelines should be consistent with CSRD requirements**.

**<u>Additional demands</u>**

- Digitisation of sustainability reporting should be postponed for qualitative elements. The initial focus should be on quantitative data and then there needs to be a review regarding tagging of as the XBRL tagging currently proposed is not adapted to DATA AI type technologies

- The Commission should ask EFRAG to conduct a feedback exercise after the first reporting cycle and use it for simplification purposes.

- Some indicators, particularly social indicators, are very difficult to calculate because the data is not available on a global basis due to the lack of a global human resources information system. Other indicators do not make sense, such as the ratio between the total annual remuneration of the best paid person and the median total annual remuneration of all employees: calculating a global ratio does not make any sense given the differences in salary levels between geographical areas. It would be preferable to calculate ratios for each of the main countries, using the mean value rather than the median value. As regards decent pay, what should be the basis for monitoring it in the absence of a common benchmark (outside the EU)? Finally, some indicators may present a major and unjustified reputational risk, for example the publication of the number of labour-related human rights complaints, rather than final convictions.

- Delay implementation of CSRD for those companies that do not have to report until 2026.

## Taxonomy regulation:

**The first publication of the GAR (Green Asset Ratio) showed significant flaws: incoherency in the calculation** (e.g. asymmetry between **numerator and denominator), lack of comparability** (too dependent on each bank's business model)**, limited usefulness (if any) for end-users, etc.**

**State of play**

- **GAR calculation and reporting are extremely heavy for banks and of limited use (if any) for external stakeholders** (such as investors). GAR reporting usually requires the publication of tens of pages, filled in with tables that are very difficult-to-read.

- **An asymmetry in the GAR is observed between the numerator and denominator.** Unlike sovereign exposures, which are symmetrically excluded from the numerator and denominator, exposures to companies not subject to CSRD disclosure requirements are excluded from the calculation of their alignment with the taxonomy but must be included in the denominator, thus reducing the GAR ratio. In addition, activities not covered by the Annexes to Regulation 2021/2139 are excluded from the numerator but not from the denominator.

- These structural asymmetries in the GAR distort the picture of the alignment of banking portfolios with the taxonomy, and lead to divergent green asset ratios depending on the business model, customer base and location of the activities financed by the bank. As a consequence, the GAR is too dependent on the business models of banks (exposure to SMEs, exposure to non-EU companies…), which makes it **a metric that is not comparable from one bank to another**.

- There are strong concerns about the **relevance and usefulness of the trading book and fees and commission KPIs**. The banking industry has expressed strong doubts about the decision usefulness of these KPIs which should be published from 2026. This implies starting the process of production early 2025 (data collection, interpretation, etc.), whereas the Platform on Sustainable Finance is given a mandate to review those KPIs.

**Core demands**

- **Suppress the obligation to report the GAR**, each bank being able to continue publishing its GAR on a voluntary basis.

- **Urgent**: **Remove, as early as early 2025, the trading book and fees and commission KPIs** (these KPIs are currently due in 2026, which implies allocating resources in early 2025), based on the clear banking industry's view of lack of usefulness of these KPIs. This would provide greater legal certainty and prevent banks from investing this year additional several thousand hours in the operationalization of these KPIs.

**If, after an in-depth assessment** (which should take into account the feedback from FIs regarding the experience on the application of the GAR, as well as from investors regarding its usefulness in the investment decision process), **the GAR is maintained:**

- **Resolve structural asymmetry of the GAR, aligning numerator and denominator, by excluding assets from the denominator that cannot be Taxonomy-assessed and those that are not reported under the scope of the CSRD**. Numerous proposals have been made by the banking sector to the European Commission to make the calculation of the GAR more consistent and improved, in particular:
  - Exposures to SMEs: to be removed from the denominator.
  - Exposures to non-European companies: to be removed from the denominator. Use of non-harmonized proxies seems unsuitable and raises the risk of greenwashing claims (for instance, for loans with unknown use of proceeds, how to consider that local legal framework is equivalent to EU DNSH?).
  - Retail & local administration exposures: simplified approach based on substantial contribution alone.
  - Loans dedicated to sustainable activities carried out by European SPV outside the scope of the CSRD should be eligible to the numerator (financing of projects or assets carried out by special purpose companies, for example): modification of the eligibility rule in order to include them in both numerator and denominator of the GAR.

- **Ensure a workable approach to assessment requirements**:

    - Identification of alignment to be performed only once, with no future revision during the transaction's lifetime (for use of proceeds instruments including those granted to households);
    - Households & local administration exposures: assessment should be performed with a simplified approach based only on substantial contribution, i.e. **no Do No Significant Harm (DNSH) and Minimum Social Safeguards (MSS) compliance assessment**.
    - For use of proceeds financings granted to corporates, information of alignment based on eligibility and alignment shares provided by clients, without the need for financial institutions to collect evidence supporting that each TSCs are met.

- **Update the 8 November 2024 Taxonomy FAQ** to ensure that it does not introduce obligations that go beyond those included in the Disclosures DA, including notably the **removal of the Group consolidated KPI.**

- **Reduce the number of templates and simplify them,** to **ensure the readability, comparability and transparency of information**, and especially:
    - Limit the number of Gas and Nuclear templates, to GAR stock templates only;
    - Remove the "of which transitional" and "of which enabling" columns from templates 1, 3, 4, 5, 6 and 7, as currently more than 40 templates are requested from credit institutions;
    - Simplify generic templates, for instance by removing columns from alignment subcategories such as transitional / enabling, putting one single column for eligibility without splitting per objective, adding the possibility to split tables N and N-1 rather than having a single table on several pages;
    - Remove the off-balance sheet KPIs (Financial Guarantees KPI, Asset under Management KPI);
    - Remove all flow KPIs.

## Corporate Sustainability Due Diligence Directive (CS3D)

**State of play**

- The implementation of the Corporate Sustainability Due Diligence Directive (CS3D) takes place within a European legislative framework shaped by complementary initiatives, such as the Corporate Sustainability Reporting Directive (CSRD). However, **significant divergences remain**, particularly regarding their scopes, requirements for transition plans, and certain provisions like the review clause scheduled for 2026. These inconsistencies risk increasing the administrative burden on companies and undermining the overall coherence of the regulatory framework.

- Article 36(1) includes a review clause that is specific to financial institutions, whereas there is no justification to impose additional obligations on financial companies compared to other businesses. Additionally, imposing specific obligations on financial institutions could encourage businesses to seek financing from non-European entities not subject to CS3D obligations, thus raising a competitiveness issue. It is also worth noting that the revision timing is different for banks, with a review clause set for 2026, while other companies are subject to a 2030 timeline. Moreover, a directive does not always include a review clause, and when one exists, it is typically set 3 to 4 years after the text's implementation (see Better Regulation Toolbox).

**Core demands**

- The implementation of the directive, as it stands, puts European companies at a disadvantage relative to international competition. In this new context, the main request is to **suspend the implementation of the directive until the following adjustments have been made**.

- **Request for removal of the review clause in a broad manner Article 36(1).** It is not justified or appropriate to impose additional obligations on financial companies compared to other businesses. Financial companies must be treated like other sectors. Furthermore, any new obligations imposed regarding due diligences would necessarily be passed on to the users of financial services, particularly businesses, which would be contradictory to the goal of reducing due diligence and reporting requirements for companies.

- **As a general principle, CS3D should only prescribe duties of care.** No legal liability should arise from adverse impacts. This was the legislator's intent as transcribed in recital 19: "Companies should take appropriate steps to set up and carry out due diligence measures, with respect to their own operations, those of their subsidiaries, as well as those of their direct and indirect business partners throughout their chains of activities in accordance with this Directive. This Directive should not require companies to guarantee, in all circumstances, that adverse impacts will never occur or that they will be stopped."

- **Language should be inserted and the directive should be clarified throughout to make sure that due diligences are wholly sufficient to meet the requirements of the directive.** Adverse impacts do not warrant legal liabilities.

- **Thresholds should be revised and increased to reflect to reflect the capabilities of companies to implement due diligences,** that is targeting only European companies with more than 5,000 employees and more than €1.5 billion in turnover worldwide and non-European companies with a turnover of more than €1.5 billion on the European market. **The duty of care should be assessed at the group-level** to centralise the identification and management of risks and not to multiply the effort at the level of each subsidiary.

- **Limiting the upstream value chain to tier 1 - Article 3**
  The definition of business partners in Article 3 of the directive should be amended to limit it to direct business partners. Otherwise, there would be significant consequences for the competitiveness of the companies involved, as their obligations and responsibilities would be too burdensome, disproportionate, and undefined, also affecting reporting on commercial partners, including SMEs.

- **Relationships with business partners – Article 10**
  Limit the number of controls to be conducted with business partners: request, through contractual provisions, that the company adhere to its own Code of Conduct (modifying Article 10, paragraph 2b), or perform verifications based on this Code of Conduct. Otherwise, there is a risk of interference in the company's activities.

- **Alignment of CS3D and CSRD on the transition plan – Article 22**
  In particular, the notion of "best efforts" and "intermediate targets" is mentioned in CS3D - very vague notions, leading to a degree of legal uncertainty, which are not included in the CSRD.

- **Periodic evaluation of measures implemented – Article 15**
  Limit evaluations to once every two years, regardless of the situation (modifying the second sentence of Article 15) in order to avoid burdening banks with excessive obligations.

- **Adoption of guidelines at least two years before the application date** to facilitate the implementation of the text (see position of November 5, 2024, signed by 27 professional associations, including FBE and Business Europe) - Article 19.

- **Simplify the complaint and notification mechanisms** to focus on the already well-known French legal alert system. Otherwise, the interaction between these three mechanisms will be very difficult to implement - Article 14.

- **Sanctions - Article 27**
  The directive provides excessively heavy sanctions, particularly financial ones. However, in the event of non-compliance with the provisions of the directive, companies' civil liability could be triggered in parallel. Furthermore, the failure to comply with the directive's provisions does not, in our view, constitute a breach of public order. To avoid harming the competitiveness of businesses, it seems crucial to introduce a proportionality requirement in determining these sanctions.

- **Limit the number of reference texts - Annexes**
Under the directive, companies could be penalized in the event of negative impacts resulting from violations of international agreements related to human rights and the environment listed in the annex. This list is very broad and vague, creating legal uncertainty for businesses. Therefore, the number of referenced texts should be reduced.

## Taxation

**State of play**

- **The need for a simplification of European tax rules is urgent**, particularly following a decade of complex anti-abuse measures that have created significant administrative burdens for financial institutions. With the introduction, in 2024, of the minimum tax and, as from 2030, FASTER withholding tax procedures, the tax framework in the EU has become and will continue to be overly complex. Compliance with these rules raises unprecedented challenges for financial institutions while requiring huge human and financial resources that are not proportionated with the objective of directives adopted. Even tax administrations struggle when enforce them and controlling compliance.
- Furthermore, tax policies should align with the competitiveness and attractiveness agendas of the EU. The focus should shift towards using tax policy as an incentive rather than a punitive measure. This is essential for supporting the capital market union, which will foster greater involvement of private capital in financing the economy and the green and digital transformation.

**Core demands**

- **Engage in a "decluttering" exercise of due diligence, reporting and obligations on financial intermediaries provided by FASTER Directive.** If FASTER will enter into force as from 1st January 2030, it appears that new rules should be difficulties workable and inefficient. In order to aim the directive, i.e., simplify and digitalize withholding tax processes within the EU, it must be introduced, now, more simplification for both investors and financial intermediaries though a simplified registration for large institution and pan-European definitions. In addition, reporting must become yearly reporting.
**To go further, it should be envisaging the complete removal of withholding taxes within the EU** as they are a brake on the Single Market, on investments, on the freedom of movement of capital, and generate complexity and legal uncertainty for businesses.
- **Back the business' request for permanent Safe Harbours in the international negociation at OECD** : simplified calculations and declarations should be allowed when there is no tax at stake. The aim should be to avoid unnecessary complexities and to better focus resources. Business is concerned that it will end up in a "CSRD-type scenario" if no permanent simplification is granted.
- **Maintain the VAT exemption for financial activities coupled with the possibility of opt**ing **tax transaction-by-transaction basis**. However, in order to limit the amount of non-recoverable VAT, the creation of a VAT group should be extended to EU VAT group and the definition of exempted financial services should be updated and clarified.
- **Remove or revise certain rules which have become redundant or economically inefficient**, in particular the Controlled Foreign Companies (CFC) rules, the rule on limiting deduction of financial charges (which was put in place in a time when rates were historically low, and nowadays considerably increases the cost of debt financing) and some of the DAC reporting requirements which should be removed (eg. DAC6). In any case, no new redundant or economically inefficient tax regulations should be introduced.

## Open finance (Financial Data Acces)

**State of play:**

- **Regulatory Landscape:** Financial companies are now subject to new regulations aimed at both strengthening data security and at the same time sharing more data. The combination of these two contradicting goals bring fresh challenges. Key regulations include DORA and FIDA.
- **Open Financial Data (FIDA):** FIDA will require financial institutions to make customer data accessible to data users contingent upon customers' consent. This raises significant concerns around data protection and business secrecy, as third parties will gain access to information from consenting companies, including data on their commercial partners who may not have been consulted for permission.

<u>Core demands</u>

- **FBF has asked for the withdrawal of the text since the proposed regulation text has been ill-conceived.** Data is already shared whenever there is a real need and we believe no successful scheme will emerge from the current legislation.
- **In the absence of withdrawal of the text, FBF advocates for a policy of voluntary data sharing based on purpose-built infrastructure, while carefully considering the concerns of the financial sector**. The current proposal presents significant security risks that could compromise the confidentiality of sensitive information.
- The protection of companies' financial data is essential since it reveals many of a company's secrets and performance. Service providers in the very broad sense are a source of vulnerability as Dora emphasizes. The very principle of FIDA is to multiply these points of fragility by multiplying the providers/brokers who have access to companies' financial data. From our point of view, Fida will weaken the security of companies.
- The current scope of data included in FIDA poses problems of data protection, in particular security and respect for business confidentiality. We therefore ask to focus the scope of FIDA on retail customers.
- **In addition FBF believes it is crucial for any data holder to check with any client if he / she has authorized transfer of data** even if a partner (customer, supplier, or other) claims it has received the consent of the client to share that data.
- **FBF is asking for the exclusion of gatekeepers from the scope of the regulation.** We believe that sharing the data of European citizens and companies with gatekeepers is a gift to the development of non-European actors, a risk to European sovereignty and the data security of European entities, and a major commercial risk for European financial companies whose health is vital for European investment and growth.
- A remuneration system is needed to compensate for investment and operating costs of the schemes being set up.

## Retail Investment Strategy

<u>State of play</u>

- Interinstitutional negotiations will start under the Polish Presidency of the Council. The European Parliament adopted its position in April and the Council adopted it general orientation in June 2024 during the Belgian Presidency.
- In particular, the Council version falls short of the European Commission's objectives of simplification. At a time when the European Union aims at increasing the competitiveness of its financial markets to further contribute to the financing of the EU economy, it is essential to improve the simplification of processes, the reduction of administrative burden, and to avoid a cost-only focus.

<u>Core demands</u>

- **Withdrawal of the text:** this initiative does not respond at all to the initial objective which is to increase the participation of retail investors to the capital markets. On the contrary, it will jeopardize the competitiveness of the banking sector and make an already cumbersome client-journey even more difficult.
- **If withdrawal is not possible, outstanding needs:**
    - The RIS should be streamlined and simplified so that the customer journey should be simple and understandable. In addition, simplifying the existing regulatory framework should not be a taboo subject when experience shows that certain provisions are useless or counterproductive. For example, “ordinary” shares and “vanilla” (unstructured) bonds should be out of the scope of product governance.

- The text should at least converge as much as possible towards the version of the European Parliament: deletion of the “inducements test” and amending the best interest test criteria not to have an analysis limited to costs (this test could also be deleted since it is useless with a robust VFM process). Newly criteria added to the “suitability test’ will hinder the selling of ESG products and must be deleted. The future EU benchmark should not be made public and only be conceived as a tool for supervision and not for price control .

## Removing MREL requirements while keeping only TLAC requirements

**State of play:**

- **Regulatory Landscape:** Requirements for Own Funds and Eligible Liabilities aimed at maintaining sufficient eligible instruments to facilitate the implementation of the preferred resolution strategy have different amounts among jurisdictions.

**Core demands**

- **For GSIBs, align the European Union’s MREL requirements with the international TLAC standards.** In average, MREL requirements are at 27% in Europe. As a comparison, the TLAC rule determined at international level in 2015 is calibrated for global systemic banks (GSIBs) at 22/23%. Therefore, large EU banks suffer from excessive levels of MREL compared with the international TLAC requirement, especially given their most plausible resolution scenarios (i.e. not just an open bank bail-in). They have an excess total risk exposure amount (TREA) of 4% to 5% relative to their US counterparts, which constitutes a serious fair competition problem that has an impact on their profitability.

- **Eliminate the inflation of resolution requirements with regard to the inflation of solvency requirements induced by the entry into force of CRR3:** Resolution requirements are expressed as a percentage of weighted risks. However, for equivalent requirements, the increase in European banks' RWAs by more than 15% with the introduction of CRR3 from January 1, 2025 will mean that even more capital will have to be tied up to meet these requirements instead of financing the EU economy, without any rationale or change in risk profile.

## Simplifying capital buffers

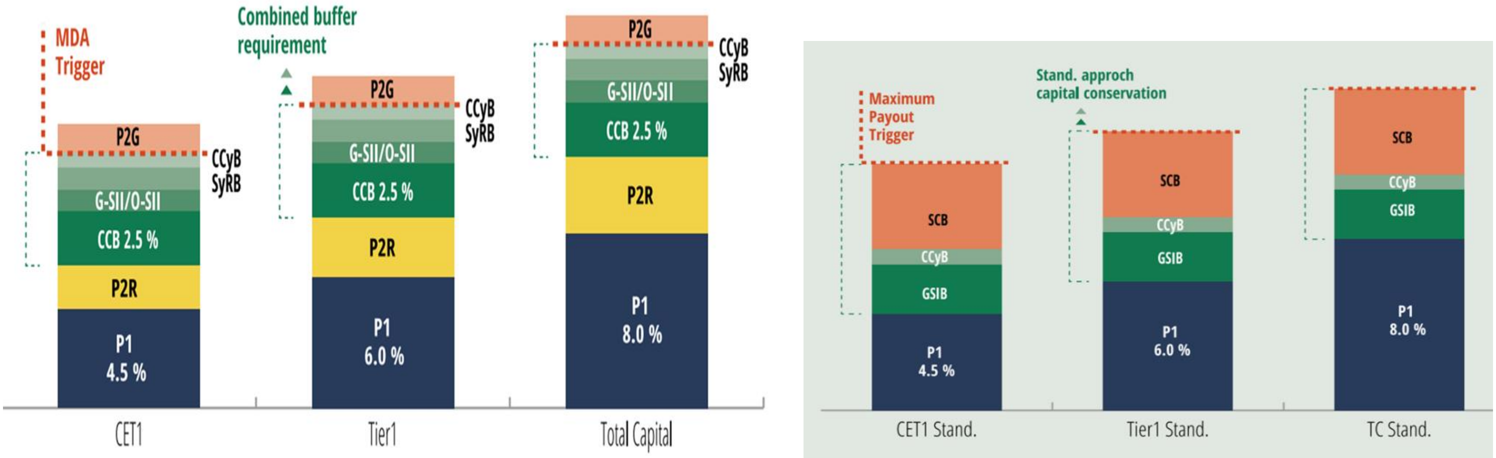
**State of play:**

- **The European Commission is considering reviewing the current EU macroprudential framework for financial institutions.** In its current form, the EU macroprudential framework is indeed excessively complex.

**Core demands**

- We firmly believe that European banks are sufficiently capitalised, and it seems to us that **the review of the EU macroprudential framework should not result in higher capital requirements**. The capital level of the 450 European banking groups applying Basel III rules is now higher than the capital level of the 13 major US banks, and it includes a management buffer.
- It would be advisable to ease these requirements to respect fair competition, whereas **the EU currently goes beyond Basel III rules with additional buffers and specific requirements (such as the systemic risk buffer (SyRB) and the buffer for other systemically important institutions O-SII) (*).** Capital is therefore locked up instead of being invested in the economy to finance growth.
- The review of this framework should notably provide **greater clarity on the risks covered by each of the buffers, on the criteria for their release and on the absence of overlap (multiple counting) with other macroprudential buffers**, as well as with Pillar 2R and Pillar 2G, in addition to the minimum Pillar 1 requirements.
- Similarly, we are not in favour of increasing own funds for any new emerging risk until we know exactly how it should be dealt with in Pillar 1 and Pillar 2. Particular attention must be paid to the risk of P1/P2 double counting, particularly as regards the transposition of Basel IV.

(*) **Graph** of the EU risk-based capital framework/requirements (left) vs the US risk-based capital framework (right).




**Source : EBA and ACPR conference, November 2024 (François Villeroy de Galhau, Governor of the Banque de France, at ACPR Conference, 26.11.2024: « Towards a realistic simplification : untying some of the knots in European banking regulations”**