eba European Banking Authority

MFSA’s 2026 Joint Banking Supervision and Resolution Conference

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Francois-Louis Michaud keynote speech: Efficiency in banking regulation and supervision - the EBA's mission

Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

Ladies and Gentlemen,

I would like to start by thanking the Malta Financial Services Authority for organising a conference on such an important topic – how we can collectively best shape the future of banking supervision and resolution. Previous sessions have provided valuable insights, and I am very happy to share some EBA perspectives on this.

We start from a position of strength.

The European banking sector has entered 2026 with high capital, ample liquidity, and solid profitability: EU banks’ core equity tier 1 is above 16% while it was 13% ten years ago (and the quality of capital is better), profitability has improved, with returns on equity close to 11% on average compared to below 7% ten years ago, non-performing loans are down, from 5% to 1.6%, liquidity ratios are high, and I could refer to many more pieces of good news …

Maybe just one more! The results of the EU-wide stress test that the EBA published last August confirmed EU banks’ resilience: even under a very adverse scenario, their aggregate CET1 ratio would remain above 12%. This shows they can absorb severe shocks and continue lending to the real economy.

Those positive results are the outcome of a decade of profound regulatory and supervisory reforms, intense supervisory work, and notable enhancements in financial institutions risk management.

Yet the world is changing fast.

Strength is important as banks are being tested by new sources of fragmentation and volatility. We are faced with a long list of threats! Geopolitical tensions, environmental and demographic transitions, high levels of public debt… The financial industry is itself faced with a profound transformation as digitalisation changes the way it runs its business and lowers barriers to entry for new types of banking services. Last but not least, non-bank financial intermediaries now play an important role in the financing of our economies.

These developments have prompted early regulatory responses, such as DORA and MiCA which close some of the gaps. On the other hand, this also create new overlaps with existing rules for payments, e-money, or investment services which need to be carefully considered.

Beyond, in a changing world, authorities need to take a serious look at the current regulatory and supervisory framework for financial activities. We need to ask ourselves whether some of our rules and practices are still fully warranted and up to the task, and whether others may be in order, to tackle the new risks. To unlock EU's potential and drive faster and more sustainable growth, EU Heads of State and Government in their Budapest Declaration on the New European Competitiveness Deal have called for a "simplification revolution" and asked the European Commission to make it a priority. The latter is engaging with stakeholders to make Europe an attractive and competitive place for investors and citizens through better regulation.

At the EBA, we are fully engaging in the simplification and efficiency debate.

To be clear, simplification is about removing superfluous layers of "red tape" and finding ways to reduce excessive burden for the industry. It is about better regulation not about deregulation. Simplification calls for looking into proportionality, that is, to tailor rules to relevant differences in risks, business models, geographies, the size of institutions and markets, and to fight the temptation of "one size fits all". In a nutshell, simplification is best understood as becoming more efficient, achieving the best possible outcomes by deploying our tools and resources in the best possible way. One should of course not forget about effectiveness - whether the framework is achieving its intended goals.

Having this in mind, in 2025, the EBA established a Taskforce led by our Vice-Chair with four of our Board members with complementary perspectives, including our MFSA colleague with whom I had the pleasure of closely interacting. Our work was guides by a few principles: (i) safeguarding resilience and international credibility; (ii) enabling supervised entities to fully benefit from the Single Market; (iii) deepening this Single Market and advancing the Banking Union; and (iv) applying proportionality while avoiding fragmentation.

The EBA has developed 21 recommendations to increase efficiency in four main areas.

Endorsed by EBA's Board and published on 1 October 2025, these recommendations span different time horizons, from immediate to longer term, some requiring coordination with other European bodies, and many which can be directly shaped by the EBA.[1]

A first group of EBA's recommendations relates to the regulation it delivers. The first question we asked ourselves was how to prioritise all the "Level 2" and "Level 3" mandates we have been asked to deliver in the coming years. To do this, we have developed a simple methodology. First, we assess whether a mandate is complex, stakeholder-sensitive and which institutions are in scope. Second, we look at its materiality to two criteria: how important this mandate is for good supervision and how burdensome it is for the industry. We concluded that 20% of the mandates could be deprioritised. As they stem from EU Regulations and Directives, we are engaging with the European Commission to see how best to proceed. We have also started to use this new approach in the context of on-going negotiations, to advise co-legislators, and this was found helpful.

Looking ahead is good but it is not enough; we must also review the existing stock of "Level 2" and "Level 3" norms. Again, the objective is to make sure that the Rulebook we have developed over the past 15 years remains relevant and, whenever possible, simplify or adjust the rules in a way that enhances efficiency without weakening resilience. As not everything can be done in one go, we are starting with credit risk, governance and remuneration, ESG, and supervisory and resolution processes. We are confident that efficiency gains are possible. With regard to credit risk, our review focuses on improving clarity and streamlining, recalibrating the balance between simplicity and risk sensitivity, and clarifying the boundary between regulation and supervisory practice.

Rules should also be user-friendly, easily accessible to all stakeholders. This could be facilitated by a consolidated online repository encompassing legislation, EBA technical standards, and EBA guidelines and our responses to the questions raised by financial entities and supervisors ("Q&As").

Let's turn to the second group of EBA's recommendations: reporting. One of the key tasks of the EBA since its inception has been to establish a uniform EU-wide reporting framework. This had been even started by CEBS, our predecessor. This harmonised reporting exists and it is a success: it is indeed considerably simpler for financial institutions and authorities to refer to only one rather than to 27 different national reporting regimes. Harmonisation allows for consistent risk analysis and supervision across the Union, and for a better level playing field. In 2021, we performed a study on banks' cost of compliance with harmonised reporting which resulted in a reduction of that cost by approximately 20% in subsequent years.[2]

Proportionality is core. Today, "small and non-complex institutions" already report only 30% of the data required from larger institutions. But there is room for improvement. In the short and medium term, we believe we can already achieve meaningful efficiency and proportionality gains. Reducing reporting costs by 25% overall, in line with the expectations set by the European Commission, seems doable.

[1] https://www.eba.europa.eu/publications-and-media/press-releases/eba-publishes-its-2026-work-programme-and-takes-action-more-efficient-regulatory-and-supervisory

[2] https://www.eba.europa.eu/cost-compliance-supervisory-reporting

To deliver this, we need to streamline the current reporting across the board, both the EU harmonised one and reporting requests from national competent and resolution authorities. Secondly, we need to strengthen the coordination of data requests: establishing a public EU-large reporting repository would enhance transparency, improve alignment between EU and national levels, avoid duplications. Thirdly, we should improve change-management practices. This means assessing the impact of reporting changes ex ante, providing greater predictability in the timing and scope of revisions, and enhancing engagement with stakeholders to better understand their needs.

Beyond, the EBA is committed to integrating prudential and statistical reporting, and it is working on that with key stakeholders including the ECB, the SRB and competent authorities in the context of a Joint Bank Reporting Committee.[3] The aim is to provide a single glossary of definitions and eliminate overlaps across reporting streams.

A third group of EBA's recommendations has to do with developing a holistic understanding of regulatory and supervisory action. The regulatory framework for credit institutions has admittedly grown over the years and now spans micro-prudential, macro-prudential and resolution rules, alongside anti-money-laundering, market conduct, consumer protection, ESG, digital, AI rules. This wide array of EU and national rules, implemented by dedicated EU and national authorities, naturally result in a wide range of quantitative and qualitative obligations on institutions. We documented some of that in a July 2024 report on "capital stacks."[4]

While this framework has enhanced resilience in the EU, its intrinsic complexity and burden led the EBA to advocate for taking a more holistic approach and examining whether improvements are possible. We have thus started reviewing the interactions between micro, macro and resolution capital requirements and buffers. We are also considering whether more proportionality is possible for Small and Non-Complex Institutions. Another area of attention is how we could promote convergence in risk-management concepts and supervisory expectations across regulatory frameworks. For this we can draw on the EU-27 and cross-sector expertise of our Board.

As coordination amongst competent authorities responsible for the supervision of a financial institution is key, the EBA will explore how it could facilitate this. More regular exchanges and easier information sharing arrangements, possibly supported by common IT-solutions, would certainly help. At a more macro level, the EBA which has a supervisory convergence mandate across the EU could also contribute to regular assessments of the overall impact of the regulatory and supervisory framework – thus, we come back to efficiency.

Finally, as efficiency and simplicity start at home, we have also done our own introspection and developed a fourth group of recommendations which relate to our working arrangements.

In conclusion, at the EBA, we are fully committed to embedding simplicity and efficiency in everything regulators and supervisors do.

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[3] https://www.eba.europa.eu/activities/single-rulebook/regulatory-activities/supervisory-reporting/joint-bank-reporting-committee-jbrc

[4] https://www.eba.europa.eu/publications-and-media/press-releases/eba-reflects-eu-stacking-orders-and-provides-insight-eu-institutions-management-buffers

In an increasingly complex financial landscape, streamlining processes and clarifying rules is essential to reduce unnecessary burden, enhance transparency, and make the framework easier to navigate for all stakeholders. By pursuing efficiency without compromising resilience, we can free up capacity for core supervisory work, strengthen the resilience and accessibility of our financial system, and best contribute to the dynamism and competitiveness of our economies.

Thank you for your attention.