VERBALE CONSIGLIO GENERALE E COMITATO 16/06/2025

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Il giorno 16 giugno 2025, alle ore 11.00, a seguito di regolare convocazione del 9 giugno 2025, presso la Sala Consiglio di BFF Bank in Viale Lodovico Scarampo, 15 a Milano, in seduta congiunta si sono riuniti il Consiglio generale e il Comitato per discutere e deliberare sul seguente:

Ordine del Giorno

1) Approvazione Ordine del Giorno e dei rispettivi verbali riunioni precedenti
   - Bozza verbale del Consiglio generale del 20 gennaio 2025
   - Bozza verbale del Comitato del 7 aprile 2025
2) Comunicazioni del Presidente e dei Consiglieri attivi in iniziative associative
   - Aggiornamento CBI
   - Semplificazione normativa
3) Discussione collegiale su temi prioritari
   - Euro Digitale (Intervento Silvia Attanasio - ABI)
4) Relazione Annuale
   a. Relazione del Presidente
   b. Relazione Annuale sull'attività 2024: Approvazione e proposta all'Assemblea
   c. Rendiconto di gestione 2024: Approvazione e proposta all'Assemblea
   d. Relazione annuale 2024 del Collegio dei Revisori
5) Preventivo di gestione 2025: Deliberazioni inerenti
6) Domanda di nuova adesione
7) Informativa su attività svolte dal Direttore generale

8) Bonus 2024 al Direttore generale: deliberazioni inerenti e conseguenti

9) Intervento Luigi Avogadro (Consorzio Luzzatti S.C.P.A.)

10) Varie ed eventuali

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Sono presenti il Presidente Sella ing. Pietro; i Vice Presidenti, Passadore dott. Francesco e Pirovano dott. Giovanni (collegamento); i Consiglieri: Azzoaglio dott.ssa Erica, Basile dott. Raffaele (collegamento); Belingheri dott. Massimiliano, Campani dott. Angelo (collegamento), Candeli dott. Fabio, Cavallini dott. Ferdinando (collegamento), De Francisco dott. Iacopo, Garbi dott. Gianluca, Geertman dott. Frederik Herman, Izzi dott. Lucio, Lombardi dott. Giovanni (collegamento), Luviè dott. Massimo (collegamento), Maiolini dott. Francesco (collegamento), Nattino dott. Arturo (collegamento), Pelliciari dott.ssa Lorena, Prader dott. Josef, Rosa dott. Guido (collegamento), Turinetto dott. Germano (collegamento), Venesio dott. Camillo (collegamento).

Hanno giustificato la loro assenza i Consiglieri non intervenuti: Bossi dott. Giovanni, Decio dott. Alessandro, Fogiel dott. Frank, Masera dott. Franco, Mayr dott. Peter, Ragaini dott. Andrea, Ruta dott. Mario, Santoro dott. Maurizio e Vistalli dott. Paolo.

Partecipano inoltre alla riunione il Presidente del Collegio dei Revisori, Azzoaglio dott. Simone e il Revisore Villa dott. Federico.

Assistono come invitati: Albarelli dott. Sergio di Südtirol Bank, Belò dott. Maurizio di Banca Mediolanum (collegamento), Sala dott. Marco di Banca Sistema e Santoro dott. Francesco di Banca Stabiese.

È presente alla riunione il Direttore generale, dott. Emanuele Parisi, il quale, ai sensi dell'articolo 24 dello Statuto, esercita le funzioni di Segretario.

Identificati i partecipanti collegati in video/audio conferenza e verificato che anche loro siano in condizione di seguire la discussione e di intervenire in tempo reale, il Presidente dichiara aperta la riunione e passa alla trattazione dei punti all'ordine del giorno.

1) APPROVAZIONE ORDINE DEL GIORNO E DEI RISPETTIVI VERBALI RIUNIONI PRECEDENTI

- Bozza verbale del Consiglio generale del 20 gennaio 2025
- Bozza verbale del Comitato del 7 aprile 2025

Il Presidente richiede l'approvazione dell'ordine del giorno e dei verbali delle riunioni precedenti, ovvero il Verbale del Consiglio generale del 20 gennaio 2025 e il Verbale del Comitato del 7 aprile 2025. Preso atto che le bozze dei verbali sono state trasmesse a mezzo posta elettronica a tutti i Consiglieri e membri del Comitato, e che non è giunta alcuna segnalazione di modifica, il Presidente prende atto dell'approvazione da parte del Consiglio e del Comitato del testo di verbale del 20 gennaio 2025 come inviato in bozza, e da parte del Comitato del testo di verbale del 7 aprile 2025, come inviato in bozza. Preso atto altresì dell'approvazione dell'odierno Ordine del Giorno, il Presidente avvia puntuale trattazione.

2) COMUNICAZIONI DEL PRESIDENTE E DEI CONSIGLIERI ATTIVI IN INIZIATIVE ASSOCIATIVE

Aggiornamento CBI

Il Presidente passa la parola al Direttore Parisi, che riassume l'esito dell'attività di aggregazione promossa in coordinamento con Acri, AIBE e Assopopolari in riferimento alla Società CBI s.c.p.a. L'ampia adesione alla Lista PMB composta da 71 Banche aderenti ha consentito, a valle dell'operazione AUCAP, di rappresentare il 18,41% del capitale sociale, garantendo così la continuità della rappresentanza della Lista PMB nel Consiglio di amministrazione della società mediante designazione di due referenti: il Dott. Ettore Corsi del Credito Emiliano e il Dott. Enrico Susta di Banca Sella, oltre alla conferma di quattro esponenti nel Collegio sindacale: il dott. Alessandro Grange di Banca Popolare di Puglia e Basilicata in qualità di Presidente, l'avv. Alberto Palma di Cassa di Risparmio di Fermo in qualità di membro effettivo e la dott.ssa Marinella Rendo di Banca Agricola Popolare di Sicilia e il dott. Andrea Timossi di Banca Passadore in qualità di membri supplenti.

Semplificazione normativa

Passando al successivo punto all'ordine del giorno, il Direttore ha riportato l'esito positivo dell'incontro di approfondimento sulla **semplificazione della normativa di vigilanza**, tenutosi a Roma il **14 giugno 2025** presso la Banca d'Italia, con la partecipazione delle principali Associazioni di categoria.

L'incontro, strutturato in sessioni tematiche e caratterizzato da un confronto costruttivo, ha consentito di veicolare in modo sistematico le istanze raccolte tra le Banche Associate, rafforzando il dialogo con l'Autorità su alcuni snodi regolamentari di particolare rilievo. In particolare:

- **FRTB – rinvio al 2026**: il Regolamento Delegato (UE) 2024/2795 ha ufficializzato il differimento dell'entrata in vigore del nuovo framework di misurazione del rischio di mercato (Fundamental Review of the Trading

Book) al 1° gennaio 2026, accogliendo l'esigenza di armonizzazione internazionale e di un'applicazione graduale delle nuove regole.

- **CRR3/CRD6 – avanzamento dei mandati EBA**: le consultazioni su diversificazione retail e scenari ESG si sono concluse; i documenti finali sono attesi nel secondo semestre 2025. Rimane centrale la valutazione sull'effettiva applicabilità dei criteri di proporzionalità alle banche di minori dimensioni.
- **Pacchetto ESG – proposta Omnibus**: il regolamento pubblicato a febbraio 2025 introduce semplificazioni e rinvii degli adempimenti connessi a **CSRD** e **CSDDD**, recependo in parte le richieste degli operatori di maggiore coerenza e coordinamento regolamentare.

Il Direttore ha evidenziato come la struttura dell'incontro con la Vigilanza - con focus dedicati rispettivamente a CRR3/CRD6, FRTB e Omnibus ESG - abbia permesso un'analisi approfondita delle principali criticità operative, favorendo un confronto trasparente e pragmatico con l'Autorità, e che tale incontro si auspica possa essere ricorrente.

3) DISCUSSIONE COLLEGIALE SU TEMI PRIORITARI

Euro Digitale (Intervento Silvia Attanasio - ABI)

Il Presidente richiede di ammettere in sala, la dr.ssa Silvia Attanasio per fornire un aggiornamento in tema di Euro Digitale. Presa la parola, la dott.ssa Attanasio illustra lo scenario internazionale nel quale nasce il progetto dell'euro digitale, un contesto di sfida di fronte al quale il settore bancario europeo ha l'occasione di svolgere un ruolo chiave nello sviluppo dei pagamenti digitali. Prospetta le due visioni complementari sviluppate attorno ad esso. Da un lato, Piero Cipollone

(BCE), con il sostegno di Christine Lagarde, sostiene una soluzione pubblica guidata dalle istituzioni, necessaria per garantire inclusione, stabilità e interesse collettivo. Dall'altro, Fernando Navarrete (ECON) promuove lo sviluppo di una soluzione privata paneuropea, più vicina alle dinamiche di mercato e in grado di rafforzare la competitività europea rispetto agli operatori globali. L'euro digitale, come iniziativa pubblica, mira a tutelare i cittadini e integrare il sistema normativo europeo, mentre le soluzioni private puntano su innovazione, flessibilità e adozione rapida nei pagamenti al dettaglio.

In chiusura del suo intervento Silvia Attanasio riferisce il punto di vista di ABI nel suo ruolo associativo. Si impegna a promuovere una chiara distinzione tra le due soluzioni, evidenziando il contributo potenziale che ciascuna, se adeguatamente progettata e implementata, potrà offrire al rafforzamento dell'area dell'euro e al consolidamento del ruolo della valuta dell'area Euro. L'obiettivo è di favorire la realizzazione del miglior euro digitale possibile forte, sovrano e capace di affrontare le sfide globali, dove pubblico e privato collaborino in modo sinergico.

Segue ampio dibattito fra i presenti ad esito del quale, esaurita la trattazione del punto in oggetto, il Presidente ringrazia la dott.ssa Attanasio che abbandona la riunione.

4) RELAZIONE ANNUALE

Il Presidente prende la parola e illustra ai Consiglieri e Membri del Comitato il contenuto della Relazione Annuale, che si compone di:

a. **Relazione del Presidente**
b. **Relazione Annuale sull'attività 2024**
c. **Rendiconto di gestione 2024**

d. Relazione annuale 2024 del Collegio dei Revisori

Prende la parola il Presidente Sella per riferire in merito alla **<u>Relazione del Presidente</u>** per l'anno 2024, preventivamente inviata ai Consiglieri. Il Presidente evidenzia come, in un contesto caratterizzato da incertezza, dall'avanzamento dell'intelligenza artificiale e dalle sfide legate al cambiamento climatico, le banche private confermino anno dopo anno il loro ruolo di stabilità e solidità, registrando performance di rilievo. L'attivo complessivo delle Associate derivante dall'aggregazione dei Dati di Bilancio 2024 ha infatti raggiunto i 341,5 miliardi di euro, pari al 10,87% del settore, con un ROE vicino al 20%, un CET1 pari al 17,8% e un cost/income del 51,26%. Particolarmente significativo è l'andamento degli impieghi, in crescita del 4,13% a fronte di una media nazionale in calo, a dimostrazione della capacità delle Associate di sostenere famiglie e imprese anche in una fase complessa.

Accanto a questi risultati economici, viene evidenziata la forte spinta innovativa, soprattutto sul fronte della digitalizzazione. Gli investimenti hanno prodotto un incremento della produttività del 7,5% per sportello e un aumento del personale del 4,1%, segnale di attenzione al capitale umano e alla crescita organizzativa.

Il Presidente richiama poi l'impegno costante delle Associate sui temi ESG e di coesione territoriale, testimoniato da una presenza radicata nelle comunità locali e da una riduzione degli sportelli inferiore alla media nazionale. L'implementazione positiva e strutturata dei Piani d'Azione ESG, come riportato anche dalla Banca d'Italia nella pubblicazione 2024, ha mostrato progressi concreti nella governance dei rischi ambientali e climatici, nell'integrazione dei fattori ESG nei processi interni e nello sviluppo di prodotti sostenibili a beneficio di famiglie e PMI.

Esaurita la lettura della Relazione, il Presidente propone di passare al punto successivo, dando lettura della **Relazione Annuale sull'attività 2024,** precedentemente inviata ai consiglieri. Sul piano associativo, al 31 dicembre 2024 le Associate risultano 33, con un peso rilevante in termini di attivi, impieghi e provvista sul sistema bancario nazionale. Particolare attenzione è stata posta al rafforzamento della rappresentanza istituzionale, con la presenza qualificata di esponenti Pri.Banks in organi centrali quali FITD, Bancomat, ABI e nei relativi Comitati Tecnici, la cui partecipazione è stata ampliata rispetto alla tornata 2022-2024. Parallelamente, si è consolidata la cooperazione con il Tavolo interassociativo costituito assieme ad Acri e Assopopolari, allo scopo di approfondire e tutelare i temi della proporzionalità e diversità dei modelli bancari tipici delle Associate, pur nelle diversità, mentre sul fronte regolamentare si è intensificata la presenza anche nei gruppi europei, passando da 13 a 48 referenti all'interno dell'ESBG.

Il Presidente evidenzia, infine, il valore delle iniziative comuni, tra cui gli appuntamenti di *Agorà*, divenuti un punto di riferimento per il confronto strategico tra le Associate, e il Convegno PMBI 2024, che ha affrontato i temi centrali della geopolitica, dell'euro digitale, dell'intelligenza artificiale, della vigilanza e dei mercati dei capitali, confermando il ruolo dell'Associazione come spazio di visione e di proposta condivisa. Segue ampio dibattito fra i presenti ad esito del quale, esaurita la trattazione del punto in oggetto, il Presidente passa la parola al Dott. Parisi per illustrare il punto successivo ovvero il **Rendiconto di gestione 2024,** per la successiva approvazione e proposta all'Assemblea. Il Direttore Parisi introduce la trattazione del punto C. L'esercizio 2024 si è chiuso con un avanzo di gestione di € 45.689, superiore alla previsione di € 25.040. I costi sostenuti dall'Associazione nel corso del 2024 risultano inferiori rispetto a quanto indicato nel budget (€ 453.243 contro € 461.100), in quanto:

- il costo per le riunioni associative in presenza (Consigli – Comitati – Assemblea in presenza) è stato inferiore del 41% rispetto alle stime.
- il costo per le spese di rappresentanza è stato inferiore del 49% rispetto alle previsioni.

Proventi:

- I proventi totali ammontano a € 498.932.
- I contributi associativi sono pari a € 451.250, superiori ai € 441.750 stimati a seguito del passaggio di scaglione contributivo di un'associata. Tale importo comprende la riduzione del contributo applicata nel 2024 pari al 5%.
- Altri proventi ammontano a € 47.682 e derivano da:
    - € 39.390 contributo AIBE per la sublocazione degli uffici;
    - € 8.289 dagli interessi su investimenti a breve termine del patrimonio associativo.

Oneri:

- Gli oneri totali della gestione sono pari a € 453.243, inferiori al budget previsto di € 461.100.
- Spese di personale: € 264.799, in linea con il budget, includono due dipendenti e il compenso del Direttore Generale.
- Servizi: € 78.874, con una riduzione del 3,22% rispetto al budget, comprendono spese per la conduzione dell'ufficio, manutenzione e IT.

- Generali: € 14.893, in calo del 19,50%.
- Consulenze e servizi resi agli associati: € 93.211, in calo del 3,51%, includono il convegno di Lecce (€ 40.976) e l'assistenza legale Bancomat (€ 23.668).

Perdite, minusvalenze e oneri vari ammontano a € 1.466 e includono oneri bancari e sopravvenienze passive. In generale, i costi 2024 sono stati contenuti grazie a risparmi su eventi e riunioni associative, con una gestione positiva.

Non essendovi domande o interventi, il Presidente passa la Parola al Dott. Azzoaglio, Presidente del Collegio Sindacale dell'Associazione, per la lettura della **Relazione annuale 2024 del Collegio dei Revisori.** Il dott. Azzoaglio dà lettura della Relazione del Collegio e illustra i principali elementi emersi dall'analisi del rendiconto economico e finanziario della gestione 2024.

Evidenzia come l'esercizio si sia chiuso con un avanzo di gestione pari a € 45.689, superiore alle previsioni di budget, grazie a una gestione attenta e prudente delle risorse. I costi complessivi sostenuti dall'Associazione risultano inferiori rispetto alle stime (€ 453.243 contro i € 461.100 previsti), con significativi risparmi sia sulle riunioni associative in presenza, inferiori del 41% rispetto alle previsioni, sia sulle spese di rappresentanza, ridotte del 49%.

Sul fronte dei proventi, il Collegio rileva come il totale abbia raggiunto € 498.932, risultando superiore al budget. I contributi associativi ammontano a € 451.250, includendo anche la riduzione del 5% applicata nel 2024, mentre gli altri proventi, pari a € 47.682, derivano in larga parte dal contributo di AIBE per la sublocazione degli uffici e dagli interessi generati da investimenti a breve termine del patrimonio associativo.

Il dott. Azzoaglio conclude la relazione confermando una gestione caratterizzata da sana amministrazione, rigore nei costi e valorizzazione delle entrate, a beneficio della stabilità dell'Associazione e della trasparenza nei confronti degli Associati. Non essendovi interventi, il Presidente Sella propone al Consiglio di approvare la Relazione Annuale 2024 e sottoporla ad approvazione formale dell'Assemblea dei soci che si terrà a valle dell'odierna adunanza, e confermata detta volontà dai presenti, propone la trattazione del punto successivo e al Dott. Parisi di riferire.

5) PREVENTIVO DI GESTIONE 2025: DELIBERAZIONI INERENTI

Con riferimento al budget 2025, il Direttore Parisi introduce la previsione di confermare gli obiettivi di spesa pari a € 450.600, già previsti per il 2024. Rispetto al consuntivo 2024 di € 453.243, il budget 2025 prevede una riduzione di 0,58%, principalmente dovuto a:

- Spese di personale: In crescita da € 264.799 nel 2024 a € 266.500 nel 2025.
- Servizi: Il budget per il 2025 è di € 80.500, leggermente superiore rispetto al consuntivo 2024 di € 81.500, con una gestione stabile dei costi operativi.
- Consulenze e servizi resi agli associati: Previste in € 81.600.

Sul fronte dei proventi, si prevede una riduzione del 2,91%, da € 486.140 nel 2024 a €484.390 per il 2025.

- il flusso contributivo ordinario è stimato in € 436.500 (-3,2% rispetto al 2024) in seguito alla riparametrazione del contributo associativo dovuto per l'esercizio 2025 (in virtù dell'avanzo di gestione conseguito).

Il Direttore Parisi conclude segnalando che il budget 2025 riflette una gestione attenta, con lievi aumenti previsti in singole e specifiche voci - come le retribuzioni del personale - ma bilanciati da riduzioni mirate in altre aree per mantenere l'equilibrio complessivo della gestione finanziaria - anche in ipotesi di approvazione di riduzione del contributo associativo da sottoporre all'approvazione all'Assemblea odierna. Non essendovi domande o interventi, il Presidente prende atto della volontà del Consiglio e Comitato di sottoporre ad approvazione dell'assemblea il Consuntivo 2024 e del Budget 2025. Non essendovi altro a deliberare, il Presidente procede con la trattazione del punto successivo.

6) DOMANDA DI NUOVA ADESIONE

Il Presidente introduce il punto 6 all'ordine del giorno con una riflessione sull'opportunità di rafforzare la base associativa, evidenziando come ogni nuova adesione debba altresì risultare pienamente coerente con lo scopo e i valori fondanti dell'Associazione.

Nel corso del dibattito, viene ribadito che, in conformità agli articoli 5 e 6 dello Statuto, e alla prassi consolidata dell'Associazione, l'ammissione di nuovi Associati è subordinata a una rigorosa verifica preliminare, sia in merito alla domanda di adesione e sia in relazione alla reputazione del soggetto aderente e dei rappresentanti da esso designati. Tale verifica include altresì il rispetto della normativa vigente in materia di possesso di requisiti di onorabilità e idoneità degli esponenti aziendali del sistema bancario, oltre alla coerenza di eventuali nuove adesioni con la denominazione e la vocazione prevalentemente nazionale dell'Associazione. Alla luce di quanto sopra, il Consiglio ha espresso una posizione condivisa, orientata a un'apertura verso il potenziale ampliamento della compagine associativa, da attuarsi con un approccio prudente e selettivo, volto a tutelare la reputazione e l'identità degli Associati. Si concorda, pertanto, di rinviare la discussione a una successiva seduta, e passa la parola al Direttore Parisi per la trattazione del punto successivo all'ordine del giorno.

7) INFORMATIVA SU ATTIVITÀ SVOLTE DAL DIRETTORE GENERALE

Interviene il Direttore Parisi, il quale propone una sintesi delle attività associative svolte, di quelle attualmente in corso e dei progetti in fase di realizzazione. Nel suo intervento sottolinea in particolare il valore del **Tavolo Interassociativo**, che si è consolidato come luogo di confronto strutturato e di scambio di iniziative di comune interesse, rafforzando la collaborazione tra le Associate.

In tale ambito sono state promosse le *Agorà*, occasioni di approfondimento dedicate a temi di diretto impatto operativo per le banche: dall'analisi dei nuovi standard EFRAG di rendicontazione di sostenibilità e delle loro implicazioni per le PMB, alla gestione dei rischi ESG, fino alle attività pre-ispettive da predisporre in maniera preventiva. Sono stati inoltre affrontati aspetti cruciali di compliance, con un focus sulle disposizioni in materia di antiriciclaggio, e questioni giuridiche di rilievo quali il contratto autonomo di garanzia e la fideiussione omnibus.

Il Direttore evidenzia come questi incontri abbiano riscosso un **ampio riscontro positivo**, caratterizzato da una partecipazione attiva e qualificata di buona parte delle Associate, segnale tangibile dell'utilità di tali iniziative per accompagnare le banche nei rispettivi percorsi di sviluppo e per rafforzare il ruolo di rappresentanza dell'Associazione.

Il Direttore Parisi riferisce che si è proposto, all'interno dello stesso Tavolo Interassociativo, di estendere l'Aggregazione dei Dati di Bilancio anche alle Banche ACRI e Assopopolari, raggiungendo così un totale di 58 Intermediari e consentendo una visione di riferimento più ampia per la platea delle nostre Associate.

In ultimo ma non meno per importanza, il Direttore Parisi illustra brevemente ai presenti quello che sarà in linea di massima il programma del Convegno 2025. La XXV° edizione del convegno si svolgerà a Genova il 14 e il 15 novembre e sarà ospitato dalla Banca Passadore, rappresentata in sede del Consiglio generale e Comitato dal Vicepresidente, Francesco Passadore.

Fra i relatori, salvo imprevisti, si segnalano il dott. Lucio Caracciolo, che aprirà la sessione con un intervento sulla geopolitica e le strategie internazionali, e il dott. Giovan Battista Sala di Banca d'Italia, che ne illustrerà il punto di vista della Vigilanza. A seguire, in tema di Regolamentazione, in apertura della sessione dovrebbe essere presente e relazionare il Ministro Giancarlo Giorgetti che ad oggi ha confermato la sua disponibilità. La giornata di sabato vedrà interventi di rilievo, tra cui l'Outlook economico del 2025 a cura di Libero Monteforte e la sempre attesa e puntuale intervista con il Presidente ABI Antonio Patuelli. A seguire ad illustrare le prospettive dell'economia italiana, sarà presente il Commissario Consob, Federico Cornelli e la Prof.ssa Marcella Panucci. Il Direttore Parisi segnala che come sempre ci sarà ampio spazio per interventi e domande, al fine di garantire un adeguato confronto. Non essendovi altro da relazionare il Presidente invita il Direttore generale, Emanuele Parisi a lasciare la riunione procedere con il punto successivo.

8) BONUS 2024 AL DIRETTORE GENERALE: DELIBERAZIONI INERENTI E CONSEGUENTI

Per le opportune consultazioni il Presidente ricorda che l'erogazione del bonus è previsto dal suo contratto e ne chiarisce i riferimenti:

- € 10.000 al raggiungimento dell'avanzo primario
- € 10.000 al raggiungimento degli obiettivi di lobbying e promozione.

Il Presidente invita i Consiglieri alla valutazione sul conferimento di tale riconoscimento esprimendo un loro giudizio circa le attività svolte nel corso del 2024. I presenti concordano sulla ampia disponibilità del Direttore Generale e sul suo impegno nella conduzione dell'Associazione. Il Presidente, prende atto del positivo riscontro emerso dagli interventi dei Consiglieri, propone di riconoscere il premio al Direttore Parisi, sia per il raggiungimento dell'avanzo primario sia per gli obiettivi raggiunti. All'unanimità viene deliberato il pieno riconoscimento del premio al Direttore Parisi. Rientrato il Direttore Parisi, e informato circa l'ottenimento del bonus secondo quanto previsto dai termini del contratto, egli ringrazia il Consiglio, il Collegio e il Presidente per la fiducia accordata e l'apprezzato riconoscimento.

Il Presidente, continuando la trattazione dei punti all'ordine del giorno, chiede di ammettere in Sala il dott. Nicola Giorgi e il dott. Luigi Avogadro rispettivamente Presidente e Direttore Generale del Consorzio Luzzatti S.c.p.a.

9) – CONSORZIO LUZZATTI S.C.P.A.

Intervento Luigi Avogadro

Dopo i saluti introduttivi e i ringraziamenti per l'invito, i relatori Dott. Giorgi e Avogadro hanno presentato in maniera sistematica l'origine, la missione e le principali linee di attività del Consorzio. La relazione è stata supportata da una documentazione completa e strutturata, che ha permesso di evidenziare le direttrici strategiche e operative dell'iniziativa.

È stato innanzitutto richiamato il percorso di costituzione del Consorzio, nato con l'obiettivo di offrire un modello di collaborazione e supporto alle banche aderenti, fondato sulla condivisione di risorse, competenze e soluzioni comuni. In tale contesto, i relatori hanno illustrato le aree di intervento attualmente presidiate, con particolare riferimento ai servizi di carattere normativo e regolamentare, ai sistemi di controllo, alla gestione dei crediti deteriorati e ad altre funzioni di supporto operativo che risultano critiche per gli istituti di minori dimensioni.

Un ulteriore approfondimento è stato dedicato al ruolo del Consorzio nell'evoluzione dei modelli di business delle LSI, con l'obiettivo di valorizzarne le specificità e rafforzarne la capacità competitiva. È stato inoltre evidenziato come l'approccio consortile consenta di sviluppare sinergie, evitare duplicazioni e ridurre i costi, mantenendo allo stesso tempo un elevato livello di presidio qualitativo.

Infine, i relatori hanno delineato i progetti in corso e le iniziative programmate per il 2025, che si concentrano sul potenziamento delle infrastrutture comuni, sull'ampliamento dei servizi condivisi e sull'apertura di nuove aree di intervento a beneficio delle banche partecipanti. Segue ampio dibattito fra i presenti ad esito del quale, esaurita la trattazione del punto in oggetto, il Presidente ringrazia il dott. Nicola Giorgi e il dott. Luigi Avogadro per il contributo fornito, che abbandonano la riunione.

10) – VARIE ED EVENTUALI

Il Presidente, constatato che non vi siano temi relativi a varie ed eventuali, nulla avendo più a deliberare, dichiara conclusa la riunione congiunta del Consiglio Generale e del Comitato alle ore 13.00.

Il Segretario **Il Presidente**

BANCA D'ITALIA
EUROSISTEMA

Questioni di Economia e Finanza

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A PRAGMATIC APPROACH TO SIMPLIFICATION: THE CASE OF BANKING REGULATION IN THE EU

by Francesco Cannata* and Luca Serafini*

Abstract

The debate on the level of complexity of EU financial regulation has gained momentum in recent months, with both policymakers and industry stakeholders highlighting the need for a simpler and more stable framework. This paper aims to contribute to this debate by making pragmatic suggestions with specific regard to prudential regulation in the EU, where we identify a number of initiatives that could be pursued in the short to medium term. In the short term, the paper proposes, among others: streamlining the mandates of the European Banking Authority (EBA) for developing implementing rules under the CRR3-CRD6 package; simplifying the market risk rules (Fundamental Review of the Trading book, FRTB), particularly in the area of internal models; reviewing due diligence and transparency provisions for some types of securitizations. In the medium term, we see scope for launching a broader discussion on reforming the EU's legislative approach to make it more efficient, as well as for addressing fundamental issues in the prudential framework, such as the structure of capital requirements. The main message of our analysis is that the ambitious objective of establishing simpler and more stable rules in the financial sector is a unique opportunity at the current juncture for EU policymakers to improve the quality of banking regulation – making it easier for supervisors to enforce and for financial institutions to implement – without compromising the overarching objectives of avoiding deregulation and ensuring that the financial system remains highly resilient to potential shocks.

JEL Classification: G01, G21, G28, G32, G33, G38.

Keywords: going concern, gone concern, Basel framework, European regulatory framework, proportionality, simplification.

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* Bank of Italy, Directorate General for Financial Supervision and Regulation.

1. Introduction[1]

The debate on the possible simplification of EU financial regulation has gained momentum in the last few months. The need to make the framework simpler and more stable has been highlighted by both the industry and by policymakers themselves. The complexity of the current regulation is acknowledged by all stakeholders and is the starting point for possible interventions.

In the EU simplification is among the policy priorities of the Commission; preliminary discussions are under way in all the major policy fora, among central banks and financial supervisors, at both EU and national levels.[2] The objective is to be ambitious enough, in order to improve the quality of regulation and to assuage industry concerns about any possible competitive disadvantages for the EU. A critical issue at this juncture is therefore *how* to proceed: how to collect constructive inputs from all stakeholders, how to balance a holistic perspective with specific proposals, how fast to carry out such an exercise and, more importantly, how to simplify without deregulating; in other words, how to preserve the effectiveness of the current framework, which has allowed the financial system to be resilient enough to withstand a number of severe shocks.

The paper aims to contribute to the discussion by making some pragmatic suggestions with specific regard to prudential regulation in the EU: whilst financial regulation goes well beyond prudential rules, the latter are a consistent portion of the current framework. Although not discussed in this paper, another area for simplification is supervisory processes and their interaction with regulation: possible interventions in this area would be complementary to a simplified regulatory framework at EU level. For all these reasons, the adoption of a sound methodology and a credible roadmap in prudential regulation can pave the way for further work in other areas of financial supervision as well. It is worth highlighting that while the analysis focuses on EU regulation, some considerations may also be extended to international rules where applicable (e.g. the Basel standards).

The paper is organized as follows: section 2 summarizes the different root causes of regulatory complexity; section 3 retraces past and current policy discussions on the possible simplification of prudential regulation; section 4 provides a snapshot of the prudential framework in the EU; section 5 provides a methodological compass to orient simplification; sections 6 and 7 propose possible interventions in the short and medium term, respectively; and section 8 concludes.

2. Origins of the complexity of financial regulation

a) Complexity of finance

[1] The Authors wish to thank P. Angelini, M. Bofondi, C. Calvaruso, G. Carletti, A. De Vincenzo, M. Di Staso, M. Giornetti, G. Guerra, T. Loizzo, A. Pilati, F. Recine, G. Rinna and G. Siani for their useful comments on earlier versions of the paper and L. Bevan for the language review. The views expressed are those of the Authors alone and should not be attributed to Bank of Italy; any error or omission is their only responsibility.

[2] Panetta (2025).

Dynamic systems evolve over time and are subject to the changes induced by innovations. Such evolution process eventually results in an increase in complexity, which could be regarded as the difficulty to manage and foresee the behavior of the different components of the system[3].

The financial system is a clear example of such dynamic evolution, where complexity mainly comes in two forms[4]: (i) the functioning of advanced financial instruments, and (ii) increasing interconnections and interdependencies among different agents. In recent times such topics have been dealt with the so-called "Theory of Network", where relationship among agents – the network – are described as graphs. The theory analyses these networks over the symmetric or asymmetric relations between their (discrete) components, also defined as nodes.

To deal with such complexity, regulators have introduced over time several safeguards, such as transparency requirements. However, conveying information to the public may result counterproductive when the amount of information to be processed by the recipients increases too much.

b) Financial instability

Modelling the behaviour and dynamics of economic agents can leverage on rather advanced mathematical and econometric tools. However, as also confirmed by recent experience, what remains extremely difficult is to forecast how economic agents react to unpredictable and unexpected events, where the information set is limited by definition. Market participants have information about *their own* behavior, but understanding all the linkages in the network is too complex.

In such a situation the outcome of the decision-making process may produce unintended results that, as such, may generate surprise in the agents, which could in turn react in an irrational and not foreseeable way. If not adequately managed, this could lead to different forms of instability and, consequently, to a higher degree of complexity in the economic and financial system.

c) New risks / new players

Another driver of complexity is the willingness and attitude to meet investors' demand, in terms of risk appetite and investment desires. In meeting markets participants' wishes financial industries evolve and add new layers of complexity. Such process naturally results in the development of new players, which step-in to accommodate demand of market participants, becoming new nodes of the network.

Understanding the degree of interconnection among markets participants and the feedback loops may however be difficult, when their behaviour results in new forms of risks. Indeed, new risks and new players have often been the cause of financial crises. In this sense, regulators have tried to manage complexity by introducing rules and safeguards. The Great Financial Crises (GFC) forced regulators to consider the risks posed by the network as a whole and not just as the sum of different

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[3] Arthur (1999).
[4] Landau (2009).

single nodes: this led, inter alia, to the introduction of a set of macroprudential instruments as a complement to microprudential tools.

d) Institutional set-up

The combination of the above drivers, together with the experience of the last decades, has determined the need for financial regulators to address multiple dimensions of finance, such as micro-prudential vs macro-prudential needs, supervision vs resolution, international vs national level. This has led to an overly complex institutional set-up, where financial entities need to interact with a high number of authorities (the microprudential supervisor, the macroprudential authority, the resolution authority, etc.), which, at the same time, need to interact with each other.

This is particularly apparent in the EU, where the design of the decision-making process has been driven by the need to involve a high number of stakeholders at different levels. As such, the outcome of the process depends on the effectiveness of the legislative process (see Box 1) as well as on the appropriate balance between different levels of legislation: Level 1 (directives, regulations), Level 2 (delegated and implementing acts, regulatory and implementing technical standards, drafted by the ESAs and adopted by the EU Commission), Level 3 (ESA Guidelines and ESA/Commission FAQs to achieve consistent implementation across Member States, as well as possible national implementation).

Box 1: The legislative process in the EU

The legislative process in the EU starts with the European Commission submitting a legislative proposal to the European Parliament (EP) and the Council of the European Union. The former represents the citizens of the European Union, with members elected from each Member State in proportion to its share of EU population; the latter is composed by the ministers from Member States, organized in different configurations based on the topic under consideration. Commission's legislative proposals follow a workplan defined in response to priorities set by the European Council, which represents the 'high politics' of the EU and consists of the President or Prime Minister of each Member State.

A legislative proposal is presented by the Commission and it then goes to the European Parliament for a first reading, during which amendments to the proposal can be made. The text is then passed on for a first reading to the Council of the European Union by the competent ministers. The Council may approve the legislative act as it stands, or adopt own further amendments, forming the so called 'Council position'. The legislation is then returned to the EP for a second reading where it may accept the Council position, adopting the act, or make further amendments to the revised text. In this case it is sent again to a second reading in the Council, which may approve the EP amendments. If the Council cannot accept the EP's position, a 'conciliation committee' is convened where the Council and EP try to agree upon a joint text. If they agree on a common position the legislation is adopted; if they fail, the act is not adopted. Such a process may be facilitated by making the Commission, Council and EP to informally meet and define a common position ahead of the first readings (the so-called "trilogue", commonly followed for financial regulation).

e) Scope of regulation

Rule-makers face a trade-off relatively to the scope of application, as they have to decide the degree of diversity they want to accommodate. They may decide to produce a single rulebook applicable to a large set of entities, irrespective of their characteristics, or a segmented regulation catering for differences among market participants. Both options are associated with their own costs. On the one hand, a fragmented regulation may produce uncertainty and potential cliff effects, undermine the level playing field, treat similar risks in different ways. On the other hand, a one-size-fits-all approach has the potential to impose disproportionate requirements on supervised entities to the extent it does not reflect the associated underlying risks.

Such a trade-off is more and more relevant to the extent that the degree of detail and prescriptiveness of the rules increases. This is the case for the European prudential framework: differently from the standards issued by the Basel Committee on Banking Supervision (BCBS), which are targeted to large and internationally active banks only, this is applicable by all intermediaries and comprises, other than Level 1 text, also a plentiful set of legally binding Level 2 rules, i.e. EBA Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS).

3. The policy debate

The discussion on potential simplification of financial rules is not new. Complex regulations entail material compliance costs; this led, over time, to mounting pressure from market participants to policy makers to minimize such a burden. The debate typically follows the 'regulatory pendulum' that, after the periodic occurrence of financial crises, swings from the side of complex and prescriptive rules to that of simpler and more principles-based frameworks.

The episode which triggered the main regulatory reform in the last decades is the 2007-08 Great Financial Crisis (GFC), which made no exception to the regulatory pendulum. Before that, the BCBS had progressively enhanced the risk-sensitivity (and thus, increased the complexity) of the prudential standards applicable to banks:

- The 1988 Basel Accord[5]. On the one side it was simple and limited in scope, as focused exclusively on credit risk, equipped with rudimentary risk weights applied to broadly defined asset classes; on the other side, it was easy to calculate and allowed straightforward comparison across banks' capital ratios;
- The 1996 Market Risk Amendment (MRA)[6] was triggered by the 1990s developments in financial engineering that led to the widespread diffusion of derivatives and other trading instruments. It included market risk within the scope of prudential regulations and allowed, for the first time, internal models as part of the framework, therefore departing from a 'one size fits all approach' envisaged under the Basel I Accord. This development came at the cost

[5] Basel Committee on Banking Supervision (1988).
[6] Basel Committee on Banking Supervision (1996).

of increased complexity for the design and maintenance of the internal model as well as reduced comparability of RWAs across banks;

- The 2004 Basel II Accord[7] further exacerbated this trend: it allowed external ratings and internal models for Credit Risk and introduced capital requirements also for Operational Risk.

In devising the Basel III reforms[8], international regulators intended to address the shortcomings in the framework at the basis of the build-up of systemic vulnerabilities emerged during the GFC. The multifaceted approach followed by the BCBS included the improvement in the quantity and quality of bank regulatory capital (with a preeminent role of CET1 as going-concern loss-absorbing capital), the enhancement of areas of the risk-weighted capital framework that proved to be miscalibrated (including market risk, counterparty credit risk and securitization), the inclusion of macroprudential elements (e.g. capital buffers), the establishment of a large exposures regime, the introduction of a minimum leverage ratio requirement and of liquidity metrics (Liquidity Coverage Ratio and Net Stable Funding Ratio). Some of those interventions were somehow related to the issue of the complexity of the prudential framework, particularly in the calculation of risk-weighted assets by means of own estimates[9]: for the assessment of the solvency of banks, market participants had indeed started to reduce their reliance on traditional risk-based metrics labelled as too complex, opaque and thus prone to manipulation. For these reasons the BCBS decided to introduce a simpler metric such as the Leverage Ratio (LR, defined as a minimum 3% ratio between a capital measure and an "exposure measure"), as a complement to the risk-based requirement. However, the actual implementation of such a metric required several treatments beyond a purely accounting measure of exposures and two subsequent updates aimed to accommodate for additional policy needs[10].

In any case, the introduction of the LR marked a turning point in the theoretical paradigm of the framework: the BCBS accepted that relying solely on a single set of risk-based metrics was not sound. It was by far safer to adopt a "*belt and suspenders*" approach: some measures strengthened the capital adequacy framework itself; others were designed to reduce reliance on a single ratio as the primary measure for assessing the soundness of banks. As the work on post-crisis reforms progressed, the concept of simplicity in regulation gained more and more traction in the agenda. In 2013 the BCBS consulted[11] upon definitions of such elements in the context of prudential frameworks:

- <u>Risk-sensitivity</u> was regarded as a design feature and an outcome of a regulatory framework, distinguishing between i) an *ex ante* risk-sensitivity, i.e. a set of rules that makes distinction based on the characteristics of individual exposures or transactions (such as the granularity of risk-weights) and ii) an *ex post* risk-sensitivity which occurs when, other things being equal, an *ex post* assessment confirms that a set of rules can accurately differentiate between different risk profiles (i.e. in the context of capital requirements this implies that rules can make

[7] Basel Committee on Banking Supervision (2006).
[8] Basel Committee on Banking Supervision (2011).
[9] Haldane (2012).
[10] The 2014 update aimed to include targeted amendments to better recognize in the exposure measure Securities financing transactions (SFTs) or written credit derivatives, off-balance sheet items, cash variation margin associated with derivative exposures, the effects of central clearing services provided to customers etc. The 2017 revisions included an additional leverage ratio buffer requirement for banks subject to the G-SIB surcharge to reinforce the role of the LR as a credible backstop for risk-based requirements.
[11] Basel Committee on Banking Supervision (2013).

meaningful discrimination between sound and weak banks): given that risk is unobservable, this type of risk-sensitivity can only be accurately assessed *ex post*. The BCBS also highlighted potential impediments to risk sensitivity in the context of the framework in place at that time[12];

- Simplicity was defined as a design feature of any regulatory framework, that in the context of the capital adequacy framework assumes two dimensions: the simplicity of the capital standards and the simplicity of the calculation process. A capital standard is simple if it is clear and can be understood with reasonable effort, is clearly expressed in straightforward and unambiguous language, is easily understandable to all stakeholders. A calculation process is simple if it requires simple inputs, possibly limited in number, avoids reliance on inputs not captured within the normal accounting or risk management systems and can be calculated without the need for the use of highly advanced mathematical and statistical concepts, avoids iterative calculations, and can be easily verified by external parties such as supervisors or auditors. The framework developed at the time featured some potential impediments to simplicity[13];
- Comparability was defined as an outcome of a regulatory framework that in the context of prudential regulation is achieved if the rules deliver 1) comparability across banks (i.e. banks with identical portfolios or risk profiles apply the same rules and determine the same amount of risk-weighted assets, while banks with different risk profiles should compute different RWAs figures proportional to the differences in risk), 2) comparability over time (i.e. a bank's RWAs do not change over time if the underlying risks remain unchanged, or change proportionally when risks change), and 3) comparable information (i.e. any difference in RWAs across banks, jurisdictions and time can be fully understood and explained). As for simplicity and risk sensitivity, the BCBS identified some impediments also to comparability stemming from the applicable rules[14].

Against this, the BCBS started a strategic review of the prudential framework, with a view to removing *undue* complexity, i.e. areas where the degree and level of complexity was not justified by the benefits gained in terms of enhanced risk sensitivity, and *undue* RWA variability (i.e. the tendency of banks' internal models to produce outcomes whose level of variability, even when applied to the same set of exposures, were not justified by the inherent feature of each model). The outcome was

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[12] Impediments to ex ante risk sensitivity can derive from the multidimensional nature of risk in complex banking organisations, which makes comprehensive risk assessment extremely difficult; the limits to data collection and analysis; and the need to offer simple approaches for a range of different banks. Impediments to ex post risk sensitivity include, among others, the use of risk models that are a simplified representation of reality and built on assumptions that may prove to be wrong or overly simplistic; the unpredictable nature of risks and the inability to predict the future with an acceptable degree of certainty and the possibility that indicators may lose their predictive power over time.

[13] The BCBS also considered that impediments to simplicity in the prudential framework could stem from, among others, increased focus on the risk sensitivity of capital requirements; the measurement of capital requirements by banks' internal models, which are continuously evolving to reflect advances in risk management; the need to accommodate specific circumstances which leads to the expansion and complexity of the globally agreed standards.

[14] According to the BCBS, impediments to comparability within the current framework include, among others, computational complexity which makes it harder to understand the drivers of changes in RWAs; freedom of choices given to banks between and within approaches; different level of conservatism applied by banks (e.g. value adjustments/provisions, estimates of PD/LGD); national discretions and differences in measurement and valuation regimes, including accounting frameworks.

reflected into the Final Basel III package[15] as agreed in 2017, which features a number of policy choices that clearly reflects the above considerations: i) a deep rethinking of the role of internal models: subject to more stringent supervisory approval, their use has been either removed (for certain risks such as Operational Risk or CVA Risk, in both cases on the grounds that it was not possible to derive meaningful estimates of such risks using own estimates) or largely reduced in scope (for instance removing the use of A-IRB models for the Low Default Portfolios) or rendered more difficult to use (such as in the case of the Market Risk framework); ii) a large reduction of the room for discretionary choices granted to banks by means of more stringent conditions for modelling risk factors, that can be included in-scope of models only if banks demonstrate to have data of good quality; iii) the addition of backstop measures, such as the Output Floor, that limits the extent to which banks can lower their capital requirements relative to the standardised approaches.

The completion of the reform, coupled with the decision of the BCBS to refrain from initiating further policy initiatives until the completion of the implementation of the outstanding reforms ('hard stop'), put the issue of regulatory complexity temporarily aside the spotlight, as other policy priorities emerged (i.e. the need for flexibility to accommodate unexpected events such as the pandemic shock). However, the effect of such persisting complexity is far from being avoided. As the Final Basel III implementation process began at local level, and the memory of the events that preceded the GFC – and that oriented such regulatory reform – faded further, the issue of complexity came back in the public debate. The existence of excessive compliance costs that would have been translated to end users of financial services raised severe unlevel playing field across banks and jurisdictions; in some cases financial industry started making a strong pushback on the proposed national legislation implementing the reforms, arguing that regulation has led financial institutions becoming overburdened, hampering their ability to support the real economy.

In Europe a strong case for this new paradigm was marked by the CRR2[16], whose provisions were defined under the imperative that they needed to interact smoothly with other policy initiatives that were launched to promote economic growth in the Union. The most notable outcomes of this were, among others: the definition of a targeted set of simpler rules for a subset of banks (Small and Non-Complex Institutions, SNCI), identified against a predefined set of criteria[17]; the mandate given to the EBA to assess the costs and benefits of the reporting requirements for the banking sector, to

[15] Basel Committee on Banking Supervision (2017).

[16] Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012.

[17] The CRR defines a SNCI as an institution which, among others, a) is not a large institution; b) the total value of its assets on an individual basis or, where applicable, on a consolidated basis is on average equal to or less than the threshold of EUR 5 billion over the four-year period immediately preceding the current annual reporting period; c) is not subject to any obligations, or is subject to simplified obligations, in relation to recovery and resolution planning in accordance with the BRRD; d) its trading book business is classified as small and as such benefits of simplified approaches; e) the total value of its derivative positions held with trading intent does not exceed 2% of its total on- and off-balance-sheet assets and the total value of its overall derivative positions does not exceed 5%; f) more than 75 % of both the institution's consolidated total assets and liabilities, excluding intragroup exposures, relates to activities with counterparties located in the European Economic Area; g) does not use internal models; h) has not objected to be classified as SNCI, and i) the competent authority has not objected with the classification as SNCI based on the analysis of its size, interconnectedness, complexity or risk profile.

gauge whether the reporting costs were proportionate to the expected benefits[18]. A similar discussion was developed recently with renewed strength, when it became clear that the Single Market needs to be redesigned in light of the changes to the international scenario. Two reports proposed several initiatives in this direction.

Box 2: The Letta and Draghi reports

The Letta report, dated April 2024, urges the Union to make concrete progresses in the following areas: 1) achieving the green and digital 'double transition', 2) strengthening the security and autonomous defense capabilities of the EU; 3) promoting a larger and more resilient EU, by expanding the membership of the EU to make it more competitive and broadening the perimeter of the Single Market. In this context, it calls for as strengthened integration of the EU financial sector aimed to create more investment opportunities for private savings. [19]

To this regard, one of the main causes of obstacles to the development of the Single Market is deemed to be caused by an extremely complex regulatory framework. While significant progress has been made towards the development of harmonized rules, there has been a proliferation of excessively detailed Level 1 regulatory acts over time, even on aspects that could have been regulated with more flexible delegated and implementing acts. Furthermore, it has been observed little harmonization in the transposition and implementation of directives at national level, as evidenced by the practices of gold plating and ring-fencing, as well as the strong differences still in force between the legal regimes of the various Member States. It follows that larger companies are incentivized to move their facilities to simpler and less onerous systems; smaller companies find themselves faced with regulatory barriers that hinder their growth and development. The Report thus recommended to proceed with an overall reorganization and simplification of the rules, making greater use of technical regulatory acts (Regulatory Technical Standards and Implementing Technical Standards), making the regulatory framework more uniform and relying where possible on directly applicable EU regulations.

The Draghi report, released in September 2024, identifies three main areas of intervention to relaunch sustainable growth in the EU: i) bridge the innovation gap with United States and China, by investing in advanced technologies; ii) progress in the efforts for decarbonization of the economy, making the transition process an opportunity to stimulate competitiveness and growth; iii) increase security of supplies and reduce dependencies on foreign countries. [20] *It also underlines that a key role in mobilizing the resources necessary to finance the reforms will have to be assumed by the financial sector, which in the EU is traditionally centered on the banking sector. Along the direction of the Letta report, also the Draghi Report reaffirms the need for rapid completion of the Capital Market Union by pursuing, among others, also a decisive action on regulatory simplification. In this regard, it highlights that excessive regulatory and administrative burden does hamper the competitiveness of*

[18] EBA (2021). This report assessed costs and challenges faced by banks with regard to the supervisory reporting requirements, setting out 25 recommendations to improve proportionality and make the reporting framework more efficient. It was estimated that the combined effect of the proposed recommendations might reduce the reporting costs by up to 15-24%.
[19] Letta (2024).
[20] Draghi (2024)

EU companies compared to their peers which benefit from a more flexible regulatory landscape; this does in turn negatively affect productivity and competitiveness by increasing companies' operational costs and raising barriers to entry for new companies. The Report concluded that there is a strong need to adopt appropriate mitigation measures in line with the proportionality principle.

The above-mentioned policy recommendations have been reflected into the new EU Commission Agenda, formalized at the beginning of 2025 in the Competitiveness Compass[21], that recognizes that regulatory burden represents a drag on Europe's competitiveness. The Commission calls all the EU, national, and local institutions to make a major effort to produce simpler rules and to accelerate the speed of administrative procedures. To make this commitment objective and credible, the Commission has set ambitious targets initially for reporting burden, that should be reduced by at least 25% for all companies and 35% for SMEs, and then to all administrative burdens (achieving around EUR 37.5 billion cost reduction until the end of the political cycle). The practical implication of the new strategy on regulation has been reflected in the document 'A Simpler and Faster Europe', where the planned measures include 1) simplification of regulations; 2) regulatory reform confirming the commitment to reduce the reporting burden along with measures to simplify financial reporting and sustainability regulations; 3) promoting the use of digital tools and AI to reduce bureaucratic burdens, improve interoperability between public administrations and facilitate access to funds and administrative decisions; 4) introduction of a new definition of "small medium enterprises" to allow for more targeted and simplified regulatory adaptation; and 5) uniform implementation of regulations across the EU to avoid fragmentation and "gold plating".

The Commission also proceeded with the first of a series of Simplification Omnibus packages aimed to introduce material amendments to a broad range of EU regulation. The first Omnibus package proposed an ambitious set of simplification in the fields of sustainable finance reporting, sustainability due diligence and taxonomy.

Box 3: The Omnibus proposal on ESG regulation[22]

Following the UE Green Deal, in recent years the European Union has established a comprehensive regulatory framework on sustainable finance, aimed to promote corporate transparency and sustainable business practices. Key regulations include the Corporate Sustainability Reporting Directive (CSRD), which expands the scope and depth of ESG reporting obligations, the Corporate Sustainability Due Diligence Directive (CSDDD), which requires companies to identify and mitigate negative impacts along their supply chains, and the EU Taxonomy, which classifies sustainable economic activities to guide investors and financial institutions.

Most stakeholders, especially small and medium-sized enterprises (SMEs), have raised concerns over time about the complexity and administrative burden of these requirements. To address this issue, in February 2025 the European Commission published a so called "Omnibus" package, a simplification initiative aimed to reduce regulatory and reporting burden from the ESG framework while

[21] European Commission (2025a).
[22] European Commission (2025b).

maintaining the original objectives of the Green Deal and, at the end, foster a more dynamic and resilient European economy while ensuring that ESG regulations remain effective and proportionate.

The objective of the Omnibus package is inherently positive, provided that it aims, among others, to: i) eliminate the inconsistencies across ESG disclosure regulations currently in force; ii) reduce the burden on financial and non-financial companies (e.g. through a cap in the value chain for financial institutions for due-diligence purposes). However, the proposal also suggests that any intervention on a complex set of rules, such as the ESG framework in the EU, must be carried out having regard to all possible implications and unintended effects. To this regard, the objective of reducing companies' reporting costs must be properly balanced with the data needs of other stakeholders such as financial intermediaries, both for an effective measurement of ESG risks and the compliance with sectorial regulation (e.g. Pillar 3 for banks). In addition, the reduction of the scope of application of the Taxonomy should not be detrimental for its completion in terms of coverage of economic sectors. A policy discussion is currently under way to agree upon the modalities to strike the right balance among the different objectives.

In the same spirit, with a joint letter sent on 5 February 2025 to the UE Commissioner for Financial Services and the Savings and Investments Union the Governors of the Banco de España, Banca d'Italia, Banque de France and Deutsche Bundesbank have reaffirmed how regulatory simplification represents one of the keys to European competitiveness ([23]). While clearly stating that simplification should not be intended as an educated way to reach deregulation and that the priority remains the implementation of the Basel III framework in all jurisdictions, they underlined the need to address the challenges represented by the complexity of the cumulative layers of regulations in the EU through a "holistic" assessment of all relevant rules (microprudential, macroprudential and resolution), including level 2 and 3 standards.

4. A snapshot of prudential regulation in the EU

4.1. Perimeter of prudential regulation

Prudential rules lie at the core of financial regulation. Based on the Basel Standards, microprudential rules aim to ensure the soundness and safety of individual institutions and are centred around three pillars:

- Pillar 1: Minimum Capital, Leverage and Liquidity Requirements. It provides for the minimum capital and liquidity that banks shall hold to ensure their sound and prudent management.
- Pillar 2: Supervisory Review and Evaluation Process (SREP). It requires banks to assess and manage risks that go beyond the Pillar 1 minimum capital requirements and calls for a continuous evaluation by supervisors to ensure banks are maintaining sufficient capital and liquidity and managing risks effectively.

[23] Banca d'Italia (2025).

- Pillar 3: Market Discipline. It focuses on enhancing transparency by requiring banks to disclose detailed information about their capital adequacy, risk exposures, and risk management practices, with the aim to provide stakeholders with the information necessary to make informed decisions, which in turn enhances competition and accountability in the banking sector.

Macroprudential rules complement the framework, with the main objective of addressing systemic risk and preserving the stability of the financial system as a whole.

This paragraph[24] focuses on the EU measures transposing the Basel standards, i.e. Regulation (EU) 575/2013 (CRR) and Directive (EU) 2013/36 (CRD). While the CRR mainly focuses on specific Pillar 1 requirements for capital, liquidity, and leverage, as well as Pillar 3 measures, the CRD implements the Pillar 2 and introduces – among others – requirements for capital buffers.

4.2. Minimum Capital Requirements

The CRR requires banks to maintain a minimum level of capital as a percentage of risk-weighted assets (RWAs), in order to cover the risks stemming from their ordinary business activities, such as credit risk, counterparty risk, securitization, market risk, operational risk (limits to large exposures acting as a backstop to an excessive concentration of exposures towards an obligor are also included). In particular, banks shall respect the following capital requirements: (i) a Common Equity Tier 1 capital ratio of 4,5 % of RWAs; (ii) a Tier 1 capital ratio of 6% of RWAs (composed of CET1 and AT1 capital); (ii) a Total capital ratio of 8% of RWAs (composed of CET1, AT1 and Tier 2 capital).

Focusing on the definition of own funds, it is worth noting that they are composed of three types of capital instruments, which are defined depending on their ability to absorb losses and their quality:

- Common Equity Tier 1 (CET1) capital. This is the highest quality capital, consisting mainly of common shares and retained earnings. CET1 is the most critical measure of a bank's financial strength.
- Additional Tier 1 (AT1) capital. This includes instruments such as perpetual bonds, which are designed to absorb losses in times of crisis (still in a going-concern situation). AT1 instruments are typically subject to loss-absorption mechanisms (e.g., write-downs or conversion into equity).
- Tier 2 capital. This is considered "lower quality" compared to Tier 1 and is gone-concern capital: when a bank fails, Tier 2 instruments must absorb losses before depositors and general creditors do. The criteria for Tier 2 inclusion are less strict than for AT1.

4.3 Liquidity and leverage requirements

[24] This paragraph is limited to the "ex ante" measures, not covering "ex post" interventions (e.g. crisis management and resolution), even though, in practice, such demarcation line is blurred.

In addition to the above, the EU prudential framework implements the following further requirements as defined in the Basel framework:

- Leverage ratio. This stands as a non-risk-based measure serving as a backstop to prevent banks from taking on excessive leverage. This measure ensures that banks do not excessively increase their leverage beyond what is considered prudent, even though their RWAs are low. It is defined as 3% ratio between Tier 1 capital and the leverage ratio exposure measure (which captures both on- and off-balance sheet exposures). For G-SIIs, a leverage ratio buffer applies on top, which is set at 50% of a G-SII's higher loss-absorbency risk-based requirements. Also a leverage ratio Pillar 2 guidance was introduced, as a bank-specific recommendation that indicates the level of capital the supervisor expects banks to maintain in addition to their binding leverage ratio requirements. It is determined as part of the Supervisory Review and Evaluation Process and, unlike the leverage ratio Pillar 2 requirement, is not legally binding.
- Liquidity Requirements. Banks are required to have enough liquid assets to survive to a short-term financial stress (Liquidity Coverage Ratio - LCR) and to maintain a stable funding profile over a longer time horizon (Net Stable Funding Ratio - NSFR)[25]. These measures are designed to mitigate liquidity risk and prevent banks from facing liquidity shortfalls, especially in times of market turmoil.

4.4 P2R, P2G and Capital Buffers

In accordance with the CRD, additional measures might be imposed or recommended. In particular:

- Pillar 2 Requirement (P2R). Supervisors may require banks to hold additional capital above the minimum regulatory requirements, as a result of the supervisory review (SREP) of the internal capital assessment (ICAAP) carried out by banks to determine how much capital is necessary to cover their specific risk profile. In the EU this is a binding requirement, legally enforceable by supervisors. As mentioned, it is bank-specific and supplements the Pillar 1 requirement in cases where the latter underestimates or does not cover certain risks.
- Pillar 2 Guidance (P2G). Supervisors may provide suggestions or recommendations to banks regarding capital levels, risk management practices, and governance structures that could be appropriate in the specific circumstances. In particular, the Pillar 2 Guidance is a bank-specific recommendation that is set under the SREP and indicates the level of capital the supervisor expects banks to maintain in addition to their binding capital requirements to ensure they can absorb potential losses resulting from adverse scenarios; unlike P2R, it is not binding and thus not legally enforceable. It also does not encompass the risk of excessive leverage, which is covered by the leverage ratio Pillar 2 guidance.

Moreover, banks are required to maintain capital buffers to ensure they have sufficient capital during times of financial stress; these are added on top of the minimum capital ratios:

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[25]The LCR aims to ensure that banks have enough liquid assets (e.g. cash or other assets that can be quickly converted into cash with little or no loss of value) in the short term, while the NSFR intends ensuring that banks do not rely too much on short-term funding to fund their medium- and long-term assets.

- Capital Conservation Buffer (CCB). Applicable to all banks, which are required to maintain it at all times, the CCB is a buffer of 2.5% of RWAs, made up of CET1 capital. Its aim is to ensure that banks have enough capital to meet their minimum capital requirements, in particular by absorbing losses during periods of economic downturn.
- Countercyclical Capital Buffer (CCyB). This is a time-varying buffer, typically calibrated between 0% and 2.5%, depending on national regulators' assessment of the specific phase of the economic cycle. It is designed to counter procyclicality in the financial system: when cyclical systemic risk is deemed to be increasing, banks should accumulate capital to create buffers that strengthen the resilience of the banking sector during subsequent periods of stress, when losses materialise. This should ultimately help maintain the supply of credit to the economy.
- Global Systemically Important Banks (G-SIBs) and Other Systemically Important Institutions (O-SIIs) buffers. These buffer apply to those banks that due to their "importance" can pose additional risks to the financial system in case they fail. These buffers are therefore intended to reduce the probability of default of systemic banks by increasing their going-concern loss absorbency capital requirement.
- Systemic Risk Buffer (SyRB). It aims to address systemic risks that are not covered by other requirements. The level of the SyRB may vary across institutions or sets of institutions as well as across subsets of exposures. It is the only buffer that is not envisaged in the Basel standards, it is rather a EU-specific macroprudential tool.

4.5. Scope and layers of EU prudential regulation

The EU has deliberately chosen to apply the Basel standards as transposed by the CRR/CRD to all EU banks, in order to build a strong single market for all EU domiciled banks, irrespective of their size or activity. As anticipated, while the CRR is directly applicable across the EU and hence provides for maximum harmonization of Pillar 1 and Pillar 3 requirements, the enforceability of the CRD depends on its national implementation, ensuring lower harmonization in this field.

Moreover, the EU prudential framework is composed of several implementing measures, qualified as "second-level rules"[26]. These are developed by the European Supervisory Authorities ("ESAs") based on the mandates established in the first-level rules to regulate technical details, and may be qualified as follows:

- Regulatory technical standards (RTS). These provide technical specifications of the "first-level rules", in order to ensure the consistent and effective application of EU regulations and directives. The RTS are formally adopted by the Commission as Delegated Regulations, thus being binding on banks and legally enforceable across the EU. RTS and the ITS can be developed by the ESas only on the basis of a legal mandate in the Level 1 regulation.

[26]During the 2020-2025 legislative cycle, the EU co-legislators have assigned approximately 440 mandates to the three European supervisory authorities (EBA, ESMA, and EIOPA) to develop second-level regulatory products (RTS, ITS, Guidelines); among them, 140 mandates are related to the CRR3/CRD6 legislative package.

- Implementing technical standards (ITS). These set out the detailed technical procedures and formats to be used by intermediaries when required to report certain information to the competent authorities. As the RTS the ITS are formally adopted by the Commission as Implementing Regulations, thus being binding on banks and legally enforceable across the EU.
- Guidelines (GLs). The Guidelines are issued by the ESAs - following a mandate in the Level 1 regulation or by own initiative - to promote sound, consistent practices and supervisory expectations across EU Member States. These are not legally binding and the competent authorities are subject to a "comply-or-explain" mechanism.

The picture is completed by a set of supervisory additional products, such as guidance and expectations, through which supervisors influence banks practices on certain key areas (e.g., on credit losses accounting or ESG risks management).

5. *A methodological compass*

The high degree of complexity of the current EU regulatory framework and the amount of new regulation in the pipeline (among others, the development of the CRR3 EBA mandates), together with the high number of stakeholders involved, suggest the need to identify a proper methodological framework to set the simplification agenda and make it operational. To this regard, setting both the objectives and operational criteria for such an activity is a necessary precondition for any intervention.

a. *Policy objectives*

Key principles that should inform the work are the following:

- Preserve the effectiveness of regulatory reforms. The comprehensiveness of the post GFC reform as well as the importance of a sound regulatory framework as confirmed by more recent crisis episodes in some jurisdictions highlight the importance of not watering down what achieved so far and maintaining in the current juncture the focus on Basel III implementation;
- Stick to a risk-based paradigm: simplicity should not be detrimental to a proper measurement of risks and a sound implementation of the principle of proportionality. As discussed in previous paragraphs, the Basel III reform represented a fundamental opportunity to (re)discuss the balance between risk-sensitivity and simplicity, also in the light of the debate on RWAs complexity and comparability. The outcome of the discussion brought to a substantial reduction in the scope of application of internal models, with the idea of avoiding the illusion of 'false precision' fueled by a full coverage of internal models.
- Enhance clarity, stability and enforceability of rules. There is a growing demand for more clear and stable rules, in order to facilitate their effective enforcement. Even though quite difficult to accomplish, the speed and intensity of regulatory developments over the last years make a strong case for a 'regulatory pause', so as to allow the supervised counterparties to familiarize with the new rules and apply them in a sound manner.

- Reduce burden for regulated firms. This is the overarching objective of any possible initiative of regulatory simplification. As discussed before the issue is not new, and attention to costs of financial regulation has increased over time; in this respect QIS and other cost-benefit analyses have helped to calibrate the final rules. Such discussion has been reflected so far in policy action mainly in the reporting area, whereas there is large room for extending it to other areas of financial regulation.

b. Operational criteria

Given the complexity of the EU regulatory framework, it is essential to complement the above-mentioned policy objectives with a set of operational criteria, including the following:

- Ensuring a general commitment to pursue simplification at all levels and adopt a holistic approach. The articulation of EU regulation into different levels and the high number of actors in the process make clear the need that all stakeholders are firmly committed to the same objectives of simplification and to rely on the holistic view (as suggested in the letter of the 4 Governors cited above);
- Defining ex ante materiality criteria to focus on the most relevant areas and prioritize policy action;
- Relying on a sound impact assessment, aimed to discuss merits and cons of the different options, following the best practices of better regulation;
- Reconsidering the balance between principle vs rule-based regulation, and between regulation and supervision. The high degree of complexity of current regulation reflects an implicit tendency of policymakers, especially in the EU, to over-regulate any possible aspect of banking and finance, with a very high degree of details, reflected in a rather heavy layer of L2 rules (RTS, ITS and GL). An explicit discussion on the possibility to rebalance the role of L1/L2 rules versus supervisory assessment can help in this direction.

A final dimension to consider carefully in this exercise is time. As elaborated in the next paragraph, while some interventions can be carried out in the short run, others might only be planned in the medium term, since they would require more structural changes or legislative interventions.

6. A possible short-term agenda

6.1 EBA mandates on CRR3/CRD6

Since works related to the EU implementation of Basel III (i.e. CRR3/CRD6)[27] constitute the bulk of the current EU regulatory agenda, they also represent the natural starting point for the discussion of possible initiatives to be adopted in the short run.

[27] Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and

The ‘banking package’ requires the EBA to develop a comprehensive set of technical standards, guidelines, reports and other products, for a total of around 140 mandates. While a number of these mandates have already been accomplished, in order to make the framework applicable from 1 January 2025, the largest portion of the work is underway or planned for the coming years and might benefit from some form of simplification. This exercise might range from a revised prioritization of the activities to a more “intrusive” approach where the number of mandates could be reviewed and simplified in the legislation: indeed, the latter approach would require an intervention on the Level 1 for which fast track procedures should be followed.

Focusing on the mandates that are to be finalized, two categories can be identified:

1. Mandates to be preserved/prioritized, since they aim to: define, possibly in a simplified version, the necessary technical aspects for the application of Level 1 requirements; reduce the potential room for heterogeneous application of Level 1 provisions on relevant areas; update technical rules that need to be reviewed more timely than it would be possible to do in Level 1.

2. Mandates to be re-assed for possible deprioritization or deletion, e.g. those giving legal formalization of concepts that are sufficiently defined in Level 1, those aimed to assess the possibility of derogations or revisions on topics on which it was not possible to reach an agreement during the Level 1 negotiation, those that address very detailed aspects of the regulation.

Focusing on the EBA mandates on credit risk, which represent a relevant share of the total, specific examples of the two categories are the following.

a) To be prioritized:

- Mandate on the definition of default (art. 178(6) CRR3), since current rules may unduly disincentive banks to perform proactive measures such as debt restructuring in order to support debtors. A second example, as per the IRB models, relates to the review of the RTS on material model changes (MMCs) as per CRR3 art. 143(5), which defines - among others – which changes on models must be subject to prior approval by the supervisor and which one can fall within the scope of notifications. The RTS might be reviewed trying to introduce more flexibility in order to limit the trigger of the MMC authorization process, which can in some cases be unnecessarily burdensome, thus allowing better use of supervisory resources in a more risk-based manner;
- Mandates that are in an advanced phase of development and whose main purpose is to define technical details that are likely to bring clarity to the application of the rules, such as the mandate on the criteria to allocate off-balance sheet items in the relevant CCF bucket (see art. 111(8) CRR3).

b) To be deprioritized or repealed:

the output floor; Directive (EU) 2024/1619 of the European Parliament and of the Council of 31 May 2024 amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks.

- Mandates dealing with aspects that are already covered by consolidated banking practices and for which there are no supervisory concerns, as for example that defining the concept of "granularity" for qualifying an exposure as retail;
- Mandates aiming to define aspects of excessive detail, for instance the mandate (see art. 122a(4) CRR3) for the application of the preferential treatment for project finance exposures.

Furthermore, there are several mandates for the EBA to evaluate the calibration of the prudential treatment for some type of exposures (for instance, leasing, specialized lending, security financing transactions) and, where appropriate, suggest possible revisions. On this type of mandates, it would be more appropriate - instead of dealing separately with each of them – to address them comprehensively under the broader review of the prudential framework that the Commission shall undertake according to article 518 CRR. This approach would help maintaining the overall consistency of the framework.

In the areas of <u>market and counterparty credit risk</u> it must be considered that most mandates have already been developed in order to make applicable the rules that were initially devised under CRR2 for solvency purposes (such as the standardized approach for counterparty credit risk) or for reporting obligations only (Fundamental Review of the Trading Book). In this respect, some mandates seem having introduced unnecessary complexity not fully justified by the marginal increase in risk-sensitivity; paradoxically, most of these works have been envisaged for the purposes of applying simplified approaches. Below some examples of already issued regulatory products that might be either postponed or revised in a simplified form:

- RTS on determination of long or short positions in the Standardised Approach for Counterparty Credit Risk (SA-CCR): while the Basel standard specifies in a few paragraphs what is required for the calculation of the supervisory delta adjustment under the SA-CCR, the Level 1 has mandated the EBA to define via and RTS a specific methodology to identify the primary risk driver of derivatives transactions, resulting in a clear but rather complex framework;
- RTS on the method for identifying the main risk driver of a position and for determining whether a transaction represents a long or a short position: while the concept of long/short position is somehow straightforward (and the Basel text does not even provide a specific definition), in the EU framework the Level 1 has mandated the EBA to elaborate a specific methodology to calculate the main risk drivers of each position to define whether a position is a long or short one;
- RTS on emerging markets and advanced economies: in order for institutions to be able to calculate own funds requirements under the sensitivities based method, Article 325ap(3) of the CRR requests the EBA to specify the economies that should attract lower risk weights for equity risk ('advanced economies'), whereas other economies ('emerging economies') are subject to higher risk weights for equity risk exposures. It could be considered to make a direct reference in the Level 1 text to commonly accepted lists of developed/emerging economies provided by supranational institutions, such as the IMF and the World Bank.

6.2 Prudential rules on market risk

The ongoing work at EU level on the Fundamental Review of the Trading Book (FRTB), mainly focused on the timing of its implementation, can provide useful inputs also to the discussion on simplification.

The new market risk framework, developed by the Basel Committee to be more risk sensitive than previous rules with regard to both the Standardised Approach and the Internal Model Approach (see box 4), is deemed as being highly complex and difficult to apply, especially in the latter approach. Considering the choice taken by international regulators to confirm the role of internal models (including for market risk) and also the relative costs to maintain over time a piece of regulation devoted de facto to a very limited number of institutions (even though covering a considerable share of trading activities), one could consider whether the relationship between the two approaches could be somehow rebalanced. A simplification of some of the provisions of the internal model approach could indeed make it more attractive for a sufficient number of banks (as opposed to the extremely low number of institutions that have expressed so far their interest in the internal models approach). Alternatively, one could consider removing internal models altogether (but in this case a more comprehensive discussion at Basel level might be warranted).

Box 4 – Overview of the FRTB

The Fundamental Review of the Trading Book (FRTB) was developed by the Basel Committee to overhaul the prudential treatment of market risk in light of the shortcomings in the pre-crisis framework, defined with the 1996 Market Risk Amendment to the Basel I Capital Accord and dramatically emerged during the initial phase of the 2008 Great Financial Crisis:

- *The definition of the regulatory boundary between the banking book (BB) and the trading book (TB), which relied on the 'trading intent' concept, subjective in nature and as such leaved room for arbitrary shifts of positions between books in order to optimize capital requirements;*
- *The Standardized Approach (SA), which showed increasing inability to sufficiently capture risks associated with more complex instruments;*
- *The Internal Models Approach (IMA), based on VaR measures of risks which i) proved to be based on overly optimistic assumptions, such as a static 10-days holding period, that were inconsistent with the market reality especially in situation of wide stress or illiquidity; ii) provided ill-conceived incentives to take on tail risks, as they fail to adequately capture extreme but plausible events that resulted in large unexpected losses; iii) showed inability to adequately capture the credit risk component inherent in trading exposures while such instruments experienced a rapid growth in the early 2000s.*

The FRTB aimed to remove such weaknesses. A revised boundary framework, with the objective to confirm the criteria of the trading intent while limiting the possibility for arbitrage, has been devised; it introduces: i) a set of mandatory lists of instruments that shall be booked in the TB or in the BB, supplemented by a list of instruments that presumably are held for trading purposes; ii) a strict framework for rebooking positions between the two books, that shall be regarded as an exceptional *event, subject to explicit supervisory approval and with an automatic full off-setting for any capital relief following the rebooking. In addition, a new Standardised Approach (FRTB-SA) based on three components was developed: 1) a Sensitivity Based Method (SBM) which relies on the sensitivities to risk factors instead of simply risk-weighting positions; 2) a Default Risk Charge (DRC), a standalone component related to default risk of trading positions; 3) a Residual Risk Add-On to capitalize complex trading instruments whose risks are not (fully) captured by the SBM and DRC component. With regard to the IMA, the FRTB brings rather radical changes including a new risk measure (Expected Shortfall) to replace the VaR in order to provide a more accurate measure of tail risk and extreme losses. Different liquidity horizons are also prescribed, recognizing that some risk factors are more difficult to hedge than others. The approval process is more selective, as it is performed at trading desk level, and more rigorous as banks shall demonstrate on a continuous basis proficiency in modelling risk factors. Furthermore, to be included in the scope of internal models, risk factors shall meet minimum requirements that ensure that enough data to calibrate the model are available. Failing to meet such requirements will result in the imposition of a stressed capital charge. Finally, a DRC framework is devised to model default risk, featuring, among others, input floors.*

The IMA features several elements of complexity. A first area of complexity stems from the approval requirements, which are based on both the traditional backtesting requirement and the more innovative Profit and Loss Attribution Test (PLAT). The PLAT is designed to verify that the internal risk model accurately captures the main risk drivers influencing the P&L, thereby reducing discrepancies between the risk assessments of the front office and of the risk management. While P&L attribution is not an innovative concept to market risk management, it is rather new to the capital framework in the level of specificity that is required; backtesting requirements are equally stringent making qualifying for use of IMA a rather difficult and resource-intensive effort. Furthermore, the FRTB provides for a rather strict regime for identifying risk factors that can be modelled and those that cannot due to lack of sufficient data. The latter are subject to a stressed capital requirement calculated under penalizing conditions in terms of reduced diversification benefits.

The framework is even more complex under the EU transposition. While the CRR transposes the general elements of the FRTB, the more detailed technical aspects are defined in specific EBA Regulatory Technical Standards.

In light of the unclear stance of some other jurisdictions on the implementation of the FRTB, the EU has taken important initiatives aimed to not penalize EU banks. In particular, leveraging on Article 461a CRR, the application of the new rules has been postponed until 1 January 2027 (a one-year postponement had already been decided). [28] In the meantime, also following the proposals published for consultation in 2024[29], it might be useful to consider some adjustments to the framework also in a simplification context, to the extent they are instrumental to the objective of making the FRTB simpler without prejudice to the overall prudence of the framework:

a. <u>Profit and Loss Attribution Test (PLAT) as a monitoring tool</u>

[28] European Commission (2025c).
[29] European Commission (2025d).

The PLAT is a quantitative test that measures the robustness of each model[30] designated by the bank for validation. The rules consider the PLAT as a pass/fail test: if it is passed, the trading desk can use the model for computing capital requirements, otherwise the desk can either be disqualified and capitalized under the FRTB-SA or can still use the internal model but subject to a capital surcharge. So far credit institutions have been struggling to meet the PLAT requirement for many of the desks they have designated to be in-scope of internal models, as the test is a heavily data-based process. Moreover, the PLAT tends to be failed by desks with hedged positions, generating a counterintuitive result and penalizing low-risk desks comparing to desks with more aggressive strategies. In this context, the possibility to shift the PLAT from a pass/fail test to a monitoring tool might be beneficial from different perspectives. Indeed, banks would be in a position to exploit this temporary exemption to refine their internal models in order to achieve improved pass rates starting from 2029; in parallel, regulators would consider addressing any unintended effect of the current definition with a view to introduce (a revised version of) the test at a later stage.

b. <u>Non-modellable risk factors (NMRFs)</u>

The second area of possible intervention concerns risk factors that cannot be accurately modelled due to insufficient data (non-modellable risk factors, NMRFs) and for which higher capital requirements are provided. It is worth recalling that the Basel Committee developed the NMRFs framework for good reason: i.e. avoid modelling risk factors for which data were insufficient or inadequate, with the idea that as banks were progressing in their modelling capacity the share of NMRFs compared to Modellable Risk Factors (MRFs), and so the share of stressed capital requirement attached to NMRFs relative to the 'ordinary' capital requirement, were to decline over time. As this was not the case, the share of NMRFs is still persistently high, leading to a strong disincentive to adopt internal models, given that a considerable share of risk factors still struggle to pass the minimum conditions for modellability and as such shall be included in the scope of NMRFs. Among the proposed amendments by the Commission, the possibility to ease data requirements for recently issued instruments seems appropriate to avoid they are de facto always excluded from the IMA as a consequence of an intrinsic limit in data availability for new issuances.

c. <u>Operationalisation of the capital requirements for Collective Investment Undertaking (CIU) exposures</u>

In order to capitalise their CIU exposures under the internal model approach banks must be able to look through the individual components of the CIU on a weekly basis. To reduce the administrative burden, the Commission has proposed to allow banks to: i) carry out the look through approach on a quarterly basis, ii) include the part of the exposure they are able to look through if it represents at least 90% of the CIU exposures (measured by value), with the residual part to be capitalised using the risk weight defined under the standardised approach. Also this stream of work might be further exploited with a view of simplifying the rules and ensuring the level playing field, under the condition that the risk associated to these exposures is adequately and timely captured.

[30] The PLAT objective is to verify alignment of models employed in the risk office and the trading desk front office (FO); and to assess the level of consistency in their Risk Factors (RF) and pricing and valuation. In order to do so it compares the risk-theoretical P&L (daily P&L based on the models) and actual P&L (marked-to-market) value of instruments.

6.3 Securitisation

Securitisation is another area of financial regulation where potential changes for amending weaknesses could also match simplification objectives. In October 2024 the European Commission launched a targeted consultation on the functioning of the EU securitisation framework[31], highlighting a number of areas for which specific proposals could be developed in order to revitalize the EU market. One of these areas is represented by disclosure and due diligence requirements, where there is room for possible simplification. [32]

Securitisation transactions are characterized by agency problems between originators and investors. Such problems are usually overcome by increasing available information, making the instrument more transparent. This has been the approach followed by regulators, which have imposed disclosure requirements in order to reach a higher level of transparency to the market. This outcome has been achieved, though, at the cost of increasing the compliance costs.

The first area of possible simplification relates to requirements for private securitisations, which do not require the issuance of a prospectus. Under the current framework, disclosure requirements are broadly similar for public and private securitisations. For long time the industry has claimed that disclosure requirements for private securitisations are burdensome while not effectively increasing the transparency of the market, as investors access detailed transaction-level data through bilateral arrangements. An example of simplification would then be the introduction of a streamlined template for these kinds of transactions, aimed to provide information needed for supervision, leaving investors free to acquire details in the way they prefer. As such the "new" template will be focused on key transaction details, relevant parties, and securitised underlying exposures. Differently from the templates used for public securitisations, the simplified version would not require the disclosure of most of the granular data on underlying exposures. Supervisory oversight would be achieved using aggregate-level data and, to meet these objectives, the simplified template should include a dedicated section for aggregate figures on underlying exposures, as well as a number of metrics related to the performance of the underlying assets, such as the current principal balance, information on defaulted exposures, information on arrears, and restructured exposures.

Same reasoning could be applied to the characteristics and risks of the transaction. As such, an example could be to specifying which documentation should be required depending on the type of securitisation (true sale, ABCP transactions, synthetic securitisations). As these different instruments also entail different level of complexity and risks, the documentation produced is different, tailored on the risk profiles. One way to improve proportionality could be to specifying a list of common underlying documents for all the segments, while segment-specific documents would be detailed in "information modules" within Level 2 RTS. Another example of simplification may be represented by intragroup securitisations, an instrument used by undertakings of the same group to mainly manage needs of liquidity in a centralised way. These transactions do not involve third-party investors but are still subject to the same disclosure requirements. If these securitisations do not involve external investors, exempting from disclosure requirements would reduce administrative costs without resulting in reduced transparency for investors.

[31] European Commission (2024).
[32] Following the consultation, a legislative proposal was published on 17th June 2025. European Commission (2025e).

Burdens related to disclosure requirements are often tied to the need to verify and assess such information by the investors. These are also known as due diligence requirements aiming to ensure that investors properly assess the risks and the creditworthiness of a securitisation before and during the investment. Investors shall then verify that parties involved in a securitisation transaction comply with certain provisions as well as ensure an on-going monitoring of the performance of the underlying portfolio. Compliance with these requirements may be, in some cases, complex as provisions are not tailored neither on the specific characteristics of investors nor on the specific risk profile of the investment, which however may vary significantly and also depend on the riskiness of the securitisation tranche. In this respect, the legislator refers to the possibility of introducing some degree of simplicity, as recitals (9) and (33) of the Securitisation Regulation (SECR) explicitly consider the case that the due diligence carried out by investors could be proportionate to the degree of complexity of the investors and the securitisation.

An area of possible reflection is represented by transactions where sell-side parties are located outside the Union and originators are commonly subject to disclosure requirements that do not follow the same frequency and modalities as those prescribed in EU. As such, compliance with these requirements may impose costs and efforts just to arrange already available information in a different format. Overall, this could be avoided focusing on the substance of the information, rather than prescribing the format in which it has to be provided, making sure that investors receive on an ongoing basis information and data that are necessary for their risk assessment. Another example concerns the case of repeated deals, that is those situations in which the investor acquires the same type of assets issued across time by the same entity. In such situations, the set of information to be analysed is similar across different emissions and then a simplified requirement could be considered, in which investors only receive information on what is different and/or has materially changed compared to the previous investment, since the rest of information has already been received and processed by them. Finally, in the context of Simple, Transparent and Standardised (STS) deals, according to due diligence requirements, investors have to verify the compliance of securitisations with the relevant STS criteria, even though originators or sponsors are already required to ensure compliance with the relevant STS provisions and can be sanctioned in case of breach. Simplicity in this case could be introduced by removing the requirement for investors, as long as compliance with STS criteria is already subject to supervision.

6.4 Proportionality

Proportionality is a further area where industry advocates a need for improvement, even acknowledging that important progress was made over time in the EU framework, in particular through the introduction in CRR2 of a specific category of banks (Small and Non Complex Institutions, SNCI). This regime has allowed banks meeting a set of criteria based on size and complexity to apply lighter requirements in some areas, such as supervisory reporting, disclosure and SREP. Nevertheless, Pillar 1 requirements remained unchanged, except for the inherent application of proportionality in the calculation of capital requirements (e.g. standardised vs internal approaches; limitation of activities in more complex areas such as derivatives and trading instruments; etc.).

There are two dimensions of proportionality that matter in this regard: the definition of small banks and the prudential reliefs that could be associated to these institutions. On the former, it is worth noting that the EU regime applies a lower threshold of EUR 5bn of total assets compared to other jurisdictions which have also introduced a simplified framework for smaller banks (e.g. USD 10bn in the US, GBP 20 bn in the UK, CHF 17bn in CH). On the latter, a comprehensive international comparison can inspire areas of possible intervention, that should however be properly calibrated having regard to the specificities of the EU banking system.

Moreover, while the resolution framework is not explicitly addressed in our analysis, it cannot be denied that current (EU-specific) MREL requirements can pose significantly challenges for medium-sized banks (broadly defined as those with total assets below €30 billion), given they lack access to wholesale capital markets and institutional investors. Also in this area jurisdictions have taken different approaches: in the US, the application of the international defined TLAC standard has remained limited to G-SIBs, and no similar gone-concern requirements have been extended to smaller banks; in the UK, new legislation is being introduced to reform crisis management for medium-sized banks by exempting them from MREL (and correspondingly relying instead on the intervention of the DGS).

In any case, when assessing policy options one should consider that while smaller and less complex banks are associated with lower systemic importance in nature, they can still pose relevant financial stability issues and thus involve material time and supervisory resources during crisis. Therefore, under the condition to proceed with caution and carefully assess costs and benefits of any intervention, areas which in our opinion could be given priority are those related to capital buffers and MREL, having in mind that any simpler regime for smaller banks should be accompanied by a credible, flexible and efficient crisis management framework.

7. *Medium-term issues*

7.1 Legislative approach

Turning to possible interventions which would require more fundamental changes, and therefore also more time to be implemented, a first area is represented by the legislative approach adopted in the EU which, as previously discussed, is currently articulated in three levels: L1, including directives and regulations; L2, encompassing delegated and implementing acts; L3, covering a broad set of soft law products such as guidelines, recommendations, opinions and Q&A.

There is broad consensus that such architecture might have somehow contributed over time to a stratified, unstable and complex rulebook, and consequently that simplification is warranted. The issue is whether and to what extent fine-tune or revise the current set-up in order to better pursue a set of policy objectives: enhance effectiveness of the rules, optimize the balance between political bodies and technical authorities, avoid a sense of "false precision" due to the ambition of regulating all possible technical aspects of finance, achieve a proper balance between regulation and supervision.

In a set of potential solutions that are currently under discussion in the policy debate, two approaches can be more easily identified:

a) Reaffirm the centrality of the L1 texts in setting technical details of regulation, correspondingly reducing the room for L2 and L3 regulations. This would require limiting the number and scope of delegations and mandates granted to the Commission and the ESAs and would imply an increased control of the regulatory process by co-legislators, which are sometimes perceived as overcome by ESAs/supervisors' acts; in addition, the level of technical detail of the rules would possibly be reduced. However, given the length of the legislative process at the L1 level the framework would result more rigid and less able to adapt to market developments.

b) On the opposite side, the scope of L1 text could be changed in the direction of a more principles-based approach, thus leaving a more comprehensive definition of technical details to L2/L3 rules. Pros and cons of this approach are specular to previous ones: the rules could be more easily adapted over time but would likely be less stable over time; in addition, the level of political scrutiny in prudential choices could be perceived as insufficient.

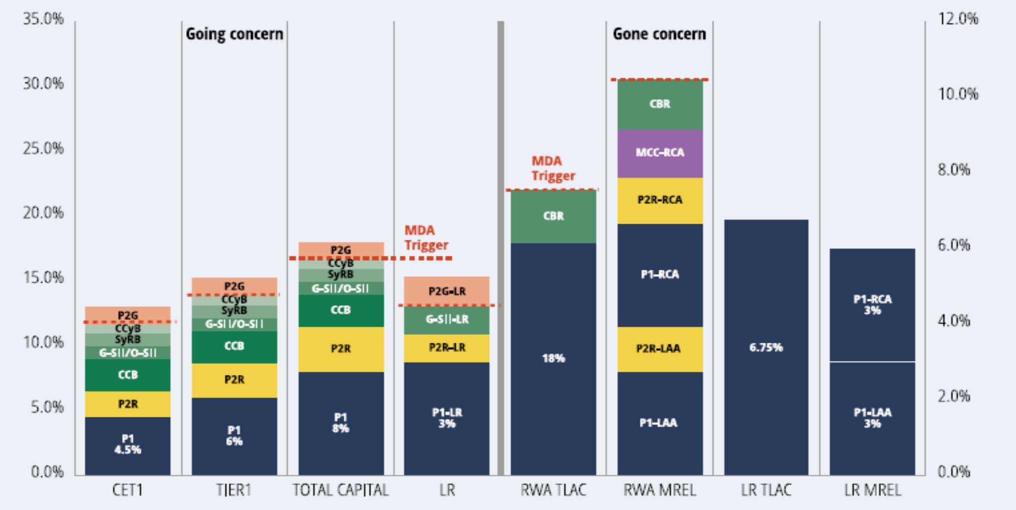
Both approaches show merits and costs, suggesting a middle ground solution. Nevertheless, any solution would require a careful reconsideration of the current balance between regulation and supervision: the demand for a thorough, intrusive and detailed regulation – which has led over time to an extremely complex framework – leaves little room to supervisory judgement. Conversely, setting a more explicit limit where rules should leave pace to supervisors (based on the idea that the heterogeneity of possible cases is too high, especially in finance, to be fully addressed by the same set of rules) should also limit complexity. The latter seems a promising direction to be investigated, also in the light of the future impact of the technology on financial regulation, which will require a high degree of flexibility and speed of adaptation of the rules.

7.2 Capital stack

One of the most complex aspects arising from the post-crisis regulatory reforms is the coexistence of multiple capital requirements. As currently defined internationally, the capital demand for banks includes various components addressing multiple objectives, i.e. micro-, macro-prudential, and resolution (horizontal dimension). Moreover, for each of these components different layers are defined, mainly as a combination of minimum requirements and buffers (vertical dimension). On top of that, various capital instruments are allowed to meet the different requirements (e.g. CET1, AT1, T2).

The capital stack in the EU is even more complex, since it includes further components in addition to elements required by global standards. With regards to the risk-weighted capital requirements, an example is represented by the Pillar 2 Guidance (P2G) and the Systemic Risk Buffer (SyRB); within the leverage ratio framework too, there are a Pillar 2 Requirement (P2R) and a guidance; lastly, there are requirements designed for gone concern (MREL), which also include micro- (minimum requirements) and macro-prudential (buffers) components (in addition to TLAC requirements for G-SIBs whose term-sheet was designed by the Financial Stability Board). This results in banks being subject up to a high number of capital requirements simultaneously.

Figure 1: EU capital requirements framework



Source EBA, Stacking orders and capital buffers, 2024

The current capital stack shows some potential criticalities.

First, the presence of multiple actors responsible for the activation and calibration of different instruments does represent a source of complexity: in the macro-prudential framework national authorities have powers (even though supplemented by the ECB top-power), while in the micro-prudential one both national authorities (for Less Significant Institutions) and the ECB-SSM (for Significant Institutions) are in charge. If we also consider MREL, the list of authorities involved extends to the Single Resolution Board and the national resolution authorities.

Second, the circumstance that the same capital instruments (typically CET1, but not only) can be computed to meet simultaneously different requirements can have unintended effects. For example, there is no guarantee that the capital buffers, which are the cornerstone of macroprudential regime, will fully perform their role in absorbing losses in adverse scenarios. A reduction in CET1 due to losses could trigger a breach of another applicable requirement (LR, TLAC, or MREL) before the buffers have been used (in whole or in part), compromising their function[33]. For the same reason, the release of buffers by the macroprudential authority - aimed to facilitate credit supply during downturns - may become entirely ineffective due to this mechanism. Moreover, empirical evidence suggests that banks are generally reluctant to use capital buffers, even during adverse phases of the economic cycle, in order to avoid both regulatory consequences[34] and market stigma.

Third, the existence of multiple parallel requirements complicates both banks' capital planning and market and regulatory authorities' monitoring. For the latter, in particular, there is a dual need to develop shared monitoring models and periodically exchange sensitive information, presenting objective challenges when micro- and macro-prudential supervision and bank resolution are handled by different authorities.

[33] ESRB (2021), Cornacchia-Guerra (2022).

[34] In the event of a breach of capital buffers, automatic or semi-automatic restrictions apply to the distribution of dividends, as well as to the payment of AT1 coupons and variable remuneration. The stricter the restrictions, the greater the extent of the breach.

A possible bottom-line is therefore a strand of work that, starting from the EU-specific components of the capital stack whose rationalization could also be achieved in a shorter time horizon, sets the basis for an overall simplification of the framework, for example by reducing the number of elements in the prudential and resolution capital stacks. In any case, any technical work in this area should reaffirm the need to preserve the resilience of the financial system, provide a ”holistic view” across prudential and resolution frameworks and, finally, not undermine the level of compliance with global standards.

7.3 Role of internal models

A third area of possible intervention in a longer time perspective is that one related to internal models. As mentioned above, the policy discussion a few years ago on RWAs comparability and complexity contributed to design the Basel III reform in the area of risk measurement, specifically in credit and operational risks. In other words, the role of internal models – as introduced in the regulatory perimeter with Basel II – was preserved, under the assumption, still valid, that the knowledge by banks themselves of the riskiness of their own business is a key ingredient also for supervisory assessment. Such a paradigm is confirmed not only in the Pillar 1 framework but also in Pillar 2, where the Supervisory Review and Assessment Process (SREP) is based on banks internal capital adequacy assessment (ICAAP).

However, while the identified solution does represent a pragmatic and reasonable compromise between maintaining the risk-sensitivity of the prudential rules and avoiding undue complexity and inefficient outcome, the framework still contains several elements of complexity due to the need for supervisors to verify – both at validation and monitoring phases – the robustness of models and internal estimates. The set of quantitative and qualitative requirements to be validated is extremely articulated and, in the EU, supplemented by an even more thick layer of ‘secondary’ regulation (ITS, RTS, Guidelines, Supervisory Expectations) aimed to detail all possible aspects of risks. All these requirements, differently binding and not always internally consistent each other, have generally to be met both at validation and in the monitoring phase; for the latter purpose, EU legislation envisages also specific activities, such as benchmarking (art. 78 CRD), aimed to gain a comparative perspective of risk parameters estimated by the institutions.

All this implies a large amount of supervisory competences and resources, which are scarce by definition. In addition, it might encourage banks to adopt a tick-the-box approach and, at the same time, provide supervisors with a false sense of precision, given the difficulty of any model to properly capture all possible dimensions of economic and financial phenomena.

In this context, while preserving a true risk-based approach and maintaining the key message for banks to continue strengthening their risk management systems, three further dimensions could be better considered for future thoughts: i) higher reliance on backtesting, i.e. focusing on effectiveness of models based on actual results; ii) ensuring that the risk-weight curves of prudential asset classes are properly calibrated: an accurate calibration reduces the need to introduce ex post corrective factors, such as add-ons, that make the framework unduly complex and certainly less predictable. This line of action is also consistent with the EBA mandates envisaged in the CRR3 that require a reassessment of the calibration of specific asset classes as well as a broader assessment of the appropriateness of the prudential framework (art. 518c of CRR3); iii) in the context of credit risk, increasing the alignment between prudential and accounting perspectives, with specific regard to internal models and the Expected Loss metrics used in the Basel and IFRS9 frameworks.

8. Conclusions

There is a growing consensus on the need to simplify financial regulation, especially in the EU, with a view to reducing the burden for financial firms, creating a more competitive environment, and fostering economic growth. A policy debate is currently under way in all the major international fora; the EU Commission is making concrete proposals in this direction, starting from the Omnibus regulation on sustainable finance that was published in February 2025. All European authorities are currently discussing a tentative simplification agenda and how to make it operational.

This paper aims to provide a pragmatic contribution to the policy debate by focusing on bank prudential regulation. The starting point is the definition of common agreed objectives and operational criteria, to ensure a coordinated action among all actors: a sound methodological approach represents not only a prerequisite to discuss possible simplification measures, but can pave the way for possible interventions in other areas of EU financial regulation as well as to international rules where applicable (e.g. the Basel standards). Our view is that in the EU banking prudential regulation there are several areas where some action is possible, even though within a different timeframe.

In the short term, we have identified the following potential initiatives:

i) streamlining the areas where the CCR3-CRD6 package has mandated the EBA to develop technical rules for the Basel III implementation. A few pragmatic examples reviewed in the paper suggest that a revised categorization of these mandates is possible, in order to give priority to those that are strictly needed for a sound implementation of the new rules or for reducing potential heterogeneity in their application, and conversely, to deprioritize or repeal those that – subject to a cost-benefit analysis – are not expected to provide a material value added or can add a layer of undue complexity. This work would require a coordinated action at different levels (EU Commission, EBA and competent authorities);

ii) amending the market risk rules (FRTB), in particular those concerning the internal models approach. In our view, this can be done without prejudice to the prudence of the framework, and might also contribute to rebalance the incentives (rather poor in the current framework) for the application of advanced methodologies, so as to strengthen banks' risk management techniques;

iii) reviewing the securitization framework, in particular for due diligence and transparency provisions (e.g. for private securitizations) in a way to not undermine awareness of market participants of the risks associated to these transactions; this would not fix all the issues of the EU securitization market, but it would be part of the solution, as confirmed by the comprehensive legislative proposal published by the EU Commission in June 2025;

iv) on proportionality, comprehensively reassessing the EU regime for Small and Non-Complex Institutions, in terms of both the criteria for their definition (currently anchored to a threshold of EUR 5bn of total assets) and the prudential reliefs that could be associated to these institutions (e.g. in terms of relationship between risk-based and leverage minimum, MDA triggers, buffer requirements); also current MREL requirements could be reconsidered with a view of improving the role of DGS.

In the medium term, we see room for initiating a proper discussion on possible changes to the legislative approach in the EU, particularly on the desired degree of detail for financial regulation, which nowadays seems excessively limiting the space for supervisory judgement, and the relative decision-making process, to make it more efficient. At the same time, we see space for addressing – based on a sound impact assessment – some fundamental issues in the prudential framework, such as the capital stack and the regulation of internal models. On the former, the framework contains a number of complexities that might be addressed in order to ensure a more transparent and clear interaction between micro-, macro-prudential and resolution capital requirements. On the latter, the Basel III choice to confirm the appropriateness of internal models for measuring certain risks for prudential purposes should be coherently followed by some rationalization of the framework, for example through greater recourse to backtesting as opposed to an overly prescriptive process for their validation and monitoring. Both areas could be addressed by looking at EU specificities first, thus ensuring to the extent possible the coherence with the global standards. Any further consideration affecting the latter should instead consider the primary need to ensure the implementation of Basel III worldwide.

The bottom line of our analysis is that the ambitious objective of simpler and more stable rules in the financial sector is a unique opportunity at the current juncture for EU policymakers to enhance the quality of banking regulation and make it easier for supervisors to enforce and for financial firms to implement, without compromising the overarching objectives to avoid any deregulatory action and keep the financial system highly resilient to possible shocks.

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