

To: Ursula von der Leyen, President of the European Commission

cc:

Maria Luís Albuquerque, Commissioner for Financial Services and the Savings and Investments Union

Valdis Dombrovskis, Commissioner for Economy and Productivity; Implementation and Simplification

Priorities on banking regulation, simplification and the assessment of the competitiveness of the EU banking sector

Dear President von der Leyen,

We, the undersigned banks, civil society organisations, and financial regulation experts, are writing to you to convey our priorities on banking regulation. This letter responds to the European Commission's ongoing assessment of the competitiveness of the EU banking sector and the overall situation in the EU's single banking market.

We fully share your vision for long-term prosperity and a competitive EU economy.

A precondition to achieving these goals is a stable, resilient, and diverse financial sector that is robust to shocks, adaptive in recovery, and capable of financing a productive real economy in the long-term, weathering emerging risks and economic downturns.

At the heart of financial resilience are sound prudential safeguards - governance, risk management and capital strength. Regulatory clarity, continuity in rulemaking, and operational efficiency are equally essential.

As the European Commission is currently looking at ways to reduce complexity in banking regulation and increase banks' capacity to finance the real economy, many of us have submitted proposals to the recent consultation on the competitiveness of the banking sector. Together, we all share the view that simplification should help make the framework more efficient, focus on eliminating duplications and overlaps, and minimise national discrepancies. Yet, it must not result in undermining the Basel minimum capital requirements, reducing buffers, perpetuating the EU transitional provisions, or otherwise rolling back essential resilience mechanisms. The solidity of the banks' capital base is the only proven foundation for the lasting expansion of their lending capacity, as opposed to one-off capital relief that lowers resilience. We reiterate that the complexity of the operational environment for banks in the EU largely stems from market fragmentation and the lack of a harmonised application of the Single Rulebook.

We urge you to ensure that, whatever the outcomes in terms of simplification, the Commission's review preserves the resilience and overall capital strength of the EU's banking sector.

Competitiveness and regulatory standards

European banks are currently highly profitable and well-placed to seize growth opportunities in innovation, digital transformation, and energy transition, among others, while continuing to meet investor expectations. Yet, they have, on average, lower returns on equity (a measure of profitability) and lower price-to-book ratios (a measure of stock market valuation) than US peers. **This gap has mostly been explained by differences in market structure and business models[1]**. Asset managers have explained this in terms of EU market fragmentation and lack of scale, and US market dynamics including historically high valuations, among other things[2].

On the contrary, evidence shows that prudential regulation has not been a cause of lower profitability of EU banks. Moreover, comparative studies conducted by prudential supervisors concluded that EU global systemically important banks (G-SIBs) would face higher capital requirements if US rules were applied to them. Finally, the diversity of Europe's banking sector is one of its strengths. Diversity of banking business models enables meeting the diversity of financing needs in the European economies. A diverse banking sector is competitive and resilient. Looking forward

We urge the European Commission to focus on:

- Reducing fragmentation in EU financial markets through more harmonised rulemaking, the completion of the Banking Union, including the European Deposit Insurance Scheme (EDIS), a more coherent legal and supervisory environment, harmonisation of tax, corporate, securities and insolvency laws, support for equity finance, especially in venture and scale-up capital, infrastructure and long-term transition finance.
- Ensuring that EU banks retain their capital base at least at the current level of capital to enable banks to prioritise real-economy lending.
- Streamlining supervisory reporting processes. Adopt a “report-once” system to relieve the burden from banks and avoid overlaps, and replace supervisory reporting by data-sharing mechanisms.
- Support diverse bank business models by introducing a more proportionate regime for small and non-complex institutions with robust leverage and liquidity requirements, as well as facilitating broader access to macroeconomic data by all institutions. This would support local lending, especially to SMEs and underserved sectors.

[1] Di Vito, L. et al. *Understanding the profitability gap between euro area and US global systemically important banks*, European Central Bank Occasional Paper Series.

[2] For example, asset manager DWS reports forward price-to-earnings ratios for European equity indices of 15x, compared with 22x for US benchmarks, a discount of more than 30%, *Europe's Edge in 2026*.

[3] Skirmantas, D. et al, *Understanding the banking sector capital framework in the European Union*, European Central Bank Occasional Paper Series; Bank of England, *Financial Stability in Focus: The FPC's assessment of bank capital requirements*, 2 December 2025.

We share the strong consensus among Central Banks, Supervisors, and some Member States on the need for a resilient banking sector that supports a competitive European economy.

We would be pleased to engage with your teams on any of the points raised above,

Sincerely,

Brussels 22nd of June 2026

Signatory Organizations

APS Bank
Asufin
Banca Popolare Etica
Cooperative Bank of Karditsa
Ekobanken
FEBEA Advocacy Lab
Finance Watch
Germanwatch
GLS Bank
Green-Got
Hefboom cv
Société Financière de La Nef
Triodos Bank



Individual Signatories

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Clemens Kool, Professor Emeritus of Macroeconomics and International Monetary Economics, **Maastricht University**

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Jens van 't Klooster, Associate Professor of Political Economy, **University of Amsterdam**

Jonathan Zeitlin, Professor Emeritus, Visiting Fellow, & Affiliate Professor, **University of Amsterdam, European University Institute, & Sant'Anna School of Advanced Studies**

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Marleen Janssen Groesbeek, Professor Sustainable Finance and Accounting, **Avans University of Applied Sciences**

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Sandrine Dixon-Declève, Executive Chair, Earth4All, and Honorary President, **The Club of Rome**; Founder & Co-Chair, **Systems Transformation Hub, Club of Rome, Earth4All, Systems Transformation Hub**

Stephany Griffith-Jones, Professor Emeritus of Macroeconomics and International Monetary Economics, Emeritus Professorial Fellow, **Institute of Development Studies, Sussex University** / Professor of Practice of Sustainable Finance, SOAS, **London University** / Former Deputy Governor **Central Bank of Chile**

Ulrich Klüh, Professor for Political Economy and Ecology; Speaker of the Directorate, **Darmstadt Business School / Center for Sustainable Economic and Corporate Policy (SECP)**