

Euronext's response to the European Commission's targeted consultation on the competitiveness of the European Union banking sector

Introduction:

Euronext welcomes the opportunity to respond to the European Commission's targeted consultation on the competitiveness of the European Union banking sector.

Euronext has a long-standing commitment to the objectives of the Savings and Investments Union and to European market integration more broadly. Over the past two decades, Euronext has developed from a small group of national exchanges into a leading, diversified pan-European market infrastructure, comprising eight regulated markets across Europe, seven of which operate on a single trading platform with a unified liquidity pool, Europe's third-largest central securities depository network with €7.8 trillion in assets under custody, and Euronext Clearing, a leading multi-asset European clearing house.

As Europe's leading equity listing venue, Euronext hosts around 1,900 listed companies with a total market capitalisation of €6.8 trillion (31 March 2026). With approximately 55,000 bonds listed, including more than 3,600 ESG bonds, Euronext is also the world's largest debt listing venue.

Euronext operates a distinct federal model that combines proximity to local financial ecosystems with European scale. By working closely with local market participants, Euronext facilitates investor access through local intermediaries and supports the growth of SMEs via initiatives such as IPOready and ELITE.

A competitive and resilient EU banking sector is vital to economic growth and to the functioning of deep and integrated European capital markets. Banks are key complements to market infrastructures in mobilising savings, financing companies, and supporting investment across the economy. Euronext therefore believes that targeted and proportionate regulatory and supervisory measures are needed to enhance the competitiveness of EU banks and to ensure alignment with the objectives of the Savings and Investments Union (SIU).

In Euronext's response, the focus is on questions that are relevant from our position in the EU's Capital Markets:

- Banking competitiveness in the EU and globally: Q 1, 2, 4, 5, 8, 10, 14, 15, 18 & 31

- The single market and the banking union: Q 37
- Complexity and effectiveness of the regulatory framework: 49, 51, 78 & 95

Euronext stands ready to give any further information the European Commission may find useful and to engage constructively in the follow-up to this consultation.

Question 1: How is the banking sector currently supporting economic growth in the EU, and to what extent (for example, by providing loans to households and businesses, supporting innovative sectors, and helping channel investments into capital markets, including for retail investors)? How could banks do more to boost productivity and economic growth, thereby supporting the priorities of the EU and accelerating the green, digital and social transitions? Please give concrete examples and evidence.

The European Union (EU) banking sector plays a fundamental role in supporting economic growth and competitiveness. As the primary channel of financing for households, SMEs, and large corporates, banks underpin investment, consumption and innovation. Their role is particularly significant in the EU, where bank-based financing remains dominant compared with more market-based jurisdictions.

EU banks remain the largest source of external financing for companies, especially SMEs that rely on bank lending for over two-thirds of their financing needs. Through mortgage loans, consumer credit and SME lending, banks directly support economic activity, investment and job creation.

Banks increasingly act as distributors of investment products, enabling retail savers to access capital markets in a more efficient and secure manner. Through deposit accounts, investment products, and pension solutions, they facilitate the mobilisation of household savings toward long-term investment needs, an essential objective of the Capital Markets Union (CMU) and the SIU.

A resilient banking sector underpins stable economic growth. Strengthened regulation and supervision have led to higher capital and liquidity buffers, which allow banks to continue lending even during economic stress. Cross-border banking groups further contribute to the integration of EU markets and reduce fragmentation in the provision of financial services.

At the same time, EU capital markets, including exchanges, CCPs and CSDs such as those operated by Euronext, are increasingly important partners to the banking sector. A strong banking system combined with deep and well-functioning capital markets is necessary to finance the EU's green, digital and industrial ambitions.

While EU banks provide substantial SME financing, there is still a gap in funding for scale-ups and innovative firms transitioning from early-stage to growth financing. Further digital transformation of banking services will enhance efficiency and competitiveness. In addition, banks can help address the EU's underdeveloped retail

investment landscape, leveraging digital platforms for easier access to capital markets and enhancing financial literacy initiatives in partnership with public authorities.

An EU regulatory framework that supports innovation while ensuring robust supervision will be critical to this transformation.

Question 2: Is current credit demand adequately met by banks, and how is the demand and the capacity to meet it likely to evolve in the medium and long-term? Are you observing barriers affecting bank financing in support of the economy, including in areas identified as political priorities by the EU or Member States? Please elaborate by providing evidence and identifying economic sectors where access to credit could be improved.

The EU banking sector has so far demonstrated its capacity to meet most credit demand from households and corporates. However, looking ahead, structural and regulatory constraints may increasingly limit the ability of banks to meet rising financing needs, particularly related to the green transition, digital transformation, defence, critical infrastructure, and scale-up financing.

From Euronext's perspective as the largest market infrastructure in Europe, the future financing needs of the EU economy will exceed what banks alone can provide, especially in a context of tightening prudential requirements. Maintaining a resilient banking system is essential, but the current regulatory framework may unintentionally limit lending capacity in strategically important sectors of the economy.

The EU's implementation of the Basel framework, e.g. CRR3/CRD6 tends to be more conservative and complex compared with other major financial centres. This affects the international competitiveness of EU banks. As a result, EU banks face higher capital consumption for similar activities than their counterparts in the US or Asia, which can lead to lower lending capacity and reduced competitiveness.

Sectors that are crucial to the EU's strategic autonomy, such as deep/clean technology, AI, defence, and advanced manufacturing often involve higher risk profiles or intangible assets. Current capital rules, however, tend to favour low-risk, short-term lending.

In addition, despite the progress in the EU Banking Union, differences in national supervisory practices and macroprudential tools remain. This affects cross-border banking efficiency and limits the ability of groups to allocate capital and liquidity optimally across the EU.

Question 4: To what extent does market fragmentation affect consumers' and businesses' cross-border access to banking products and services? Please give

examples, such as but not limited to IBAN discrimination and difficulties of businesses and individuals to open a bank account, lack of harmonisation of banking products, challenges linked to open finance data sharing. Please provide data if available.

Market fragmentation remains a significant structural challenge for the European banking sector and affects the ability of consumers and businesses to access banking products and services across the EU. Despite the progress achieved under the Banking Union and EU regulatory harmonisation, a number of regulatory, supervisory, and operational factors continue to limit the emergence of a truly integrated EU banking market.

From Euronext's perspective as a pan-European market infrastructure operating across multiple jurisdictions, fragmentation in the banking system directly affects financial integration, cross-border investment flows, and the functioning of the Capital Markets Union.

For example, Member States frequently introduce additional requirements on top of CRR/CRD, including higher systemic buffers, domestic add-ons, or national interpretations of Pillar 2 measures. This leads to increased capital consumption for (cross-border) banking groups.

In addition, differences in consumer protection rules, insolvency regimes, collateral frameworks, and taxation create barriers to offering identical credit or deposit products cross-border. This results in uneven access for businesses that operate in multiple EU markets.

Question 5: To what extent does the EU economy benefit from a diversified banking sector? How would you further encourage the diversity of the EU banking sector landscape, with banks operating across different business models (universal, investment, savings, mortgage financing, cooperatives, digital banks, etc.)? Please elaborate whether and how banking sector diversity matters.

The EU economy benefits significantly from having a diversified banking sector, composed of institutions operating under a variety of business models, global banking groups, savings and cooperative banks, mortgage lenders, investment banks, and digitally native banks. This diversity contributes to the resilience, competitiveness, and inclusiveness of the European financial system. It also complements the EU's market-based financing ecosystem, strengthening the overall capacity to fund the EU's economic priorities.

Question 8: What are in your view the main risks faced by EU banks today?

EU banks operate in a significantly more stable and better capitalised environment than prior to the global financial crisis. However, several structural, regulatory, and

geopolitical risks threaten the long-term competitiveness of the European banking system. Many of these risks are not related to excessive risk-taking, but rather to constraints on the ability of banks to lend, scale and compete globally.

Question 10: In which of the following dimensions of competitiveness is the EU banking sector performing well?

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	No opinion
EU banks produce financial products at low cost and/or offer financial services at a low price						X
International competitiveness: EU banks are able to maintain and increase their market shares in international markets					X	
Innovation competitiveness: EU banks are able to supply qualitative or innovative, original financial products or services						X
Other (please indicate)						X

Please explain and indicate for the different business areas (wholesale and investment banking, retail banking, etc.)

EU banks today face significant structural headwinds that make it more difficult for them to maintain or expand market share in international markets compared with peers in the US, UK, and parts of Asia.

EU banks operate under more stringent and more conservative capital requirements, due to the EU's comprehensive and often gold-plated implementation of Basel standards (CRR/CRD). This results in higher capital consumption for similar activities, reducing flexibility, profitability and competitiveness in global wholesale and investment banking. In addition, continued fragmentation within the EU banking market prevents EU institutions from achieving the same economies of scale as banks in other major jurisdictions.

A lower return on equity and profitability compared with global peers reduces the capacity of EU banks to invest in technology, international expansion and innovation. This widens the competitiveness gap and weakens their position in global markets such as investment banking, payments and capital-markets intermediation.

As a result, while EU banks remain stable and well-capitalised, their ability to compete internationally is structurally constrained. Addressing these regulatory and structural asymmetries is essential to ensure that EU banks can maintain and grow their international presence in an increasingly competitive global environment.

Question 14: Does the prudential framework adequately account for the activities and the complexity of intermediaries performing financial services other than core banking services? Are there any perceived undue limitations to such activities? Reference is made to financial services performed by investment firms, financial advisors, custodians, wealth managers, market makers or other liquidity providers that are not primarily or not at all engaging in deposit taking and granting loans.

The prudential framework should ensure that all financial intermediaries, whether they are banks, investment firms, custodians, market makers, or wealth managers are operating under requirements that are proportionate to their business models and support their competitiveness and the EU as a whole. A well-calibrated prudential regime supports financial stability while ensuring that each type of intermediary can conduct its core activities effectively. Maintaining proportionality and avoiding undue regulatory burdens is essential for a vibrant, competitive and diverse European financial ecosystem.

Furthermore, a well-calibrated prudential framework for all types of financial intermediaries will ensure deeper and more liquid markets and will support other vital parts of the SIU. Efficient capital allocation is a key determinant of the EU's ability to attract and retain listings, and an essential complement to primary market financing. Robust secondary markets also underpin the capacity of trading venues to develop and scale new products, which is critical for delivering financial innovation and mobilising market-based financing for being globally competitive while supporting the green transition and the digitalisation of capital markets.

Question 15: How would you assess the competition between banks and other entities performing financial services (such as financial conglomerates, investment firms, FinTechs, etc.) from the perspective of the overall functioning of capital markets (provision of liquidity, transparent market information and pricing, scaling up of trading venues etc.)?

Financial markets are pivotal to economic growth. Euronext believes that effective competition among banks and other providers of financial services, including investment firms, financial conglomerates, and FinTechs, is essential for well-functioning capital markets. A diverse ecosystem of market participants supports liquidity provision, transparent price formation and innovation, and plays a critical role in financing the EU's green, digital and industrial ambitions.

In this context, the Market Infrastructure Package (MIP), proposed by the Commission in late 2025 as a key part of the Savings and Investments Union, represents an important opportunity to strengthen the EU's market framework and enhance liquid and deeper capital markets through competition across various market participants.

Question 18: What factors prevent EU banks from engaging in more cross-border activity within the EU or make cross-border activity more costly?

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	No opinion
Divergent implementation of EU banking rules across Member States	X					
Supervisory divergence/gold-plating by Member States/national supervisors	X					
Requirements for allocation of capital and liquidity at local level	X					
Non-harmonised macroprudential buffers	X					
National discretion in intragroup large exposure limits	X					
Incomplete banking union (lack of a European deposit insurance scheme, liquidity in resolution, etc.)						X
Non-prudential barriers (insolvency, investor protection, company law, taxation)	X					
Political barriers (government direct or indirect interference)						X
Complexity and length of mergers and acquisition supervisory authorisation procedures						X
Costs/risks of mergers and acquisitions						X
Absence of economies of scale from engaging in cross-border activities						X
Other (please indicate)						X

Question 31: How should the bank regulatory framework and supervisory practice adapt to the changes in the banking sector triggered by digitalisation?

Banks need a regulatory and supervisory framework that actively supports innovation and the development of new products in order to remain competitive in an

increasingly digital and globally integrated financial system. As digitalisation is transforming client expectations, market infrastructures and business models, EU banks must be able to innovate in a safe and proportionate manner without being placed at a structural disadvantage in relation to other jurisdictions.

Prudential and supervisory approaches to crypto-assets should therefore become more proportionate and better aligned with actual risks. Current Basel standards impose highly punitive capital requirements on many crypto-asset exposures, significantly constraining EU banks' ability to offer crypto-related services. This is further compounded by the fact that the CRR has not yet fully implemented the Basel framework, creating a prolonged transitional "limbo" characterised by legal uncertainty for EU banks. Given the global and inherently digital nature of crypto markets, excessive conservatism at EU level risks pushing activity outside the regulated banking sector or to third-country jurisdictions. Supervisors should therefore support a more risk-sensitive and proportionate treatment of crypto-asset exposures, building on the ongoing Basel review, to enable regulated EU banks to participate in digital asset markets while preserving financial stability.

In addition, the regulatory framework for market infrastructure and settlement under CSDR needs to better accommodate digitalisation. Settlement discipline measures, including penalties and mandatory buy-ins, were designed for a more traditional post-trade environment and do not sufficiently reflect the increased automation, straight-through processing and cross-border complexity of modern markets. A rigid application of these rules can generate operational frictions, legal uncertainty and costs that are misaligned with actual settlement risk, particularly in digitally integrated markets. Supervisory practice should therefore allow for greater flexibility and proportionality in the application of CSDR settlement rules, while ongoing legislative reviews should ensure that the framework supports, rather than constrains, innovation in post-trade processes.

CSDR should also be enhanced to explicitly accommodate innovation in settlement processes including higher levels of automation, greater interoperability between CSDs, and the use of new technologies, such as DLT-based infrastructures where appropriate. This would enable CSDs to respond to growing market demand for DLT-based settlement in both Union and non-Union currencies. Notably, to fully unlock this innovation potential, it is essential that the conditions for the use of E-Money Tokens (EMTs), or tokenised cash more broadly, as a settlement asset remain proportionate and do not undermine commercial viability, including where the cash leg is settled via accounts held with a designated credit institution. In this context, when settlement occurs on the accounts of a credit institution through EMTs under CSDR, we call to remove the MIP requirements proposed as part of the MIP package whereby the designated bank would be subject to a capital surcharge and to use its license solely to provide EMT-related settlement services.

Overall, a forward-looking supervisory approach, combining proportionality, technological neutrality and a stronger focus on competitiveness, will be essential to ensure that digitalisation strengthens, rather than weakens, the EU banking sector.

Question 37: What are the main non-prudential barriers that impede cross-border activities?

	Fully agree	Somewh at agree	Neutral	Somewh at disagree	Fully disagree	No opinion
Divergent national tax treatment attached to certain banking products (mortgages, savings accounts, deposits) or banking operations (Value Added Tax, corporate and personal income taxation)						X
More generally, lack of unified banking product offering across EU or sub-regions, forcing product adaptation to each national market						X
Labour laws and contract laws hindering the servicing of EU bank clients in a Member State by a branch/entity located in another Member State.						X
Preference by local customers of local bank brands						X
Divergent insolvency laws and collateral foreclosure rules	X					
Consumer protection laws and client specific documentation						X
Divergent (non-prudential) reporting requirements	X					
Language barriers						X
Other (please indicate)						X

Please explain which actions should be taken to overcome these non-prudential barriers and improve the integration of banking markets in the EU.

Differences in national insolvency regimes remain one of the most significant structural barriers to cross-border banking. As a result, banks must apply different risk assessments and internal models across Member States. This increases the cost of cross-border lending, raises risk weights, and often discourages banks from offering identical credit products across borders. Harmonising key aspects of insolvency and collateral enforcement would significantly reduce these frictions.

In addition, EU banks operating across multiple Member States face inconsistent and overlapping reporting. This fragmentation creates substantial administrative burden and operational complexity, disproportionately affecting cross-border banking groups. It also limits the ability to scale service offerings uniformly across the Single Market. Streamlining and standardising non-prudential reporting requirements would meaningfully reduce compliance costs and support cross-border efficiency.

Question 49: Which type of instrument adds the most undue complexity to these parts of the frameworks?

	Low	Somewhat low	Medium	Somewhat high	High	No opinion
International standards (Basel, FSB)						X
Level 1 EU legislation (i.e. regulation/directives)						X
Level 2 EU legislation (i.e. technical standards)						X
Level 3 EU measures (i.e. EBA guidelines, Q&As, etc.)						X
Supervisory guidance/practices						X
Implementation differences of EU legislation at national level					X	
Interaction with other national legislation					X	
Interaction with other EU legislation					X	
Other						X

Question 51: The Single Rulebook for banking is based on both directives and regulations. Unlike regulations, directives must be transposed into national law, which can lead to different applicable legal framework applicable across Member States. In your view, which provisions currently set out in directives, such as the Capital Requirements Directive (CRD), the Bank Recovery and Resolution Directive (BRRD) or the Deposit Guarantee Scheme Directive (DGSD), would be more effectively established through directly applicable regulations, and for what reasons, if any?

While the Single Rulebook has significantly strengthened prudential consistency, the continued reliance on directives creates material divergences across Member States due to national transposition, discretions and supervisory practices. This fragmentation makes it more complex and costly for EU banks to operate cross-border and undermines the effective functioning of the internal market.

In particular, core prudential provisions in the CRD, such as capital buffers, governance requirements and supervisory powers, as well as key elements of the BRRD, including resolution tools and creditor hierarchy, would be more effectively set out in directly applicable regulations. Divergent national implementations in these areas complicate group-wide risk management, capital and liquidity planning, and resolvability, especially for cross-border banking groups.

Similarly, further harmonisation through a regulation in the area of deposit guarantee schemes would reduce legal uncertainty and competitive distortions stemming from differing national frameworks. Moving these provisions to regulations would enhance legal certainty, reduce compliance costs, and facilitate genuinely cross-border banking activities, while reinforcing financial stability and supervisory consistency across the EU.

Question 78: Are the current rules related to the determination of MREL targets effective, efficient, clear and predictable?

From Euronext perspectives, the EU MREL framework has strengthened resolvability, the current rules for setting MREL targets are not fully effective, efficient or predictable. MREL continues to rely heavily on national discretion, resulting in divergent outcomes across Member States. This fragmentation hampers cross-border banking operations, undermines the single market and reduces the benefits of EU-level supervision and resolution.

In practice, MREL implementation in several Member States has gone beyond international TLAC standards through additional buffers, conservative calibration and gold-plating, including systemic risk buffers and more demanding internal MREL requirements for parent–subsidiary structures. These internal TLAC/MREL requirements significantly increase issuance needs and costs for EU banking groups and further entrench market fragmentation, a situation that contrasts sharply with more streamlined approaches in other jurisdictions such as the US.

Moreover, discretionary capital layers (e.g. MREL over TLAC, systemic risk buffers, positive neutral and countercyclical buffers) risk becoming excessive when assessed cumulatively. At the same time, EU-wide stress test results indicate that banks already hold substantial capital buffers, suggesting scope to rebalance prudential expectations without weakening financial stability.

Overall, greater alignment of MREL with TLAC, reduced national discretion and a more consistent EU-level approach would enhance clarity and predictability, lower compliance and funding costs, and support cross-border banking and competitiveness while preserving the credibility of the resolution framework.

Question 93: What other policy measures, legislative or non-legislative, could be considered to further modernise reporting and reduce the reporting burden?

Further modernisation of reporting should build on and accelerate the work initiated by ESMA to streamline financial transaction reporting across EU legislation, notably through its mid-2025 Call for Input on streamlining financial transaction reporting (closed on 19 September 2025). In particular, priority should be given to eliminating duplicative and overlapping reporting requirements, standardising data elements and definitions, and promoting greater reuse of reported data across competent authorities. In addition, Euronext is a supporter of the central reporting database that will be maintained by ESMA that should increase efficiencies. Leveraging this also for regulatory data reporting purposes should be considered to streamline data reporting and create cost-effective solutions.

The EC should support and follow up on ESMA's work by ensuring consistent application across relevant legal frameworks (e.g. MiFIR, EMIR and SFTR), advancing harmonised and machine-readable reporting standards, and strengthening supervisory coordination. A coherent EU-level approach, combining targeted legislative simplification with non-legislative guidance and supervisory convergence, would significantly reduce reporting costs while improving data quality and supervisory effectiveness.