

17 April, 2026

European Commission
Rue de la Loi 200/ Wetstraat 200
1049 Bruxelles/Brussel
Belgium



Japanese Bankers Association

JBA Comments on Targeted Consultation on the Competitiveness of the EU Banking Sector

Dear European Commission Members:

The Japanese Bankers Association¹ (JBA) appreciates the opportunity to provide its comments on the European Commission's Consultation Document: "Targeted Consultation on the Competitiveness of the EU Banking Sector," released on 11 February 2026.

The JBA supports the European Commission's efforts to further strengthen the competitiveness of the EU banking sector, and concurs with the observation that market fragmentation, limited scale, and insufficient cross-border integration currently constrain the full potential of banks to finance investment, innovation and growth.

As third country banks, supporting the EU economy, both for Japanese companies in the EU and EU companies themselves, is among the priorities for operating in the region. According to BIS international banking statistics, Japanese banks hold claims on Europe amounting to USD 1,318.5 billion. Banks could be further empowered to support these priorities through the establishment of an appropriate regulatory framework.

Strengthening the international competitiveness of the European banking sector, while ensuring sustainable economic growth and financial stability in Europe, requires the establishment of a genuinely integrated single banking market. alongside further improvements in the consistency and proportionality of the regulatory and supervisory framework.

In particular, the regulatory and supervisory treatment of third-country banks operating in the EU has a direct and material impact on their ability to provide efficient financial services and to contribute to the European economy, including by further attracting capital and investments from abroad. Accordingly, such treatment should be reviewed carefully from a holistic and system-wide perspective.

In our opinion, the EU should focus on identifying the most effective way to revise the existing framework and deliver its distinctive market and regulatory model that supports the development of dynamic capital markets capable of channelling financing toward the relevant priorities of the Union. Due consideration should be given to measures that could promote this important element, beyond the sole aim of reducing compliance burdens.

1. Cross-border activities in the EU banking sector

While third country banks benefit from passporting arrangements that facilitate access to the EU market, differences among Member States in domestic legal interpretations, supervisory practices, and supervisory expectations significantly increase management burdens and regulatory uncertainty in cross-border activities.

In particular, provisions introduced under the Capital Requirements Directive VI (CRD6), including those relating to third country branches, as well as potentially stricter national interpretations in certain Member States, risk imposing excessive constraints on the business operations of third country banking groups. In addition, the lack of harmonisation in insolvency regimes across Member States remains an obstacle to the provision of integrated and efficient services across multiple jurisdictions.

¹ The Japanese Bankers Association is the leading trade association for banks, bank holding companies and bankers associations in Japan. As of 1 April 2026, the JBA has 111 Full Members (banks), 3 Bank Holding Company Members (bank holding companies), 78 Associate Members (banks & bank holding companies), 49 Special Members (regionally-based bankers associations) and one Sub-Associate Member for a total of 242 members.

2. International level playing field (Internal Governance and Remuneration Rules)

The lack of uniformity in the EU-wide implementation of remuneration rules places certain Member States – and the EU as a whole – at a competitive disadvantage in attracting and retaining talent, compared with other financial services hubs. This issue affects not only EU banks but also creates additional challenges for international banks seeking to expand their businesses within the EU.

From the perspective of ensuring regulatory consistency and a level playing field across the EU, it is important that remuneration rules be applied in a harmonised manner throughout the EU. Should bonus caps be retained, consideration should be given to consider reviewing the framework at the EU level. Recent regulatory developments in other major financial centres, such as the United Kingdom, should be taken into account when assessing the EU's international competitiveness.

3. Protection of depositors

To ensure certainty and predictability for banks engaged in cross-border activities, including those headquartered outside the EU, it is important that all such banks have access to a harmonised deposit guarantee framework that supports financial stability and effective crisis management.

In this regard, for large international banking groups that adopt a Single Point of Entry (SPE) resolution strategy, many overseas operations that are not systemically important are expected to be resolved or wound down in stress scenarios. This approach already serves to limit the use of European taxpayers' funds to bail out banks and should be appropriately recognised in resolvability assessments of the non-EU entities within an international systemic banking group. For this purpose, Supervisory Colleges and Crisis Management Group (CMG) meetings have provided a forum through which home and host authorities engage and share information on supervisory and financial stability related concerns.

4. Complexity and effectiveness of the regulatory framework

Requirements such as intermediate parent undertaking (IPU) obligations and third country branch requirements may risk introducing excessive organisational complexity and imposing undue capital and liquidity constraints on third country banks. While more centralised EU legal entity structures may facilitate supervisory coordination, it is important to ensure that these requirements do not undermine global banking groups' ability to allocate capital and liquidity across borders. This could potentially limit their ability to provide financial services within the EU and diminish their contribution to the European economy.

While initiatives aimed at simplifying and streamlining regulatory frameworks are welcome, they should be complemented by enhanced coordination across jurisdictions. Greater emphasis should be placed on achieving international consistency through mechanisms such as equivalence assessments.

5. Proportionality

Supervisory approaches and practices, especially with respect to branches and subsidiaries of third country banks, should be reviewed with a view to strengthening proportionality, taking into account institutions' size, risk profile, and business model.

Furthermore, the EU's equivalence framework should be applied in a robust and effective manner. This is particularly important for jurisdictions, such as Japan, which have fully and consistently implemented the Basel standards. For banks headquartered in such jurisdictions, subsidiaries and branches should not be automatically classified as significant institutions solely based on their EU presence and assessed as if they were standalone institutions, without due consideration of their group affiliation and the supervisory framework of their home jurisdiction.

We hope that our comments will contribute to further discussions at the European Commission.

* * *

We thank the European Commission again for the opportunity to comment on the Consultation Document and hope our comments will contribute to further consideration in the European Commission.

Yours faithfully,

Japanese Bankers Association

JBA Comments on Targeted Consultation on the Competitiveness of the EU Banking Sector

#	Question	Comment
1. Banking competitiveness in the EU and globally		
1	<p>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.</p>	<ul style="list-style-type: none"> • As third country banks, supporting the EU economy, both for Japanese companies in the EU and EU companies themselves, is among the priorities for operating in the region. Banks could be further empowered to support these priorities through the establishment of an appropriate regulatory framework. For example, in terms of the green transition, banks can play a vital role in supporting companies’ green transition efforts. However, instruments that have demonstrated their benefits in the past should be appropriately recognised within the framework. Blended finance is one example in this regard. In this context, regulators should: embed interim performance thresholds and credible transition pathways in taxonomies, encourage supervisors to develop capital frameworks that recognise plausible transition paths, and support public-private blended finance mechanisms that help to share first-loss risk and improve bankability. • The financial sector can play a critical role in supporting companies’ transition efforts — provided that the regulatory framework appropriately recognises and enables transition finance. This is particularly important in the context of cross-border capital flows and differing national starting points.
6	<p>Do you consider that national promotional banks and public guarantee institutions provide a complementary contribution to the activities of commercial banks in financing the EU economy?</p>	<ul style="list-style-type: none"> • Yes, please see Question 1.

#	Question	Comment						
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	✓					
		Supervisory divergence/gold-plating by Member States/national supervisors	✓					
		Requirements for allocation of capital and liquidity at local level	✓					
		Non-harmonised macroprudential buffers			✓			
		National discretion in intragroup large exposure limits			✓			
		Incomplete banking union (lack of a European deposit insurance scheme, liquidity in resolution, etc.)		✓				
		Non-prudential barriers (insolvency, investor protection, company law, taxation)	✓					

#	Question	Comment							
		Political barriers (government direct or indirect interference)			✓				
		Complexity and length of mergers and acquisition supervisory authorisation procedures		✓					
		Costs/risks of mergers and acquisitions			✓				
		Absence of economies of scale from engaging in cross-border activities			✓				
		Other (please indicate)							
		<ul style="list-style-type: none"> • Although the passporting regime allows banks to rely on their home-state authorisation to conduct business in other Member States, thereby making market access a relatively straightforward endeavour, regulatory divergence, both in terms of national legal frameworks and regulatory expectations continues to impose significant administrative burdens associated with cross-border activities and increases regulatory risk. This, in turn, discourages cross-border expansion. • For third country banking groups, fragmentation along national lines has always been a key concern. From the perspective of a global banking group, a unified approach to the EU would be beneficial; however, this is not yet the case. The recent provisions introduced under the CRD VI, together with potentially stricter interpretations of certain national transposition, have posed significant challenges to the operations of third country banking groups. • The lack of harmonised insolvency rules across Member States further undermines consistent treatment across national lines. This fragmentation makes it more difficult for third country banking groups to properly serve clients in an efficient manner across multiple Member States. 							

#	Question	Comment												
		<ul style="list-style-type: none"> For less significant institutions, which are not subject to the ECB supervision, cross-border activities are also challenging, as they need to engage with multiple national supervisors across Member States in order to obtain any type of approval or authorisation in the event of a business structural change or the launch of a new line of services. In addition, Article 21c of the CRD VI, and similar requirements introduced in the past, have increased compliance costs, thereby restricting access to the EU market. 												
24	To what extent do the rules on internal governance and remuneration policies of financial institutions create a competitive disadvantage for EU financial institutions vis-à-vis non-EU financial institutions?	<table border="1" data-bbox="842 608 2136 810"> <thead> <tr> <th data-bbox="842 608 1066 708">To a very large extent</th> <th data-bbox="1066 608 1285 708">To a large extent</th> <th data-bbox="1285 608 1503 708">Neutral</th> <th data-bbox="1503 608 1720 708">To a small extent</th> <th data-bbox="1720 608 1919 708">Not at all</th> <th data-bbox="1919 608 2136 708">No opinion</th> </tr> </thead> <tbody> <tr> <td data-bbox="842 708 1066 810"></td> <td data-bbox="1066 708 1285 810" style="text-align: center;">✓</td> <td data-bbox="1285 708 1503 810"></td> <td data-bbox="1503 708 1720 810"></td> <td data-bbox="1720 708 1919 810"></td> <td data-bbox="1919 708 2136 810"></td> </tr> </tbody> </table> <ul style="list-style-type: none"> The rules on internal governance and, in particular, the strict limitations on the remuneration policies of financial institutions place the EU and the Member States at a competitive disadvantage. This is especially evident in jurisdictions such as the Netherlands, which has implemented even more restrictive bonus cap rules. These constraints affect not only EU companies but also third country companies that have decided to establish their subsidiaries and core operations in these jurisdictions. Restrictions on the remuneration policies limit banks' ability to attract and retain talent and to ensure a competitive environment vis-à-vis global financial centres such as London. It is therefore no coincidence that the UK has recently decided to revise its remuneration policy rules as one of the key elements in maintaining London's competitiveness as a global financial centre. In addition, overly strict requirements on variable pay also limit a bank's ability to align total compensation with business performance, even though such alignment can have a risk-mitigating effect. Restrictions on variable pay tend to result in an increase in fixed remuneration, which is inherently less flexible. This reduces a bank's ability to adjust total remuneration downward when warranted by its financial performance. 	To a very large extent	To a large extent	Neutral	To a small extent	Not at all	No opinion		✓				
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2. The single market and the banking union																																											
33	<p>What are your views regarding the most efficient way of applying prudential requirements within EU cross-border banking groups?</p> <p>Please explain and, if possible, indicate if the most efficient way of applying prudential requirements differs per requirement (e.g. Liquidity Coverage Ratio, Net Stable Funding Ratio, capital, minimum requirement for own funds and eligible liabilities (MREL)).</p>	<table border="1"> <thead> <tr> <th data-bbox="842 285 1108 371"></th> <th data-bbox="1108 285 1270 371">Fully agree</th> <th data-bbox="1270 285 1431 371">Somewhat agree</th> <th data-bbox="1431 285 1592 371">Neutral</th> <th data-bbox="1592 285 1753 371">Somewhat disagree</th> <th data-bbox="1753 285 1915 371">Fully disagree</th> <th data-bbox="1915 285 2076 371">No opinion</th> </tr> </thead> <tbody> <tr> <td data-bbox="842 371 1108 695">Continue the current approach where prudential requirements are applied, as a rule, at both the consolidated level and at the level of every legal entity</td> <td data-bbox="1108 371 1270 695"></td> <td data-bbox="1270 371 1431 695"></td> <td data-bbox="1431 371 1592 695"></td> <td data-bbox="1592 371 1753 695"></td> <td data-bbox="1753 371 1915 695">✓</td> <td data-bbox="1915 371 2076 695"></td> </tr> <tr> <td data-bbox="842 695 1108 940">Prudential requirements should only be applied at highest EU consolidated level of the banking group</td> <td data-bbox="1108 695 1270 940">✓</td> <td data-bbox="1270 695 1431 940"></td> <td data-bbox="1431 695 1592 940"></td> <td data-bbox="1592 695 1753 940"></td> <td data-bbox="1753 695 1915 940"></td> <td data-bbox="1915 695 2076 940"></td> </tr> <tr> <td data-bbox="842 940 1108 1382">Ensure adequate prudential requirements at the level of legal entities, while ensuring more flexibility in centrally managing resources at group level, with commensurate safeguards for financial stability risks</td> <td data-bbox="1108 940 1270 1382"></td> <td data-bbox="1270 940 1431 1382">✓</td> <td data-bbox="1431 940 1592 1382"></td> <td data-bbox="1592 940 1753 1382"></td> <td data-bbox="1753 940 1915 1382"></td> <td data-bbox="1915 940 2076 1382"></td> </tr> <tr> <td data-bbox="842 1382 1108 1442">Other (please indicate)</td> <td data-bbox="1108 1382 1270 1442"></td> <td data-bbox="1270 1382 1431 1442"></td> <td data-bbox="1431 1382 1592 1442"></td> <td data-bbox="1592 1382 1753 1442"></td> <td data-bbox="1753 1382 1915 1442"></td> <td data-bbox="1915 1382 2076 1442"></td> </tr> </tbody> </table>								Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	No opinion	Continue the current approach where prudential requirements are applied, as a rule, at both the consolidated level and at the level of every legal entity					✓		Prudential requirements should only be applied at highest EU consolidated level of the banking group	✓						Ensure adequate prudential requirements at the level of legal entities, while ensuring more flexibility in centrally managing resources at group level, with commensurate safeguards for financial stability risks		✓					Other (please indicate)						
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		<ul style="list-style-type: none"> For large banking groups, including non-EU groups operating within the EU, it is imperative to have the ability to manage the various prudential requirements across the entities in a flexible manner, at least within the EU perimeter. Such flexibility would reduce compliance costs and avoid constraining capital and liquidity that could otherwise be used to better support the financing needs of the EU economy. 																																										
40	<p>In your view, when considering the scope of banks to be included in a possible new banking union-wide deposit insurance system, should this scope include...</p>	<table border="1" data-bbox="842 509 2078 1023"> <thead> <tr> <th></th> <th>Fully agree</th> <th>Somewhat agree</th> <th>Neutral</th> <th>Somewhat disagree</th> <th>Fully disagree</th> <th>No opinion</th> </tr> </thead> <tbody> <tr> <td>...all banks</td> <td></td> <td></td> <td></td> <td>✓</td> <td></td> <td></td> </tr> <tr> <td>...all banks which are active cross- border</td> <td></td> <td>✓</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>...all banks under direct SSM/SRB remit</td> <td>✓</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>...only banks that wish to be included</td> <td></td> <td></td> <td>✓</td> <td></td> <td></td> <td></td> </tr> <tr> <td>...other</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <ul style="list-style-type: none"> To ensure certainty and predictability for non-EU actors to operate in the EU, it would be important that all the banks conducting cross-border activities, including within EU Member States, have access to a unified deposit insurance system to preserve financial stability while also ensuring the ability to act when needed. It should also be recalled that, for large international banking groups operating under SPE strategies, the majority of globally active entities that are not material to the group would be placed into liquidation, thereby preventing the use of EU taxpayers' funds. 		Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	No opinion	...all banks				✓			...all banks which are active cross- border		✓					...all banks under direct SSM/SRB remit	✓						...only banks that wish to be included			✓				...other						
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3. Complexity and effectiveness of the regulatory framework																																																			
48	<p>A certain degree of complexity is necessary to achieve the desired regulatory objectives, while recognising the degree of sophistication and diversity of the EU banking sector. How do you rank the comparative level of undue complexity in the following parts of the framework?</p>	<table border="1" data-bbox="842 280 2078 1010"> <thead> <tr> <th></th> <th>Low</th> <th>Somewhat low</th> <th>Medium</th> <th>Somewhat high</th> <th>High disagree</th> <th>No opinion</th> </tr> </thead> <tbody> <tr> <td>...the overall framework</td> <td></td> <td></td> <td></td> <td></td> <td>✓</td> <td></td> </tr> <tr> <td>...the minimum capital requirements (Pillar 1)</td> <td></td> <td></td> <td></td> <td></td> <td>✓</td> <td></td> </tr> <tr> <td>...the supervisory measures (Pillar 2)</td> <td></td> <td></td> <td></td> <td></td> <td>✓</td> <td></td> </tr> <tr> <td>...the macroprudential requirements</td> <td></td> <td></td> <td></td> <td></td> <td>✓</td> <td></td> </tr> <tr> <td>...the resolution requirements</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>Other</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <ul data-bbox="817 1066 2141 1437" style="list-style-type: none"> • The requirements relating to the establishment of an intermediate parent undertaking (IPU) and the framework applicable to third country branches are considered to introduce an excessive degree of complexity. These requirements impose significant administrative burdens and capital and liquidity holding obligations on non-EU banks operating in the EU. As a result, they may constrain the efficient allocation of funds within internationally active banking groups and could discourage non-EU banks from providing services in the EU, thereby potentially limiting their contribution to the EU economy. • Reconsidering some of these requirements, particularly for companies headquartered in jurisdictions with equivalent regulatory requirements, would enable non-EU banks to provide services more efficiently and, in turn, support the EU economy more effectively. 		Low	Somewhat low	Medium	Somewhat high	High disagree	No opinion	...the overall framework					✓		...the minimum capital requirements (Pillar 1)					✓		...the supervisory measures (Pillar 2)					✓		...the macroprudential requirements					✓		...the resolution requirements						✓	Other						
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49	Which type of instrument adds the most undue complexity to these parts of the frameworks?		Low	Somewhat low	Medium	Somewhat high	High disagree	No opinion
		International standards (Basel, FSB)						✓
		Level 1 EU legislation (i.e. regulation/directives)					✓	
		Level 2 EU legislation (i.e. technical standards)					✓	
		Level 3 EU measures (i.e. EBA guidelines, Q&As, etc.)					✓	
		Supervisory guidance/practices					✓	
		Implementation differences of EU legislation at national level					✓	
		Interaction with other national legislation					✓	
		Interaction with other EU legislation						✓
		Other					✓	

#	Question	Comment
		<ul style="list-style-type: none"> • In our view, the provisions under the CRD relating to IPU and third country branches, as well as the related Level 2 and Level 3 measures, add complexity to the EU banking regulatory framework. • In addition, the involvement of multiple layers of authorities further increases complexity in the interpretation and implementation of the regulatory framework. • Financial institutions operating globally are required to comply with regulatory requirements in each jurisdiction, and greater divergence across jurisdictions tends to lead to higher compliance and operational costs. While we support ongoing efforts to enhance regulatory simplification and efficiency, we would also like to strongly emphasise the importance of enhanced coordination among jurisdictions—particularly through mechanisms such as equivalence assessments—to promote greater international consistency.
52	Do you have concrete examples of gold-plating of EU rules via transposition of EU directives, national options and discretions? If so, please list them here.	<ul style="list-style-type: none"> • The Netherlands implemented bonus cap rules that are more stringent than those envisaged under the EU Directive and, under Mifid I, opted to introduce a significantly stricter regime on inducements for investment services. • The recent Italian transposition of CRD VI is also considered to have unintentionally introduced additional limitations compared to the text of CRD VI. • Overall, it should be acknowledged that intra-EU fragmentation and national deviations from EU directives do not lead to more effective risk treatment at the system level. Even relatively minor deviations between Member States cause substantial additional workload and require banks to allocate resources in each jurisdiction.
59	What are the areas that create undue complexity in the prudential framework, if any? What are the ways to reduce undue complexity in the prudential framework without leading to deregulation and undermining financial stability?	<ul style="list-style-type: none"> • As noted in our response to Question 48, certain requirements for non-EU banking groups operating in the EU to establish an IPU and the associated ring-fencing of capital and liquidity, as well as the capital and liquidity requirements imposed on third country branches and restrictions on cross-border activities applicable to third country branches, introduce significant complexity and impose substantial funding and operational burdens on non-EU banking groups. As these requirements may also affect the efficient cross-border allocation of funds, we would encourage a reassessment of their impacts on financial stability. • By way of comparison, Japan does not require non-Japanese banking groups to establish an intermediate parent undertaking, nor does it impose capital or liquidity requirements on third-country branches. Nevertheless, financial stability has not been compromised, owing in part to the close and effective supervisory oversight exercised by the Financial Services Agency (FSA).

#	Question	Comment																	
84	Would you consider that the current bank regulatory framework is sufficiently proportionate for smaller banks?	<table border="1" data-bbox="842 236 2092 421"> <thead> <tr> <th data-bbox="842 236 1048 341">Fully agree</th> <th data-bbox="1048 236 1254 341">Somewhat agree</th> <th data-bbox="1254 236 1460 341">Neutral</th> <th data-bbox="1460 236 1666 341">Somewhat disagree</th> <th data-bbox="1666 236 1872 341">Fully disagree</th> <th data-bbox="1872 236 2092 341">No opinion</th> </tr> </thead> <tbody> <tr> <td data-bbox="842 341 1048 421"></td> <td data-bbox="1048 341 1254 421"></td> <td data-bbox="1254 341 1460 421"></td> <td data-bbox="1460 341 1666 421">✓</td> <td data-bbox="1666 341 1872 421"></td> <td data-bbox="1872 341 2092 421"></td> </tr> </tbody> </table> <ul data-bbox="815 475 2141 935" style="list-style-type: none"> • The current treatment and supervisory approach, particularly as applied to branches and subsidiaries of third country banks, should be revised to ensure a more proportionate application of the regulatory framework. • First of all, there should be full recognition of the equivalence regime that is in place in the EU, especially for jurisdictions that fully implement the Basel standards, such as Japan. Subsidiaries and branches of banks headquartered in such jurisdictions should not be treated, in the European context, as significant institutions on a standalone basis, without taking into account their membership in a wider banking group based in a partner jurisdiction. These issues include supervisory intensity, constraints on liquidity and capital, as well as crisis management and resolution. The latter areas, in particular, require a comprehensive recognition of the work already undertaken, including within supervisory colleges and Crisis Management Groups (CMGs). Under the current framework, there is a risk that, where alternative approaches prove insufficient, the value of the equivalence regime could be effectively nullified or significantly undermined. 						Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	No opinion				✓		
Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	No opinion														
			✓																

#	Question	Comment
87	Should the definition of small and non-complex institutions be amended? If so, should the EUR 5 billion total assets size threshold be increased? By how much? Should size be the only relevant factor or which additional elements could be introduced to better tailor requirements to their risk profiles and operational realities?	<ul style="list-style-type: none"> • We believe that balance sheet size should not be the only factor used to define small and non-complex institutions. Subsidiaries of larger non-EU banking groups operating in the EU often exceed that threshold but remain small relative to their overall group operations. Treating these companies as if they were standalone institutions often places them at a competitive disadvantage, since they are required to comply with all the requirements applicable to very large institutions, despite being part of a wider group and typically having operations that are limited to, or focused on, wholesale banking activities. • The recent omnibus simplification proposal exempts certain companies from compliance with the CSRD at the individual entity level. This is a welcome development because these companies are relatively small within the context of their broader group and their entity- level disclosure would entail disproportionately high compliance costs while delivering limited benefits from the perspectives of market transparency and investor information. • Another area in which the business models and operations of certain companies have not been taken into consideration is in the area of payments. The recent SEPA Instant Payments Regulation has required upgrades to systems costing several million euros in order to comply with a service that wholesale clients neither use nor derive benefits from. • These examples illustrate that, in defining a small bank and the relevant applicable requirements, size should be considered holistically with other relevant factors, including business models and client bases. • In addition, the EU should explore changes to allow a more phased-in approach to entering ECB supervision, rather than applying full expectations once a balance sheet threshold is reached. The designation of an institution as “significant” in the EU market should not be underestimated in terms of supervisory intensity, the dedicated resources required, and the impact on the entity’s operations. There should therefore be full appreciation of the work and supervision already carried out by National Competent Authorities (NCAs), so that the process of onboarding and setting expectations is a gradual assessment that follows a risk-based approach.

#	Question	Comment
90	In your view, which regulatory measures regarding the EU rules on internal governance and remuneration policies of financial institution could lead to improvements?	<ul style="list-style-type: none"> The EU should ensure that regulatory rules are applied consistently and uniformly across the EU. For example, if a bonus cap is to be retained, this should be achieved through a regulation, thereby ensuring harmonised application across the EU. Careful consideration should also be given to regulatory developments in other jurisdictions (e.g. the UK) in order to assess the EU's competitive position vis-à-vis alternative jurisdictions.

(End)