Management Solutions
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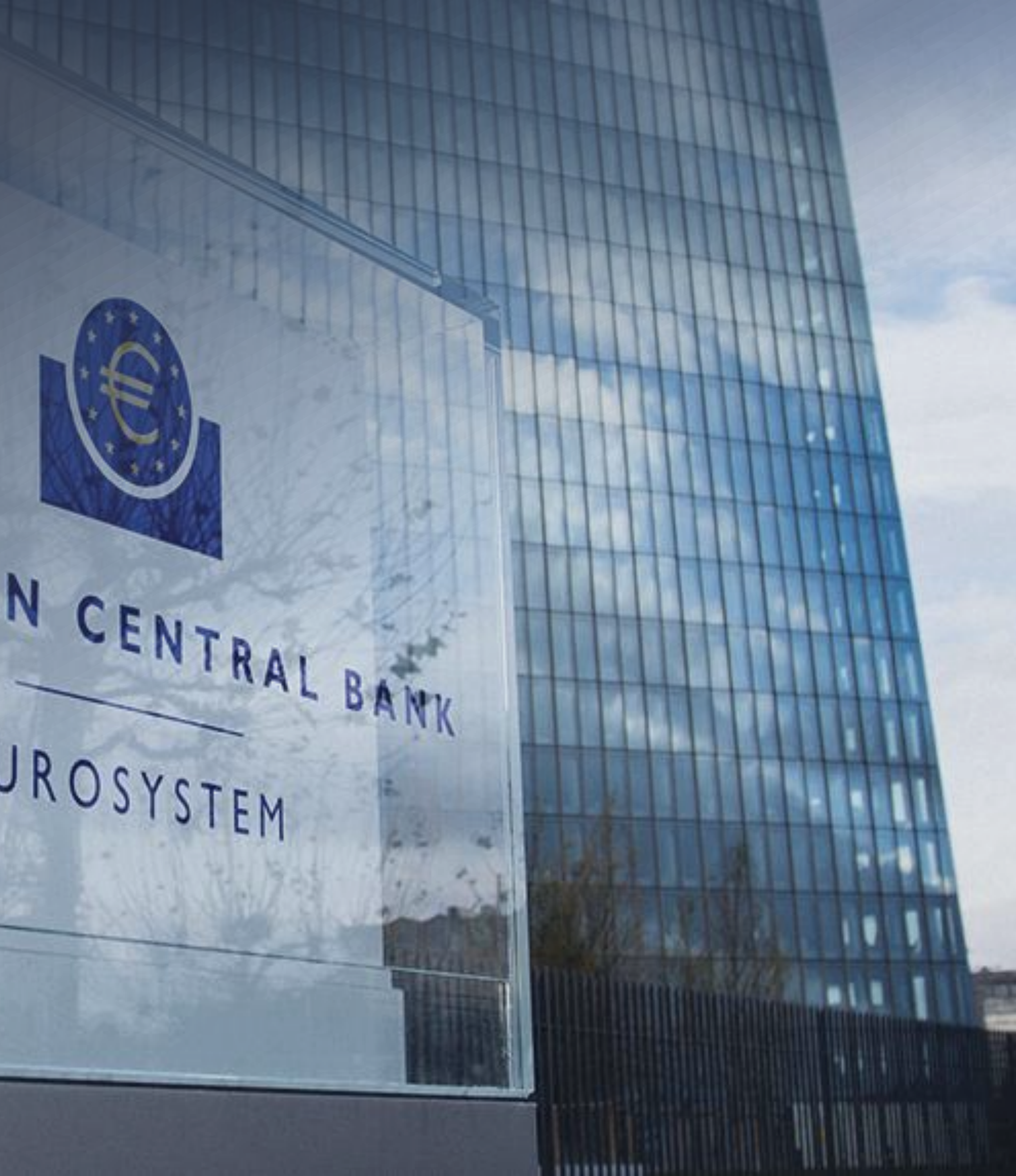
Technical note on

Recommendations on simplification of the prudential, supervisory and reporting framework

ECB's simplifications



EUROPEAN CENTRAL BANK
EUROSYSTEM

1 Executive summary
Context

The ECB has endorsed the HLTF report which set out 17 recommendations to simplify the EU prudential, supervisory and reporting framework, aiming to reduce complexity and administrative burdens while preserving resilience and supervisory effectiveness

Context

- In recent years, the European **prudential framework** for banks across **regulation**, **supervision** and **reporting** has become more **complex**, with multiple layers of capital requirements, macroprudential tools, highly detailed supervisory processes and extensive reporting obligations. This growing complexity may weaken the competitiveness of euro area banks, increase administrative burdens and constrain their ability to channel financing to the real economy, while still preserving resilience, prudential effectiveness, European harmonization and the full implementation of Basel III standards.
- In March 2025, the Governing Council of the ECB established the **High-Level Task Force on Simplification** (HLTF) to **identify unjustified complexities** in this framework and propose solutions.
- In December 2025, the ECB endorsed the **HLTF report**, which formulates **17 recommendations to simplify the regulatory, supervisory and reporting framework for European banks.**

Next steps

- **Operationalise recommendations** through coordinated impact assessments led by EU authorities.
- **Further develop proposals** under the EC, with support from EU supervisory bodies.
- **Implement reporting measures** building on ongoing EBA, ECB and JBRC initiatives.

Three main objectives and a set of recommendations to address them

Simplify the regulatory framework

- **R1**. Simplification of capital stacks and leverage ratio.
- **R2**. Improving the quality of capital in a going concern situation.
- **R3**. Prudent expansion of the simplified regime.
- **R4**. Automatic reciprocity measures up to a certain threshold, combined with a more standardised application of macroprudential tools.
- **R5**. Alignment of MREL and TLAC frameworks.
- **R6**. Increased use of regulations versus directives and streamlining of Level 2 and 3 acts.
- **R7**. Simplification of the EU-wide stress test methodology.
- **R8**. EC Governing Council responsible for adopting a holistic view of the overall level of capital in the banking union.
- **R9**. Finalisation of the savings and investment union, including completion of the banking union, to reduce national fragmentation and allow for more efficient capital markets.

Simplify the supervisory framework

- **R10**. Strengthen and complete the EU Single Rulebook to harmonise supervisory practices.
- **R11**. Increase the risk-based focus of supervision by reducing excessive prescriptiveness.

Simplify the reporting framework

- **R12**. Stepping up coordination and data sharing among key stakeholders to avoid redundancy in data requests.
- **R13**. Promoting an integrated reporting system with a single granular data set.
- **R14**. Defining materiality thresholds and supervisory tolerance margins for minor errors.
- **R15**. Publishing a public inventory of non-market-sensitive reporting requirements.
- **R16**. Introduce periodic reviews to remove redundant or obsolete reporting obligations.
- **R17**. Reforming Pillar 3 public disclosure to eliminate the double transmission of data.

2 Proposals to simplify the regulatory framework
Recommendations 1-9

The proposal describes complexities in the existing regulatory framework and provides high-level recommendations to address them

1 — Simplifying capital stacks and the leverage ratio

- **Reduce the number of elements in risk-weighted capital buffers and the leverage ratio framework,** bringing them closer to the Basel structure.
- **Merge buffers into releasable and non-releasable blocks and rationalize the leverage ratio**, keeping Pillar 2 Guidance (P2G) separate to improve transparency and predictability.

2 — Quality of capital in a going concern situation

- **Reassess the role of Additional Tier 1 (AT1) and Tier 2** instruments in the going-concern framework.
- Either strengthen their loss-absorbing features or partially or fully replace them with Common Equity Tier 1 (CET1), while preserving resilience, Basel compliance and capital neutrality.

3 — Simpler and more proportionate prudential regime for small banks

- **Broaden and deepen the regime** for small and non-complex institutions (SNCIs).
- Increase thresholds, expand simplified rules and harmonize supervisory requirements, calibrated prudently.

4 — Reciprocity of macroprudential measures

- Introduce **automatic reciprocity** of selected macroprudential measures up to a defined threshold.
- Rely on **harmonized reporting**: i) common reporting templates (COREP) and ii) financial reporting templates (FINREP) and European Systemic Risk Board (ESRB) communication to reduce complexity and fragmentation.

5 — Alignment of MREL and TLAC frameworks

- Bring the total loss-absorbing capacity (TLAC) and minimum requirements for own funds and eligible liabilities (MREL) **closer together** to reduce the number of stacks, while maintaining the current level of gone-concern resources.

6 — Use of Regulations and streamline of Level 2 and 3 acts

- **Increase the use of directly applicable European Union Regulations and reduce reliance on directives**. Streamline Level 2 and Level 3 acts to reduce excessive detail while preserving harmonization.

7 — Simplifying the EU stress test methodology

- **Simplify the stress test methodology** and reduce resource intensity. Clarify objectives, approach, frequency and data requirements to improve usability.

8 — Holistic view of the overall level of capital in the banking union

- Establish a qualitative, **holistic view of aggregate capital requirements** at banking union level.
- Identify unjustified overlaps and heterogeneities without changing existing mandates.

9 — Completion of the banking union and the savings and investment union

- Advance the **completion of the banking union**, including a European Deposit Insurance Scheme (EDIS), **and the savings and investment union**. Reduce fragmentation and support deeper, more efficient and integrated capital markets.

3 Proposals to simplify the supervisory framework
Recommendations 10-11

The proposal makes recommendations for legislative changes that would further increase the efficiency, effectiveness and risk-based focus of European supervision

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Strengthen and complete the EU Single Rulebook to harmonise supervisory practices

- **Reduce complexity arising from diverging national supervisory powers**, in line with IMF FSAP recommendations (e.g., licensing, qualifying holdings, governance, fit & proper, related-party transactions).
- **Conduct a structured review of options and discretions (O&Ds)** across CRR, CRD, BRRD and Level 2 and 3 acts to enable further harmonization while considering national specificities.
- **Consider shifting certain provisions currently set in directives** (e.g., third-country service provision, qualified holdings procedures) into directly applicable regulation.
- **Ensure harmonization across all regulatory layers**, including Level 2 and Level 3 acts.
- **Support deeper banking union and effective cross-border risk management**, building on Recommendation #9.

11

Increase the risk-based focus of supervision by reducing excessive prescriptiveness

- **Reassess overly prescriptive regulatory requirements** (fixed frequencies for supervisory reviews) to allow a more risk-based allocation of supervisory and bank resources.
- **Review mandatory internal model review cycles**, including the compulsory three-year review under CRD Article 101(1), and similar periodic requirements under CRR for market risk (Art. 325c).
- **Allow greater flexibility for setting minimum stress-testing frequencies**, calibrating them to banks' risk profiles and materiality.
- **Reconsider areas requiring prior supervisory approval**, such as certain own-funds changes, to streamline processes where appropriate.
- **Replace entity-specific approval requirements with simpler non-objection regimes** for well-established or industry-wide frameworks (EMIR Article 11 initial margin models already validated by the EBA).
- **Maintain strong safeguards:** any increase in flexibility must avoid gaps in risk coverage; banks remain fully accountable for their resilience, governance, and risk management.

Proposals to simplify the reporting framework
Recommendations 12-17

One of the proposals is to simplify EU bank reporting through single data requests, integrated reporting, fewer resubmissions and greater transparency

12 *Stepping up coordination and data sharing among key stakeholders*

- Enhance **coordination** and data sharing between the **ECB**, **ESAs**, **SRB**, **NCAs** and **NCBs**, supported by JBRC and the Regulation on Better Data Exchange, in order to **minimize duplicate requests** and **ensure** that new **data collections** respond to clearly **justified** needs.

13 *Promoting an integrated reporting system with a single granular data set*

- Adavance towards an **integrated reporting system in Europe**, in which a single set of **granular data** serves **statistical**, **prudential** and **resolution purposes**, based on a common data model and dictionary managed within the JBRC and supported by existing reporting integration initiatives.

14 *Defining materiality thresholds and supervisory tolerance margins for minor errors*

- Introduce **supervisory tolerance margins for minor errors** is introduced, so that banks do not have to resubmit reports when corrections are immaterial. These thresholds, developed by the ECB and the EBA, are linked to the principles of relevance, simplicity and proportionality, reducing administrative costs without compromising data quality.

15 *Publishing a public inventory of non-market-sensitive reporting requirements*

- Publish an **inventory of non-market-sensitive reporting requirements** imposed on banks, including ad hoc requests, using tools such as the SSM data collection database, to facilitate the detection of overlaps, enhance transparency and support the construction of a more integrated reporting framework.

16 *Periodic reviews to remove redundant reporting obligations*

- Introduce **explicit obligations** for **authorities** to **periodically review** (e.g. every three to five years) the **validity** and **relevance** of **reporting** requirements, using objective criteria for the need to maintain them, coordinating the process through the JBRC and removing redundant or obsolete obligations.

17 *Reforming Pillar 3 public disclosure*

- **Align** the **reporting** and **public disclosure frameworks** more closely, eliminating the double transmission of supervisory and **Pillar 3 data**. It is also envisaged to extend the EBA's mandate to derive Pillar 3 data directly from supervisory reporting through the Pillar 3 Data Hub for all institutions and to review the usefulness of certain very detailed disclosure requirements, especially for small banks.

5 Why Management Solutions?

Management Solutions has in-depth knowledge of financial regulation and extensive experience in supporting OSIs through different types of collaboration, adapting to the needs of each entity and making available the profiles that make up the Firm

REGULATORY EXPERTS

MS has a **Regulatory Observatory** that provides in depth knowledge of the regulatory requirements of financial and non-financial institutions at the European level

PRACTIAL EXPERIENCE

Extensive experience working with supervisors and **G-SIBs** and **D-SIBs** on the practical implementation of regulation

MS PROFILES

- **Functional** profiles
- **Data scientist** profiles (data Processing and modelling)
- **Technical** profiles

POSSIBLE TYPES OF COLLABORATION

PMO SUPPORT

- **Stakeholder** coordination
- Development and monitoring of the OSI **work plan**
- Preparation of **meetings with the supervisor**

AREAs SUPPORT

- Support in the preparation of **documentation** associated with each area
- Support for necessary **qualitative and quantitative analyses**
- Support in the **Loan Tapes file**

DOCUMENTATION IMPROVEMENT

- **QA** support for **updating and** improving existing **documentation**
- Collecting and challenging **evidence**

SUPPORT FOR REMEDIATION PLANS

- Support in the **identification and execution** of remediation plans
- **PMO support for plan execution tracking**

A Annex
Abbreviations

Abbreviation	Meaning
AT1	Additional Tier 1
BRRD	Bank Recovery and Resolution Directive
CET1	Common Equity Tier 1
COREP	Common Reporting Templates
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
EDIS	European Deposit Insurance Scheme
EMIR	European Market Infraestructure Regulation
ESAs	European Supervisory Authorities
ESRB	European Systemic Risk Board

Abbreviation	Meaning
FINREP	Financial Reporting Templates
HLTF	High-Level Task Force on Simplification
IMF FSAP	International Monetary Fund Financial Sector Assessment Program
JBRC	Joint Banking Reporting Committee
MREL	Minimum Requirements for own funds and Eligible Liabilities
NCAs	National Competent Authorities
NCBs	National Central Banks
P2G	Pilar 2 Guidance
SNCIs	Small and Non-Complex Institutions
SRB	Single Resolution Board
SSM	Single Supervisory Mechanism
TLAC	Total Loss Absorbing Capacity

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