

Mr António COSTA, President of the European Council

Brussels, 10 February 2026

Subject: Our call for accelerating Financial Sector Simplification to boost Europe's growth and competitiveness

Dear President Costa,

We are writing to you ahead of the upcoming informal European Council leaders' retreat on 12 February, focused on competitiveness and the single market. We very much welcome this initiative, which comes at a particularly critical moment for Europe.

The European Union stands at a pivotal juncture, in a world increasingly shaped by geopolitical shifts and intensified competition for economic leadership. As Mario Draghi and Enrico Letta have clearly highlighted, Europe's competitiveness and future prosperity are at risk unless bold reforms are undertaken to restore its economic sovereignty and fully unlock its potential.

We look forward to the leadership of the European Council to move forward with Europe's competitiveness and growth agenda, building on the European Commission's Competitiveness Compass published in January 2025.

We invite the European Union to act more decisively to streamline its rules and make them more effective, efficient, and accessible, for Europe's businesses, including banks. This call for simplification is particularly urgent in the financial sector, as the Council of the European Union clearly underlined on 12 December in its conclusions on simplifying the Union's financial services regulation.

The European banking sector, in particular, plays a central role in financing Europe's strategic priorities, from innovation and sustainability to defence and digital transformation. Europe faces massive investment needs, estimated at more than €1.2 trillion annually, including for defence and security. The European banking sector can play a decisive role in meeting these needs. As Europe's economy remains — and will continue to remain — predominantly bank-financed, banks are not only enablers but indispensable drivers of Europe's competitiveness and strategic autonomy. Ensuring the efficient deployment of bank capital is therefore a strategic imperative for the future of the European economy.

Since 2008, the EU's financial regulatory framework, combined with sustained efforts by banks, has delivered a resilient and well-capitalised banking sector. This strength can be an opportunity for Europe's future — provided that regulation and supervision empower banks to act as effective catalysts for growth, strategic autonomy, and long-term prosperity.

However, the current situation is neither satisfactory nor sustainable. The regulatory and supervisory landscape has become increasingly complex and fragmented. European banks,

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already subject to high capital requirements, operate under the constant prospect of further increases. Gold-plating of international standards, extensive national and supervisory discretions, capital add-ons, and the accumulation of regulatory initiatives from multiple European and national authorities — often lack coordination and a holistic vision. This fragmentation blurs Europe's strategic direction and undermines competitiveness.

While the objective of safeguarding financial stability remains fully valid, unintended consequences include higher compliance costs, reduced competitiveness, and a diminished capacity to finance the economy sustainably. Recent EBF data shows that between 2021 and 2024, additional capital requirements stemming from supervisory discretionary measures increased by more than €100 billion across a sample of 15 major European banks, blocking retained earnings and preventing more than €1.5 trillion in potential financing capacity from reaching the European economy.

At the same time, recent regulatory developments in other major jurisdictions, notably the US and the UK, underline the strategic importance of reform to strike a better balance between bank capital requirements and economic growth. Without rapid action, Europe risks a growing and potentially irreversible competitive disadvantage. European banks already operate under a more stringent and extensive regulatory framework than their global peers, affecting their ability to finance the economy, maintain profitability, and attract investors. One year and a half after the presentation of the Draghi report, there are too little signs of policy reforms to significantly enhance the capacity of the EU financial sector.

Addressing these challenges requires a fundamental shift in regulatory and supervisory mindset — not to weaken oversight or compromise financial stability, but to better serve Europe's economic interests from a position of strength and resilience.

In this context, we call on European leaders to reaffirm - alongside the need to deepen and further integrate Europe's capital markets - the strategic importance of Europe's banking sector, and invite the European Commission to rapidly deliver tangible and ambitious proposals to simplify the regulatory and supervisory framework in order to foster further banking integration and competitiveness. It is equally crucial to review capital requirements for lending from a global perspective, as Europe should not lock its banks into a materially more restrictive framework while other major jurisdictions pursue regulatory modernisation. Decisive simplification and a genuine level playing field, without compromising financial stability or security, are essential to unlock growth and investment in Europe.

We thank you for your attention and stand ready to engage further on these critical issues. As key stakeholders in Europe's strategic autonomy and economic strength, we are committed to being a constructive and reliable partner in advancing Europe's competitiveness and growth agenda.

Yours sincerely,



Slawomir Krupa

President of the European Banking Federation