10TH ANNUAL MACROPRUDENTIAL CONFERENCE
CENTRAL BANK OF IRELAND-RIKSBANK-DNB-BUNDEBANK

SIMPLER AND STRONGER BANK SOLVENCY AND RESOLUTION REQUIREMENTS

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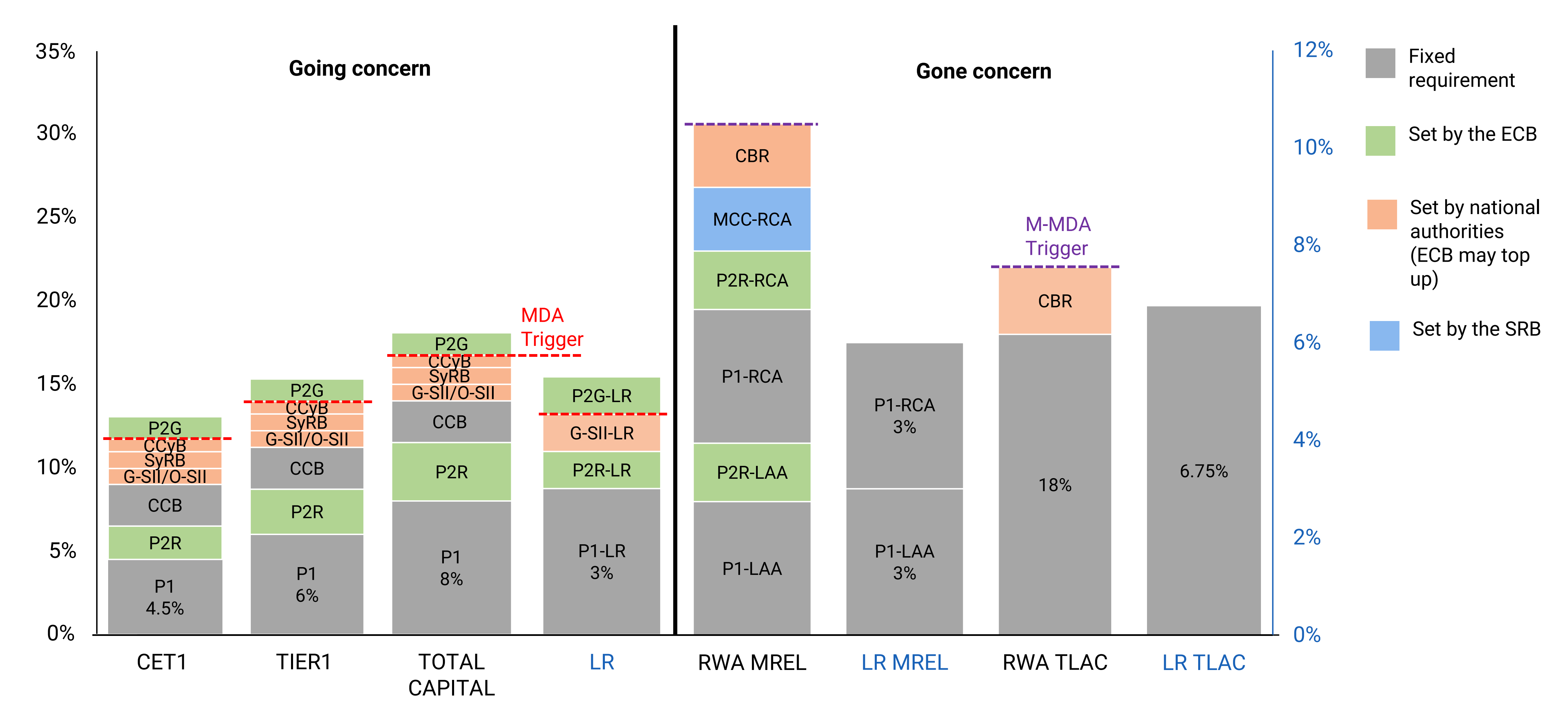
- Letter to Commissioner Albuquerque by 4 Governors (ES, FR, IT, DE) Feb. 2025.

  "it is necessary to take a step back and make sure that the complexity of the cumulative layers of regulations in Europe does not constitute an obstacle to achieving our goal. To this end, a comprehensive analysis of the implications of all the standards should be carried out… This **in-depth assessment must include the microprudential, the macroprudential and the resolution frameworks**... This analysis could also contribute to ensuring a level playing field with other major jurisdictions".

- EBA, SSM, SRB, ESRB, ECB, national authorities…: discussions, proposals,…
- Consultavive Paper by European Commission (Feb-April 2026) on simplification as well as on Banking Union
- Competitiveness Report by European Commission, expected July 2026
- European Commission tabling legislative proposals by early next year
- Ambition?

- In the last 15 years the resilience of European banks has improved significantly:
  - Capital / MREL and SRF / NPLs…
  - … key contributions by SSM/ECB and SRB…
  - …but risk sharing still pending as no EDIS is looming in the horizon
- However, microprudential, macroprudential and resolution frameworks in Europe are more complex/unpredictable than in other jurisdictions
  - Many incremental layers
  - Many macroprudential tools not in the Basel framework
- How to reduce the undue complexity…
- …without compromising the resilience of the banking sector

The problem. Many layers and ratios



MCC = CBR – CCyB; CBR = CCB+ CCyB + SyRB + G-SII/O-SII.

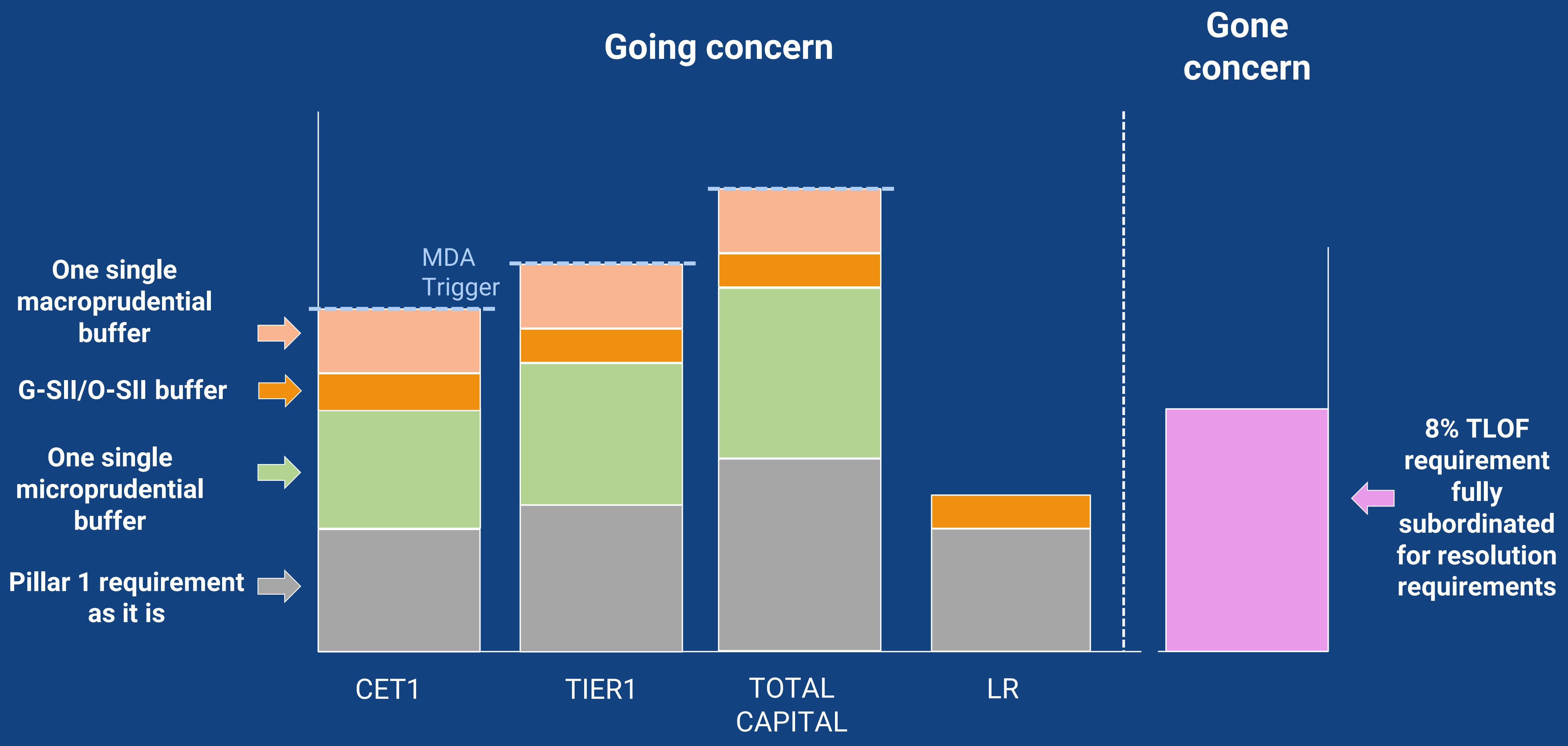
The reality. US vs BU banks

- US capital requirements seem far simpler (no P2R, no P2G, no SyRB, no sSyRB, no PN CCyB, no SREP for capital) while absolute capital is much higher for US banks, proportionally to the size of the bank

Weighted averages (2025)	EU GSIB	US GSIB	US GSIB (excl. BoNY Melon and State Street)	EU >100bn	US >100bn	EU >100bn excl. GSIB	US >100bn excl. GSIB
Number of banks	7	8	6	40	23	33	15
ROA	0.48%	1.02%	1.01%	0.64%	1.06%	0.80%	1.22%
ROE	9.07%	12.36%	12.38%	10.08%	12.16%	11.13%	11.50%
CET1 ratio	14.50%	12.73%	12.78%	15.47%	12.83%	16.46%	13.17%
Total capital ratio	18.77%	15.92%	15.93%	19.68%	16.06%	20.62%	16.55%
LR	4.85%	5.72%	5.68%	5.67%	6.21%	6.52%	8.54%
CET1/TA	4.00%	6.03%	6.12%	4.73%	6.60%	5.48%	8.48%
RWA/TA	27.76%	47.96%	48.57%	30.62%	53.34%	33.58%	70.98%
Total CET1	520.8	858.2	827.7	1,211.3	1,226.4	690.5	368.2
Total assets	13,024.3	14,232.3	13,518.2	25,633.7	18,575.0	12,609.4	4,342.7

SOURCE: Own calculations based on Capital IQ data. December 2025.

- **Pillar 1 requirement as it is**
- **One single microprudential buffer**, merging CCoB, P2R and P2G
- **One single macroprudential buffer**, with a (new) CCyB
- **8% TLOF requirement fully subordinated for resolution requirements**
- Substantive simplification on prudential and resolution requirements:
  - Enhancing transparency and predictability
  - Without departing in practice from international standards
  - Without reducing the overall resilience of European banks

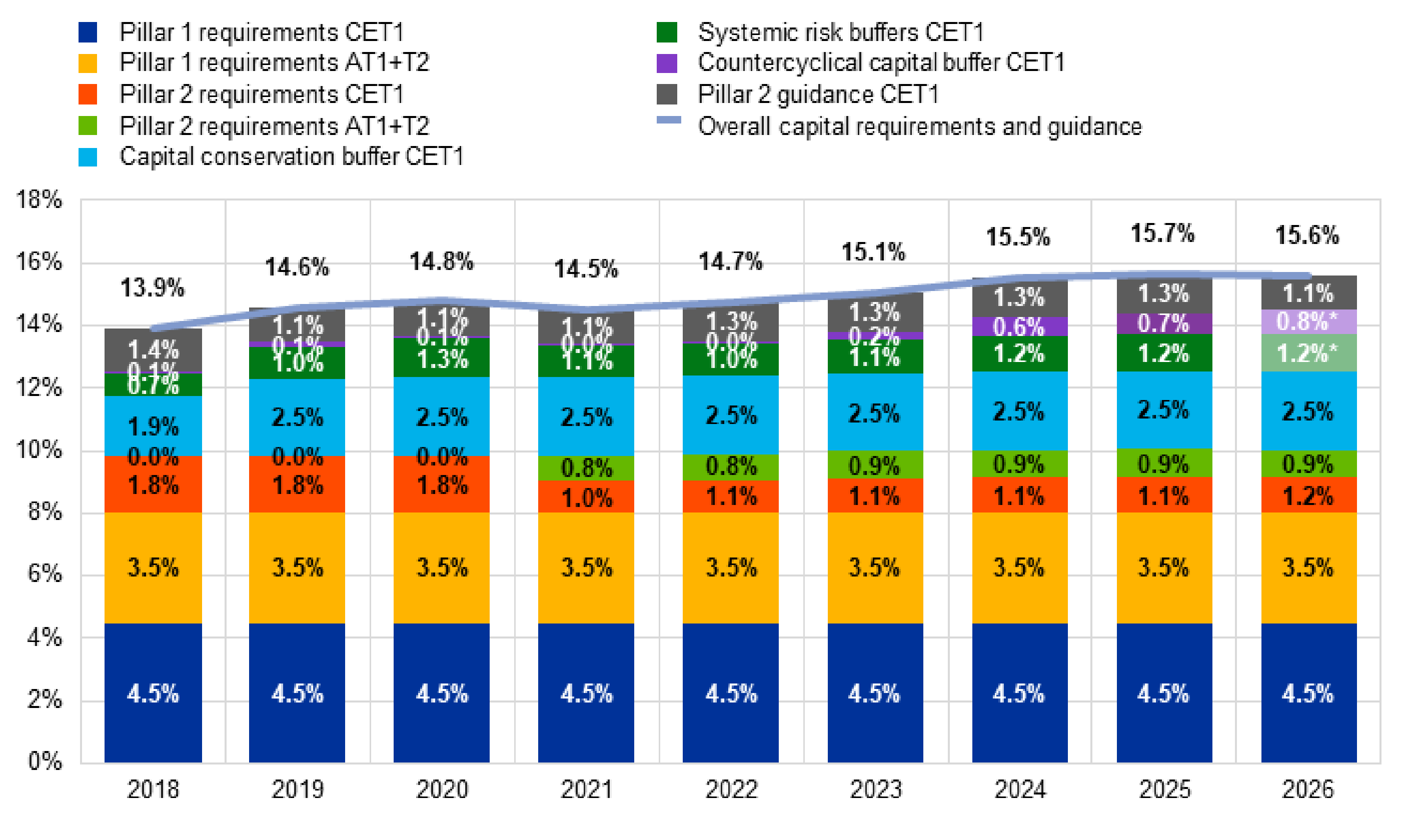

Going concern
Gone concern
MDA Trigger
One single macroprudential buffer
G-SII/O-SII buffer
One single microprudential buffer
Pillar 1 requirement as it is
CET1
TIER1
TOTAL CAPITAL
LR
8% TLOF requirement fully subordinated for resolution requirements

One single micro prudential buffer

- To substitute the CCoB and the current P2R and P2G
- Set by the supervisor, with a floor level of 2.5% CET1 (to comply with Basel)
- Thorough discussion of the role of both, SREP and ST in setting capital requirements
- Wise Persons Report criticized that SREP was too capital-centric
    - Corporate governance weaknesses, deficiencies in business model and risk controls, cyber, technological or reputational risks more effectively addressed through direct qualitative measures
- In the US, the SREP is disconnected from capital requirements
- One idea would be to run a top-down ST using very granular information and supervisor-developed models which would…

  …place the control of requirements on supervisors instead of the current bottom-up ST

SREP and P2R



- Average overall **SREP score** for 2025 was **2.5** and 2.6 in 2024. **75% of banks were given the same score** as last year. There is a **small number of (outlier) banks** in the worst 2 categories (3- and 4) and the best ones (1 and 2+)
- CET1 (1.2%) of **P2R is only 11% of the total CET1** requirement
- In the last 3 years, the **average and median P2R requirements were almost the same** (around 2.25%)
- The number of banks within the bounds of +/- one standard deviation (0.5%) is large and increasing (64, 75, 81), while the **number of banks outside the +/-2 standard deviations is around 5**
- Considering the high stability, **the whole scoring and P2R determination process seems easy to be automated**

One single macro prudential buffer

- Keep GSIIs and OSIIs buffers,…
- … but merge the rest of buffers (CCyB, SyRB and sSyRB) into a single one, to be redefined along the lines of the CCyB
- SyRB has many objectives and rationales creating confusion
- SyRB is not part of Basel agreement (i.e. tops up it)
- Redefine CCyB, without having to stretch methodologies to activate it (i.e. positive neutral)
  - One indicator of cycle: profits maybe?
  - Anything more cyclical than profits?

A single 8% TLOF requirement, fully subordinated

- Replace all the current MREL requirements by a single requirement
- Fully aligned with the current (implicit) requirement to access the SRF
- Why risk sensitivity needed in resolution framework?
- MREL would be all subordinated (CET1, AT1,T2 and senior non-pref. debt)
  - Senior pref. debt counted today in MREL might be excluded from bail-in:

    - as it may rank pari passu with corporate (non-covered) deposits or

    - may include optionality features or may be derivatives

A single 8% TLOF requirement, fully subordinated

- Align the requirement with the access to the SRF
  - A bank can fulfill MREL requirements without reaching the 8% TLOF
  - Make fully visible the possibility to access the SRF
- The 7 current GSIBs would still need to fulfill the TLAC requirement…
- … but fulfilling the 8% TLOF should be more than enough to comply
- Transparency and predictability:
  - No additional expectations are included (e.g. progress towards resolvability)…
  - … while SRB would still retain the substantive impediments procedure (i.e. nuclear button)

Summary of the proposal

A single microprudential buffer set with a T-D ST with a 2.5% minimum

SREP focused on qualitative requirements, disentangled from capital requirements

A single macroprudential buffer along the lines of a new CCyB plus the GSII/OSII buffers

An 8% fully subordinated TLOF replacing all MREL requirements

A final word of caution:

Given the significant gap between CET1 in US and Banking Union banks in absolute terms, larger as the size and systemic importance of banks increases, any simplification effort in Europe, and there are plenty of opportunities, needs to be mindful of this reality, so that financial stability is not hampered.

Thank you very much

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