Regulatory and supervisory simplification exercise

to foster the competitiveness of the Spanish and European banking sector

Index

The simplification agenda is a key political priority of the current European Commission. In fact, simplification and better implementation are at the heart of the Commission´s focus to strengthen European Competitiveness. For example, simplification measures foreseen in the Omnibus Sustainability Package reduces excessive and unjustified reporting burdens, reducing administrative costs for companies, especially SMEs and midcaps.

In this document, the Spanish Banking Associations (AEB, CECA and Unacc) propose to undertake a simplification analysis in different areas of banking activity, highlighting key simplification proposals in six regulatory and supervisory areas: general, financial, digital, sustainability, markets and reporting so that the European banking industry can better finance the EU economy and better contribute to its competitiveness objectives.

Additionally, we strongly recommend taking into account the Less is More Report, issued by legal and banking experts, academics and the European Credit Sector Associations which underscores the need for urgent reform in the EU financial regulatory framework so that the EU can boost competitiveness in the financial sector, encourage innovation, and better serve both institutions and citizens. The report proposes a series of measures that should be take into consideration.

In the current context, this report proposes simplification 24 measures, affecting credit institutions, with the aim of improving their competitiveness. With regard to the proposed measures, an exercise has been carried out to identify the key measures:

- Simplify the macroprudential framework to avoid overlaps (measure 6).
- Reducing and simplifying the complexity of ESAs RTS (measure 7).
- Streamline the supervisory framework (measure 8).

  a. More transparency, streamlining and rationale on capital add-ons from on-site inspections and Internal models inspections.
  b. Avoiding the use of supervisory guidelines, expectations and interpretations (level 3) as a tool to toughen what regulators have decided.
  c. Improving supervisory practices and processes.
  d. Stabilization of supervisory costs.

- Review and simplify the requirements and composition of MREL (measure 9).
- Digital euro (measure 11): strategic autonomy in payments could be achieved in a simpler and cost-effective manner by leveraging existing instant payments solutions.
- Ensure proportionality of the legislative framework (measure 5) and promote further harmonization in legislation across all EU countries (for example measure 19).

Finally, as a global priority, it is necessary to speed up the implementation of this simplification agenda.

EXECUTIVE SUMMARY

I. GENERAL SIMPLIFICATION MEASURES - PROCEDURE

1. Reviewing the institutional financial architecture to avoid overlaps and improve institutional efficiency. Reduction of regulatory institutions and agencies where overlaps occur.

2. Improving accountability mechanisms of the regulatory process.

3. Improving the ex-post evaluation process.

4. Impact assessment on simplification and reduction of administrative burdens.

5. Proportionality.

II. SIMPLIFICATION MEASURES IN THE FINANCIAL AREA

6. Simplifying the macroprudential framework to avoid overlaps.

7. Reducing and simplifying the complexity of ESAs RTSs.

8. Streamlining the supervisory framework.

   a. More transparency, streamlining and rationale on capital add-ons from on-site inspections and Internal models inspections.
   b. Avoiding the use of supervisory guidelines, expectations and interpretations (level 3) as a tool to toughen what regulators have decided.
   c. Improving supervisory practices and processes.
   d. Stabilization of supervisory costs.

9. Resolution framework: Applying proportionality in MREL for combined strategies.

III. SIMPLIFICATION MEASURES IN THE DIGITAL FINANCE AREA

10. FiDA scope should be narrowed or the file withdrawn to ensure a balanced cost-benefit approach.

11. Digital euro: the EU's strategic autonomy in payments could be achieved in a simpler and cost-effective manner by leveraging existing instant payment solutions.

12. The implementation of the AI Act should be proportional and well-coordinated among supervisors to preserve competitiveness.

IV. SIMPLIFICATION MEASURES IN THE SUSTAINABILITY AREA

13. Removing GAR as a mandatory metric.

14. Flexibilization of transition plans so as to avoid too prescriptive regulatory guidelines, avoiding legislative overlaps and ensuring convergence with international existing standards.

15. Alignment reporting obligations between CSRD and the prudential framework (pilar 3).

V. SIMPLIFICATION MEASURES IN MARKET ACTIVITIES

16. RIS goes against any kind of simplification for clients and entities. If not withdrawn it should be seriously simplified.

17. Need to standardized scope and language between SFDR/MiFID /PRIIPs to avoid barriers between all participants in the market and ensure consistency.

18. Simplification of extreme complexity Best Execution requirements that force entities to develop very costly processes, without significantly improving quality for clients.

VI. SIMPLIFICATION MEASURES IN RETAIL ACTIVITIES

19. Review the Consumer Credit Directive (CCD2) ensuring harmonization and regulatory stability and avoiding overlapping with other existing EU legislation.

20. Simplification of creditworthiness assessment (CCD2).

21. Need to add flexibility to the definition of foreign currency loan (MCD).

22. Streamline training requirements for sales staff in conduct rules.

VII. FINANCIAL SANCTIONS

23. Council Regulation (EU) No 269/2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine: designated persons should be published in a single regulation or annex.

VIII. SIMPLIFICATION MEASURES IN REPORTING

24. Simplification and harmonization of the regulatory and supervisory reporting architecture.

I. GENERAL SIMPLIFICATION MEASURES - PROCEDURE

Reviewing the institutional financial architecture to avoid overlaps and improve institutional efficiency. Reduction of regulatory institutions and agencies where overlaps occur

There are several institutions and agencies involved in the EU legislative process: for the banking sector co-legislators are involved (Commission, Council and Parliament), as well as the European Banking Authority (EBA) and the Single Supervisory Mechanism (SSM). We have many other agencies involved like SRB or AMLA, to mention a few of them.

Since many public authorities are involved, there are obvious overlaps in their functions, being the most relevant those that occur between the EBA and the SSM. As an example, we highlight the nomination and appointment of Key Function Holders in credit institutions, where several pieces of legislation have to be consulted: Spanish legislation (Ley 10/2014), EBA/ESMA guidelines (joint ESMA and EBA Guidelines on suitability and the EBA Guidelines on internal governance) and the European Central Bank (ECB) guidelines (Guide to fit and proper assessments) have to be consulted. Moreover, in some occasions, criteria set by SSM/ESAS go beyond Level 1 acts. An illustrating example may be found at the joint ESMA and EBA Guidelines on suitability (above mentioned), which set a formal independence criteria which is not found in the CRD (Capital Requirements Directive – 2013/36).

Improving accountability mechanisms of the regulatory process

At present, no institution or agency is accountable for the cost, in terms of time and resources, of adapting internal processes, business activities and other corporate areas to constantly evolving legislation. These costs include IT services which may be required to be adapted by a specific piece of legislation and such adaptation may imply reprogramming and redefining previous works and the redefinition of internal policies and internal education processes. Another example would be the case of the directives on Corporate Sustainability Reporting (CSRD) and Corporate Sustainability Due Diligence (CSDDD), which are now being reformed at Level-1 when they have not yet been transposed in many Member States.

Improving the ex-post evaluation process

The EU legislative process does not foresee a formal ex-post evaluation process beyond periodic "review clauses" foreseen in different regulations and directives. Current "review clauses" typically regulate the need for a review process in particular/concrete areas of the legislative text.

But they do not require the Commission to undertake a holistic review of each piece of legislation in order to evaluate whether the intended objectives of such legislation (described in recitals and legislative text) are met in an adequate and cost-efficient manner. The ex-post evaluation process can be improved by including these "general review clauses" in every piece of legislation, in order to allow for this holistic review.

Impact assessment on simplification and reduction of administrative burdens

Legislative proposals should be accompanied by an assessment of their impact on the market and its participants, with a view to promoting simplification, reducing administrative burdens, and supporting the competitiveness of European businesses.

For instance, the proposal for a regulation on combating late payment in commercial transactions does not assess the impact of reducing the payment period to 30 calendar days on the competitiveness of European exporters.

Proportionality

Proportionality Principle is introduced by article 5 of the UE Treaty and often mentioned in financial regulation, but hardly sufficiently detailed. Although financial services legislation refers to the importance of the proportionality principle in recitals, financial institutions claim that it is difficult for them to apply this principle in practice.

The process of simplification should take it into account that smaller and non-complex institutions may really reduce the cost of applying regulation and supervision. Right balance between financial stability and burden shall be met so that smaller entities remain competitive.

One measure of proportionality is indeed, to review some of the thresholds which define certain types of entities.

The current market conditions may warrant a review of the significance threshold of € 30 billion total assets for direct supervision by the European Central Bank, as established in article 6.4 of Regulation (EU) No. 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions. The accumulated inflation over the past decade has increased the nominal value of financial institutions' assets beyond the actual growth in their scope of activity, causing more banks to exceed this threshold without necessarily reflecting greater risk or operational complexity. The same situation is faced by Small and Non-Complex Institutions, as defined by Article 4, paragraph (1), item (145) of CRR, and the € 5 billion threshold for total assets.

II. SIMPLIFICATION MEASURES IN THE FINANCIAL AREA

Simplifying the macroprudential framework to avoid overlaps

The current EU macroprudential buffer framework requires a thorough reassessment to enhance its efficiency, transparency, and its impact on EU competitiveness while safeguarding financial stability. The recent crises (Covid-19 and the U.S. banking turmoil among others) have shown some practical limitations of this framework, particularly regarding to the impact of buffer release, fragmentation, and international consistency. The capital buffer structure in the EU is overly complex. The current macroprudential framework includes five risk-weighted capital buffers and the methodology used to apply the macroprudential measures to EU cross border exposures has some double-counting elements:

- First, the EU has regulated the Systemic Risk Buffer (SyRB), which exceeds international standards (not contemplated by the BCBS). The risks which can be covered by this buffer are very wide making its activation unpredictable and creating potential overlaps with micro prudential and other measures applicable to banks operating in all EU Member States.

- The ESRB's methodology for determining whether macroprudential measures should be applied to European cross-border exposures (reciprocity principle) is complex and incorporates some double-counting elements that should be reviewed.

This duplication and complexity add unnecessary capital requirements, which can limit banks' capacity to fund the economy. Additionally, it also creates an unlevel playing field vis-à-vis other jurisdictions due to the significant EU gold plating over international standards. We should review the macroprudential framework set out in CRD and the ESRB gui-

de to apply the reciprocity principle considering the following areas:

- Europe should not advance on its own, the framework needs to be reviewed first at international level to ensure comparability and a level playing field across markets.

- The macroprudential framework should not be the tool to address concerns on emerging risks, such as ESG, geopolitical or cybersecurity risks. In any case, it is important to have a comprehensive view of all the regulatory and supervisory tools in order to avoid any potential capital requirements overlapping.

- Eliminate the SyRB.
  - Establish a clear ESRB methodology to apply the reciprocity principle that considers that those exposures already surcharged locally should not be included in the calculation that determines that exposures affected by the SyRB in a group are sufficiently material to trigger reciprocity. In addition, the ESRB methodology should clarify that reciprocity should not be applied at a level of consolidation that does not exceed the materiality threshold set by the competent authorities.

Reducing and simplifying the complexity of ESAs RTS

The implementation of Basel III through the CRR3 and the CRD6 package has introduced further layers of Level 2, often lacking clarity and alignment with primary texts and increasing unnecessarily capital levels. This has led to regulatory uncertainty and inefficiencies, particularly where technical standards are delayed or do not adhere to Level 1 mandates. This proliferation is mixing the lines between binding law and soft law, creating confusion for banks. To address this, a clearer delineation of legal instruments is needed, with a strict hierarchy and defined legal effects.

To maintain competitiveness and support the real economy, it is key to reduce the number of level 2 mandates, reduce the complexity of the remaining RTS, minimize the impact in terms of capital requirements while ensuring alignment with the objectives of Level 1 legislation.

Moreover, stronger accountability mechanisms for the ESAs and the European Commission should be introduced, including ex-ante scrutiny of delegated acts, mandatory impact assessments, and regular reviews of existing measures.

Streamlining the supervisory framework

The debate on simplification in the supervisory field was launched in 2023 by commissioning a group of experts to produce a report identifying potential measures to optimize the exercise of supervision (SREP). This debate will continue in the coming months thanks to the creation of a working group within the ECB. Furthermore, another working group has been created within the EBA.

Both working groups pave the way for improving the supervisory process in Europe regarding the following elements:

- **More transparency, streamlining and rationale on capital add-ons from on-site inspections and Internal models inspections:**

OSIs and IMIs are leading to a significant increase of capital add-ons beyond the minimum capital requirement set by regulators in level 1. In many times these capital add-ons are not the right solution to solve the findings raised by supervisors. The comparison of the SSM criteria in certain OSIs with third countries supervisors' criteria shows that the SSM has a more risk-averse approach that may result in higher capital add-ons Transparency, streamlining and the review of OSIs/IMIs methodology are needed to better justify the capital decisions and make it more practical and risk-oriented. Some examples:

- Leverage finance capital add-on.

- Observation period in calculating the PDs in the internal models´ context (2008-2018).

- **Avoiding the use of supervisory guidelines, expectations and interpretations (level 3) as a tool to toughen what regulators have decided:**

Additionally, in some cases the interpretations of the SSM go beyond the mandate received by the regulation; in others, they are consistent to decisions made by the co-legislators; and, finally, in still other cases, interpretations are made without a mandate. All these situations may lead to higher capital requirements, thus constraining credit capacity. Some examples:

- Deduction of DTAs in third countries generated after 2016.

- Interpretation of the methodology on the eligibility of minority interests (Article 84 CRR).

- Criteria established to authorize the application of the ILDC at the individual level (SSM decided to use the ILM criteria when the co-legislators decided to ignore it).

- Expectation of supervisory backstop for NPLs (stock): the co-legislators decided that it would only apply to new production (after 2019).

- **Improving supervisory practices and processes:**

- It has been observed that horizontal teams have been gaining importance in supervisory processes to the detriment of JSTs. This change in model leads to overlaps and confusion in information requirements, as well as a very complex and costly reporting framework. The Spanish banking industry believes a rebalancing between joint supervisory teams and horizontal teams is necessary. This is especially relevant in the case of OSIs. We are of the view that the JSTs coordination should play a relevant role in the OSIs. In this context, the status of independence of OSIs vis-à-vis the JSTs should be revisited, to ensure consistency, avoid duplication of supervisory expectations and enhance overall accountability within the SSM decision-making chain.

- It has been observed that supervisory processes do not adapt to the idiosyncrasies of the entities (different business models, centralized vs. decentralized management methods, different international vs. local/EU footprints, etc.). In this sense, it would be advisable to adapt the different supervisory actions, especially those with a more horizontal nature, to the idiosyncrasies of each entity. A clear example is the weekly liquidity report that entities must prepare at the consolidated level, without taking into account the decentralized management model of some of them and the limited informative value of this information for decentralized management models.

- It is observed that the materiality principle (based on risks) is not applied in supervisory activities. In this sense, it is believed that the supervisory burden would be greatly lightened if a materiality threshold were applied and those entities that do not exceed said threshold were relieved of some supervisory actions.

- Recently, an increase in the duration of on-site inspections has been observed. In some cases, this increase in inspection time is linked to increases in the scope of the inspection, large amount of information requests

created for the only purposes of the inspections and the number of meetings at all levels of seniority. It is believed that the duration of inspections should be set as a guideline at the start of the inspection itself and only extended due to extraordinary circumstances.

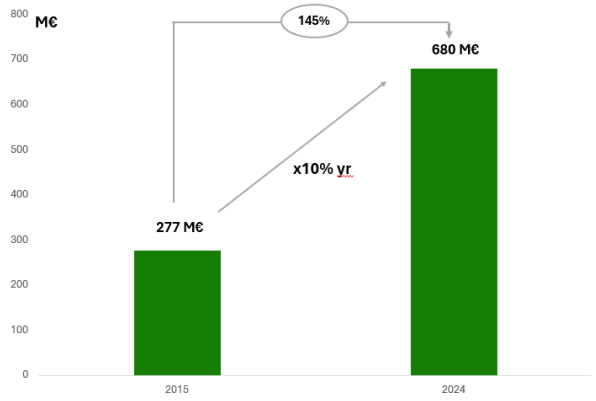
- On the other hand, ten years into the SSM, a significant number of findings continue to be included in the SREP annual letter. This situation is believed to greatly complicate supervisory dialogue, the prioritization of corrective measures, and internal communication between management and technical teams.

- For banking groups with an international footprint, communication between supervisors and the proper functioning of MoUs with clear rules governing their relationships are essential. We believe it is necessary to operationalize these MoUs and ensure an adequate flow of information between supervisors to minimize the legal risks faced by entities that are sometimes forced to violate local confidentiality regulations.

- Furthermore, the supervisory activity is extremely complex. It should be streamlined to reduce costs and facilitate compliance. An example is that supervisory work is often concentrated in the first quarter of the year, which sometimes coincides with stress tests, limiting institutions' ability to respond efficiently. Spreading this work throughout the year would contribute to improving the efficiency of both the supervisor and the supervised entities.

- **Stabilization of supervisory costs**

Since the SSM came into force, supervisory costs have been borne by the supervised entities. A significant increase has been observed in recent years as is shown in the coming table (shows the administrative fees for supervision):



Source: ECB

We propose the stabilization of the supervisory budget for the coming 5 years. It would be consistent with the simplification of the SREP process.

Resolution framework: Applying proportionality in MREL for combined strategies

We propose a proportionality principle in MREL for combined strategies. We believe the combination of resolution tools should be reflected in a lower recapitalization import as part of the calibration of the MREL target (e.g., large banks with a bail-in instrument combined with a transfer instrument). The post-resolution group's business model would likely change compared to the pre-resolution model.

We believe that if a sale of a "material legal entity" within a resolution group is feasible during a resolution process because this subsidiary is a self-managed institution, has few interconnections and dependencies, and has its own customer base and key personnel, this reduction in RWAs resulting from the sale should be considered as lower recapitalization needs under the external MREL formula.

We support the Commission proposal to establish new rules in the BRRD regarding the

calibration of MREL for banks whose resolution strategy involves the application of transfer tools. This approach would reduce legal uncertainty and mitigate against divergent methodologies being applied by resolution authorities.

We also support the amendment proposed by the Parliament in the context of CMDI as it ensures that the Recapitalisation Amount for credit institutions using the transfer tool, either alone or in combination with other resolution tools (e.g., bail-in), should be proportionately adjusted to reflect the reduced size of the entity post-resolution. This amendment reinforces the principle that the MREL requirement level should align with the most likely resolution strategy.

When considering strategies for resolution, the general rule for systemic or larger entities cannot be extended to medium and small entities without any adaptation. Although the Principle of Proportionality is usually mentioned, a real application must be translated into a different treatment for different institutions.

III. SIMPLIFICATION MEASURES IN THE DIGITAL FINANCE AREA

FiDA scope should be narrowed or the file withdrawn to ensure a balanced cost-benefit approach

The new FIDA regulation, currently under negotiation, will impose a significant burden on financial institutions by requiring them to develop data-sharing mechanisms for a very wide range of data, despite a lack of clear use cases and market demand, making a cost-benefit justification difficult.

The impact of the regulation should be reassessed through the lens of simplification, and it should be significantly adjusted by narrowing its scope and making data sharing conditional on sufficient market demand, or withdrawn altogether, as the European Commission considered before presenting its work plan.

The digital euro is a major initiative with far-reaching implications for the European financial market and the Eurosystem. For this reason, Spanish Banking Associations have constructively engaged in its development over the years, actively contributing to consultations and working groups (MAG, rulebook, ERPB, etc.).

The digital euro could crowd out successful national payment solutions, limiting their ability to be competitive and innovative. Its current design may also lead to reliance on non-European payment entities, such as major digital wallets, threatening the EU's payment sovereignty.

On the other hand, the deployment of the digital euro has significant costs for intermediaries and presents risks for financial stability and financial intermediation. Banks could run the risk of losing competitiveness, to the detriment of their clients (households and firms that demand credit financing).

The EU's strategic autonomy in payments could be achieved in a simple and cost-effective manner by leveraging existing instant payment solutions —such as **EuroPA** or Wero— to create a pan-European means of payment.

This would involve, first, promoting interoperability among current and other future private domestic solutions, starting with P2P payments and gradually expanding to P2M (person-to-merchant) payments—both in physical stores and online. When it comes to P2M, it is essential to continue working closely with the ECB—not only to ensure full future interoperability with the potential digital euro, but also to secure any necessary technical support. This approach offers a faster path to strategic autonomy than issuing a retail CBDC and avoids the associated financial stability risks.

In any case, if the digital euro is ultimately issued, it should be designed to complement existing payment solutions, ensuring an efficient, competitive, and balanced payments ecosystem.

The implementation of the AI Act should be proportional and well-coordinated among supervisors to preserve competitiveness

Overly strict AI legislation and supervision in Europe could hinder the competitiveness of European banks and businesses compared to less regulated regions worldwide.

As highlighted in MEP Arba Kokalari's report on the impact of AI in the financial sector, existing sectoral regulations already address the use of AI. Introducing new, sector-specific legislation could add unnecessary complexity and uncertainty, ultimately hindering the sector's ability to fully benefit from AI. Authorities should first allow time for the AI Act to take effect before considering additional financial sector guidelines or rules to avoid regulatory overlaps. It´s also important to ensure a consistent implementation of the new AI Regulation, based on the coordination of all relevant authorities, including the financial authority, AESIA, and the European AI Office, to avoid duplications.

IV. SIMPLIFICATION MEASURES IN THE SUSTAINABILITY AREA

Removing GAR as a mandatory metric

GAR has very limited information value both for banks managers and investors:

- The asymmetry of its structure could mislead the efforts made by entities and hinder comparability.
- As it has been designed, its coverage is constrained. GAR only considers activities covered by the EU Taxonomy, which excludes many other activities that have not been accounted for within the framework but are not necessarily harmful to the environment (activities that go in the direction of transitioning).
- Meeting the current framework leads banks to make significant operational efforts to report. In many cases, there is no sufficient information to verify alignment criteria, in other cases, banks struggle to collect adequate evidence from their clients. Additionally, the lack of clarity and methodological uncertainties in documenting taxonomy alignment criteria lead to inconsistent interpretations among banks, reducing comparability.

Given its complexity, high cost (or unfeasibility) of its implementation, lack of comparability and limited use and information value, the Spanish banking associations consider that the GAR should be removed as a mandatory metric.

However, if the GAR is maintained, it should be suspended (included under both the Taxonomy and Pillar 3 reporting) pending the outcome of the review of the Disclosures Delegated Act ("DDA") and the Taxonomy Technical Screening Criteria ("TSC").

Flexibilization of transition plans so as to avoid too prescriptive regulatory guidelines, avoiding legislative overlaps and ensuring convergence with international existing standards

The entities have to meet different obligations related to the transition plans under different legislative pieces (CSRD, CS3D and CRD). These plans have to be consistent, and entities are making a big effort to comply with this consistency principle.

The EU authorities should provide a high-level principles approach. Banks are actively working to integrate these risks into their risk management systems. We believe that the content of the guidelines/expectations should be sufficiently open, flexible and principle-based to avoid the invalidation of some

solutions that institutions have been implementing for years and to avoid institutions incurring e in unnecessary costs.

Regulators should avoid overlaps while ensuring flexibility for the entities when it comes to implementing the guidelines.

In addition, further simplification of transition planning requirements is required to ensure that they are not overly prescriptive and remain a strategic planning tool rather than a compliance exercise. Rather than prescribing that the plan must be compatible with a particular temperature increase, transition plans should explain how the entity will contribute to decarbonisation objectives. The requirements for transition plans to be "compatible" with the limiting of global warming to 1.5°C are unclear and give rise to concerns for companies.

Achieving such compatibility is dependent upon many external factors such as the IEA STEPS (Stated Policies Scenario) and APS (Announced Policy Scenario), outside of companies' control. In addition, any corporate, with presence in different jurisdictions needs legal flexibility, for example to carve out of the plan subsidiaries where the relevant local rules or market practices are evolving differently. It is necessary to reflect different decarbonisation trajectories in different regions across global operations. For banks, their progress is intrinsically linked to the progress of the decarbonisation of the economy in every jurisdiction that they finance.

Alignment reporting obligations between CSRD and the prudential framework (pillar 3)

As it currently stands, credit institutions are required to report information on sustainable finance under the CSRD and then to disclose under Article 449a of the CRR (ITS on Pillar 3 Disclosures on ESG Risks). The disclosure requirements are similar but not identical and are becoming more divergent over time.

There is a need to simplify the structure, remove duplications within the same standard, cross standards and with other regulations (e.g. Pillar 3) and annual report.

Current developments, such as the Omnibus package, should be taken into consideration when defining or reviewing the prudential framework as they can limit the availability of the data requested to credit institutions. The use of proxies or additional engagement with clients should not be the solution to tackle this misalignment, being suboptimal and inefficient. The risk is that the ESG reporting framework and, consequently, the results of Pillar 3 would be largely based on assumptions that are highly questionable, thereby reducing comparability among banks.

In addition, **the taxonomy-related templates currently required under Pillar 3 for large institutions should be promptly removed**. In accordance with the "reporting only once" principle, such disclosures should be made exclusively through the CSRD reporting channel and not duplicated in the Pillar 3 reports.

V. SIMPLIFICATION MEASURES IN MARKET ACTIVITIES

RIS goes against any kind of simplification for clients and entities. If not withdrawn it should be seriously simplified

We advocate for the withdrawal of the proposal as it not consistent with promoting SIU, a key strategic objective of this COM. If it´s is not withdrawn, we advocate for:

- Deleting the value for money benchmarks: a one-size-fits-all approach does not take into account the different products in the European Union and seems impossible to be granular enough to be relevant. The RIS should rely on peer review assessment, already in place.

- Simplification of the investor journey by removing redundant tests and excessive

disclosures. Appropriateness and suitability tests should not be more complicated than they already are:

- Retain MIFID quick fix for professional clients.
- Preserve current regulation for advised services (the new proposal, excessively focused on costs, will likely not cause more investment).

- Remove unnecessary requirements and barriers to provide independent and non-independent advice (which have led to the underdevelopment of independent advice).

- Reducing the risk of information overload for clients is crucial. Hence, we suggest avoiding introducing additional information requirements and we invite to reconsider some information often overlooked by clients (e.g. information on costs for sales).

- Retail Investment Package - Avoid additional tests for inducements since they increase litigation risk in an unjustified way and therefore overcomplicate the use of inducements. The inducement test proposal, including the quality enhancement test, should be rejected. This test complicates the investment process and go against the much needed simplification of the regulatory framework.

- Additionally, the appropriateness test should not be made more complex, as proposed. The EC and Council's proposals to assess the client's ability to bear losses and risk tolerance when performing an appropriateness test, would add a substantial, unnecessary, level of prescription to non-advised transactions. This would adversely impact clients´ investment experience, currently benefitting from the simple and sufficient non-advice processes. Meanwhile, risky, digital assets (i.e. cryptos, bitcoins), are sold with minimal barriers, and the US is already moving to further deregulate these products. This creates an unbalanced environment for online sales of heavily regulated retail investment products in the EU. We should create a more accessible environment for these products, not hinder their selling. The proposed changes conflict with the goals of RIS, SIU, and competitiveness, and should be removed.

Need to standardized scope and language between SFDR/MiFID /PRIIPs to avoid barriers between all participants in the market and ensure consistency

Incorporating sustainability preferences into portfolio adviced/discretionary management requires initiating a dialogue with clients about their sustainability concerns. However, the lack of a standardized "entity-investor-product" language creates a barrier between supply and demand for such products.

Additionally, the way sustainability preferences are currently framed under MiFID (% of environmentally sustainable investments under Taxonomy/SFDR Article2.17 or consideration of sustainability factor PIAs) starkly contrasts with market realities. Despite ESG-focused product design, data gaps and an incomplete regulatory framework have resulted in a limited sustainable asset market. This leads to lower alignment percentages than investors expect when asked about their sustainability preferences under the current rules.

In the same way, PRIIPS sustainability information requirements should simply refer to the corresponding SFDR information.

Simplification of extreme complexity Best Execution requirements that forces entities to develop very costly processes, without significantly improving quality for clients

There is a need to further harmonize both

the regulation (MiFID/R) and the supervision (ESMA) on best execution, to avoid national discretions and gold plating. On MiFID/R best execution (level II), ESMA's proposal goes in the opposite direction, as it forces entities to develop very costly processes to offer execution or reception and transmission of orders services, without significantly improving quality for clients.

ESMA's new proposal will require entities to develop new information-gathering capabilities and implement more exhaustive continuous evaluation processes, leading to notable expenses and increased fixed costs, exacerbating the previously mentioned negative effects. It is also worth noting that the proposal itself acknowledges that no impact analysis has been conducted, which is essential given the significance of the proposed measures.

It is essential that ESMA provides greater clarity and flexibility in order to mitigate the economic impact on entities. Furthermore, entities should have greater freedom to define the selection and evaluation criteria for execution venues and order routing that best suit their business realities, which would be more appropriately regulated through Guidelines or Q&A.

These requirements should come into effect before the launch of the "Consolidated Tape," as much of the necessary information will be obtainable from that source. For this, it is essential to have a greater level of detail regarding the format, content, and granularity of the information provided by the tape.

A recalibration of MiFID 2/R, including as best execution policy in level II should be undertaken.

VI. SIMPLIFICATION MEASURES IN RETAIL ACTIVITIES

Review the Consumer Credit Directive (CCD2) ensuring harmonization and regulatory stability and avoiding overlapping with other existing EU legislation

Consumer credit operates in a reasonably efficient manner, and the need for a new Directive does not appear to be justified. The new Directive overlaps with other existing EU legislation (for example GDPR), does not require a harmonized licensing regime across Europe for consumer credit lenders and gives too much leeway to Member States that will result in regulatory fragmentation.

Furthermore, product regulation should not differ based on the provider, as the principle of "same rules, same standards" should not be overridden by other considerations. It is essential that all lenders be subject to i) an authorization procedure, ii) adequate supervision, iii) be included in a public register of approved lenders and iv) apply all transparency and consumer protection rules to ensure the same level of consumer protection across the EU.

To date, the European Commission has promoted well-intentioned plans to consolidate the single market. However, these have not fully achieved the intended effects, largely due to regulation through directives, which grant Member States considerable discretion. While the lack of harmonization in civil and commercial law frameworks makes full uniformity difficult, there are aspects that could indeed be regulated in a homogeneous manner without posing an obstacle.

Among these aspects are the definition of the subjective scope without allowing Member States to broaden it, that is, the definition of "consumer" and "trader," the requirements for information sheets and pre-contractual and contractual documents, the adequate explanations and basic information that must be included in advertising for credit

agreements, the acceptance and withdrawal periods, the permitted and prohibited tied and bundled practices, the creditworthiness assessment and the conditions for early repayment.

Regulatory stability is also crucial for simplifying business activities. It is not reasonable to revise the regulatory framework governing economic activity within such short time frames. This results in continuous adaptation to complex rules, leading to high costs and a constantly evolving, unstable regulatory environment. Moreover, each regulatory change brings new interpretative criteria from national supervisors and courts. As soon as these criteria begin to stabilize, another significant regulatory change occurs, significantly undermining the legal certainty necessary for economic activity.

Simplification of creditworthiness assessment

Creditworthiness assessment could be simplified through a standardized, straightforward questionnaire that the client would complete, which would be legally binding. The responses provided would have a definitive impact on the creditworthiness evaluation for the transaction, like health questionnaires in life insurance policies.

This would not preclude financial institutions from requiring further data or consulting creditworthiness databases for their own risk assessment purposes.

Need to add flexibility to the definition of foreign currency loan

Due to the current definition of a foreign currency loan, financial institutions are unable to manage loans in certain currencies, which leads to the exclusion of credit for clients who wish to take out loans in euros based on their income or place of residence. This restriction arises because it is not possible to hedge the exchange rate risk, as the debtor is entitled to request a conversion to the currency of a Member State in which they reside or to the currency of a third country in which they receive most of their income. Additionally, very strict information obligations on exchange rate fluctuations are imposed, requiring significant implementation costs.

European regulation affected is Directive 2014/17/EU on credit agreements for consumers relating to residential immovable property.
Proposed wording: A loan shall not be considered a foreign currency loan if it is granted in the currency of the Member State where the debtor acquires the property, regardless of their place of residence or the currency in which they receive most of their income.

Streamline training requirements for sales staff in conduct rules

Regarding the regulatory training of sales staff, each conduct norm does not consider the training requirements set by the remaining regulations. Thus, MiFID, IDD, LCCI, IDD, LCC, and MiCA require initial and ongoing training without reflecting on whether certain transversal aspects of the markets and financial risks can be common and impose a number of hours that could clearly be reduced.

For example, to streamline ongoing training, one could:

- Consider aspects such as the experience for individuals subject to recertification, proportionally rationalizing the mandatory training hours.

- Develop common content to optimize the workload, which will serve to recertify MIFID, IDD, LCCI, LCC, and MICA, and establish mandatory content and validations in the new certifications of LCC and MICA, as well as in the reviews of the current MiFID, LCCI, and IDD.

Regarding continuous training, eliminate national discretionary measures, such as

in Spain, which require a greater number of hours than in other countries.

VII. FINANCIAL SANCTIONS

Council Regulation (EU) No 269/2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine: designated persons should be published in a single regulation or annex

Designated persons should be published in a single regulation or annex. Currently, a plurality of regulations and directives are published and updated for each individual sanctions program. These programs must be maintained, translated, updated, and published. Moreover, the consolidated list issued by the Commission should be updated simultaneously with new designations.

In addition, to reduce false positives, it is requested that a minimum set of identifying data be included for all designated individuals: date of birth, country of birth, identification number, etc.

VIII. SIMPLIFICATION MEASURES IN REPORTING

Simplification and harmonization of the regulatory and supervisory reporting architecture

Regulatory and supervisory reporting should be guided by the following principles:

- Single definition: definition agreed between supervisors (EBA, ECB/SSM) and resolution authorities (SRB) at European and national level for data items used in bank reporting (e.g. "firm size", "eligible collateral", "RWA") so that data used in templates such as EBA FINREP/COREP, SRB Valuation Datasets, SSM Loan Tapes are fully harmonized.

- Report once and data sharing: the reporting entity submits each attribute or metric only once, thus avoiding duplication of reports or data sets and providing all the authorities with access to the information using a single data hub.

- Rationalisation of ad hoc reporting. As a consequence of the previous bullet points and the interoperability of data provided by the reporting agents, ad hoc could be properly reduced.

Under the current regulatory reporting framework, which is largely based on templates rather than granular data, the reporting entities are required to submit information with the same content but with scarce interoperability/reusability to different authorities.

This places an unnecessary burden on financial institutions' reporting teams, for instance due to reconciliation tasks amongst different reporting frameworks, which could otherwise focus on data quality.

In this context, we have identified the following examples, amongst many others, that should be avoided as much as possible:

- Duplicated templates: (i) for resolution purposes: T02 LDR and COREP; (ii) for resolution purposes: EBA Z templates and Banco de España T templates. Future AMLA RTS and standardized information given to national AML authorities.

- Duplicated records included more than once in different templates: (i) resolution purposes: MREL/TLAC information is also included in the LDR; (ii) OTC derivative transactions that can be reported through APAs (Day T, within 15 minutes) are also reported to TRs on T+1. (iii) EMIR and TR reports (OTC and ETD derivatives; ESMA RTs regarding new Active Account requirement); (iv) TR: some data points such as ISINs or LEIs are public and can be accessed by supervisors through multiple sources (FIRDS, ANNA, data providers to

entities, etc.), (v) The new metric (ANAPF) proposed by EBA (to be calculated by entities which use pro-forma models to determine their initial margin requirements) to determine the corresponding annual fee to be applied by the supervisor, is based on information that has already been sent by entities under the TR.

- Non-material information: Regarding EMIR, it should not be compulsory reporting of NFC- with NFC-, since as stated by EMIR, non-financial counterparties activity poses less of a systemic risk to the financial system than the activity of financial counterparties.

- Dual reporting obligations: EMIR reporting established a dual reporting system. If both parties to a transaction are incorporated in the EU, both will have reporting obligations.

The ability to share and reuse data between authorities is crucial to achieving the report once principle. The SSM, SRB and EBA already cooperate to some extent to share information on supervisory templates (e.g. FINREP, COREP, etc.). However, there is still a lot of work to be done on granular data sets, e.g. Anacredit, Loan Tape, NPL templates, partly due to the heterogeneity in their semantics and modelling. Regulatory information, once standardised and located in a single data hub, could be easily reused by any European or national authority for any purpose. Increasing the capacity for data exchange and interoperability of reported data would therefore reduce and simplify the reporting burden on financial institutions, avoiding duplicate requests.

Finally, when rationalising ad hoc reporting, supervisors and regulators should challenge beforehand if the request is fit for purpose and the information needed is not already available and periodically check if any ad hoc request should be discontinued, e.g. the weekly SSM templates on liquidity that were originally developed during COVID and are still in place despite the absence of major liquidity concerns.


AEB
ceca
unacc