

AECM response to the European Commission targeted consultation on the competitiveness of the EU banking sector

A competitive EU banking sector is crucial for the success of the [savings and investments union](#) and is an integral part of the [Commission Communication adopted on 19 March 2025](#). Banks play a vital role as financial intermediaries, connecting savers and businesses, and remain the main source of financing of the EU economy.

The Communication announced that the Commission would publish in 2026 a report assessing the overall situation of the banking system in the single market, including the evaluation of the banking sector's competitiveness.

The banking sector reforms undertaken in the EU in the past 15 years, including the set-up of the [banking union](#), have significantly contributed to financial stability in the EU and globally. They resulted in more resilient and safer banks, more transparency and level playing field, credible rules to resolve banks in case of failure and safeguard the confidence of depositors and markets in the system.

However, the single market for banking is at the crossroads of several old and new political debates in the EU, notably on competitiveness, financing the green and digital transitions and defence needs, cross-border banking consolidation and global competition, regulatory stability, burden reduction and proportionality. At the same time, cross-border banking activity across the single market is limited and the banking union remains incomplete, hindering development opportunities that could better support the financing of EU economy.

This consultation seeks stakeholders' feedback on the state of the banking sector in view of informing the preparation of the Commission's work to achieve a true single market in banking, improve capital mobility across the EU and foster the international competitiveness of the EU banking sector.

This targeted consultation seeks stakeholders feedback on three main areas:

1. banking competitiveness in the EU and globally
2. the single market and the banking union
3. complexity and effectiveness of the regulatory framework

The responses to this consultation will provide important guidance to the Commission when preparing, if considered appropriate, a Commission Communication on the competitiveness of the banking sector as part of its efforts to deliver on the savings and investments union.

1. Banking competitiveness in the EU and globally

1.1. Contribution of the banking sector to the EU economy

(1) 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.

The banking sector is a cornerstone of economic growth in the European Union, primarily through its role in corporate lending, which directly fuels the real economy. Banks provide essential credit to SMEs, enabling them to fund working capital needs, invest in expanding operations and innovate – all key drivers of productivity and job creation. For example, loans to SMEs support everything from local craftsmen, retail shops, manufacturing to the services industry, helping these businesses scale and contribute to local and regional economic resilience. However, access to bank financing remains uneven, particularly for microenterprises and underserved SMEs, which often lack the collateral or credit history required by traditional lending standards. While credit guarantee institutions help mitigate risk for banks, in most Member States the overall risk appetite of banks still limits the flow of credit to these vital segments of the economy.

To do more, banks could adopt a more inclusive lending approach, especially toward the many SMEs and microenterprises that still struggle to secure financing. This could involve leveraging digital technologies to conduct credit assessments beyond traditional metrics or partnering more closely with public guarantee institutions to reach a wider and more diverse range of SMEs. In some Member States, we see that viable micro and small enterprises are still largely excluded from bank lending, despite continued support from guarantee schemes, thereby exacerbating disparities in economic opportunities across our Union. In addition, banks could increase their lending appetite towards innovative start-ups, such as those contributing to green and digital transitions, which indeed carry higher risk but also higher potential. Again, guarantee institutions can support and accompany this effort but ultimately the regulatory environment should cater for this change in risk appetite.

(2) Is current credit demand adequately met by banks and how is the demand and the capacity to meet it likely to evolve in the medium and long-term?

- Yes
- No
- Don't know / no opinion / not applicable

Are you observing barriers affecting bank financing in support of the economy, including in areas identified as political priorities by the EU or Member States?

- Yes

- No
- Don't know / no opinion / not applicable

Please elaborate by providing evidence and identifying economic sectors where access to credit could be improved.

The experience of guarantee institutions clearly demonstrates that current credit demand for SMEs is insufficiently met by banks in the EU, particularly when it comes to financing growth, innovation, and long-term investment. While bank credit remains a primary source of external finance for SMEs, it is overwhelmingly directed toward short-term needs such as inventories and working capital – with only a minority of funds allocated to capital expenditure (CapEx) or strategic investments like digitisation, green transition, or R&D. This imbalance highlights a structural gap: banks, constrained by risk aversion and collateral requirements, are less inclined to finance the long-term, higher-risk projects that are critical for SME competitiveness and resilience.

To address this gap, credit guarantee institutions play a pivotal role by mitigating risk for banks, thereby encouraging lending to SMEs that would otherwise be deemed too risky. They provide partial guarantees on loans, reducing the burden of collateral and lowering interest rates for borrowers. However, even with these guarantees, traditional banks often remain hesitant to finance CapEx or innovation due to their inherent risk profiles. As a result, in several Member States, alternative lenders – such as crowdlending platforms, fintech platforms, private credit funds – are increasingly stepping in to fill this gap, especially in markets where local banks are unable or unwilling to meet SME needs.

(3) For the following types of clients seeking financing, how would you assess the ability to access finance and the availability of financing options? What obstacles may limit the ability of banks to provide credit to these clients?

b) an SME

The ability of SMEs to access finance in the EU remains severely limited, despite their critical role as the backbone of the European economy – representing over 99% of enterprises. SMEs face systemic barriers due to their perceived high risk and lack of sufficient collateral. Unlike larger enterprises, SMEs rarely issue bonds or access stock markets, and instead rely overwhelmingly on bank debt, such as overdrafts, loans, or leasing. This dependency is problematic, as SME financing needs for internationalisation, innovation, and upskilling are increasing but still poorly served by traditional bank lending models.

(5) To what extent does the EU economy benefit from a diversified banking sector? How would you further encourage the diversity of the EU banking sector landscape, with banks operating across different business models (universal, investment, savings, mortgage financing, cooperatives, digital banks, etc.)? Please elaborate whether and how banking sector diversity matters.

The EU economy derives substantial benefits from a diversified banking sector, as this diversity is fundamental to financial resilience, inclusive economic growth, and the effective financing of the real economy. For instance, regional, cooperative and savings banks, often in cooperation

with guarantee institutions, play a particularly vital role in financing SMEs, allocating a larger proportion of their assets to loans compared to larger, more market-oriented banks. This diversity not only bolsters financial stability but also enhances the EU's capacity to absorb economic shocks in times of crisis. To further encourage the diversity of the banking sector, policies should prioritise proportional regulation that aligns requirements with the actual risk profiles and complexity of institutions, rather than imposing uniform rules that disproportionately burden smaller players. Simplifying regulatory frameworks for non-complex banks and credit institutions, as proposed by the ECB and some national supervisors, would help sustain their economic viability. Enhancing supervisory coordination to reduce reporting burdens would further enable smaller banks and guarantee institutions to focus on their core mission of financing underserved entrepreneurs. By nurturing this diversity, the EU can ensure that SMEs, regardless of their location or sector, have equitable access to the financial resources necessary for growth, innovation, and resilience, ultimately strengthening the overall economic fabric.

(6) 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?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain.

National promotional banks and public guarantee institutions provide a complementary and indispensable contribution to the activities of commercial banks in financing the EU economy, by addressing persistent market failures, sub-optimal investment situations, financing socially desirable projects and crowding in private investments. In particular, access to finance for SMEs is one of the most persistent market failures, so support to SMEs in the form of guarantees, loans, equity, subordinated debt and advisory services is often in the core mandate of many national promotional banks and institutions. Within the spectrum of national promotional banks and institutions, guarantee institutions play an essential role as facilitators and implementors of public guarantees. Guarantee institutions across Europe – which include national promotional banks institutions but also private/mutual guarantee institutions – are very different in form, legal structure, governance, business model, and supervisory oversight, but all have in common the core promotional mission to address these market gaps by offering guarantees that share the risk with commercial banks, enabling them to extend credit to SMEs that would otherwise be deemed too risky.

In times of crisis in particular, guarantee institutions play a vital counter-cyclical role by unlocking liquidity for SMEs, ensuring continued access to working capital finance when commercial banks tighten lending conditions. Guarantee institutions also act as catalysts for long-term, strategic investments that commercial banks alone are unable or unwilling to support. By leveraging both national public mandates and EU financing programmes (InvestEU), guarantee institutions channel financing towards public policy goals. Their role as implementing partners in EU-wide initiatives allows them to complement commercial banks by providing financial advisory services, targeted funding, and risk-sharing mechanisms that

commercial banks cannot offer. By operating under an “additionality” principle – financing projects that would not attract private investment – guarantee institutions ensure that SMEs, regardless of their sector or location, can access the necessary financing, thereby strengthening the overall resilience and inclusivity of the EU financial system.

3. Complexity and effectiveness of the regulatory framework

3.1. General assessment

(47) How would you evaluate the current regulatory framework for banking in terms of:

	Low	Somewhat low	Medium	Somewhat high	High	No opinion
effectiveness (the extent to which the framework achieved its objectives)			X			
proportionality (the extent to which the objectives of the framework are achieved at minimal cost)	X					
EU added value (extent to which EU intervention provides benefits that could not be achieved by Member States acting alone)			X			
relevance (extent to which EU intervention provides benefits that could not be achieved by Member States acting alone)			X			
coherence (extent to which a policy/intervention is internally consistent and externally consistent with other EU policies)				X		

(48) 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?

	Low	Somewhat low	Medium	Somewhat high	High	No opinion
The overall framework					X	
The minimum capital requirements (Pillar 1)					X	
The supervisory measures (Pillar 2)					X	
The macroprudential requirements					X	
The resolution requirements					X	
Other						X

Please explain.

Guarantee institutions across the European Union are not subject to a uniform regulatory treatment. Some are set up as public government agencies, non-profit foundations or publicly owned enterprises, while others are non-bank financial institutions, and some have a banking license. As such, some are supervised directly by their national ministry or a supervisory board, entailing much lighter requirements, while others are regulated by their Central Bank as credit institutions, as stipulated by the CRR. For the latter, they fall under the category of small, non-complex institutions, and the requirements are very similar to those of domestic commercial banks or other financial institutions. Therefore, in some Member States, the level of complexity in the regulatory treatment is not catered to the specific promotional role of guarantee institutions in the SME finance ecosystem.

(49) Which type of instrument adds the most undue complexity to these parts of the frameworks?

	Low	Somewhat low	Medium	Somewhat high	High	No opinion
International standards (Basel, FSB)					X	
Level 1 EU legislation (i.e. regulations/directives)					X	

Level 2 EU legislation (i.e. technical standards)					X	
Level 3 EU measures (i.e. EBA guidelines, Q&As, etc.)					X	
Supervisory guidance/practices					X	
Implementation differences of EU legislation at national level					X	
Interaction with other national legislation					X	
Interaction with other EU legislation					X	
Other						X

Please explain.

Depending on the guarantee institution and its associated legal framework, each type of instrument adds undue complexity, reflecting a systemic issue across the financial regulatory framework. The lack of harmonisation in how EU legislation is implemented at the national level, combined with the diverse regulatory situations of guarantee institutions creates significant operational and compliance challenges, especially for those that are regulated like traditional commercial banks. This fragmentation results in inconsistent supervisory practices, overlapping requirements, and most importantly, disproportionate burdens on smaller non-complex financial institutions. The current regulatory environment exacerbates administrative burdens for guarantee institutions that are considered SNCIs, with regards to:

- Compliance with regulations related to IT systems (DORA).
- Supervisory data reporting, as it is largely designed based on credit institution activities. Reporting on financial guarantees raises several interpretative questions (e.g. non-performing definition, capped counter-guarantee).
- EBA reporting requirement; it is overly complex, and many tables are mandatory yet not relevant for guarantee institutions.

To address these challenges, a fundamental reform is needed, one that truly ensures proportionality, and aligns regulations with the unique role of guarantee institutions. Without such changes, the regulatory framework will continue to hinder their efficiency, competitiveness and ability to serve SMEs.

Intellectual property rights

(57) Has your institution granted loans where intellectual property (IP) rights (patents, trademarks, designs) were accepted as: stand-alone collateral or collateral only in addition to tangible assets?

- **Yes**
- No
- Don't know / no opinion / not applicable

Please indicate the approximate share of total SME/scale-up lending for each category.

The use of IP rights as collateral in SME and scale-up lending remains limited and highly cautious within guarantee institutions. While some institutions do accept IP rights as collateral, they are typically assigned zero or negligible monetary value due to significant challenges in valuation and liquidation. IP assets are rarely used as stand-alone collateral; instead, they are occasionally considered as supplementary security alongside traditional tangible assets. The primary obstacles include the difficulty in accurately assessing the value of intangible assets and the lack of established secondary markets for realising IP in the event of default. As a result, guarantee institutions – just like their partner banks – tend to prioritise more conventional forms of collateral, such as real estate or equipment, which offer greater certainty in recovery processes.

In practice, the share of IP-backed lending in overall SME and scale-up financing is minimal. Even promotional financial institutions have little to no experience with IP rights playing a meaningful role in collateralisation or debt recovery. While some financing schemes may indirectly support intangible investments, such as technology transfers or patent acquisitions, these are not typically reflected in the valuation of collateral. Instead, lending decisions are often driven by the viability of the business model and cash flow projections rather than the presence of IP assets. To unlock the potential of IP as collateral, further advancements are needed in valuation methodologies, legal frameworks, and secondary markets, which would enable more confident and widespread use of intangible assets in SME financing.

(58) Which of the following EU-level measures would materially increase your institution's willingness to lend against intellectual property assets?

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	No opinion
Public guarantees covering part of IP-backed loans	X					
IP collateral protection insurance supported by public schemes	X					

EU-level standardised IP valuation methodologies	X					
Securitisation frameworks for IP-backed loan portfolios	X					
No measure would materially change our current approach					X	

Please explain.

From the perspective of guarantee institutions, public guarantees covering part of IP-backed loans and IP collateral protection insurance supported by public schemes would materially increase their willingness to lend against IP assets. These measures would mitigate the high risk of valuation uncertainty and low liquidity associated with IP collateral, making such lending more viable. Additionally, EU-level standardised IP valuation methodologies would provide greater confidence in assessing the value of intangible assets, further reducing risk and facilitating more consistent underwriting practices.

3.2. Prudential framework

Risk sensitivity

(60) Does the prudential framework balance sufficiently risk sensitivity and complexity?

- Yes
- No**
- Don't know / no opinion / not applicable

If not, how should this disequilibrium be addressed?

Most guarantee institutions are non-profit promotional institutions that usually operate with a public counter-guarantee and that are not listed on capital markets. Furthermore, in most cases they are very small institutions. It is therefore unusual for many guarantee institutions to have an external rating. As such, the new risk weighting methodology for exposures towards unrated institutions introduced in CRR3 has sensitively impacted the promotional conditions that guarantee institutions can offer to their SME clients. The increase in risk weighting does not only endanger promotional conditions offered by guarantee institutions financing SMEs, but it does so without any justifiable need to increase these weights from a risk perspective. The operations of most of our members are at least partially backed by their respective governments (or by EU funds). We therefore suggest introducing a further bucket for promotional institutions that would benefit from a lower risk weight.

Non-performing loans

(66) Are, in your view, the various elements of the framework aimed at reducing NPLs working as intended?

- Yes
- No**
- No opinion

Please explain and, if deemed relevant, provide suggestions to improve the framework.

Within the NPL framework, the definition of default guidelines, as drafted by the EBA based on the mandate in Article 178(7) of CRR3, are overly restrictive for guarantee institutions that support microenterprises. The EBA’s guidelines do not fully implement the proportionality and flexibility requested by the Commission. Specifically, the current 1% threshold for onerous restructurings is not always consistent with SMEs’ operational realities, resulting in:

- early classification of still-viable enterprises as in default;
- reduced scope for preventive intervention;
- increased enforcement and worsened recovery prospects.

As such, it is essential to increase the 1% threshold for onerous restructurings, at least for exposures to micro and small enterprises, to allow greater flexibility in restructuring, support temporary difficulties, preserve operational continuity for guaranteed enterprises, and implement a proportionate framework for these enterprises.

Output floor

(68) What are your views on the following considerations regarding the EU implementation of the output floor?

	Fully agree	Somewhat agree	Neutral	Somewhat disagree	Fully disagree	No opinion
The current rules introduced by CRR3 achieve the right balance - no need to revise the output floor framework					X	
Some or all of the transitional derogations related to the output floor should be prolonged					X	

Some or all of the transitional derogations related to the output floor should be made permanent					X	
The output floor should only apply at consolidated level	X					
The calibration of the output floor (72.5%) should be increased					X	
The calibration of the output floor (72.5%) should be made more risk-sensitive		X				
The calibration of the output floor (72.5%) should be reduced	X					
Other (please specify)						X

Please explain.

Corporates that do not classify as SME or retail and that do not dispose of an external rating will face an increased risk weight following a transition period until 31 December 2032, as introduced in Article 465 of CRR3. During this transition phase, companies without an external rating can continue to benefit from the 65% risk weight provided that those exposures have a probability of default (PD) of less or equal to 0.5%. SMEs with a turnover exceeding EUR 50 million as well as small mid-caps benefitting from promotional guarantee support usually do not have an investment grade PD. This, however, does not justify the blanket attribution of the 100% risk weight. In our view, the attribution of the 100% risk weight in no way reflects the financing reality and prevents the consideration of financial peculiarities in companies and ultimately does not lead to a risk-adequate assessment of the receivable. As such, the attribution of the 100% risk weight to unrated companies in the period after 2032 and during the transition period for non-investment grade exposures severely impacts the capacity of guarantee institutions to finance SMEs. External ratings are costly, especially for SMEs and small mid-caps that do not intend to access capital markets.

Therefore, a long-term solution needs to be found that takes into account the particular situation of European SMEs and small midcaps. It could for example be envisioned to use the financing banks' or the guarantee institutions' rating as official rating in the case of companies that respect the SME definition or small midcap definition. During the transition period, no distinction shall be made according to the PD, meaning that also companies with a PD higher than 0.5% should benefit from the transitional arrangement. This is of particular importance in a post-pandemic situation where the PD is not necessarily a good indicator for the viability of a company.

Assigning a higher risk weight to viable unrated companies with a PD higher than 0.5% seriously impairs their recovery and thereby adversely affects the riskiness of the financing operation.

3.6. Proportionality

(84) Would you consider that the current bank regulatory framework is sufficiently proportionate for smaller banks?

- Fully agree
- Somewhat agree
- Neutral
- Somewhat disagree
- Fully disagree**
- Don't know / no opinion / not applicable

Please explain.

The current regulatory framework is not sufficiently proportionate for small credit institutions like guarantee institutions. At present, credit institutions across the EU are subject to the same capital, liquidity, and reporting requirements, regardless of their size, complexity, or risk profile. While these rules are designed to ensure financial stability, they impose a disproportionate burden on smaller, non-complex institutions. Unlike large banks and credit institutions, whose profit-driven strategies are more directly constrained by prudential rules, guarantee institutions face much higher compliance costs without the same capacity to absorb them. This uniform approach fails to account for the unique challenges and lower risk profiles of smaller institutions, creating inefficiencies and limiting their ability to support local economies and SMEs.

(85) Do you consider that the introduction of a dedicated regulatory and supervisory regime for small banks would be warranted in the EU?

- Yes**
- No
- No opinion

In your response, please assess in particular how such a regime could meaningfully improve proportionality and efficiency, without undermining financial stability, depositor protection, or the level playing field within the EU.

The introduction of a dedicated regulatory and supervisory regime for small banks in the EU would be warranted, as it would significantly enhance proportionality and efficiency while maintaining financial stability. The current one-size-fits-all approach disproportionately burdens smaller, non-complex institutions, which often lack the resources to manage extensive compliance requirements that do not align with their risk profiles. As highlighted by the ECB's High-Level Task Force on Simplification and proposals from BaFin, a tailored regime would

better reflect the actual risk and complexity of these institutions. By adopting a proportionate regulatory framework, the EU could reduce unnecessary compliance costs, streamline supervisory processes, and enable smaller banks to focus on their core mission of supporting SMEs without compromising prudential standards.

To achieve this, several targeted amendments should be introduced. First, supervisory coordination and data efficiency could be improved through integrated reporting systems and stronger data-sharing mechanisms, eliminating duplication and rationalising submission timelines. Second, risk-based supervisory processes should replace overly prescriptive fixed-frequency requirements, with greater reliance on top-down stress testing for small non-complex institutions. Third, an EU opt-in proportional framework could allow eligible credit institutions based on business model complexity and risk profile to adopt a simplified regulatory package covering reporting, disclosure, and stress testing. These measures would ensure a level playing field within the EU by maintaining robust prudential safeguards while allowing smaller credit institutions to operate more efficiently and effectively.

3.7. Corporate governance

(89) Where do you see potential for simplification of the EU rules on internal governance and remuneration policies of financial institutions without undermining the institutions' sound and prudent management?

For guarantee institutions that are small non-complex institutions, the simplification of EU rules on internal governance and remuneration policies lies once again in proportionality. For instance, limiting the scope of “fit and proper” assessments – as introduced in Articles 91 and 91a of CRD6 – to exclude small and non-complex institutions, or applying lighter, risk-based requirements, would significantly reduce red tape without compromising sound and prudent management. This approach would preserve strong governance standards for institutions where complexity and risk justify stricter rules, while allowing smaller credit institutions to operate more efficiently and focus on their core mission.