

The EU Financial Services Reform Agenda

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Global Policy Cycles

- Great Moderation of 1990s & early 2000s
 - Deregulation, financial globalization; Basel II
 - Strengthening of global standard-setting
- Great Financial Crisis (2007-09) & aftermath
 - Reregulation, largely coordinated; Basel III
 - Green / ESG finance experiment
 - Multipolarity
- Fading memories = pendulum swing
 - First Trump administration in US
 - US March 2023 crisis: systemic, but too brief for impact
 - FSB “modernization”, “consensus shift”

EU Policy Cycles

- GFC + euro area crisis = a decade 2007-17
- Early 2010s: major crisis-driven reform
 - New capital and resolution framework
 - Single Supervisory Mechanism (+resolution) in euro area
- Relative pause in 2014-19 & 2019-24 terms
 - Gradual adoption of Basel III
 - Integrated AML framework
- New ambition in current term 2024-29?
 - Geopolitical context, Letta & Draghi reports
 - “Savings and Investment Union” = single financial market

Savings & Investment Union

- Banking Union + Capital Markets Union
- Many legislative frameworks remain national
 - Taxation, pension frameworks, consumer protection, corporate & bankruptcy law, housing policies
- EU initiatives: MISP, banking communication
 - Banking union incomplete
 - Non-bank supervision more fragmented (unexpected!)
 - But structural reform is hard, in absence of crisis
- UniCredit purchase of Commerzbank
 - Delayed consequence of early-2010s reforms
 - Broader impact: too early to judge, potentially significant

Capital Markets Union / MISP

- Proposal in December 2025
- Transformation of ESMA
 - Governance: Executive Board
 - Scope of direct supervision: infrastructures, CASPs
- Single market measures in key segments
 - Market infrastructures
 - Asset management
- Stops short of full supervisory integration
 - Unresolved division of labor ESMA / nat. authorities
 - “Securities commission” scope untouched

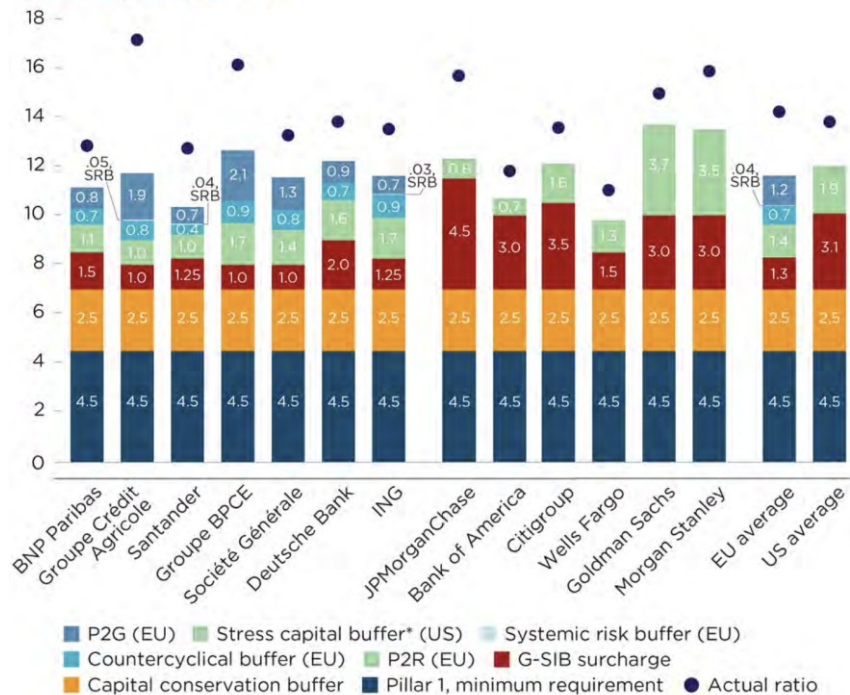
Banking Sector Communication

- Competitiveness challenge (// Draghi 0224)
 - Framed with reference to US megabanks
 - Loss of market share, globally and in the EU
 - Lower stock price multiples
- Main cause: fragmentation
 - Rather than onerous capital requirements
- Proposed measures
 - Vague
 - Banking union: deposit insurance, sovereign exposures
 - Bank-friendly measures: output floor, Pillar 2

Risk-based Requirements

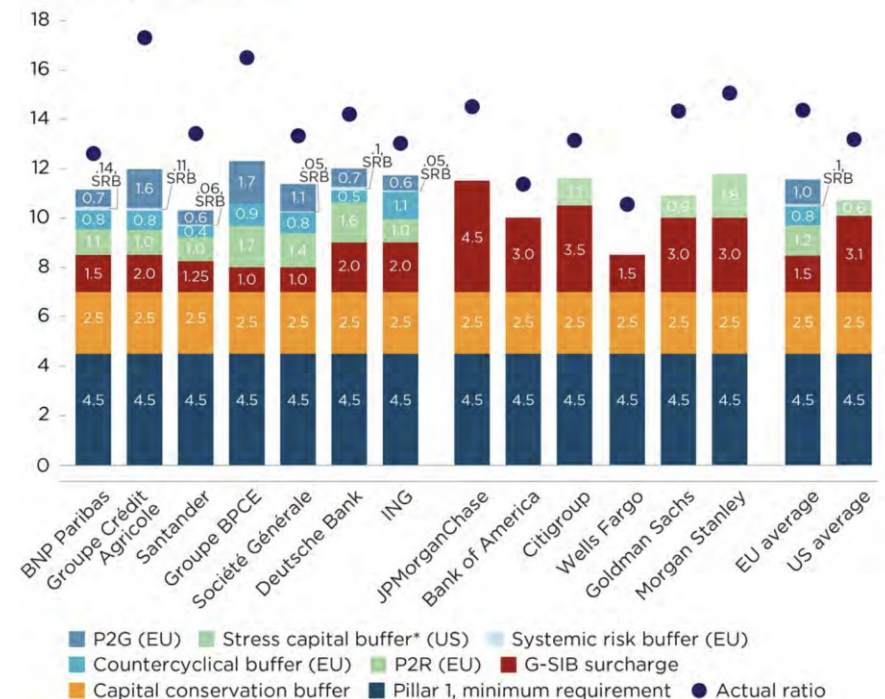
Minimum requirements and observed levels, EU/US megabanks, end-2024

a. Solvency ratio (percent)



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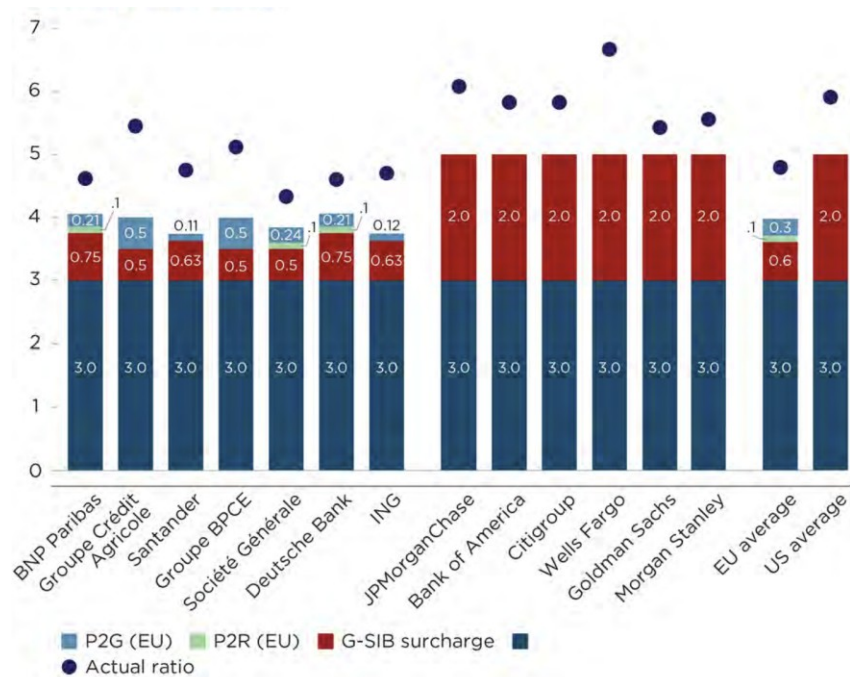


N.B. Risk-weighting practices differ significantly between EU and US

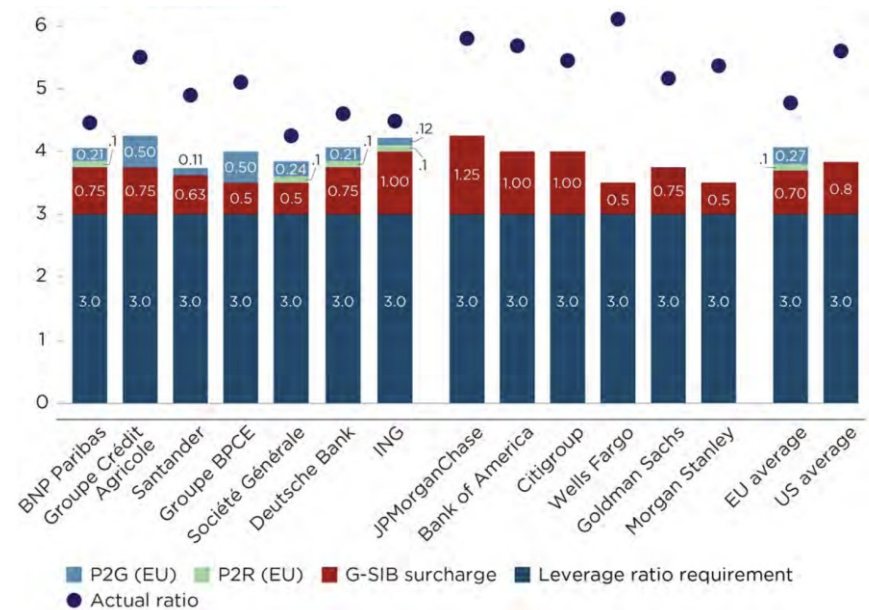
Source: Mejino-L pez & V ron 2026

Leverage Requirements

End-2024



End-2025



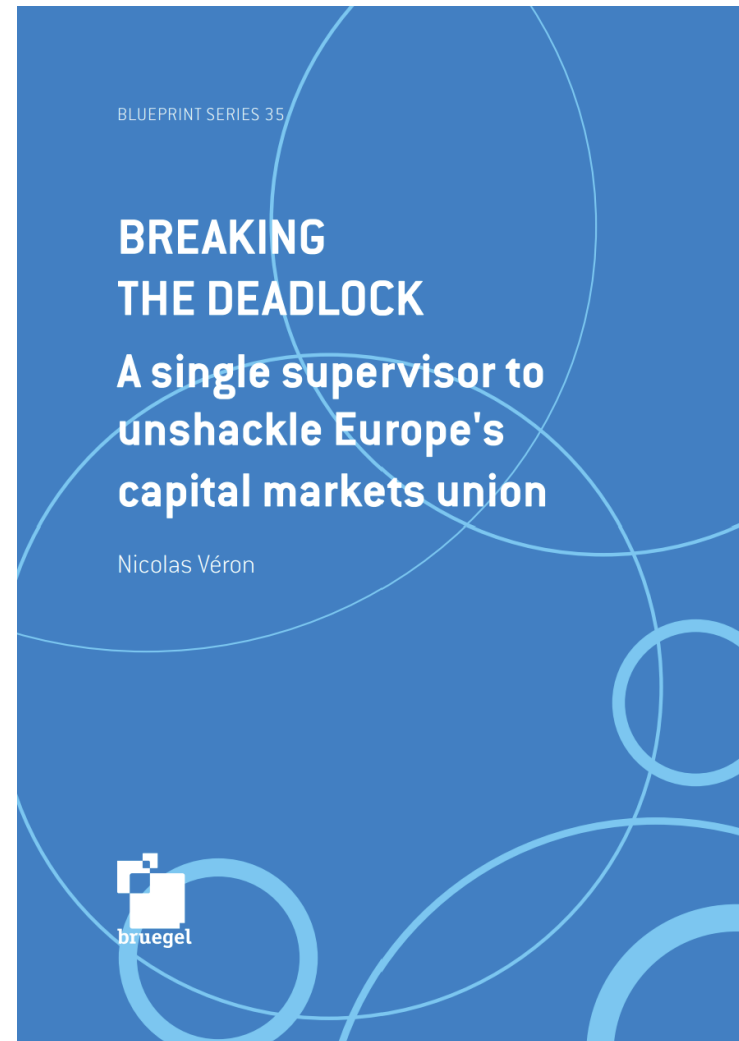
Global Financial Stability Risks

- Frothy markets
 - Equity & credit price levels
 - Supported by AI-led growth expectations
- Deteriorating fiscal positions
- US deregulation & desupervision
- Geopolitical disruptions
- Banks well capitalized – on the face of it

Further Reading



June 2024



June 2025