

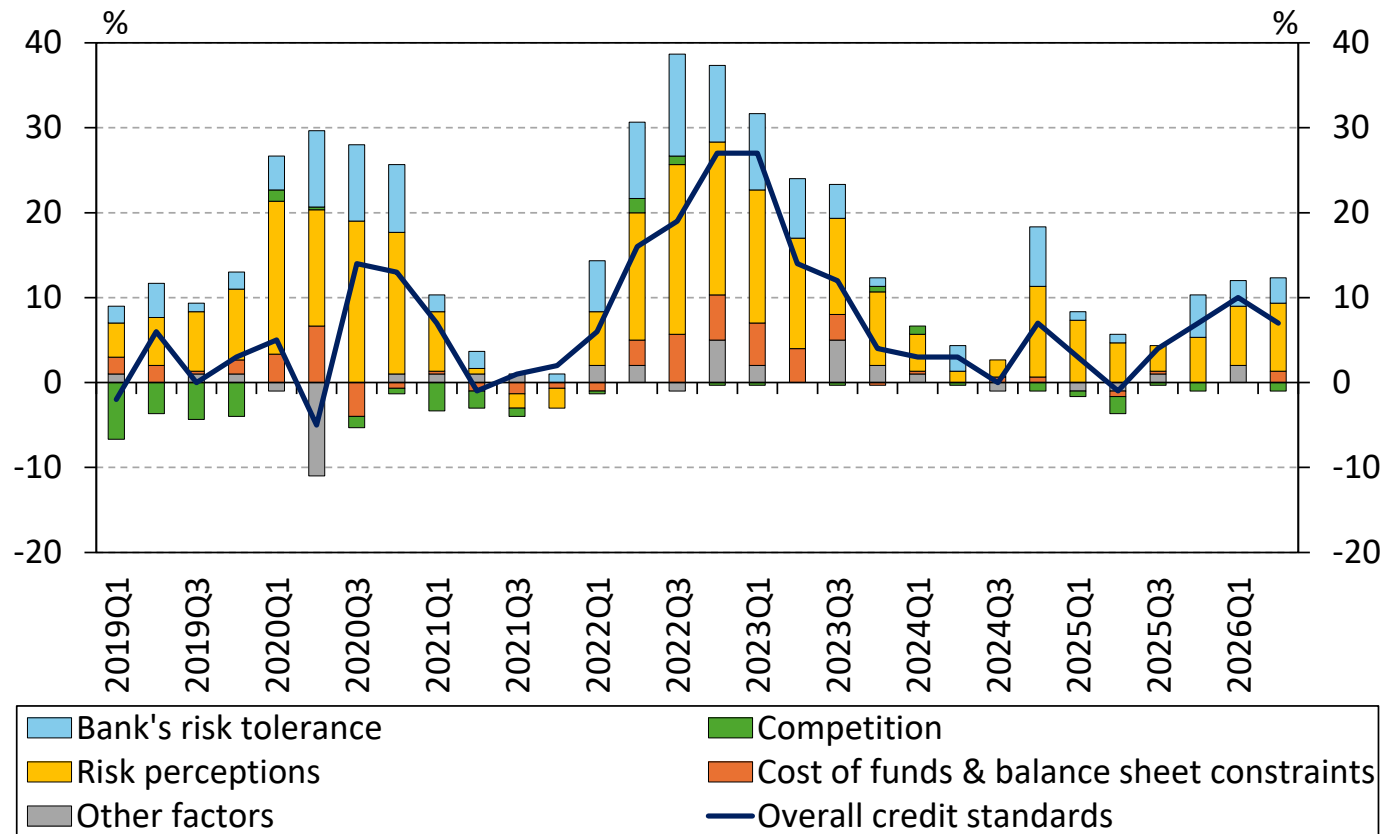


BALANCING STABILITY AND COMPETITIVENESS IN FINANCIAL REGULATION

PANEL DISCUSSION

1. CAPITAL REQUIREMENTS DO NOT SEEM TO CONSTRAIN CORPORATE LENDING

Changes in credit standards applied to the approval of loans or credit lines to enterprises in the euro area and contributing factors - net percentages of banks reporting a tightening



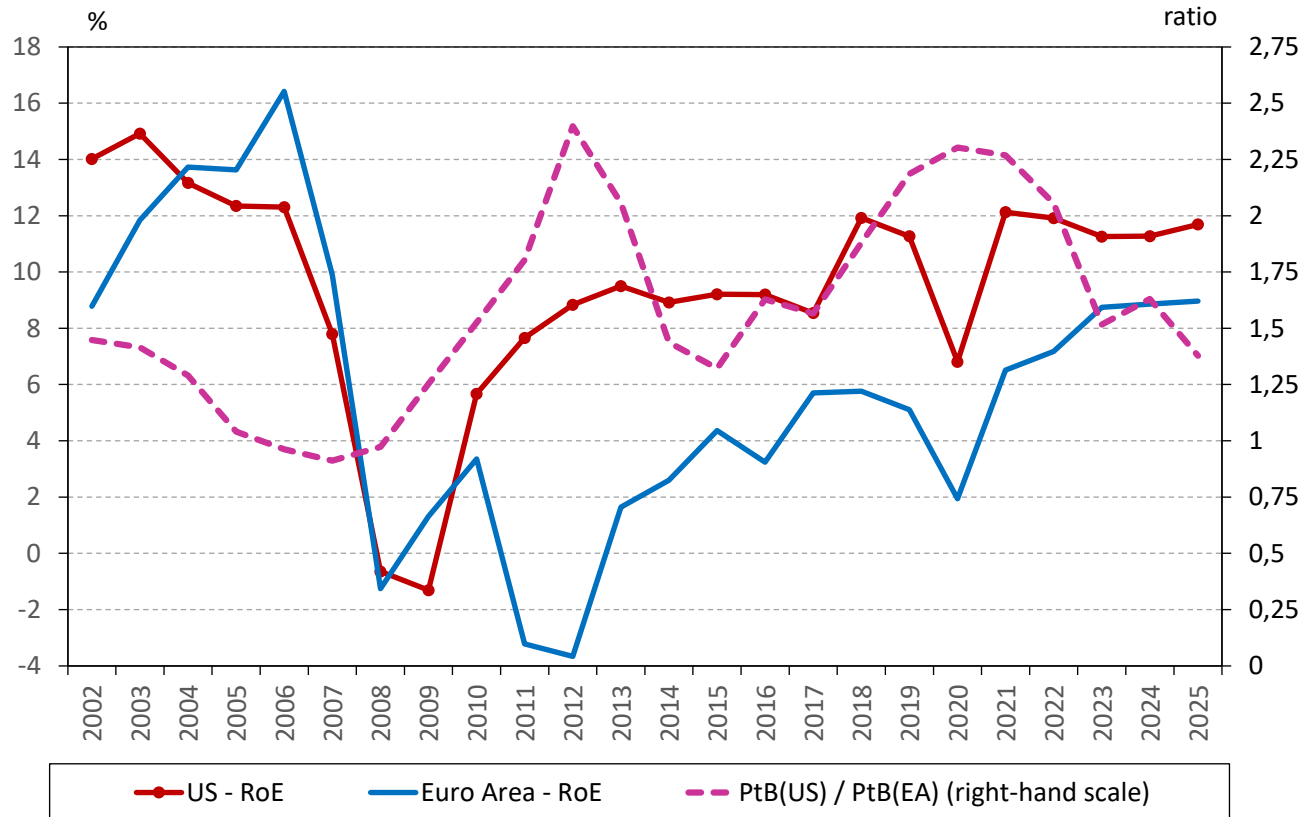
Note: Net percentages are defined as the difference between the sum of the percentages of banks responding “tightened considerably” and “tightened somewhat” and the sum of the percentages of banks responding “eased somewhat” and “eased considerably”. The grouping of factors follows the ECB’s methodology. Source: ECB Bank Lending Survey

What is your overall view of the current EU corporate financing market, do you see any constraints, especially in lending? If so, what do you think is the main contributing factor? Could it be e.g., underdeveloped capital markets, tight risk limits, unsatisfactory returns, a lack of good business cases, or is it mostly regulation?

2. AMERICAN BANKS ARE AHEAD OF EU ONES IN PROFITABILITY AND MARKET VALUATION RAISING COMPETITIVENESS QUESTIONS



Return on Equity (RoE) of Euro Area and US banks and the relation of their Price-to-Book (PtB) ratios



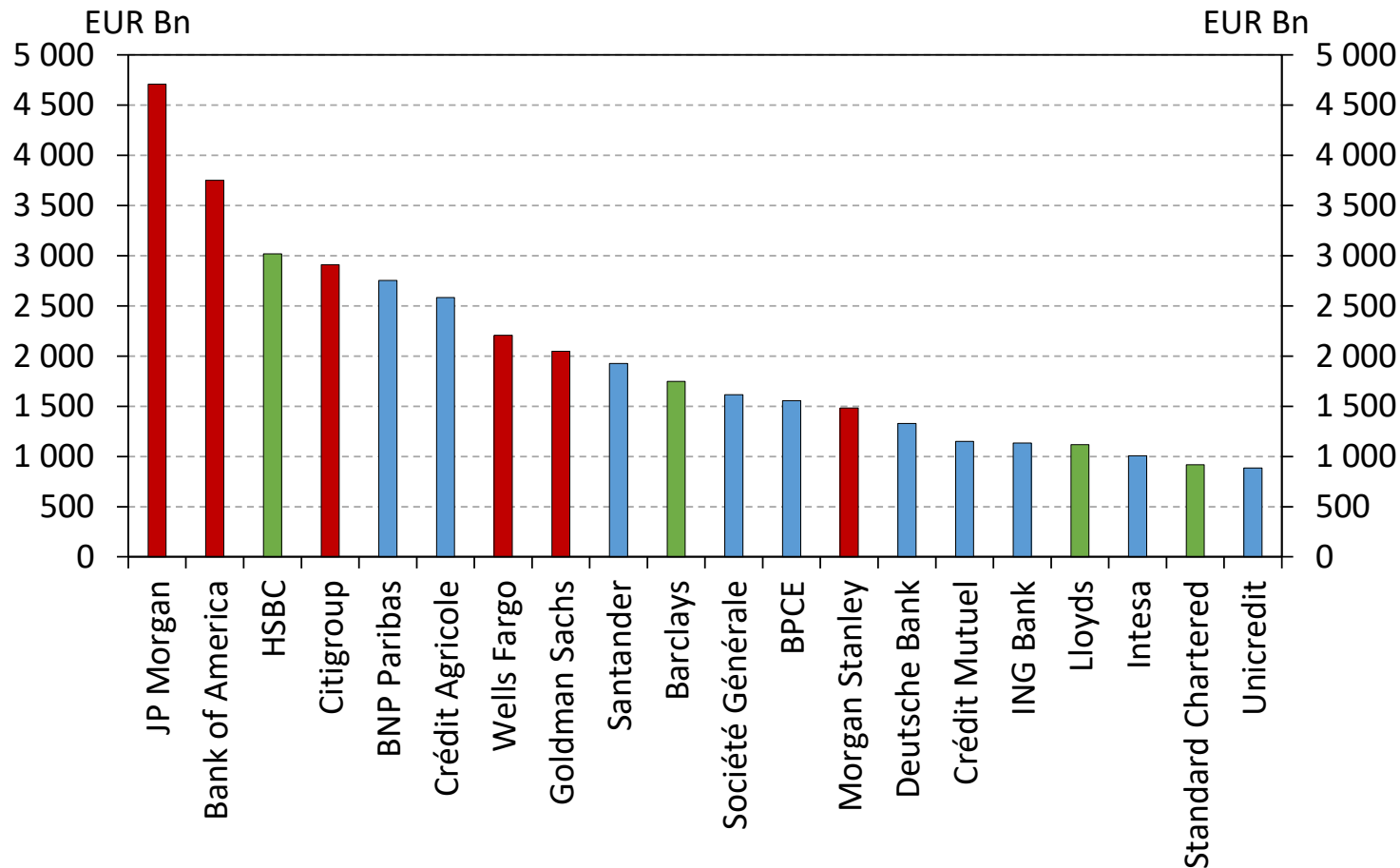
Note: The Euro Area RoE data includes domestic banks from 2007 onwards, and the largest ones (~85% of assets) before that. The PtB is shown for the Euro Stoxx index (SX7E), which includes the largest banks in 10 Eurozone countries and for the S5Bankx index, which includes the banks of the S&P500. Source: ECB, Fed, Bloomberg

To what degree are the differences in regulation responsible for the higher profitability and market valuation of US banks compared to EU ones? What other factors could be relevant?

3. THE LARGEST US BANKS ARE BIGGER IN SIZE THAN THEIR EU COUNTERPARTS



Total exposures of the 20 biggest US, UK and EU banks



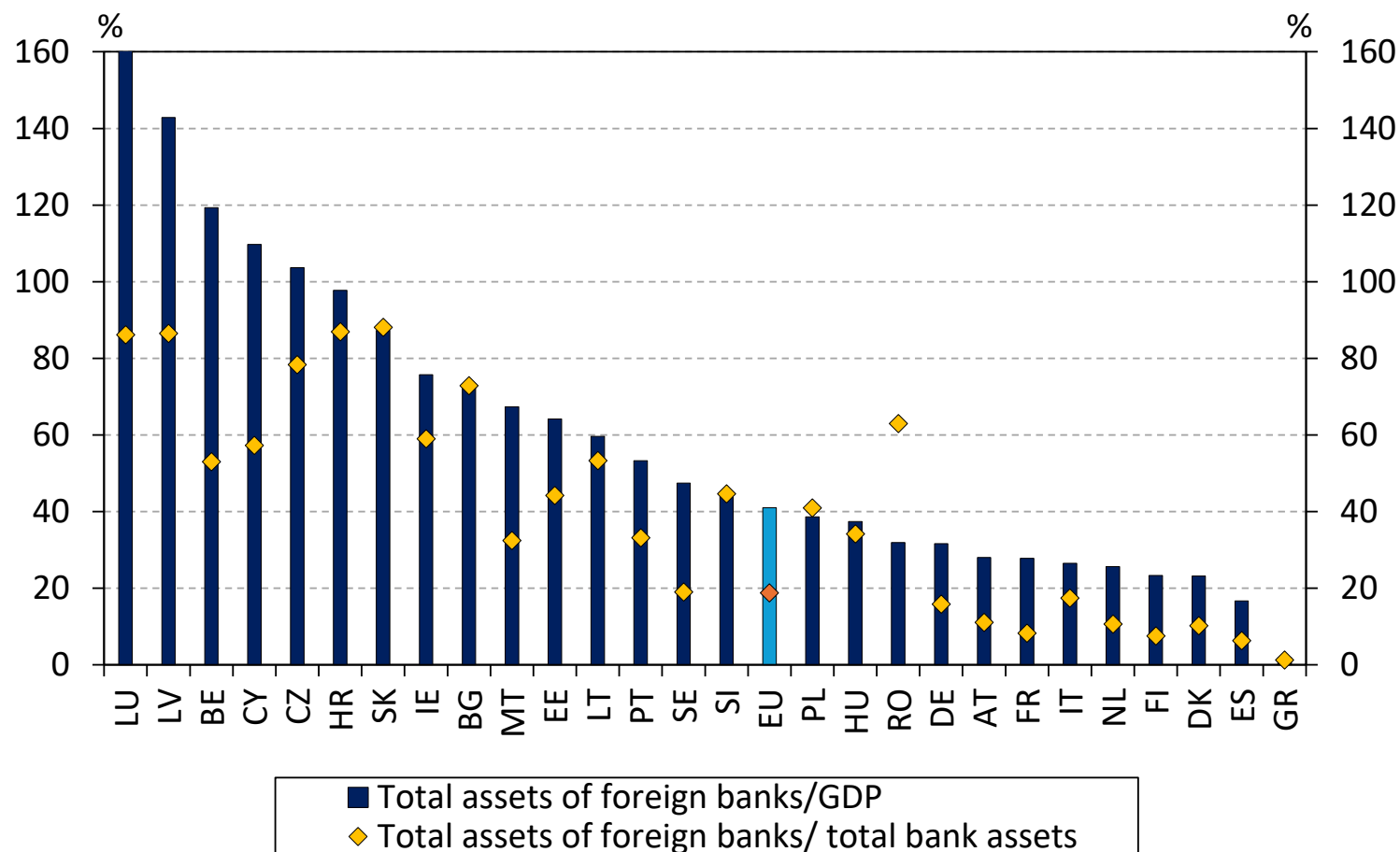
Note: Banks depicted in red are headquartered in the US, green ones in the UK and blue ones in the EU. The total exposures are as defined for the G-SII size indicator. Source: BCBS

The fragmented EU market seems to be one of the main reasons for banks' lack of scale. What are the main causes for the fragmentation? Can it be improved solely by modifying bank regulation? Are there other changes that should be introduced, such as the completion of the Savings and Investments Union (SIU)?

4. WHILE MORE PAN-EUROPEAN INTEGRATION IS WELCOME, MEMBER STATE LEVEL FINANCIAL STABILITY ALSO NEEDS TO BE PROTECTED



**Total assets of foreign subsidiaries and branches per GDP
and per total bank assets in EU Member States**



Note: Both EU and non-EU subsidiaries and branches. Source: ECB

A closer cross-border integration of banking groups in the EU would make them more efficient, and a more centralised prudential regulation and supervision at the EU level could reduce regulatory fragmentation.

BUT: Member State level resilience should also be guaranteed, especially in smaller countries with substantial foreign-owned banking sectors (such as Hungary).

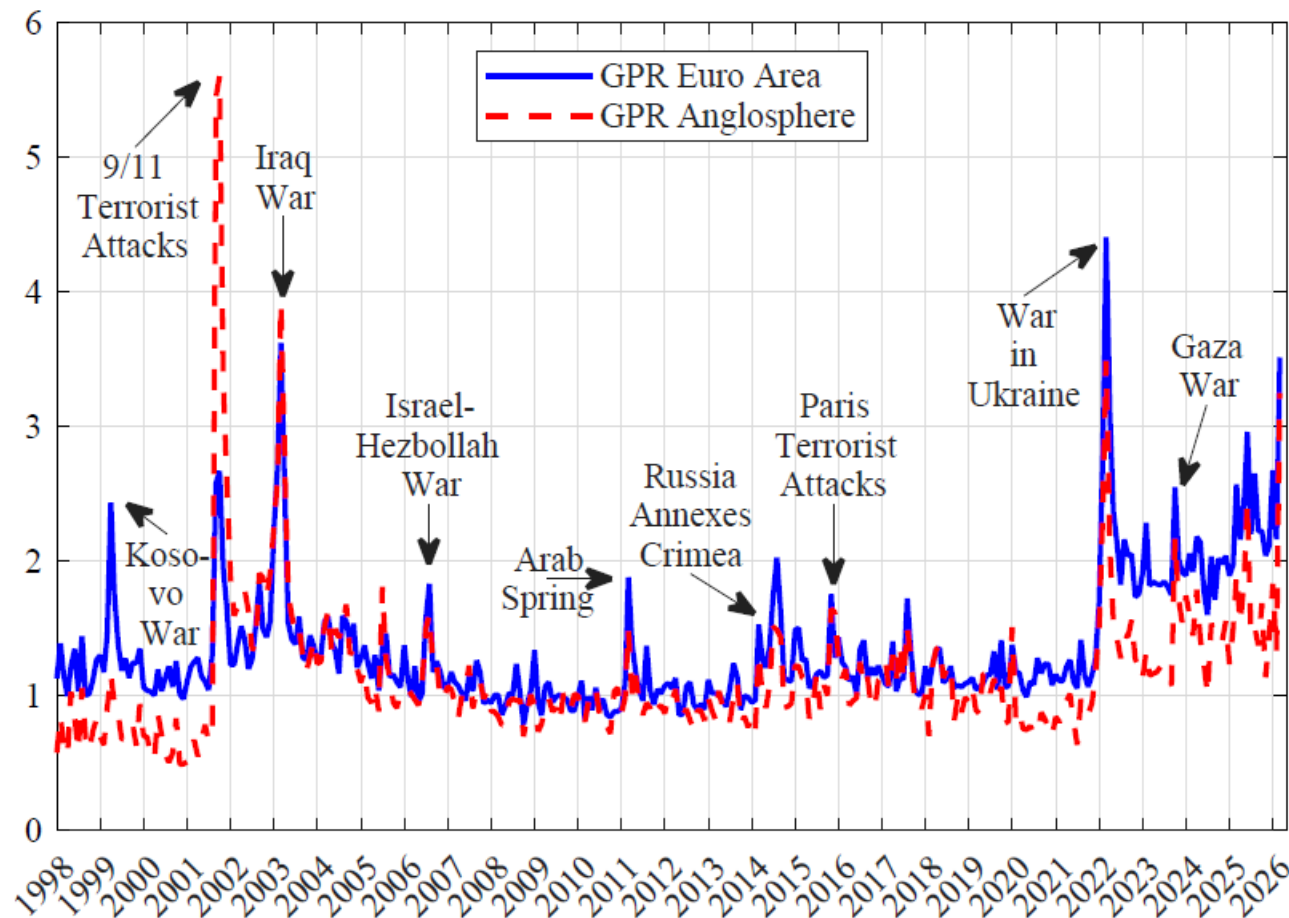
Also, national discretion and the targeted (e.g. sectoral) use of macroprudential tools (like the Systemic Risk Buffer) could be even more important for a small country in the monetary union.

How could these trade-offs be balanced?

5. GLOBAL REGULATION SHOULD MITIGATE GEOPOLITICAL RISKS, NOT BECOME ANOTHER BATTLEGROUND FOR GEOPOLITICAL CONTEST



Geopolitical risk indices: Euro area and Anglosphere



Source: [Bondarenko et al., 2026](#)

Is there a way to make regulation less complex while keeping the current level of resilience? Are you concerned that deregulation in a number of jurisdictions can lead to an increase in systemic risks at a time when geopolitical tensions add to rising macroeconomic imbalance? Do you see a possible "race to the bottom" in regulation?



THANK YOU FOR YOUR
ATTENTION!