



EUROPEAN CENTRAL BANK  
BANKING SUPERVISION

# The ECB's approach to simplification in banking regulation and supervision

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# Overview

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**ECB High-Level Task Force on Simplification:** simplification of the European regulatory, supervisory and reporting framework

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**Streamlining supervision, safeguarding resilience:** the ECB's agenda for more effective, efficient and risk-based European banking supervision

# 1

## ECB High-Level Task Force on Simplification

Simplification of the European  
regulatory, supervisory and  
reporting framework

# ECB High-Level Task Force (HLTF) on Simplification

- ECB's Governing Council has endorsed the HLTf recommendations for **regulatory, supervisory and reporting framework**.
- Report informs 2026 **Commission Report on the banking sector in the Single Market** on the basis of article 518c CRR.
- The recommendations abide by the following **principles**:
  - **Resilience should be maintained – simplification is not deregulation**
  - **Effectiveness in meeting prudential objectives needs to be maintained**
  - **European harmonisation and financial integration should be fostered**
  - **International cooperation should be upheld**

# Recommendations to simplify the regulatory framework

#1 Reduce number of capital stack elements

#2 Adjust design or role of capital instruments

#3 Dedicated, prudent and simpler regime for smaller banks

#4 Automatic macroprudential reciprocation

#5 Align MREL and TLAC frameworks more closely

#6 Refocus from directives to regulations and streamline level 2/3 acts

#7 Simplify EU stress test

#8 Take a holistic view of overall level of capital

#9 Finalise savings and investments union and banking union



# Recommendations to simplify the supervisory framework

**#10 Strengthen and complete the EU Single Rulebook to simplify and harmonise supervisory practices**



**#11 Increase the risk focus of supervision by changing the level of prescriptiveness of regulation governing supervisory processes**

# Recommendations to simplify the reporting framework

**#12 Request once: step up coordination and data sharing among key stakeholders**

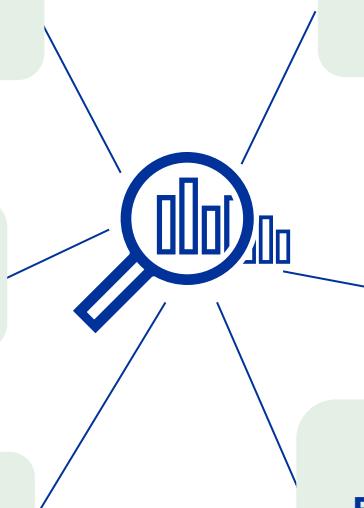
**#13 Report once: establish an integrated reporting system applicable across domains**

**#14 Resubmit less: reduce the number of data resubmissions required from banks**

**#15 More transparency: regular and structured publication of reporting initiatives**

**#16 Review regularly: a coordinated, periodic review of reporting requirements**

**#17 Reform public disclosure: increase consistency between European reporting and disclosure requirements and extend the Pillar 3 Data Hub**



# 2

## Streamlining supervision, safeguarding resilience

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The ECB's agenda for more  
effective, efficient and risk-based  
European banking supervision

# Streamlining supervision, safeguarding resilience



European banking supervision is becoming more efficient, effective and risk-based, **within existing legislation**

- **Reducing complexity** allows **resources to be flexibly redeployed** to issues that matter most
- Focus on **preserving resilience** and **meeting top international standards**
- Technology helps to **streamline routine processes** and **improve interactions with banks**
- **Initiatives complement the Governing Council recommendations** to simplify banking rules and can be implemented independently of each other



The ECB will give **progress updates** in future annual reports

# Four ongoing initiatives to enhance the effectiveness, efficiency and risk-focus of European banking supervision



## Reforming the Supervisory Review and Evaluation Process

- Risk tolerance framework
- Better integration of supervisory activities
- Using the full supervisory toolkit
- Improving communication
- More stable methodologies
- Better use of IT and analytics

 *Multi-year initiative to be completed in 2026*



## Supervisory culture

- Risk-based, outcome-focused and integrated
- Shared behaviours
- Consistent, high-quality supervision

 *Implementation since February 2025 after 2024 design phase*



## Next-level supervision

- Speeding up decision-making
- Faster approvals of internal models
- Streamlining stress testing
- Fast-tracking straightforward capital-related decisions
- Simplifying supervisory reporting
- More targeted on-site investigations

 *Launched in 2025, implementation in 2026 and subsequent years*



## Measuring effectiveness

- Structured evaluations
- Measurable impact
- Strong accountability and transparency

 *Ongoing initiative*

# Implementation and follow-up



Implementation of the SREP reform will be largely completed in 2026, with further SupTech tools being rolled out in subsequent years



“Next-level supervision” initiatives will continue to be implemented through 2026 and beyond



ECB will review and further reinforce proportionality in LSI/SNCI supervision, e.g. intensity of SREP, ICAAP, ILAAP and sector-wide stress testing



ECB will start a review of its guides in 2026 and is committed to streamlining and updating relevant documents



Follow-up to all initiatives will be communicated in future SSM annual reports

# Q&A

# Annex

# European banking system has proved resilient to recent shocks, but the risk environment is changing fast

- **European banks have proven resilient to recent shocks**, supported by stronger regulation and supervision alongside fiscal and monetary policy measures that stabilised markets and confidence.
- **However, this resilience cannot be taken for granted**: the risk environment is evolving rapidly, driven by geopolitical tensions, macro-financial uncertainty, digitalisation, cyber risks and climate- and nature-related risks.
- **Supervision must continue to adapt to remain effective, efficient and risk-focused**, ensuring scarce supervisory resources are concentrated on the risks that matter most while safeguarding financial stability.

## Supervisory priorities for 2026-28

### Priority 1: Strengthening banks' resilience to geopolitical risks and macro-financial uncertainties

- Ensure prudent risk-taking and sound credit standards  Credit risk
- Ensure adequate capitalisation and consistent implementation of CRR III  Multiple risk categories
- Ensure prudent management of climate and nature-related risks  Multiple risk categories

### Priority 2: Strengthening banks' operational resilience and fostering robust ICT capabilities

- Implement robust and resilient operational risk management frameworks  Operational risk
- Remedy deficiencies in risk reporting capabilities and related information systems  Governance
- Medium to long-term priority strategy focusing on banks' digital and, in particular, AI-related strategies, governance and risk management  Multiple risk categories

# Deep dive: “Next-level supervision” workstreams focus



## Decision-making

Expand delegated decision-making, implement **risk-based strategy** for common procedures, simplify fit and proper processes for known appointees, fast-track process for **significant risk transfer (SRT) securitisations**



## Internal models

Embed model strategies in **supervisory plans**, shorten the time needed for **approvals of material changes**, streamline internal processes



## Stress testing

Improve efficiency/effectiveness of elements of stress test framework within ECB competency: sample and proportionality, SSM thematic stress tests, quality assurance



## Capital-related decisions

Fast-track process for **low-risk transactions**: reduce processing time and administrative workload for banks and supervisors, while ensuring that banks remain resilient



## Supervisory reporting

Streamline reporting requirements and processes. ECB is implementing **initiatives on new reporting requests, resubmissions, streamlining STE**. Collaborate with EBA on streamlining ITS reporting, new reporting processes, etc.



## On-site inspections

Streamline internal and external processes. **Speak with one voice**: improve coordination and communication between different stakeholders. **Foster proportionality and quality** via targeted missions in line with supervisory priorities.