



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

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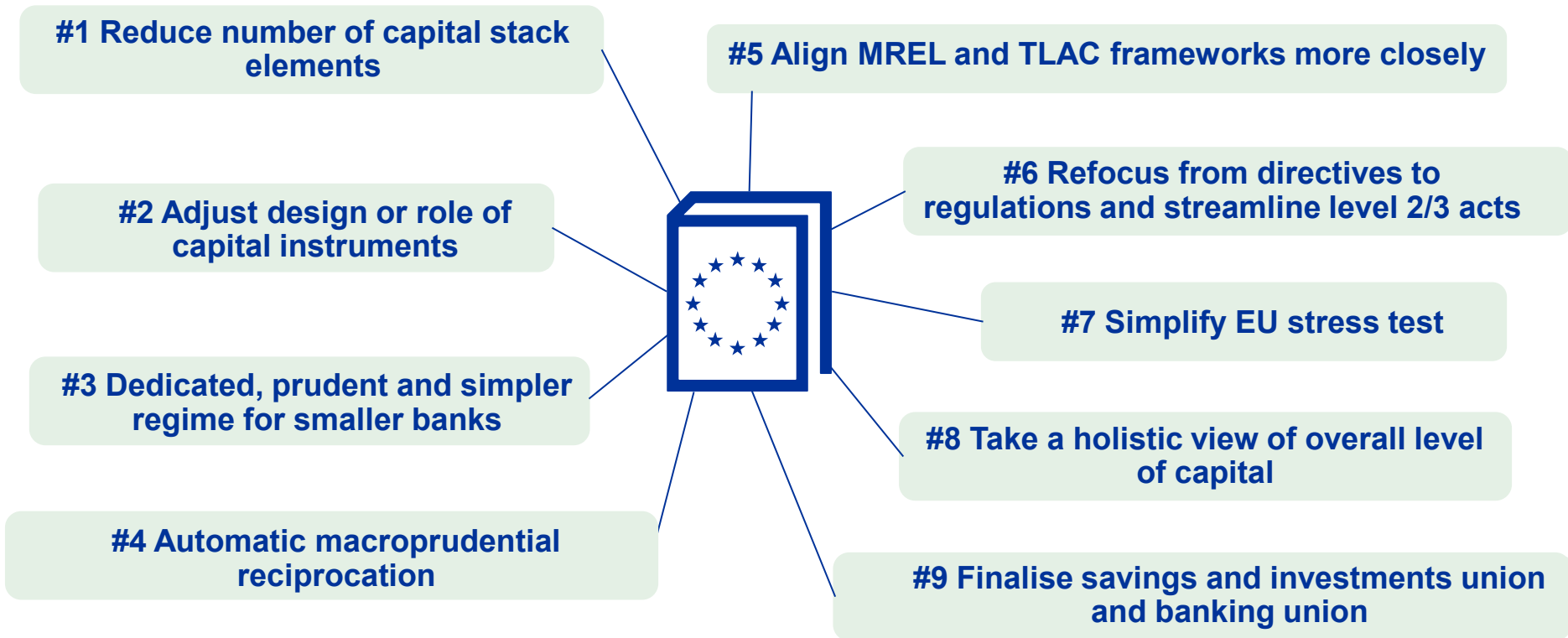
ECB High-Level Task Force on Simplification

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



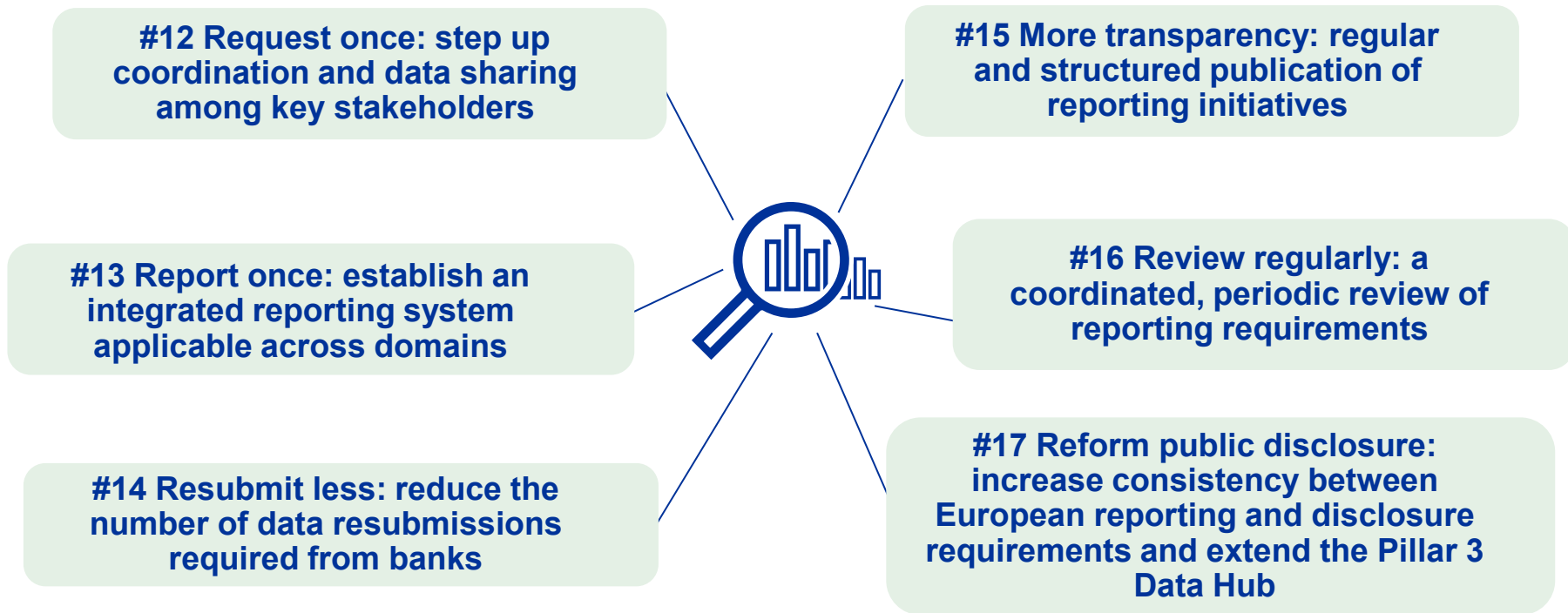
Recommendations to simplify the supervisory framework

#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



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Streamlining supervision, safeguarding resilience

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.