

MORE FINANCE, LESS FRICTION

How to simplify the EU's financial regulation and strengthen supervisory structures

To spur investment and increase competitiveness, the EU must update its regulatory and supervisory regime for financial services. A new CEPS Task Force report sets out ways to both streamline the rules and better align them with Europe's growth ambitions.

Key takeaways

➤ **The EU's financial markets need a deep regulatory and supervisory overhaul** if integration is to advance and the EU is to remain globally competitive. This is less about 'more rules' than about the process of re-engineering. It involves adhering to regulatory objectives and hierarchies, as well as aligning supervisory responsibilities with market realities in a way that encourages proportionality in practice.

➤ **Complex regulation and supervision are hindering integration.** Harmonisation, though well-intended, too often leads to duplication and fragmentation, either through layers of legislative requirements or overlapping supervision. This weakens the single market model – single licencing, home country control and mutual recognition – as firms face a plethora of approval channels, inconsistent expectations and uneven enforcement.

➤ **When regulating, EU institutions should recommit to the multi-tier Lamfalussy model.** This means setting principles at level 1, operational details at level 2 and promoting supervisory convergence at level 3 through targeted guidelines. It also means stricter discipline in keeping level 1 texts to core objectives and curbing the spread of implementing acts that effectively create new obligations.

Legislative negotiations that expand the scope of rules or materially raise the cost of compliance should require updated impact assessments to reflect revised policies. Level 2 measures with significant operational effects should also face more systematic scrutiny, given their ability to reshape market practices beyond full political oversight.

➤ More broadly, **checks on regulatory coherence should become routine before new measures are adopted**, backed by focused *ex-post* reviews that spot inconsistencies and remove obsolete requirements. Where the current framework doesn't fit specific realities, the answer should be tailored regimes – not *ad hoc* additions.

Finally, gold-plating should be banned and closely monitored, with enforcement assessed not just for rigour but also for consistency. The private sector also has a role to play, through disciplined compliance and pushback against requirements that are legally weak or disproportionate.

➤ **In supervision, predictability and consistency aren't administrative niceties; they're essential for market integration.** With centralised banking supervision, but decentralised market-conduct oversight, the EU needs stronger functional convergence. Differences in interpretation, supervisory zeal, authorisation pace, data demands and enforcement breed compliance uncertainty and leave markets divided.

➤ **Europe also needs more credible 'one-stop' decision-making** for cross-border groups and products – approvals that apply EU-wide and not as a chain of national signoffs. Today, the diversity of national market structures remains a major obstacle, not only to cross-border mergers but also to product approvals and the scaling of business models across borders.

➤ **Proportionality should be built into supervisory methods and reporting requirements**, in line with the principle of 'same risk, same rules'. A test for supervisory efficiency could help match responsibilities with market realities, offering a basis for deciding whether oversight belongs at the national, coordinated or EU level.

➤ **The overall direction is a strategic rebalancing:** regulation that's simpler and more principles-based, paired with supervision that's more consistent, accountable and predictable. The EU's task isn't to choose between safeguarding stability and improving competitiveness, but to adapt its framework to deliver both – making it easier to implement and maintain, and more uniform across borders.

In May 2025, CEPS launched a Task Force on 'Adjusting the EU's regulatory process and supervisory structures' with a diverse group of stakeholders and experts. It was chaired by José Antonio Alvarez, Vice Chair of Santander Group. The rapporteurs are Judith Arnal, Karel Lannoo and Apostolos Thomadakis.

The report will be available from Tuesday 24 March on the [CEPS website](#) and will be distributed to all interested parties.