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COMPETITIVENESS OF THE BANKING SECTOR

EUROPEAN COMMISSION FINAL REPORT

AMAFI's feedback

AMAFI is the trade association representing financial markets' participants of the sell-side industry located in France. It has a wide and diverse membership of more than 170 global and local institutions notably investment firms, credit institutions, broker-dealers, exchanges and private banks. They operate in all market segments, such as equities, bonds and derivatives including commodities derivatives. AMAFI represents and supports its members at national, European and international levels, from the drafting of the legislation to its implementation. Through our work, we seek to promote a regulatory framework that enables the development of sound, efficient and competitive capital markets for the benefit of investors, businesses and the economy in general.

AMAFI welcomes the conclusions of the European Commission's Communication on the competitiveness of the banking sector and the Single Market in banking[1] and, in particular, the assessment of the prudential framework applicable to investment firms set out in the accompanying Staff Working Document[2].

Consistent with the EBA and ESMA's 2025 advice[3], the Commission considers that Investment Firms Regulation[4] and Directive[5] (IFR/IFD) is generally fit for purpose, while identifying scope for targeted improvements in proportionality, simplification and supervisory convergence. Importantly, it also recognises the need to consider the international competitiveness of EU investment firms

AMAFI broadly shares this assessment, in line with its response to the Commission's consultation on the competitiveness of the EU banking sector[6]. The forthcoming IFR/IFD review should therefore remain targeted, preserve a prudential framework tailored to investment firms, and focus on four priorities:

- (I.) Ensure an appropriate articulation between IFR/IFD and the banking prudential regime;
- (II.) Make international competitiveness a key consideration, particularly for remuneration;

[1] European Commission, Competitiveness of the Banking Sector and the Single Market in Banking, 17 July 2026.
[2] European Commission, Competitiveness of the Banking Sector and the Single Market in Banking accompanying Staff Working Document, section 3.3.8, Prudential framework for investment firms (IFR/IFD), 17 July 2026.
[3] EBA/ESMA, Technical Advice of the EBA and ESMA in response to the Commission call for advice on the investment firms prudential framework, 15 October 2025.
[4] Regulation (EU) 2019/2033 (IFR).
[5] Directive (EU) 2019/2034 (IFD).
[6] AMAFI / 26-18, 17 April 2026, responses to Questions 14 and 24.

- (III.) Improve proportionality and simplification without adding complexity;
- (IV.) Enhanced supervisory convergence and legal certainty.

I. Ensure an appropriate articulation between IFR/IFD and the banking prudential regime

AMAFI welcomes the Commission's recognition that IFR/IFD provides a bespoke prudential regime for investment firms and generally functions well. This confirms the rationale underpinning IFR/IFD: prudential requirements should reflect investment firms' specific activities and risks[7].

The forthcoming review should preserve this principle. Alignment with CRR/CRD should not be pursued as an objective in itself, but only where the activities concerned generate comparable prudential risks and, where relevant, to ensure a level playing field across financial institutions.

The review should therefore seek an appropriate articulation between the two frameworks rather than automatic convergence.

This risk-based approach should be maintained to reflect the different risk profiles and business models of financial institutions[8].

II. Make international competitiveness a key consideration, particularly for remuneration

AMAFI particularly welcomes the Commission's recognition that, unlike in the banking sector, there are no international prudential standards specifically designed for investment firms. Regulatory requirements may therefore differ significantly across jurisdictions, with implications for the international competitiveness of EU investment firms and the level playing field[9].

Against this background, the IFR/IFD review should not be assessed solely by reference to CRR/CRD. New or amended requirements should also be assessed in terms of their impact on international competitiveness, particularly where EU investment firms compete directly with international peers, alongside prudential soundness and proportionality.

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[7] *"Many of the prudential requirements that stem from the framework of Regulation (EU) No 575/2013 and Directive 2013/36/EU are designed to address common risks faced by credit institutions. Accordingly, the existing requirements are largely calibrated to preserve the lending capacity of credit institutions through economic cycles and to protect depositors and taxpayers from possible failure, and are not designed to address all of the different risk profiles of investment firms. Investment firms do not have large portfolios of retail and corporate loans and do not take deposits. The likelihood that their failure can have a detrimental impact on overall financial stability is lower than in the case of credit institutions. The risks faced and posed by most investment firms are thus substantially different to the risks faced and posed by credit institutions and such differences should be clearly reflected in the prudential framework of the Union."* (*Recital 5, Regulation (EU) 2019/2033 (IFR)*)

[8] AMAFI / 24-61, section I.1, 11 September 2024

[9] European Commission, Competitiveness of the Banking Sector and the Single Market in Banking accompanying Staff Working Document, p.77, 17 July 2026.

Remuneration is a particularly important area in this respect. The Commission identifies governance and remuneration requirements among the factors perceived by internationally active EU investment firms as constraining their ability to compete globally[10]. It also notes, in the banking context, concerns regarding the complexity of Material Risk Taker (MRT) identification and remuneration structures, as well as differences with international practices[11].

Similarly IFD requirements on MRT identification, deferral and payment in instruments create significant complexity and may put EU firms at a competitive disadvantage in attracting and retaining talent, particularly in third countries where they may be unable to match the remuneration practices of local competitors[12].

The IFR/IFD review should therefore consider a more proportionate and less prescriptive remuneration framework, while preserving appropriate alignment between remuneration and risk.

Developments in the UK further illustrate the competitive dimension. In July 2026, the FCA proposed simplifying the remuneration framework applicable to MIFIDPRU investment firms, moving towards a more proportionate and outcomes-focused approach. The FCA links these proposals to reducing unnecessary regulatory burden and supporting international competitiveness and firms' ability to attract talent[13]. These developments should be taken into account when assessing the competitiveness of the EU framework.

III. PROPORTIONALITY AND SIMPLIFICATION WITHOUT ADDING COMPLEXITY

AMAFI supports the Commission's objective of increasing proportionality within IFR/IFD, notably regarding the classification of investment firms, capital and liquidity requirements, and governance and remuneration. However, greater proportionality should not come at the cost of additional criteria or complexity.

For the classification of investment firms, proportionality should primarily be achieved by recalibrating existing thresholds rather than introducing additional criteria or more complex methodologies. This would preserve a simple and predictable framework, consistent with the EBA/ESMA Technical Advice, which recommends maintaining the existing Class 3 criteria while increasing certain thresholds[14].

The review should also consider whether quantitative classification thresholds need to remain set in Level 1 legislation. While classification criteria and principles should remain at Level 1, their

[10] European Commission, Competitiveness of the Banking Sector and the Single Market in Banking accompanying Staff Working Document, p.77, 17 July 2026, identifying *"governance and remuneration requirements"* among the elements perceived by EU-headquartered investment firms with significant international activities as constraining their ability to compete globally.
[11] European Commission, Competitiveness of the Banking Sector and the Single Market in Banking accompanying Staff Working Document, section 3.3.7(i) "Remuneration", 17 July 2026.
[12] AMAFI / 26-18, 17 April 2026, response to Question 24.
[13] Financial Conduct Authority, *CP26/27 – Remuneration: Solo-regulated firms' rules reform*, paragraph 1.11 and Table 1, 14 July 2026.
[14] EBA/ESMA, Technical Advice of the EBA and ESMA in response to the Commission call for advice on the investment firms prudential framework, Recommendation 6, p. 28, 15 October 2025.

quantitative calibration could be delegated to Level 2, subject to appropriate safeguards. This would allow thresholds to evolve with market developments without requiring a legislative review.

Removing or multiplying classification criteria could increase regulatory complexity, particularly for smaller firms[15].

Proportionality should also apply to prudential consolidation. The review should assess whether the current application of individual and consolidated prudential requirements may, in certain group structures, result in duplicative requirements or disproportionate to the size, activities and risks of the investment firm concerned, costs[16].

The same principle should apply to capital requirements, including K-factors. Any recalibration should be evidence-based and targeted at requirements that do not adequately reflect the risks generated by the relevant activity. It should improve risk sensitivity, including through appropriate recognition of risk-mitigation measures.

IV. Enhance supervisory convergence and legal certainty

Finally, AMAFI agrees with the Commission that the application of IFR/IFD is not yet sufficiently convergent across Member States and that more consistent supervisory practices would support the coherent application of the framework across the Union[17].

The review should therefore seek to reduce situations in which supervisory discretion results in materially different requirements for comparable investment firms across Member States.

This is particularly relevant where supervisory decisions have a direct impact on capital requirements or business activities. For example, the application of Pillar 2 requirements as an area where clearer regulatory guidance could improve consistency and reduce uncertainty[18].

Supervisory convergence should nevertheless not be achieved through additional prescriptive requirements at Level 1. Where the legislation is appropriate, greater convergence may be better achieved through clearer and proportionate Level 2 or Level 3 measures[19].

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[15] AMAFI / 24-61, section II.1, 11 September 2024.

[16] AMAFI / 24-61, section 8, 11 September 2024. AMAFI / 25-30, Section IV, 27 March 2025.

[17] *"While the framework establishes a harmonised prudential regime and a common supervisory toolkit, its effective application depends on consistent and sufficiently convergent supervisory approaches across Member States. Given the diversity of investment firm business models, their uneven distribution across the Union and the cross-border nature of some activities, differences in supervisory priorities, expectations and information available to competent authorities may affect the comparability of supervisory outcomes. Further efforts to strengthen supervisory convergence, home-host cooperation and horizontal oversight would therefore support the coherent functioning of the IFR/IFD framework, while preserving proportionality and allowing supervisory practices to reflect the size, complexity, risk profile and cross-border relevance of the firms concerned."* (*European Commission, Competitiveness of the Banking Sector and the Single Market in Banking accompanying Staff Working Document, 17 July 2026*)

[18] AMAFI / 25-30, section III, *Pillar 2 – Additional Capital Requirements*, 27 March 2025.

[19] AMAFI / 24-61, section I.2 Avoiding introducing more complexity while maintaining regulatory stability, 11 September 2024.