



**European Commission Targeted Consultation on the Competitiveness of the EU Banking Sector**

**April 19, 2026**

#	Topic	Question	State Street Comments
1	Contribution of the banking sector to the EU economy	How is the banking sector currently supporting economic growth in the EU, and to what extent? How could banks do more to boost productivity and economic growth, thereby supporting the priorities of the EU and accelerating the green, digital and social transitions?	Global custody banks, such as State Street, are uniquely focused on serving the investment needs of institutional investor clients. These services include access to the global settlement infrastructure to complete the purchase or sale of investment securities; various asset administration functions, such as the processing of income, corporate actions, tax reclamations and client subscriptions and redemptions; as well as the provision of banking services, notably access to deposit accounts to facilitate day-to-day transactional activities. In addition, custody banks provide important services that result from their proximity to assets held in custody, notably agency-indemnified securities financing transactions. In essence, custody banks facilitate access to, and contribute to the smooth operation of, financial markets globally – a role that is, and should continue to be, well-understood by the supervisory community for improving market efficiency and reducing the potential for systemic risk.

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11	Competitiveness and competition in the EU banking sector	What are the main regulatory and non-regulatory factors that determine and drive the competitiveness of EU banks? specify the factors per market segment: savings, payments, retail banking, corporate banking, investment banking (including underwriting, brokerage, <b>custody</b> , settlement)	<p>In addition to our comments to other questions, three examples of regulatory barriers include:</p> <ul style="list-style-type: none"> <li>• overly bureaucratic approach to internal governance requirements of CRD VI in consultation paper on internal governance guidelines like details re responsibilities mapping;</li> <li>• exemptions under PSD2 for wholesale banks serving only institutional clients should be broader, in particular for banks acting as depositary of collective investment schemes (e.g. the general obligation for access interfaces for the benefit of account information service providers or payment initiation service providers should be limited to payment accounts for retail clients);</li> </ul>
14	Banks and other financial institutions as enablers of capital markets	<p>Does the prudential framework adequately account for the activities and the complexity of intermediaries performing financial services other than core banking services?</p> <p>Are there any perceived undue limitations to such activities?</p> <p>Reference is made to financial services performed by investment firms, financial advisors,</p>	Please see comments under 'Prudential' section.

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		<p><b>custodians</b>, wealth managers, market makers or other liquidity providers that are not primarily or not at all engaging in deposit taking and granting loans</p>	
18	Cross-border activities in the EU banking sector	<p>What factors prevent EU banks from engaging in more cross-border activity within the EU or make cross-border activity more costly?</p>	<p>A depositary bank is appointed to safekeep the assets of investment funds and perform oversight duties and therefore plays an important role in investor protection. While the latest amendments to the UCITS and AIFMD frameworks foresee on a case-by-case basis the possibility for a depositary to provide its services in another Member State, this is subject to strict and specific conditions making it an unviable alternative. This means that there is still no Single Market for depositary services. Whereas, we are strongly supportive of the EU Commission's Markets Integration &amp; Supervision package which proposes to introduce a broader passport in which EU-authorized banks would be permitted to provide depositary services to UCITS and AIFs without having to be registered or established in the domicile of the investment fund.</p>
17		<p>What are, in your view, the benefits and the costs associated with the current level of cross-border banking activities in the EU, and</p>	<p>In addition to deeper, more integrated and competitive capital markets in EU, a depositary passport will benefit the EU-domiciled investment funds industry and its end-investors, and Member States. More specifically, a depositary passport would bring:</p>

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		<p>what would be the benefits and costs associated with further integration of banking activities in the EU?</p>	<ul style="list-style-type: none"> <li>• Easier access to depositaries, especially in smaller markets, thereby increasing choice and competition; and</li> <li>• Economies of scale, increased efficiency, effectiveness and resilience.</li> </ul>
59	Prudential framework	<p>What are the areas that create undue complexity in the prudential framework, if any? What are the ways to reduce undue complexity in the prudential framework without leading to deregulation and undermining financial stability?</p>	<p>One pertinent issue would be to clarify the conditions under which pre-positioned central bank facilities may be consistently reflected as contingent liquidity backstops in stress testing, which could help to ensure that EU headquartered banks are not competitively disadvantaged relative to jurisdictions where supervisory guidance is more explicit (<i>e.g.</i>, the United States).</p>
60		<p>Does the prudential framework balance sufficiently risk sensitivity and complexity? If not, how should this disequilibrium be addressed?</p>	<p>The review of the Basel III framework has been an important area of focus for State Street. Requiring banks to hold sufficient levels of capital to enable them to withstand potential losses undoubtedly improves financial stability. At the same time, it is important for the framework to be sufficiently risk-sensitive and to properly account for differences in industry business models. There are, in this respect, areas where the Basel Committee framework could be improved to better reflect the particular characteristics of custody banks and other bank providers of financial services. This is particularly important in view of the approaches proposed by banking regulators in other</p>

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			<p>jurisdictions that incorporate some of these modifications with a view to increasing economic competitiveness.</p> <p>More specifically:</p> <p><b>(A) Credit Risk – Regulated Investment Funds:</b> We welcome the Basel Committee’s introduction of the ‘Investment grade’ standard for high-quality corporate exposures (65% risk weight vs. 100% risk weight) and fully understand that its designation should be subject to appropriate standards. However, the use of the listing requirement assumes a highly traditional view of corporate exposures that is not well-adapted to the broad range of entities that currently fall within the definition of ‘corporates’ and the respective exposure class. This includes open-ended investment funds such as EU UCITS, which although registered, are not structured as vehicles that issue securities. The Commission should adjust the criteria upon which it would apply the ‘investment grade’ status to include regulated investment funds, such as UCITS, to promote cost-effective access to savings and wealth accumulation vehicles for EU investors. Specifically, we recommend the elimination of the listing requirement for corporate exposures or the introduction of an additional qualification standard for regulated investment funds. As such, banks should be able to make use of the ‘investment grade’ designation based on an assessment of whether the corporate entity has “adequate capacity to meet its financial commitments in a timely manner and its ability to do so is assessed to</p>

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			<p>be robust against adverse changes in the economic cycle and business conditions". Furthermore, we believe "adequate capacity" should be defined to mean a situation in which the risk of counterparty default is low, and full and timely repayment of the exposure expected, characteristics which define regulated investment funds such as EU UCITS.</p> <p><b>(B) Operational risk – Fee Revenue:</b> We recommend that the EU Commission permit the netting of non-interest income and non-interest expenses under the standardised approach for operational risk, in a manner consistent with the treatment of interest income. This approach has been proposed by the US banking regulators in the context of their implementation of the Basel III Accord and helps to equalize the treatment of banks, such as State Street, that focus on the provision of investment services. Furthermore, we are highly supportive of the US banking regulator's proposal to reduce the operational risk charge for investment management and investment services activities by 70% to account for the much lower loss history of these activities relative to other bank activities. Absent a similar change to the EU operational risk framework, EU banks would be placed at a significant competitive disadvantage compared to their US counterparts and would also be limited in their ability to support the development of the SIU.</p>

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61		Do you think that the leverage ratio framework would need improvement? If yes, do you have any suggestions as to how to improve the leverage ratio framework?	<b>Exempt certain central bank placements from the leverage ratio calculation</b> to provide more balance sheet capacity for low risk activities and support the role of depositary and custodian banks to better serve the industry in times of stress by allowing clients to safeguard their cash with their custodian without having an impact on the solvency and risk profile.
93	Reporting & Disclosure	What other policy measures, legislative or non-legislative, could be considered to further modernise reporting and reduce the reporting burden?	<b>International alignment of implementation timelines for global regulatory change and reporting</b> (e.g. the Fundamental Review of the Trading Book/FRTB) across the EU, U.S., and UK to ensure a level playing field, reduce competitive advantages or disadvantages, and enable more efficient, consistent, and cost-effective implementation across global banking groups.
92		What factors linked to reporting obligations in the regulatory framework contribute most to the compliance costs?	<p><b>Fragmentation and overlap of reporting requirements:</b> Overlapping COREP, FINREP, and national reporting frameworks, combined with duplicated data points and inconsistent template structures, significantly increase operational complexity, reconciliation effort, and ongoing maintenance costs.</p> <p><b>Excessive data granularity and reporting frequency:</b> High data-point volumes and frequent reporting cycles—particularly for low-volatility or low-risk items—drive disproportionate costs in data sourcing, validation, controls, and IT infrastructure without commensurate supervisory benefit.</p> <p>By way of an example, IRRBB reporting requires</p>

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95		In light of the ongoing revision of a number of pieces of EU legislation on sustainability (CSRD delegated acts, Taxonomy delegated acts, SFDR), do you see the need for amending any provision of the banking regulatory framework with a view to ensure achieving the objective of properly managing sustainability-related risks faced by banks?	<p>We do see a need to align disclosure requirements under the CSRD delegated acts and EU Taxonomy with the CRR disclosure framework for ESG risks. There are several overlaps with regard to these disclosure requirements, leading to unnecessary duplication and parallel disclosures, using the same reference date but made available via different publications (Management Report as part of the financials and Disclosure Report).</p> <p>More specifically:</p> <p><b>(A) CRR ESG disclosure requirements vs. EU Taxonomy disclosure delegated act for credit institutions:</b> We support the proposed revisions by the EBA to the implementing technical standards on supervisory ESG reporting which removes EU Taxonomy-related templates from the CRR ESG template disclosure requirements. Considering the stated application date is September 2027, we hope that the EBA no-action letter (EBA/Op/2025/11) dated 5 August 2025 remains valid, and the revised enter into force only for reference years after 31 December 2026.</p> <p><b>(B) CRR ESG disclosure requirements vs. CSRD</b></p>

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			<p><b>delegated acts: First</b>, the qualitative disclosure requirements in both frameworks should be aligned, e.g. referencing should be allowed to prevent repetitions (e.g. for governance arrangements). Second, the quantitative disclosure requirements for environmental risks should be aligned (e.g. currently a strict templated-based disclosure is required under CRR while the ESRS E1 allows for a free-format reflection). Differences identified in the "datapoints in cross-cutting and topical standards that derive from other EU legislation" should be minimised. Finally, references to recognised sustainability accounting methodologies should be aligned (e.g. PCAF).</p>