



Regulating for Growth – A Roadmap for Simplification

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1. Executive Summary

The ongoing conversation around European competitiveness, significantly spurred by the Draghi Report on the future of European competitiveness and the Letta Report on the future of the Single Market, underscores the urgent need for a more efficient and streamlined regulatory environment across the EU. These pivotal reports emphasise that an overly complex or fragmented regulatory landscape can hinder economic growth, stifle innovation, and reduce the attractiveness of the EU as a place to do business.

Against that backdrop, this position paper outlines key areas where Ireland, as a leading global and EU Financial Services hub, can contribute to this simplification agenda, including by addressing specific challenges within its own financial regulatory framework. We propose a comprehensive and continuous regulatory simplification agenda, crucial for not only safeguarding Ireland and Europe's current position but also driving their sustained growth and competitiveness.

We assert that genuine resilience and competitiveness in the financial sector stems from efficient compliance with risk-based and proportionate regulation, not from deregulation. Simplification is about streamlining processes and reducing the compliance burden, ensuring equivalent robust outcomes are achieved while unlocking productive capital and fostering a dynamic and competitive Single Market.

This position aligns with that of the ECB, which highlighted that completing the Single Market and simplification are mutually reinforcing; this is because applying one harmonised European regulatory framework is inherently simpler and more efficient than complying with numerous divergent national regulations¹. Ultimately, fostering a truly level playing field stands as our primary domestic motivator, ensuring Irish-based firms can compete fairly and effectively across the Single Market while inversely, other EU firms can enhance the level of domestic competition to the benefit of consumers and investors.

The achievement of a simplified but robust regulatory framework demands an ongoing agile mindset embedded across all supervisory practices and integrated into every stage of future regulatory development (both domestically and at the EU level).

¹ Less regulation, more growth? It's not that simple." Speech by Sharon Donnery, Member of the Supervisory Board of the ECB, at the SSM Senior Forum organised by A&O Shearman, 25 June 2025

In articulating what this means, this paper's development has been guided by the following key principles which underpin our perspective on simplification and what it can achieve:

- **Harmonisation and Consistency:** Simplification can drive greater convergence and consistency across the EU Single Market, including in supervisory judgment, to foster a more level playing field and enhance competitiveness.
- **Emphasis on Proportionality:** Simplification should ensure regulation and supervision are proportionate to a firm's size, complexity, and risk.
- **Regulatory Certainty and Precision:** A clear, precise, and predictable regulatory framework can encourage investment and prevent uncertainty from deterring firms investing across the EU.
- **Enhanced Supervisory Efficiency:** Simplification can optimise supervisory practices, enabling regulators to focus resources on material risks and improving overall effectiveness across the EU.
- **Uncompromised Outcomes:** Simplification can strengthen financial stability, resilience, and consumer protection through the fostering of smarter, more efficient regulation.
- **Reducing Regulatory Burden:** Simplification can reduce overall regulatory burden and compliance demands, freeing up resources for productive activities and growth across the EU.

BPFI proposes actionable and achievable reforms for the EU regulatory authorities, the Central Bank of Ireland ('CBI'), and the Department of Finance across key areas such as harmonisation, supervisory modalities, proportionality, and rationalising reporting. Beyond immediate actions, we advocate for longer-term structural changes at national and EU levels, including more formal integration of growth and competitiveness considerations into supervisory mandates, "simplicity by design" becoming a principle of regulatory policy making, as well as an EU regulatory pause.

The changes we envisage for the regulatory and supervisory framework are ambitious and require a deeply collaborative and forward-looking approach combined with a combined effort from supervisors, policymakers and banks alike as outlined by the ECB². We highly value the CBI's engagement and commitment to constructive dialogue; its respected position and expertise provides unique credibility and capability to foster simplification, both domestically and internationally. Such a dialogue between industry, the CBI, and the Department of Finance is crucial to enabling Ireland's regulatory environment to facilitate domestic growth and competitiveness without compromising financial stability and investor protection outcomes. Moreover, we believe that with such engagement the Irish environment can evolve to serve as a compelling example of domestic harmonisation and simplification efforts supporting Europe's overall global competitiveness, and ultimately the continued development of a dynamic European

²Less regulation, more growth? It's not that simple." Speech by Sharon Donnery, Member of the Supervisory Board of the ECB, at the SSM Senior Forum organised by A&O Shearman, 25 June 2025

2. Introduction and Context

Ireland's financial services sector stands as a key pillar of both the domestic and European economies, a testament to its strategic position as a leading global financial services hub. However, this hard-won position, and indeed our potential for future growth, are increasingly under threat from an evolving global financial landscape; this environment is characterised by intensifying competition from other jurisdictions eager to attract and retain financial services activity. This underscores the importance of a regulatory environment, both domestically and at the European level, that not only fosters growth but also ensures a level playing field for all operators.

It is within this critical context that BPFi presents this position paper. The purpose of this paper is to articulate the industry's views and expectations regarding regulatory simplification. We aim to foster a collaborative dialogue with the CBI and the Department of Finance, with the shared objective of ensuring Ireland not only retains its position but is also strategically positioned for sustained growth into the future. The imperative for continuous adaptation and innovation in regulatory frameworks is not unique to Ireland; it resonates deeply with recent high-level European analyses, such as those presented in the Draghi Report on European competitiveness and the Letta Report on the future of the Single Market. Both reports underscore the critical need for a more dynamic and less fragmented regulatory landscape across the EU to unlock investment and foster economic vibrancy.

Our national simplification efforts directly support these broader European ambitions, serving as a tangible example of local initiatives reinforcing the EU's strategic goals. Indeed, while often well-intentioned, regional specificities in regulation can inadvertently distort the Single Market, hindering cross-border activity and creating an uneven playing field. Therefore, our focus is on ensuring that what

we achieve domestically actively contributes to a truly level playing field across the EU, enhancing competitiveness both within Ireland and at a European level for a more resilient and dynamic future.

Effective resilience stems from efficient compliance with risk-based and proportionate regulation. While financial stability is non-negotiable, there is an urgent need to strike a better balance that allows for calculated risk-taking, which is essential for driving innovation, attracting capital, and enabling business growth. Simplification does not need to equate to deregulation or a reduction in financial stability but should facilitate regulation design and supervisory approaches that enhance the efficiency with which regulated financial service providers ('RFSPs') meet their regulatory obligations under a framework that is inherently risk-based and proportionate, and which creates a level playing field for all competitors.

Our position paper aligns strongly with the overarching principles articulated in the Draghi and Letta Reports which advocate for a more dynamic and less fragmented regulatory landscape. There is agreement on the critical need for a more efficient and proportionate regulatory environment to foster economic vibrancy and unlock investment.

We have identified several key shared principles and commonalities that underpin this collective drive towards smarter and more efficient regulation, and which inform our position:

- **Reducing Regulatory Burden:** A fundamental call for a reduction in the overall regulatory burden and associated compliance costs for financial institutions, recognising that excessive requirements divert resources from productive activities, and act as a disincentive to establishment.
- **Emphasis on Proportionality:** The imperative for regulation and supervision to be proportionate to the size, complexity, and risk profile of firms, moving away from a 'one-size-fits-all' approach.
- **Harmonisation and Consistency:** This principle emphasises achieving greater convergence and consistency across the EU Single Market's regulatory landscape. Fragmentation, driven by national divergence and "gold-plating," introduces undue complexity and cost, impeding the Single Market and Capital Markets Union. Consistent supervisory judgment is equally vital, as internal consistency in applying discretion is crucial for ensuring a predictable and level regulatory environment. Both market-wide harmonisation and consistent supervisory practice are essential for a truly level playing field, enabling efficient resource allocation, fostering innovation, and boosting European financial sector competitiveness and resilience.
- **Regulatory Certainty and Precision:** This principle underscores the critical importance of a regulatory framework that is not only credible, transparent, and proportionate but also clear, precise, and predictable in its application. Ambiguity within regulations creates significant challenges for regulated entities, leading to uncertainty, inconsistent interpretations, and increased compliance burdens. A lack of such certainty can particularly deter international firms from establishing or expanding operations, in instances where clarity from the regulator is perceived as insufficient. Achieving greater regulatory certainty and precision is essential to foster a stable and predictable operating environment, encouraging investment, facilitating efficient business planning, and ultimately strengthening Ireland and the EUs attractiveness as a global financial services hub.

- **Enhanced Supervisory Efficiency:** Optimising the efficiency of supervisory practices, enabling regulators to focus resources on material risks rather than administrative overheads.
- **Uncompromised Outcomes:** Simplification must not compromise core regulatory objectives such as financial stability, resilience, and consumer protection, aiming instead for smarter, more efficient regulation.

Ireland, with its well-established financial services sector and a globally recognised reputation for robust and credible regulation, is uniquely positioned to play a significant leadership role in advancing the European agenda for a more integrated and competitive financial market. As the EU continues its critical work towards a fully realised Savings and Investment Union and a truly unified Single Market, Ireland's pragmatic approach and experience can serve as an invaluable building block. The forthcoming Irish Presidency of the Council of the European Union presents a particularly opportune moment for Ireland to actively champion greater regulatory convergence and harmonisation across the EU, demonstrating how national efforts can directly fuel broader European economic vitality and competitiveness. The CBI, in particular, is highly respected for its commitment to financial stability and its robust approach to supervision. This strong and well-earned reputation provides it with unique credibility and authority, positioning it powerfully to lead the charge in embracing simplification principles and championing greater alignment with EU-level standards.

Achieving this ambitious leadership and driving meaningful, sustainable change necessitates a deeply collaborative and forward-looking approach. We recognise and value the CBI's ongoing engagement and commitment to dialogue with industry stakeholders. A sustained and open dialogue between industry, the CBI, and the Department of Finance is crucial for the advancement of the simplification agenda. By working together, leveraging the practical insights and operational realities of the industry alongside the CBI's profound regulatory expertise, Ireland can ensure that its regulatory framework not only remains steadfastly robust and stable but also evolves to become a beacon of efficiency, proportionality, and effective harmonisation. This collective effort can serve as a compelling example for the wider EU, significantly contributing to Europe's overall global competitiveness and fostering a more dynamic and prosperous financial ecosystem.

3. Simplification – What it Means and Can Achieve

Regulatory simplification should be understood as a strategic imperative designed to foster a more efficient, competitive, and resilient financial services landscape in Ireland. Our vision for simplification is rooted in a clear understanding of its benefits for RFSPs, the CBI and the broader economy.

3.1 What is Simplification?

A core element of simplification is the streamlining, rationalising, and modernisation of the regulatory framework to ensure it is proportionate, effective, and clearly understood. It involves assessing existing regulations and supervisory practices to identify unnecessary complexity, duplication, and inefficiency. This includes:

- **Reviewing and aligning national regulations** with European frameworks (EBA, SSM, ESMA, EU directives) to minimise areas of divergence or excess and ensure consistency across the Single Market.
- **Rationalising reporting requirements** to eliminate redundant data submissions and focus on material information for supervisory oversight and risk assessment.
- **Adopting an outcomes-focused and risk-based approach** to supervision, allowing firms and the regulator to concentrate resources on areas posing the greatest threat to financial stability and consumer protection.
- **Enhancing clarity and accessibility of regulatory guidance**, moving away from fragmented communications to consolidated, user-friendly resources and repositories.

However, simplification is not a one-time initiative to address existing issues. It is a fundamental and continuous agile mindset which must be incorporated into all future regulatory development and supervisory practices. This long-term perspective involves:

- **Embedding simplicity and proportionality into the design of all new regulatory initiatives** and legislation from inception. Such a proactive approach can prevent the accumulation of future complexity and unnecessary burdens before they arise.
- **Establishing regular, systematic review cycles** for existing domestic regulations and requirements to ensure they remain fit-for-purpose, relevant, and do not inadvertently create new or disproportionate burdens as the financial landscape evolves, including new technologies and market structures.
- **Fostering a culture of continuous improvement and collaborative engagement** between regulators and RFSPs throughout the regulatory development process. This can facilitate addressing practical implications, operational feasibility, and potential unintended consequences early on, which can lead to more effective and efficient regulation.
- **Leveraging technology in regulatory design and implementation** to facilitate more efficient and automated compliance mechanisms from the outset, rather than retrofitting solutions to complex legacy frameworks. This includes exploring “RegTech” solutions that can support both regulatory reporting and supervisory analysis.

3.2 What Should Simplification Achieve?

Simplification should support the achievement of several key objectives:

1. **Uncompromised Outcomes - Preserving**

Financial Stability: Any simplification initiative must uphold the fundamental objectives of the relevant regulation. We believe that the desired outcomes, particularly financial stability, resilience, and consumer protection, should remain robust and uncompromised. Simplification aims to achieve these outcomes more intelligently and efficiently, not by lowering standards. The goal is smarter regulation, not deregulation and, by focusing regulatory attention on genuine risks and incentivising responsible behaviour, a simplified framework can enhance overall stability and resilience, ensuring consumer and investor interests remain paramount.

2. **Resource Capacity and Redeployment:**

Simplification should reduce the operational costs and administrative burdens for RFSPs whilst ensuring they continue to meet their obligations with a view to redeploying resources towards productive and innovative investment. This includes costs from duplicated reporting, divergent rule interpretations, and parallel systems for national and European requirements. By eliminating obsolete and duplicative requirements, clarifying ambiguities, and aligning with international practices, firms can reallocate resources from compliance tasks to core business activities, innovation, and strategic investment. This can free up capital for product development, technological advancements, and enhanced customer service, benefiting the wider economy.

3. Optimised Supervision: Simplification should also benefit regulatory and supervisory authorities and bodies. By reducing unnecessary reporting and administrative tasks for firms, the cost of supervision should diminish. This will allow authorities to increase efficiency in supervision and enable a more proportionate allocation of supervisory resources.

4. A More Equal Playing Field: Divergences in domestic regulation from European frameworks create an uneven playing field, disadvantaging Irish operators or those considering entering the Irish market. Such “gold-plating” can deter international investment and hinder the competitiveness of Irish located firms. Simplification, by driving greater alignment with international and EU standards (e.g., EBA outsourcing guidelines or “Home & Host” supervision principles), will ensure the playing field is more equal for Irish operators, fostering a fair, predictable, and attractive environment for financial services business. This consistency reduces regulatory arbitrage and promotes a level

playing field across the Single Market. Convergence and consistency of rules across the EU, while supporting the core idea of the Single Market, will also enable a simpler regulatory framework.

5. **Enhanced Domestic Competition and Growth:**

By reducing unnecessary regulatory barriers and administrative overheads, simplification can lower the cost of market entry and operation for all firms. This, combined with greater regulatory predictability, can increase competition domestically, stimulating innovation, encouraging diversification of financial products and services, and leading to better growth outcomes for the Irish and EU financial sectors. A more vibrant market benefits consumers through wider choice, better pricing, and improved service quality. It also strengthens Ireland's position as a leading financial hub within Europe.

6. A Long-Term Mindset Shift: Regulatory simplification is not a short-term initiative. It demands a fundamental and long-term agile mindset within the regulatory approach. This means continuous review, proactive industry engagement, and adapting the framework as markets and technologies evolve. It should be an ongoing commitment to refine the framework, ensuring regulation remains fit-for-purpose. This sustained effort can further build trust, predictability, and ultimately, a more dynamic, innovative, and competitive financial services industry in Ireland, capable of navigating future challenges and seizing new opportunities.

7. **Enhancing Consumer Protection and Trust:**

Beyond the direct benefits to firms, a robust programme of regulatory simplification inherently supports the paramount objectives of consumer protection and financial stability, which lie at the very heart of the CBI's existing mandate and wider EU regulatory objectives. By streamlining complex requirements and eliminating unnecessary layers of regulation, firms can reallocate resources currently consumed by administrative burdens towards enhancing product clarity, improving customer service, and investing in more user-friendly digital solutions. A clearer, more proportionate, and less fragmented regulatory landscape also fosters better and more consistent compliance, reducing the likelihood of errors or misinterpretations that could impact consumers. Ultimately, this approach creates a more transparent, efficient, and reliable financial ecosystem, ensuring consumers are better served, better protected, and have greater confidence in the financial services they access.

4. Simplification Opportunity Identification – BPFI Approach

BPFI has initiated an exercise aimed at the identification by our members of simplification opportunities within supervision and regulation by the CBI, and across the broader EU regulatory framework. This initiative was designed to pinpoint areas where regulation can be made more efficient without compromising the stability and integrity of the financial system, as well as to understand the most critical areas for members.

Our approach has been structured to identify opportunities across two key areas:

4.1 Immediate Actions

Our primary focus for immediate impact is on identifying actions the regulator can implement relatively quickly to simplify their approach, regulations, and guidelines, to improve compliance efficiency on behalf of RFSPs. The following broad categories have been identified to allow the examples to be thematically linked and understood:

- **Level Playing Field:** Areas where Irish regulations exceed the requirements of European directives or international standards (often referred to as “gold-plating”). Our objective is to identify and address such instances to ensure a level playing field for Irish banks compared to their European counterparts, thereby reducing competitive disadvantages stemming from unique domestic requirements, while also increasing the attractiveness of Ireland as a location for new EU market entrants. In doing so, the regulator might consider replicating the EU’s ‘omnibus approach’, whereby a single, overarching regulatory simplification package amends multiple existing requirements simultaneously, rather than addressing them individually.
- **Supervisory Approach:** This category focuses on optimising the practical application of supervision, as well as the experience of RFSPs of the same. Our aim is to identify opportunities for greater efficiency, clarity, and predictability in supervisory

expectations and processes, with a view to enhancing the efficiency and effectiveness of interactions and reducing the administrative load on both banks and the regulator.

- **Proportionality:** This involves the development of a regulatory approach that is more commensurate with the size, complexity, and risk profile of different institutions, and is more transparent in how it such proportionality is defined and applied. Not applying an appropriate level of proportionality leads to unduly burdensome outcome for smaller or less complex institutions. We have identified specific instances where a more proportionate application of rules can alleviate such burdens and foster a more level playing field.

4.2 Structural Changes and Collaboration

Beyond immediate adjustments, our initiative also targets more significant and enduring changes. These “long-term structural changes” may necessitate amendments to primary domestic or EU legislation/regulations or require fundamental shifts in the overall regulatory framework. While these changes will naturally require more time and extensive collaboration with policymakers, identifying them now is crucial to allow us to support/contribute to the simplification conversations and initiatives that are taking place at the EU level.

More generally, the burden of simplification should not rest solely on the regulatory authorities and policy makers. BPF, its members and affiliates, including the Federation of International Banks in Ireland (FIBI), also have a role to play. We believe that a collaborative effort is essential for meaningful progress. Such collaboration can include:

- **Contributions to Long-Term Simplification Initiatives:** As appropriate, specific areas where BPF and its members can contribute expertise, data, and insights to inform and shape long-term simplification initiatives, working hand-in-hand with regulatory authorities and other relevant stakeholders.

- **Support for CBI Initiatives:** We are committed to providing robust support to the regulator in their own simplification efforts. This includes being ready to offer practical assistance, share best practices, and collaborate on working groups to ensure that regulatory reforms are effective, practical, and truly responsive to the needs of the industry, investors, and consumers.

By segmenting our approach, we aim to deliver a comprehensive and actionable set of proposals that not only identify areas for improvement but also outline a clear path for their implementation. This collaborative effort, spearheaded by BPF, seeks to foster a more agile, efficient, and competitive financial services sector in Ireland, ultimately benefiting institutions and their customers, both domestically and internationally.

5. Simplification Opportunities – Regulatory Actions

5.1 Maximum Harmonisation for a Level Playing Field

One of the most immediate and impactful areas for authorities to pursue in relation to regulatory simplification lies in addressing the practice of gold-plating EU regulations. This refers to implementing European Union directives and regulations with additional national requirements that go beyond the minimum standards set at the EU level, which we recognise occurs in each EU Member State but to varying degrees. While invariably well-intentioned, this practice can disproportionately increase the regulatory burden on Irish-based firms, making them less competitive than their counterparts in other EU jurisdictions. The additional complexity and cost associated with these extra requirements can deter new entrants, encourage existing firms to relocate, and divert resources from productive investment and innovation towards compliance.

The immediate proposal is to actively pursue increased harmonisation by aligning more closely with baseline EU requirements – where additional requirements are imposed/retained, the regulator should clearly set out why (that is, what risk is not otherwise being managed/captured) in order for industry to consider and respond with alternative suggestions.

Example: Ensuring a Level Playing Field – Streamlining Supervision for Inward EEA Branches

Ireland’s role as a host country for EEA branches is crucial for its financial services ecosystem. However, the current supervisory approach to these inward branches diverges from the established ‘Home & Host’ principles, creating unnecessary complexities, inconsistencies, and a perception of “mission creep” that impacts competitiveness.

While the CBI’s legitimate focus as Host Regulator is on AML and Conduct of Business, its practices frequently extend beyond these areas. This includes instances of:

- **Unnecessary Local Requirements:** For example, the requirement for specific Pre-Approved

Controlled Functions (PCFs) for inward EEA branches despite the F&P standards explicitly excluding inward EEA branches from their scope.

- **Duplicative Oversight:** Applying full Irish outsourcing requirements to all branch activities, leading to duplication with Home Regulator standards and additional “gold-plated” measures.
- **Broadened Incident Reporting:** Challenging firms to report all operational incidents, even those primarily relevant to the Home Regulator.
- **Additional Local Reporting:** Requiring supplementary local regulatory reports (e.g., OSII reporting, localised PSD2 issues) that could be aligned with Home Regulator or consistent EU requirements.

These divergences impose significant administrative burdens and operational inefficiencies on inward EEA branches, undermining the benefits of the EU passporting regime and creating an unlevel playing field compared to other Member States.

To address these issues, we propose:

- **Commitment to Transparent Application:** The CBI should consistently and transparently apply regulations, avoiding informal expansions of scope based on “best practice” or regulatory expectation.
- **Clarifying Home & Host Principles:** A clear review and delineation of Home and Host regulatory remits is needed to prevent duplication of requirements or unwarranted “gold-plating” for EEA passported entities. This includes maximising efficiencies from the passporting regime and re-focusing the Host Supervisor role to be more of an “eyes and ears” for the Home Regulator, rather than an additional standard-setter.

These measures can simplify pan-EEA oversight by increasing market consistency and removing duplication under Home and Host supervision, ultimately enhancing Ireland’s attractiveness and competitiveness for international financial institutions.

Example: Ensuring a Level Playing Field – Streamlining Governance Structures

Ireland’s regulatory approach to “dual-hatting” and individuals holding multiple senior roles presents a notable point of divergence from practices common in other leading EU financial centres. While the CBI prioritises robust governance and clear accountability—a stance that mirrors industry’s—its current approach can be perceived as more restrictive than other EU jurisdictions. This can lead to operational inefficiencies and challenges for internationally integrated financial groups seeking to optimally deploy senior talent and leverage global reporting lines.

Specific instances where the approach creates friction include:

- **Restrictive Interpretation of PCF Roles:** The application of specific PCFs and their concurrent holding can be more rigid than in other jurisdictions, despite robust internal governance structures and supporting teams designed to manage potential conflicts or time commitments.
- **Barriers for International Role Holders:** Challenges can arise where a prospective PCF role holder is based internationally, requiring a local physical presence and specific local reporting lines that may not align with global operating models, even where the firm has robust arrangements in place for oversight and accountability.
- **Challenges to Group Efficiencies:** Firms that operate as part of larger international groups often find it challenging to align Irish requirements with their group’s global operating models, which may rely on shared senior leadership and expertise across jurisdictions.
- **Perceived Disadvantage in Talent Attraction:** The more prescriptive stance and statutory individual accountability can inadvertently deter top-tier international talent from taking on roles based in Ireland or spanning Irish and other EU entities, impacting the jurisdiction’s ability to attract key decision-makers.

These divergences, while driven by a legitimate desire for strong oversight, impose significant administrative burdens and operational inefficiencies, potentially undermining Ireland’s competitiveness as a gateway to the EU Single Market compared to other Member States.

To address these issues and foster a more aligned yet robust regulatory environment, we propose:

- **Harmonised Interpretation of Senior Roles:** A collaborative review and more nuanced interpretation of dual-hatting and multiple role holdings, aligning more closely with prevailing practices and supervisory expectations across other major EU financial centres, particularly for internationally integrated groups.
- **Recognition of Mitigating Controls:** Greater recognition of the efficacy of robust internal governance frameworks, dedicated support teams, and sophisticated intra-group or third-party outsourcing arrangements as effective mitigants for any perceived risks associated with senior individuals holding multiple responsibilities, including those operating internationally.
- **Publication of Guiding Principles:** The creation and publication of clear, consolidated principles and guidance by the CBI that speak to these issues (e.g., dual-hatting, international PCFs). These principles should transparently reflect the CBI’s views on permitting such arrangements, outlining the criteria and safeguards that, when met, would allow for greater flexibility while maintaining robust oversight.

These measures can facilitate the efficient allocation of talent, enhance operational flexibility for financial institutions, and ensure Ireland’s regulatory framework remains pragmatic and competitive within the broader EU context.

5.2 Supervisory Modalities/ Operations Improvements

This section considers potential improvements to how the regulator engages with regulated entities, focusing on the practical application of supervision, the timeliness of processes, and the overall style of engagement. Improving these modalities can significantly enhance the operational environment for financial institutions, fostering a more collaborative and efficient relationship.

The current supervisory approach exhibits several inconsistencies and inefficiencies that collectively create a challenging operating environment for RFSPs. There is a general concern regarding the absence of clear evidence of proportionality in the CBI’s application of regulations and supervision

(although this is considered separately in the next section). Instead, there can be an undue focus on process rather than on the underlying risk, leading to a burdensome volume of requests for documentation that may not directly facilitate the understanding and mitigation of material risks.

The CBI's aim to position itself as a leading regulatory authority can sometimes result in a reluctance to align with pragmatic international norms and inconsistent treatments. Another recurring observation is delayed responses and inconsistent feedback, which impacts planning and project execution. There is also a concern about supervisory mission creep – for example, an expanded scope of inquiries that can seem beyond the CBI's core supervisory remit in relation to incoming EEA branch activities.

In contrast to some of these challenges, the CBI's use of thematic inspection reports and "Dear CEO" letters serves as a highly valuable mechanism for promoting sector-wide consistency and transparency in supervision. These communications effectively articulate the CBI's thematic priorities, key findings, and supervisory expectations across a cohort of firms, providing clear insights into areas of focus and expected standards of compliance. Firms find benefit from such explicit articulations of the regulator's position, as they foster a more consistent understanding of requirements and facilitate proactive adjustment of practices. Expanding the use and scope of such clear, sector-wide communications would significantly enhance regulatory predictability and support a more transparent and consistent supervisory approach overall.

Finally, inconsistent timelines on PCF approvals, additional PCF roles to those required by the ECB, and a guarded approach on the part of the regulator in some interactions contribute to a perception of not being fully aligned with broader European Single Supervisory Mechanism (SSM) messaging on simplification at the domestic operational level. While increased opportunities to raise issues are welcomed, the effectiveness of supervisory meetings is sometimes hampered by a lack of advance planning and notification (agenda, speakers, attendees, venue).

Example: No Single Depository of Regulatory Requirements and Supervisory Expectations (A Local Single Rulebook):

Instead of a consolidated and easily accessible set of local rules and expectations, firms often have to navigate disparate guidance, circulars, and ad-hoc communications. This lack of a clear and accessible single rulebook makes it challenging to ascertain all applicable requirements and can lead to inadvertent non-compliance, despite best efforts.

- **Proposal:** Develop and maintain a comprehensive, easily navigable, and consolidated "local single rulebook" for all CBI-specific requirements and expectations. This would bring together circulars, "Dear CEO" letters, guidance, and policy statements into a single, accessible online resource.
- **Rationale:** A single, clear source of truth for regulatory requirements and expectations would significantly reduce complexity, enhance clarity, and improve firms' ability to ensure full compliance without having to consult a disparate and fragmented set of documents, speeches and communications, thereby increasing efficiency.

Other Actions – Non-Exhaustive

- **Review Board Sign-off Expectations:** Review and clarify the CBI's expectation regarding the scope of local legal entity Board sign-off for non-mandatory areas.
- **Discontinue Non-Mandated FinReps:** Discontinue the requirement for investment firms to submit quarterly and annual FinReps not mandated by IFR.
- **Review Monthly Metrics:** Review and potentially discontinue the requirement for firms to submit Monthly Metrics.
- **Integrate Enria Report's F&P Learnings into Wider Supervisory Practice:** Systematically assess the applicability of the insights and best practices on F&P identified in the Enria report to the CBI's wider supervisory engagements and approaches, integrating as appropriate.

- **Advance Agenda Provision:** Ensure supervisory teams provide a clear agenda well in advance of all PRISM engagement meetings and other significant interactions.
- **Publish F&P SLA Guidelines:** Create and publish clear F&P SLA guidelines, especially for/in relation to prospective applicants from abroad.
- **Establish Central Regulatory Calendar:** Explore establishing a central regulatory calendar for better visibility on planned regulatory visits/engagements, aligning and coordinating with other supervisory authorities (e.g., the ESAs) as appropriate.
- **Issue Annual Thematic Guidance Notes:** Consider issuing annual thematic guidance notes, similar to the ECB, for upcoming supervisory activities.
- **Establish Clearer Feedback Mechanisms:** Establish clearer mechanisms for providing timely and constructive feedback following engagements and submissions, including transparent timelines around same.
- **Comprehensive CBI Guideline Review:** Conduct a comprehensive review of all CBI guidelines to identify overlaps with EU Directives/Regulations, Standards, and Guidelines for redundancies and obsolescence.
- **Publish Guideline Withdrawal Plan:** Publish a clear plan and timeline for the withdrawal of national guidelines superseded by new EU regulations.
- **Develop Sunset Clause Policy for Existing Guidelines:** Develop a policy that mandates a review and potential withdrawal of existing national guidelines upon new relevant EU regulations.
- **Provide Rationale for Regulation that Goes Beyond EU Requirements:** For any “gold-plating,” provide a clear rationale detailing the specific risk addressed and why EU standards are insufficient.
- **Embed Automatic Review Clauses in New Domestic Regulations:** Ensure all new regulations incorporate explicit review clauses, mandating a formal assessment of their effectiveness, proportionality, and continued relevance after a predetermined period.
- **Establish a Regular Obsolescence Review Process for All Existing Regulations:** Implement a systematic, periodic review process across the entire existing regulatory framework to identify regulations, guidelines, or requirements that have become obsolete, redundant (due to EU-level harmonisation or market evolution), or no longer proportionate to the risks they were intended to address.
- **Develop a Transparent Framework for Regulatory Withdrawal:** Create and publish a clear, transparent framework and timeline for the withdrawal or amendment of regulations identified as obsolete or disproportionate during these reviews.
- **Link Obsolescence Reviews to EU Developments:** Systematically integrate the monitoring of new EU legislation and guidelines into the obsolescence review process, ensuring that national requirements are promptly withdrawn or adapted when superseded or made redundant by EU-level harmonisation.
- **Regulatory Resourcing and Talent Alignment:** To facilitate innovation and growth, regulatory resourcing and talent development strategies will be crucial. Understood to be already underway, this involves continuing to cultivate an appropriate technical skillset within the regulator that aligns with emerging growth areas in the financial services sector, ensuring the regulator possesses the necessary expertise to engage effectively with, supervise, and understand evolving business models and technologies.

5.3 Proportionality in Regulation and Supervision

Transparency and consistency in relation to a proportionate application of rules can foster a fair and predictable regulatory environment. It can significantly reduce the compliance burden on less complex entities, allowing them to focus resources on genuine risk management rather than excessive administrative overhead.

A significant concern within the industry pertains to the absence of clear evidence of proportionality in the CBI drafting and application of regulations, as well as in its supervisory practices. This translates into inconsistencies where different supervisory teams or divisions within the CBI may apply regulations differently to similar firms or impose

a disproportionately heavy burden of requirements on entities relative to their size, complexity, and risk profile.

This demonstrates a lack of consistent proportionality in practice, extending beyond the design of the rules themselves and into how they are actively enforced. The absence of a consistently proportionate approach creates an uneven playing field and can place undue operational and financial strain on regulated entities.

The CBI should actively embed the principle of proportionality into all its supervisory practices, clearly evidencing how it is applied based on firm size, complexity, and risk profile. This requires robust internal training and harmonisation programs to ensure consistent application of regulations and supervisory approaches across all teams and functions. Regular reviews should be conducted to ensure that requirements, as applied, are truly proportionate and consistent with best practices in other leading jurisdictions.

Example: Disproportionate Application of Climate Risk Expectations to LSIs

The ECB published its “Guide on climate-related and environmental risks” in November 2020. This comprehensive guide was explicitly aimed at and written for SIs directly supervised by the ECB, reflecting their systemic importance, scale of operations, and inherent capacity to manage complex, emerging risks. However, the CBI has, in practice, extended and applied much of these stringent requirements to LSIs in Ireland. This extension included directing that LSIs provide a Board-approved comprehensive plan to address supervisory expectations in relation to climate-related and environmental risks, a level of detail and formality more aligned with large, complex entities.

Following this directive, the CBI undertook an assessment of these LSI plans, subsequently noting a perceived “lack of ambition,” “significant variations in quality,” and a “significant lack of urgency” in considering climate risks within forward-looking business strategies across short, medium, and long terms. While the CBI’s objective to integrate climate risk considerations is understood, the approach taken for LSIs to meet these ECB expectations appears to be disproportionate to the firm size, complexity, and available resources of these institutions. It also appears to have overlooked the ECB’s explicit focus on Large Institutions when

drafting its original guide, as well as its explicit reference to proportionality in the application of the guide to LSIs. This unproportioned application places an undue operational and financial burden on LSIs, diverting resources that could otherwise be allocated more effectively to managing risks commensurate with their actual scale and business model. It also risks fostering a compliance-heavy mindset rather than genuine, risk-calibrated integration of climate considerations.

- **Proposal** – Demonstrate Proportionality and Cost-Benefit for LSI Application

Transparency around the consideration of the impact, from both a proportionality and cost-benefit perspective, of applying these higher, SI-focused standards to LSIs would be welcome. This would involve detailing how the CBI’s approach compares to, and is justified against, the practices of other Member State financial services regulators when addressing similar climate-related expectations for their Less Significant Institutions. Such a transparent analysis would provide critical insights into whether the benefits derived from these rigorous requirements for LSIs genuinely outweigh the significant compliance costs and resource reallocation they entail, fostering a more balanced and evidence-based regulatory approach.

- **Rationale** – Avoiding Unnecessary Compliance Burden and Maintaining a Level Playing Field

The current approach imposes a considerable compliance burden on obliged entities in Ireland. LSIs are compelled to invest heavily in meeting climate risk management standards that are often higher and more prescriptive than those applied by peer regulators in other EEA jurisdictions to institutions of similar size and risk profile. This disparity creates an unlevel playing field, making Irish LSIs potentially less competitive and efficient. It forces them to divert significant financial and human capital away from other critical risk management areas or productive business development, purely to satisfy a compliance threshold that may not be proportionate to their actual climate risk exposure or systemic importance. A lack of demonstrable proportionality undermines the efficiency of the regulatory framework and can unintentionally hinder, rather than support, a pragmatic and effective transition towards managing climate-related risks within the broader financial ecosystem.

6. Issue in Focus – Outsourcing

Outsourcing in Focus: Streamlining for Competitiveness and Resilience

The CBI approach to regulating and supervising outsourcing presents significant challenges for RFSPs, impacting their operational efficiency and Ireland's competitiveness as a financial services hub. The core issue lies in the CBI's requirements frequently exceeding relevant EU requirements through prescriptive demands and inconsistent application.

Key Challenges Highlighted:

- **Going beyond EBA Requirements:** Irish outsourcing guidelines often impose stricter notification, due diligence, and risk assessment demands than the EBA, leading to increased administrative burdens and operational costs.
- **Disproportionate Treatment of Intra-Group and Intra-Entity Arrangements:** Unlike as envisaged in EBA guidance, the CBI often applies the same stringent rules to lower-risk intra-group and even inter-branch services within the same legal entity, creating unnecessary complexity and documentation.
- **Divergence on Delegation/Sub-Custody:** The CBI's stance on treating global sub-custody networks as outsourcing contradicts EBA's position, forcing burdensome re-documentation efforts without tangible risk mitigation benefits.
- **Inconsistent Approach for Fund Administrators:** Fund Administrators face unique and highly prescriptive CBI requirements, including specific approval processes and dual internal audit/compliance reviews, which are not consistently applied to other RFSP types and can impact operational flexibility.
- **Regulatory Duplication and Overlaps:** The proliferation of overlapping frameworks (e.g., CBI's guidance, DORA, Cyber Security Guidelines) and inconsistent terminology creates significant compliance costs, operational inefficiencies, and legal uncertainty, particularly concerning outsourcing registers and incident reporting.
- **Inefficient Gatekeeping and Assurance Regimes for Fund Administrators:** The current CBI approval process for Fund Administrators can be perceived as being overly prescriptive and piecemeal, hindering comprehensive oversight and imposing duplicative, inflexible assurance requirements that divert resources from genuine risk management.

Proposed Simplifications for Enhanced Competitiveness:

To address these issues, the industry advocates for the CBI to:

- **Achieve Maximum Harmonisation with EBA:** Fully align its outsourcing guidance with EBA principles, simplifying notification processes, revisiting due diligence requirements, and adopting a more principles-based approach to risk assessments.
- **Recognise Risk-Based Proportionality:** Differentiate the treatment of intra-group and intra-entity outsourcing, acknowledging their lower inherent risk, and align on delegation/sub-custody definitions with the EBA.
- **Streamline Fund Administrator Requirements:** Revise outsourcing guidelines for Fund Administrators to be genuinely risk-based and proportionate, consolidating guidance, narrowing the scope of in-scope activities, and introducing more efficient, two-tiered approval processes with fast-track options.
- **Eliminate Duplication and Inconsistency:** Rationalise outsourcing-related reporting by harmonising data templates across regulators (including DORA), exploring single register submissions, and issuing integrated national guidance that clarifies overlaps and terminology.
- **Drive Towards a Unified Outsourcing Framework:** Actively pursue the development of a single, comprehensive, EU outsourcing framework that applies across the EU Single Market. This unified approach would significantly enhance consistency, eliminate ambiguity, and

serve as a singular authoritative reference point for firms, thereby streamlining compliance and fostering a genuinely level playing field.

- **Optimise Assurance:** Introduce proportionality for assurance requirements, reducing dual obligations for internal audit and compliance, and decoupling reviews from new migrations to allow for more agile, outcomes-focused assurance.

By implementing these simplifications, the CBI can significantly reduce the administrative burden on RFSPs, free up valuable resources, enhance legal certainty, and ensure Ireland remains a highly attractive, predictable, and competitive financial services hub within the European Union, ultimately strengthening overall systemic operational resilience.

7. Simplification Opportunities – Structural Reforms

While immediate operational adjustments by national regulators are crucial in the short term, a truly transformative shift in Ireland’s financial services landscape – and indeed, for the entire EU Single Market – necessitates addressing fundamental structural issues that can span beyond national regulatory competence.

This section outlines longer-term structural reforms and strategic initiatives that require the active leadership and collaboration of the Department of Finance, European Commission and relevant EU regulatory authorities. These proposals represent more profound changes to the very architecture and guiding principles of financial regulation, requiring legislative amendments domestically and/or significant policy shifts at the EU level. By engaging on these fronts, we aim to contribute to a more competitive, coherent, and growth-enabling regulatory environment that benefits all of Europe, securing Ireland’s strategic position as a leading financial hub for the future.

We recognise that the existing regulatory framework is a vast and complex edifice, and it is not feasible to advocate for its wholesale reopening with the aim of identifying and dismantling every single area of potential simplification. Such an undertaking would be impractical, resource-intensive, and could itself introduce new uncertainties. Instead, we propose a pragmatic approach focussing on a dual strategy.

- Firstly, we believe there can be an immediate impact through very targeted, “dial-moving” changes to the current rules that demonstrably reduce burden without compromising stability.
- Secondly, and perhaps more crucially for long-term sustainability, we advocate for the proactive integration of “simplification by design” into all future regulatory development processes, especially in emerging areas such as ESG reporting. For instance, as new ESG disclosure requirements are being formulated, there is a critical opportunity to ensure they are

developed with inherent clarity, proportionality, and interoperability, avoiding the creation of new layers of complex, disparate, and potentially overlapping reporting obligations.

This forward-looking approach, combined with a strategic regulatory pause to allow for digestion and review of existing rules, represents the most practical pathway to meaningful simplification. Furthermore, a core component of this strategy must be a concerted effort to simplify the overall reporting burden, moving towards more efficient, data-driven, and principles-based reporting frameworks that reduce unnecessary granular detail and eliminate redundant submissions.

7.1 Structural Change Proposal – Competition, Competitiveness, and Growth Mandates

Issue: Imbalance in Regulatory Mandates – Stability Dominating over Growth and Competitiveness.

The CBIs primary statutory mandates are focussed on financial stability, prudential soundness, and consumer protection. While these objectives are critical, the current framework often results in competition, competitiveness, and the overall growth of the financial services sector being secondary considerations, if they are considered explicitly at all. This can lead to regulatory decisions and requirements that, while ensuring stability, inadvertently stifle innovation, deter market entry, and hinder the industry’s ability to

compete effectively on the global and EU stages. A secondary statutory duty for the CBI to actively foster competition, competitiveness, and sustainable growth within the financial sector can support the competitiveness of the economy as well as the financial services firms that operate within it.

Proposal: Introduce Explicit I Mandates for Competition, Competitiveness, and Sustainable Growth.

The Department of Finance should initiate legislative changes to explicitly introduce and formalise competition, competitiveness, and the sustainable growth of the financial services sector as statutory mandates for the CBI, alongside its existing primary objectives of financial stability and consumer protection. This would require a clear articulation in relevant legislation, placing an explicit legal duty on the CBI to consider and balance these objectives in all its regulatory, supervisory, and policy-making activities. Concurrently, Ireland should advocate at the European Commission level for the inclusion of similar explicit mandates for competitiveness and growth within broader EU prudential and supervisory frameworks (e.g., CRR/CRD, SSM, SRB), aligning with the spirit of the Draghi and Letta Reports.

Expected Impact:

- **Balanced Regulatory Outcomes:** This fundamental shift would compel the CBI to adopt a more holistic perspective in its decision-making, ensuring that the pursuit of financial stability (while still the primary motivation) is balanced with the imperative to foster a dynamic, innovative, and competitive financial sector. Regulatory design and application would actively seek to minimise unintended barriers to entry and growth.
- **Enhanced International Competitiveness:** By embedding a pro-growth and pro-competition mindset at the core of the regulator's objectives, Ireland's financial services industry would become inherently more attractive to international capital, talent, and new entrants. This would help counteract trends like banks leaving Ireland and attract further Foreign Direct Investment (FDI).
- **Improved Market Dynamics:** Explicit mandates would encourage regulatory actions that promote innovation, facilitate market entry for new players, and foster healthy competition among financial institutions, ultimately benefiting consumers through broader choice and more competitive pricing.

- **Strategic Alignment with EU Goals:** Advocating for similar mandates at the EU level would align Ireland with broader European efforts to strengthen the Single Market and develop a Savings and Investment Union (SIU), ensuring that competitiveness and growth are central to the future development of EU financial regulation. This would contribute to a more resilient and prosperous European financial landscape.

7.2 Structural Change Proposal - Integration of Simplicity Principles into Future Domestic and EU Legislation and Regulation Development Processes

Issue: Insufficient Upfront Consideration for Simplicity, Proportionality, and Growth Impact in EU Regulatory Design.

Current EU processes for developing financial services legislation often prioritise addressing perceived risks through detailed, prescriptive rules, without sufficient explicit and upfront consideration for their complexity, proportionality, or overall impact on the competitiveness and growth of the EU financial sector. While cost-benefit and ex-ante impact assessments are conducted, the weighting given to "simplicity by design" and a robust "growth-and-competitiveness test" often appears secondary. This can lead to the adoption of overly granular and burdensome regulations that stifle innovation, disproportionately affect smaller or specialised firms, and inadvertently make the EU less attractive for global financial business, contradicting the objectives of the Capital Markets Union and the analyses of the Draghi and Letta reports.

Proposal: Mandatory Integration of "Simplicity by Design" and a Comprehensive "Growth-and-Competitiveness Test" in EU Regulatory Development.

The European Commission and EU regulatory authorities (EBA, ESMA, EIOPA, ECB/SSM) must formalise and significantly strengthen the integration of "simplicity by design" and a comprehensive "growth-and-competitiveness test" as mandatory, front-loaded principles in the development process for all future financial services legislation, delegated acts, and guidelines. This would entail requiring rigorous, public-facing ex-ante impact assessments that quantitatively and qualitatively evaluate the complexity, proportionality, and economic

consequences of proposed rules, with explicit consideration for EU competitiveness against global peers.

Expected Impact:

- **Inherently Simpler and More Proportionate EU Regulation:**
Future EU financial regulations would be designed to be clearer, less complex, and more proportionate to the risks they aim to mitigate, fostering efficiency and innovation from their inception.
- **Culture of Thoughtful Regulation Across EU Institutions:** This approach would embed a culture within the EC and EU regulatory bodies that proactively balances financial stability with the vital needs of a dynamic, competitive, and growing European financial services industry.
- **Reduced Future Regulatory Burden:**
By proactively addressing complexity and proportionality at the design stage, this principle would significantly reduce the need for future reactive simplification efforts, leading to a more stable and predictable EU regulatory environment.
- **Enhanced EU Competitiveness and Investment:**
Regulations would be developed with a conscious awareness of their impact on the EU's ability to attract and retain financial services business, ensuring they support rather than hinder the achievement of a deep and integrated Capital Markets Union.

7.3 Structural Change Proposal – Regulatory Pause for EU Financial Legislation

Issue: Relentless Pace of New EU Financial Legislation Leading to Regulatory Fatigue Across the Single Market

The European financial services sector is subjected to a near-constant stream of new directives, regulations, and implementing technical standards. This relentless pace, coupled with the sheer volume and often highly prescriptive nature of the legislation (e.g., MiFID III, CRD VII proposals, numerous DORA follow-up acts), creates widespread “regulatory fatigue” across the Single Market. Member States struggle with timely and consistent transposition,

while financial institutions, regardless of size, are forced to divert immense resources—both financial and human—from core business activities, innovation, and digital transformation towards continuous compliance updates. The cumulative impact of these layered regulations is rarely assessed comprehensively at the EU level, leading to potential overlaps, inconsistencies, and unintended consequences that hinder genuine cross-border integration and efficient resource allocation across the Union.

Proposal: Implement a Formal, Time-Bound “Regulatory Pause” on Non-Critical New EU Financial Legislation

The European Commission, in conjunction with EU co-legislators (the European Parliament and the Council), should implement a formal, time-bound “regulatory pause” on the introduction of non-critical new financial services legislation. During this dedicated period, the collective focus across EU institutions and national authorities should shift from enacting new rules to rigorously consolidating, reviewing, and simplifying the vast existing body of EU financial law. This could be achieved through a dedicated “REFIT” (Regulatory Fitness and Performance) program specifically for financial services regulation, or a comprehensive “regulatory fitness check” aimed at identifying and removing redundant, outdated, or overly burdensome provisions. The ESAs (EBA, ESMA, EIOPA) and the ECB/SSM should similarly prioritise the review and simplification of existing guidelines and technical standards over developing new ones, with the EC providing appropriate legislative bases for the same.

Expected Impact:

- **Enhanced Stability and Predictability Across the EU:** A regulatory pause would provide much-needed stability and predictability for financial institutions operating across the entire EU, allowing them to fully embed existing requirements and focus on strategic investments rather than reactive compliance.
- **Increased EU Competitiveness:** By streamlining the framework and lightening the regulatory burden, space can be provided for firms to reallocate resources to innovation and growth. Consequently, the EU financial services sector would become more attractive to global capital and talent, strengthening its competitive position against other major financial centres.

- **More Coherent and Integrated Single Market:** A period of review would enable a more harmonised and less fragmented regulatory landscape across the EU, fostering deeper integration of the Capital Markets Union and the Banking Union by reducing national variations and gold-plating tendencies.
- **Improved Regulatory Effectiveness:** EU institutions and national competent authorities would gain valuable time to assess the real-world impact and effectiveness of current regulations, leading to a more targeted and impactful supervisory approach in the long term.

Rationale: Boosting EU Competitiveness and Ireland's Role in the Single Market

Timely and maximally harmonised transposition is paramount for enhancing Ireland's competitiveness and actively contributing to a more integrated and dynamic EU Single Market. By preventing regulatory delays and ensuring that national rules are clear and consistent with the EU framework, it can enhance legal certainty and support a genuinely level playing field. This proactive stance would solidify Ireland's established reputation as a reliable and efficient Member State and empower it to lead by example in the pursuit of simpler, more effective regulation across the EU.

7.4 Structural Change Proposal – Transposition of EU Directives

Issue: Delays and Fragmentation in the Department of Finance's Transposition of EU Directives

The primary concern lies with the inconsistent timeliness of the Department of Finance's transposition of EU directives into national law. Such delays create uncertainty, regulatory gaps, and impede the swift realisation of EU-level policy objectives. Furthermore, transposition can often fall short of achieving maximum harmonisation, allowing for ambiguities in national legal texts that create interpretive opportunities for "gold-plating" – the introduction of additional or bespoke requirements beyond EU mandates. This cumulatively contributes to fragmented regulatory landscapes and unnecessary burdens for firms operating in Ireland and across the EU.

Proposal: Commit to Timely Transposition and Maximum Harmonisation by the Department of Finance.

The Department of Finance should adopt a robust policy for the timely transposition of all EU directives, ensuring national legislation is in force by the stipulated deadlines. Concurrently, the Department should commit to the principle of maximum harmonisation during transposition, ensuring precision and clarity in the national legal text. This approach aims to reduce the risk of potential ambiguity and opportunities for "gold-plating," maintaining full faithfulness to the EU's original intent without creating disproportionate national burdens.

7.5 Supporting European Structural Reforms: Aligning with the EBF Agenda

While our primary focus is on actionable simplification within the Irish regulatory landscape, BPFi recognises that a meaningful and long-lasting shift requires addressing fundamental structural issues at the EU level. We actively support and contribute to the broader EU-wide simplification agenda, as championed by the European Banking Federation, of which BPFi is an active member. The EBF's proposals provide a crucial context for our national efforts, as a more coherent, proportionate, and competitive EU framework directly enhances Ireland's position as a financial hub and the EU as a Single Market.

BPFi fully endorses the EBF's high-level structural reforms and strategic initiatives, which aim to reshape the architecture and guiding principles of financial regulation across the EU. These proposals represent profound changes that complement and facilitate our domestic simplification objectives:

- **Reforming the Regulatory Architecture:** We support the EBF's call for fundamental changes to how EU financial rules are developed and applied.
 - **Clarifying Regulatory Levels:** This involves rebalancing the use of primary legislation (Level 1) versus technical standards and guidance (Levels 2 & 3) to ensure legal clarity, predictability, and to prevent lower-level rules from exceeding their legal mandates. This will reduce ambiguity and ensure consistent application across the EU.

- **Enhancing Accountability:** We advocate for introducing stronger accountability mechanisms for EU regulatory and supervisory authorities (ESAs, ECB/SSM) regarding their rulemaking and interpretation, ensuring decisions are transparent and justified.
- **Reducing Automatic Review Clauses:** Streamlining EU legislative processes by reducing the proliferation of automatic review clauses will decrease the burden of continuous, often unnecessary, legislative reviews.
- **Embedding Competitiveness and Growth:** BPFi believes that competitiveness and growth must be central considerations in EU financial regulation.
 - **Integrating Mandates:** We endorse explicitly incorporating competitiveness and sustainable growth as complementary objectives into the mandates of the European ESAs and the SSM, alongside financial stability. This ensures a pro-growth mindset is central to EU-level regulation.
 - **Establishing an EEA Mechanism for Gold-Plating:** We advocate for an EU-level mechanism to consider and record Member State-specific “add-ons” or interpretations. If agreed at the EU level, such requests should be applied across the EU for consistency; if rejected, they should be clearly marked and reviewed as local “gold-plated” measures, with an objective to limit and retire them.
- **Streamlining Prudential, Supervisory, and Resolution Frameworks:** These frameworks are critical for stability but have become overly complex.
 - **Optimising Capital Requirements:** This includes eliminating overlaps between Pillar 1 and Pillar 2 capital requirements, reviewing Basel III implementation to ensure a level playing field, and simplifying the macroprudential buffer framework to remove redundancies and gold-plating (e.g., eliminating the Systemic Risk Buffer (SyRB) and capping O-SII buffers).
- **Revitalising Securitisation:** We support and align with the recent EU legislative proposals to overhaul the securitisation framework, which aims to address overly conservative capital requirements, streamline due diligence and reporting, and enhance supervisory consistency. This ongoing work is crucial to making securitisation a more effective and risk-sensitive tool for financing the EU economy, unlocking private capital, and fostering sustainable growth.
- **Improving Supervisory Efficiency:** This involves streamlining the SREP (Supervisory Review and Evaluation Process), enhancing transparency on capital add-ons, ensuring supervisory interpretations remain within legal mandates, and rebalancing the influence of horizontal teams versus Joint Supervisory Teams (JSTs) to ensure tailored and efficient oversight.
- **Simplifying Recovery and Resolution:** We support reducing the complexity and burden of resolution planning and testing, and recalibrating MREL (Minimum Requirement for own funds and Eligible Liabilities) requirements to align with international standards (TLAC) and reflect actual resolution strategies, ensuring proportionality.
- **Modernising Digital, Sustainable, AML, and Tax Frameworks:** These rapidly evolving areas require a coherent, efficient, and equally evolving regulatory approach.
 - **Coherent Digital Regulation:** We support streamlining the fragmented digital and cyber-related regulatory landscape (e.g., AI Act, FiDA, DORA, CRA) to eliminate overlaps, clarify definitions, and support innovation without stifling technological advancement.
 - **Streamlining Sustainable Finance:** This involves harmonising sustainability reporting (e.g., Pillar 3, CSRD, SFDR), simplifying transition planning requirements, and reviewing metrics like the Green Asset Ratio (GAR) for proportionality and utility, ensuring a focus on quality over quantity of data.

- **AML and Tax Simplification:** We endorse enhancing AML effectiveness through a truly risk-based supervisory approach and simplified Customer Due Diligence requirements. Furthermore, we support reforming tax policies by eliminating sector-specific levies and modernising VAT frameworks to ensure neutrality and competitiveness.
- **Integrated Reporting:** The current reporting burden is immense and inefficient.
 - **“Define Once, Report Once”:** We strongly support moving towards a streamlined, integrated reporting architecture based on common definitions and data sharing among authorities. This will eliminate duplication and significantly reduce the estimated €4 billion annual cost burden on banks across the EU.

By actively supporting these ambitious EU-level reforms, BPFi aims to contribute to creating a broader European regulatory environment which is inherently more efficient, proportionate, and supportive of growth. This broader initiative is essential for maximising the impact of our national simplification efforts and securing Ireland’s strategic position as a dynamic and competitive financial hub within a globally competitive EU Single Market.



Banking & Payments Federation Ireland,
Floor 3, One Molesworth Street,
Dublin 2 D02 RF29, Ireland.

info@bpfi.ie
www.bpfi.ie

Dublin • Brussels • Frankfurt