WFE response to the European Commission on strengthening the competitiveness of the EU banking sector

16th September 2026

Response

The World Federation of Exchanges (WFE) welcomes the European Commission's efforts to strengthen the competitiveness of the EU banking sector. Banks and capital markets perform complementary roles in supporting investment, innovation and economic growth, and reforms should preserve the strengths of both financing channels.

As highlighted in the WFE's 2023 paper *Financing the Future*, capital markets perform a distinct economic function from banking and should therefore continue to be supported by a proportionate regulatory framework that reflects their different risk profile. Against this background, the WFE offers the following observations.

Maintain a distinct and proportionate prudential framework for investment firms

The WFE welcomes the Commission's commitment to review the prudential framework for investment firms. As this work progresses, it will be important to preserve the distinction between investment firms and credit institutions, recognising their different business models and risk profiles, as outlined in our 2021 response to the draft RTS on the reclassification of investment firms as credit institutions via Article 8a (6)(b) of Directive 2013/36/EU.

Prudential requirements for investment firms should remain proportionate and appropriately calibrated to the risks they present, while avoiding the application of banking-specific requirements where these are not justified. Market-based finance, which provides a powerful alternative to credit channels, does not pose the same risk as institutions involved in fractional reserve banking, maturity transformation, and other activity that is characteristic of banks, i.e. credit intermediation. Unnecessary capital requirements on market-making activities risk reducing market liquidity and market capacity.

Ensure banking competitiveness reforms continue to support capital markets

The WFE supports the Commission's objective of improving the competitiveness of the European banking sector. As reforms are developed, care should be taken to ensure they do not have unintended consequences for capital markets or distort firms' financing choices. As noted in *Financing the Future*, policymakers should ensure that regulatory measures do not artificially favour or distort investment flows.

In particular, this should include ensuring that the EU implementation of international prudential standards appropriately recognises the risk-reducing benefits of central clearing. In particular, the current SA-CCR treatment does not fully recognise cross-product margining and netting between derivatives and securities financing transactions, potentially overstating exposures and unnecessarily consuming banks' capital and leverage capacity. Better recognition of these offsets would support banks' ability to access and facilitate client access to centrally cleared markets, while aligning capital requirements more closely with underlying economic risk.

The WFE appreciates the opportunity to contribute to this consultation and looks forward to continuing its constructive engagement with the European Commission as these proposals are developed.

Background

Established in 1961, the World Federation of Exchanges (WFE) is the global industry association for exchanges and central counterparties (CCPs). Headquartered in London, it represents over 250 market infrastructure providers, including standalone CCPs that are not part of exchange groups. Of our members, 39% are in Asia-Pacific, 42% in EMEA, and 19% in the Americas.

The WFE's 74 member clearing and settlement services collectively ensure that risk takers post some $1.4 trillion (equivalent) of resources to back their positions, in the form of initial margin and default fund requirements. WFE exchanges, together with other exchanges feeding into our database, are home to over 41,000 listed companies, and the market capitalisation of these entities is over $137 trillion; around $198.5 trillion (EOB) in trading annually passes through WFE members (at end 2025).

The WFE is the definitive source for exchange-traded statistics and publishes over 350 market data indicators. Its free statistics database stretches back more than 40 years and provides information and insight into developments on global exchanges. The WFE works with standard-setters, policy makers, regulators, and government organisations around the world to support and promote the development of fair, transparent, stable and efficient markets. The WFE shares regulatory authorities' goals of ensuring the safety and soundness of the global financial system.

With extensive experience of developing and enforcing high standards of conduct, the WFE and its members support an orderly, secure, fair, and transparent environment for investors; for companies that raise capital; and for all who deal with financial risk. We seek outcomes that maximise the common good, consumer confidence and economic growth. And we engage with policy makers and regulators in an open, collaborative way, reflecting the central, public role that exchanges and CCPs play in a globally integrated financial system.

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If you have any further questions, or wish to follow-up on our contribution, the WFE remains at your disposal. Please contact:

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