The B-word is buzzing around banking land again

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In short

- European banks are calling for fewer rules and lower buffers in order to revitalise the economy.
- Experts warn of unwelcome side effects. The banks are making their appeal mainly out of self-interest, they say.
- Deregulation is not the answer, experts argue. They see more merit in simplification and harmonisation.

The credit crisis is almost twenty years behind us. For the banks, that is reason to argue for fewer and simpler rules and above all lower buffers, so that they can help Europe revitalise the economy. Their timing looks unfortunate. ‘In these turbulent times you actually want more fat on your bones.’

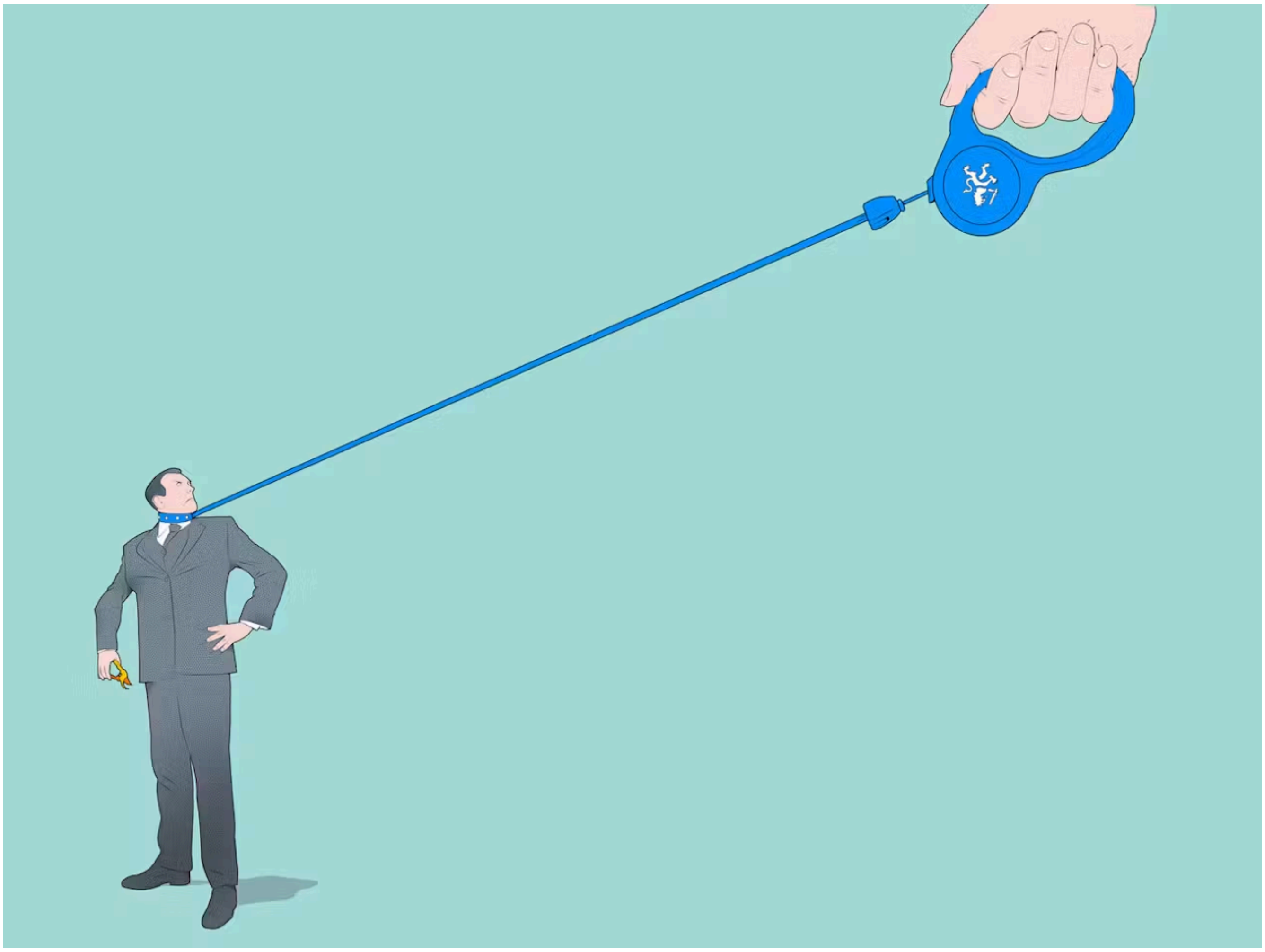

Illustration: Rhonald Blommestijn for FD

MPs talk about the three B's when bankers come to The Hague on a working visit. 'I then say: you are welcome, as long as we do not talk about bonuses, buffers and taxes', says D66 MP Joost Sneller. That 'classic' wish list of the banks has been expanded in recent years. There are complaints about the administrative burden, anti-money-laundering checks, climate reporting, the pile-up of European and national rules and the absence of a European rule protecting savings deposits.

To improve the image tarnished by the great financial crisis of 2008, banks have since 2015 presented themselves as 'part of the solution' to the big societal questions. During the covid crisis they supported customers in financial distress. And since the start of this decade they have wanted to contribute to the energy transition and to making companies and homes more sustainable, with green mortgages and lower interest rates for companies that achieve ambitious climate targets.

And now they want to help Europe revitalise the economy, write the CEOs of eleven European systemic banks, including ING, in a recently published open letter. They refer to the Draghi report, in which the iconic banker-namesake argues for investing €800bn in Europe to close the gap with China and the US.

Fewer rules, more profit

The banks can play a role in that, they say, but then they have to sail closer to the wind: fewer rules and fewer buffers, so that more credit can be extended for investment in innovation, in the energy transition and in defence. And more money has to be earned, so that they can also compete with their American banking rivals against the backdrop of Europe's desire for greater strategic autonomy.

'The timing of the letter is remarkable', judges Tilburg professor Harald Benink. 'In this time of mounting unrest you do not want lower buffers but rather higher ones, to absorb disruptions and shocks. What they have forgotten is that a limited disruption involving American junk mortgages in 2008 led to a worldwide banking crisis that could have been fended off with higher bank buffers.'

At the moment there is a great deal of unrest in the world, not only on the geopolitical front but also in economic terms. There is fear of an AI bubble. Jamie Dimon, CEO of JPMorganChase and the primus inter pares among bankers, recently warned that the financial sector is eager to extend credit, and pointed to competitors that would 'do dumb things' in their pursuit of more profit. Inflation is a threat and government debts are rising because of investment in defence.

'This is not the moment to let go of too many banking rules. It feels as though we are at the top of an AI hype', says Hugo van Wijk of consultancy Vallstein, which helps companies with their banking relationships. He points out that the failure of the American Silicon Valley Bank passed Europe by fairly quietly because everyone trusted the robustness of the banks — a robustness that is the result of the strict risk rules.

Growing frustration

Bank director Wilfred Nagel suspects that the letter stems from 'growing frustration about the profitability gap with American rivals. Those rivals benefit from a single home market, from deregulation and from an American supervisor that is considering easing capital requirements, which would make it even easier for the banks to lend money, in Europe too.' He understands the discontent. Every EU member state has its own banking rules on top of those from Brussels. That results in a pile-up of obligations. And there is, says Nagel, still no free movement of capital and liquidity between member states, so banks still cannot channel the available savings to where there is demand for them.

'It is true that a great deal was regulated in Europe after the financial crisis in order to prevent a new crisis', says former finance minister Jeroen Dijsselbloem. 'Some of that could well be pruned back. But I often told them at the time: I am prepared to deregulate far-reachingly when it comes to board remuneration, bonuses and banking culture, provided you improve your buffers to such an extent that you can bear the risks yourselves. The banks were never enthusiastic about that.'

Incidentally, things are not going all that badly for the European banks. Rabo, ABN Amro and ING are posting high profits, and the latter two partly passed those on to shareholders in the form of large share buy-back programmes. ‘They could also use that money to strengthen their balance sheet so that they can extend more credit. But the banks apparently see little demand’, says professor of Financial Law Emanuel van Praag.

And the high buffers are not so bad either. JP MorganChase closed the final quarter of 2025 with a capital buffer (a bank’s core capital as a percentage of its risk-weighted assets) of 14.5%. That is higher than ING’s buffer, while the American supervisor has set the lower limit for this CET1 ratio at 4.5%. The banks’ appeal is therefore aimed not only at the CET1 capital buffer that matters to supervisors, but also at derived buffers; those too can work out differently in each member state. That system needs to be rationalised, the banks believe.

Pension funds and insurers

Van Praag only partly recognises the claim that European banks are being constrained. Risky loans and securitisations are always possible, provided banks hold enough capital on their balance sheet. In his view, simplifying the risk models does increase the risk of bubbles, but it also creates more scope for expansion. ‘Simplifying is really something quite different from deregulating.’

In December supervisor ECB came out with seventeen recommendations for far-reaching simplification of capital requirements, supervision and the regulatory framework for financial institutions. The aim: to try to reduce the number of national rules for, among other things, the risk models, or to bring them under a few common denominators so that there is less stacking. The letter’s authors also hope that in assessing the existing banking rules, attention will be paid not only to whether they promote stability but also to whether they contribute to economic growth. The underlying message is clear: since the credit crisis the emphasis has been too much on avoiding risk.

The question is whether the banks should play a key role in revitalising the European economy. Companies are currently largely dependent on bank credit, whereas in the US the capital market fulfils that role. With a large European capital market, as the Draghi report advocates, the role of bank lending diminishes. ‘In Europe the corporate sector is far more dependent on bank credit than in the US. There is much more *equity funding* there’, says Tilburg university lecturer Jac Kragt, who wrote a book about the credit crisis. ‘For the energy transition, for example, we could make more use of existing infrastructure funds and interest pension funds and insurers in them. Banks do not need to play a role in that.’

Van Praag, too, believes it is not only the banks that should carry society’s big transition themes. In fact, he sees a major role for pension funds and insurers. ‘They have more time to recover at the moment things go wrong again. Banks are not always the best place for that.’ Banks can use the capital market to find investors such as pension funds for bundled loans. Bank director Nagel suspects that national politicians are wary of the phenomenon of a European market and fear losing control over their banks. That is why they would not push hard on the capital market project.

System change

Former ASML chief Peter Wennink also argues in his report for activating the mountain of Dutch savings. It should be invested in companies, and pension funds should invest more in Europe in order to fire up the engine of economic growth. ‘The problem does not lie in the deregulation of banks’, judges professor of finance & investing Dennis Vink of Nyenrode. ‘It lies in the absence of powerful European asset managers such as BlackRock that can convert our savings into strategic capital. But that requires a system change towards the American model, away from the traditional retail bank.’

As for the banking lobby, a European summit will take place in Brussels later this month. Strengthening the European economy, reducing the number of rules and promoting innovation are on the agenda. But it is highly questionable whether the systemic banks stand much chance in these uncertain times with their appeal for lower buffers.

Read also

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English translation of ‘Het B-woord zoemt weer rond in bankenland’, Het Financieele Dagblad, 6 March 2026. In the original, the ‘three B’s’ are the Dutch words *bonussen, buffers en belastingen* (bonuses, buffers and taxes).