

Op-ed: An explicit competitiveness mandate for EIOPA would miss the point

Europe's competitiveness challenge cannot be solved by tinkering with the mandate of its financial supervisors

Recent shifts in the global economy have forced Europe to face up to an uncomfortable reality: its competitiveness is flagging. The causes are numerous, from high energy costs and market fragmentation to the lack of scale-up financing. Complex rules, including in financial services, have also been blamed for holding back European businesses.

Simplifying the rules that firms must navigate is undoubtedly part of the answer. But Europe's renewed focus on competitiveness and regulatory streamlining has also prompted bolder calls for the bloc's financial supervisors to be given an explicit competitiveness mandate.

The appeal of this proposal for undertakings is obvious. The case for it, less so.

For financial supervisors in the EU, such a mandate would be largely symbolic. It would do little to address the structural factors that determine Europe's competitiveness and would likely leave supervisors with few meaningful levers to influence economic outcomes. Yet it could create confusion about priorities, weaken supervisory credibility and ultimately risk undermining trust in the financial system.

Advocates of an explicit competitiveness mandate are keen to suggest that lighter rules and less intrusive supervision would automatically benefit firms and the economy as a whole. Financial history offers little support for that view. Periods of regulatory easing pursued in the name of boosting growth have too often sown the seeds of subsequent crises. The result has rarely been sustained competitiveness, but rather a cycle of short-term gains followed by costly corrections.

The proposal starts from a flawed diagnosis. The sources of Europe's competitiveness struggles lie elsewhere and would scarcely be affected by the rewording of supervisory mandates. Most factors that play a decisive role in shaping growth and competitiveness – like taxation, legal frameworks, market structure, labour conditions, skills, research or the price and availability of money – fall outside supervisory competences. Financial regulation's contribution to this objective is therefore necessarily indirect and limited.

Within its remit, EIOPA already contributes to the conditions that underpin competitiveness. Through its founding regulation, EIOPA is tasked with improving the functioning of the internal market, promoting supervisory consistency and preventing regulatory arbitrage. These may sound like technical objectives, but they are essential building blocks of competitiveness.

EIOPA's mandate also requires it to consider the potential costs and benefits of its work and to apply proportionality measures in line with the nature, scale and complexity of the risks that insurance undertakings carry. Its recent work on regulatory simplification is further testament to the fact that EIOPA is keen to support competitiveness where it reasonably can.

Yet one of the most important contributions supervisors make to competitiveness is trust. Insurance and pensions are built on promises – often over decades. Their ability to mobilise savings, support investment and provide financial security depends on confidence that firms will remain resilient through economic cycles and periods of market stress. That confidence is not created despite but because of robust rules. It is no coincidence that Europe is home to many of the world's largest and most internationally active (re)insurers.

The debate therefore risks setting up a false choice between competitiveness and stability. The two are not mutually exclusive. A stable, well-supervised financial sector attracts investment, lowers uncertainty and provides the foundation for sustainable growth. In an increasingly uncertain world, stability and predictability have become competitive advantages in their own right. Light-touch rules may deliver short-term gains, but they offer no more than a mirage of long-term competitiveness.

More fundamentally, an explicit competitiveness mandate wouldn't only create conflicting or, at best, ambiguous objectives for supervisors. It would also blur the line between political and supervisory responsibilities. Competitiveness ultimately depends on choices about risk: how much resilience society is willing to trade for higher returns, lower costs or faster growth. Those choices are inherently political and must remain with legislators and governments. Independent technical supervisors should not be forced to step into this domain.

This is not to say that regulation should be shielded from scrutiny. On the contrary, supervisors should continuously assess whether requirements remain necessary, proportionate and effective. Reporting obligations that no longer serve a clear purpose should be reviewed. Unnecessarily complex rules, including those that continue to fragment the single market, should be removed. And the industry should be closely involved in identifying areas where rules can be simplified without compromising supervisory objectives.

This is where the debate should focus. Europe does not need supervisors with political mandates. It needs smarter regulation, deeper capital markets and a truly integrated Single Market. Those reforms would do far more to strengthen competitiveness than introducing a new role for supervisors.

Europe's competitiveness challenge is real and demands forceful policy responses. Supervisors will contribute most effectively to the continent's prosperity by doing what they were created to do: safeguarding a stable, trusted and resilient financial system for the benefit of consumers.