

Eiopa Note on Competitiveness

As the global economic landscape is evolving rapidly, Europe has placed competitiveness at the centre of its agenda. In the financial sector, many stakeholders call for supervisory authorities to take greater account of competitiveness considerations or even to be granted an explicit competitiveness mandate.

Some point to the UK's Prudential Regulation Authority (PRA), which since 2023 has had a secondary competitiveness and growth objective, as a model for the EU (see Annex). But the comparison is flawed. The PRA operates in a single jurisdiction and has delegated rule-making powers, allowing it to shape prudential standards directly alongside its new mandate. Eiopa, by contrast, does not have equivalent authority, as the EU legislator has consciously chosen not to grant legislative powers to it. Those powers remain exclusively with the EU institutions, which must balance regulatory objectives with wider considerations, such as competitiveness. Solvency II provides an example: the reduction in capital requirements resulting from the recent review went beyond Eiopa's prudential advice and was ultimately decided by policymakers, including in light of competitiveness considerations. Moreover, Eiopa – while promoting supervisory convergence across the EU – does not oversee a single jurisdiction, but instead works with twenty-seven national supervisors responsible for implementing regulation.

While Eiopa does not have an explicit competitiveness mandate, the statutory objectives set out in its founding Regulation already frame its contribution to factors underpinning competitiveness within its remit. In particular, Article 1(6) requires Eiopa to contribute to improving the functioning of the internal market, promoting consistent supervision, ensuring a level playing field, preventing regulatory arbitrage, ensuring the appropriate regulation of insurance and pensions risks, and protecting policyholders and beneficiaries.

Competitiveness and stability

Importantly, these objectives reflect the broader lesson that long-term competitiveness and growth in financial services depend not only on an appropriate regulatory framework, but also on stable, credible, and well-functioning supervision. Yet, those arguing that regulators and supervisors must do more to "promote competitiveness," often imply that lighter regulation is the solution. But historical evidence in the broader financial sector tells a

different story: episodes of regulatory easing to boost competitiveness and growth have often preceded financial crises.

An explicit competitiveness mandate for EIOPA risks creating conflicting or ambiguous objectives, including a trade-off between stability and competitiveness. For instance, lower capital requirements might improve short-term profitability, but at the expense of future resilience. Lighter supervision could cut compliance burdens, but at the risk of undermining trust. Worse still, a competitiveness mandate could politicise EIOPA's work. If EIOPA were seen as a tool for boosting market shares rather than safeguarding stability, its credibility would suffer. Ultimately, competitiveness comes down to deciding how much risk we are willing to accept in the system — and that is fundamentally a political decision.

Competitiveness and stability are not mutually exclusive. EIOPA strongly supports Europe's ambition to strengthen its competitiveness. But its mandate should remain anchored in its core mission: contributing to European societal resilience by ensuring the stability and sustainable development of the European insurance and occupational pensions sectors. Through sound, consistent and proportionate regulation and supervision, EIOPA helps foster an environment conducive to trust, investment and sustainable long-term growth.

The broader determinants of EU competitiveness

Many important drivers of EU competitiveness fall outside EIOPA's remit. Factors such as taxation, the legal and institutional framework, market structure, labour market conditions and skills, infrastructure, innovation capacity, education and research, as well as monetary policy, all play a decisive role in shaping economic growth and competitiveness, including in the financial sector. In this respect, the competitiveness challenges the EU currently faces are rooted in broader structural issues that extend well beyond financial regulation and supervision. Addressing them therefore requires a concerted effort across a wide range of policy areas and institutions. Against this background, the contribution of financial regulation and supervision to competitiveness is necessarily more indirect and limited.

The competitiveness of the insurance and pensions sectors should also be considered in light of their contribution to the broader societal and economic objectives. These sectors must remain robust and adaptable in order to provide value for money, support adequate retirement outcomes, and help finance the wider economy, including by channelling savings into productive investments. Sustainable competitiveness depends on open and well-functioning markets, innovation, and the ability to adapt to market disruptions and structural change. It also depends on further progress towards a truly integrated Single Market: deepening integration, removing remaining barriers, and creating the scale necessary for

Europe to compete globally. No individual national market in the EU — not even the largest — is sufficiently large to compete successfully on a global scale.

Looking ahead: burden reduction and simplification

EIOPA’s mandate already requires it to consider the potential costs and benefits of its work, applying proportionality to the nature, scale and complexity of the risks inherent in the business of a financial institution. Moreover, in the context of the EU’s broader push for regulatory simplification and burden reduction, EIOPA is committed to delivering meaningful regulatory simplification initiatives within its remit. As an example, our recent work to simplify Solvency II – shortening guidelines, reducing reporting requirements, and reinforcing proportionality – demonstrates this commitment. These efforts are driven by our existing mandate.

Going forward, and still within its mandate, EIOPA should support competitiveness through the levers available to it: targeted simplification and reduction of unnecessary complexity, deeper integration of the Single Market, stronger supervision, and removal of barriers that prevent the insurance and pensions sectors from serving the real economy efficiently.

EIOPA’s efforts should focus on identifying aspects of regulation that may inadvertently stifle growth or competitiveness. The objective is smart regulation – one that prescribes only what is truly necessary. Additionally, supervisors should adopt a mindset of continuous evaluation, regularly assessing whether existing requirements – including data reporting obligations – remain necessary and proportionate. In this effort, continuous dialogue with industry is key. This will help foster a different supervisory culture and strengthen accountability. Finally, EIOPA will continue to assess where barriers to the well-functioning of the Single Market exist and can be removed. This would strengthen Europe’s competitiveness without weakening the clarity, independence and credibility of supervision.

Annex: Assessment of PRA's second report on competitiveness and growth

The PRA's second report ([here](#)) outlines actions taken between July 2024 and June 2025 to embed and advance the secondary competitiveness and growth objective (SCGO). The report provides an overview of implemented measures, finalised policy, and other initiatives advanced during the reporting period.

As the PRA supervises banks, building societies, credit unions, insurers and PRA-designated investment firms, several measures covered in the report relate primarily to banking or bank capital and have no direct equivalent in insurance or pensions regulation. Other initiatives concern broader financial-market or cross-sector issues, often jointly with the FCA or the Bank of England. The insurance-specific measures are more targeted, including Solvency UK, Matching Adjustment reforms, Insurance Special Purpose Vehicles, or insurer mobilisation.

Several PRA measures nevertheless have functional parallels in EIOPA's work, particularly on proportionality, digital operational resilience / DORA, stress testing, reporting simplification and supervisory convergence. However, the legal basis and policy framing are different. Unlike the PRA, EIOPA does not have a competitiveness and growth objective. EIOPA's work is grounded under its own mandate and statutory objectives, in particular Article 1(6) of Regulation (EU) No 1094/2010: improving the functioning of the internal market, promoting consistent supervision, ensuring equal conditions of competition, preventing regulatory arbitrage, appropriately regulating insurance and pensions risks, and protecting policyholders and beneficiaries.

The principal PRA measures, and possible EIOPA parallels, are summarised below:

- 1. Basel 3.1 implementation.** The PRA published the second near-final Basel 3.1 policy statement, aiming to promote stable and reliable financing to the UK real economy and tailor the standards to the UK context. Measures included SME and infrastructure lending adjustments, lower capital requirements for certain trade-finance activities, and reforms designed to narrow the gap between standardised and internal-model approaches, including through the output floor.

This change is not relevant for insurance and pension regulation.

- 2. Strong and simple regime for small banks.** The PRA proposed significant simplifications to the prudential regime for small domestic deposit takers (SDDTs), including simplifications to the capital stack, Pillar 1, Pillar 2A, the capital buffer framework, regulatory capital, ICAAP, ILAAP and capital reporting. The report also states that firms were already benefiting from liquidity and disclosure simplifications implemented during 2024.

EIOPA recommended a new proportionality framework that was introduced through the Solvency II review. In particular small and non-complex insurers will benefit from the new framework.

- 3. Support for market entry.** The PRA continued to support new entrants through the New Bank Start-up Unit and New Insurer Start-up Unit, including pre-application engagement. It also introduced a new insurer mobilisation regime effective from 31 December 2024, allowing newly authorised insurers up to 12 months to complete build-out while subject to business restrictions, proportionate requirements and lower minimum capital requirements. Since launch, the units have supported authorisation of 34 UK-headquartered banks, 20 overseas bank subsidiaries and branches, and 35 insurers.

For the sectors under its remit, EIOPA does not have a directly equivalent role or initiative. In the EU, authorisation of insurance and reinsurance undertakings remains primarily a responsibility of national competent authorities. There are also no specific initiatives on new insurers under Solvency II. However, new insurers can benefit from the new proportionality framework and the increase of thresholds for the application of Solvency II that are introduced with the Solvency II review. The changes implement EIOPA's technical advice. Going forward, and with a view to enhancing efficiency, EIOPA could work closely with NCAs to improve authorisation processes (including e.g. licensing procedures and fit and proper assessments).

- 4. Remuneration reforms.** The PRA and FCA proposed reforms to simplify the remuneration regime and make it more proportionate, including reducing the seven-year bonus deferral period for some senior staff to five years, reducing the number of staff in scope, and improving the link between accountability and remuneration. The PRA presents this as supporting firms' ability to attract and retain talent while maintaining alignment with international standards.

This measure is bank-specific. The PRA report presents it as part of reforms to remuneration rules in the banking sector, and the underlying PRA/FCA consultation states that it is relevant to banks, building societies and PRA-designated investment firms, but not to insurers. In the insurance sector, in line with EIOPA's recommendation, the proportionality of the requirements on variable remuneration will be enhanced through the Solvency II review.

- 5. Leverage ratio treatment of omnibus account reserves.** The PRA finalised rules treating reserves held in omnibus accounts consistently with reserves held under traditional arrangements. The PRA states this removes a potential impediment to omnibus account adoption, may improve flexibility and reduce credit risk, and may make the UK framework more attractive.

This change is not relevant for insurance and pension regulation.

- 6. Banking thresholds and stress testing.** The PRA reviewed thresholds in the banking system, including a proposal to raise the retail deposits threshold for leverage-ratio application from £50 billion to £70 billion. It also contributed to the Bank of England's new stress-testing approach from 2025, including a move to biennial frequency and updated participation thresholds, which the report links to reduced burden, efficiency gains and competitiveness.

For the sectors within its remit, EIOPA has taken a burden-sensitive approach to future stress-testing work. The next insurance stress test is planned for 2028 and the next IORP exercise for 2029. As the revised Solvency II Directive enters into force in 2027, running a bottom-up stress test in the same year would increase the burden on stakeholders and create technical challenges. On a cost-benefit basis, the Board of Supervisors decided to postpone the insurance exercise from 2027 to 2028, with the IORP exercise shifted accordingly to avoid overlap. To bridge the gaps between the 2024 and the 2028 exercise, EIOPA's board agreed on a set of ancillary activities: i) to run an exploratory top-down exercise in 2026; and ii) to collect quantitative information on the impact of the revised Solvency II in 2027. These conclusions were reflected in the Single Programming Documents of EIOPA.

- 7. Securitisation capital requirements.** The PRA proposed securitisation capital reforms, including changes to the p-factor to reduce a UK disadvantage relative to the EU and US, make the framework more risk-sensitive, and make securitisation more viable as a risk-transfer tool for a wider range of firms.

The ESAs made recommendations on improving the proportionality of the Securitisation Regulation in 2025. The political negotiations on the revision of the Regulation are ongoing. As part of the Solvency II review, COM significantly reduced the capital requirements for securitisation investments. EIOPA advised against the reduction.

- 8. Insurance Special Purpose Vehicles.** The PRA proposed reforms to the UK ISPV regime to allow a wider range of transaction structures, reduce applicant costs, improve the application process, and create an accelerated pathway under which some complete applications, such as certain catastrophe bonds, could be approved within 10 working days rather than 4–6 weeks.

No corresponding initiative in the EU.

- 9. Solvency UK and Matching Adjustment reforms.** The PRA finalised Solvency II restatement reforms through PS15/24, creating a more tailored, simplified and flexible insurance regime. It also advanced Matching Adjustment reforms that widen the potential range of assets in MA portfolios and allow broader and quicker investment. Separately, it consulted on the Matching Adjustment Investment Accelerator, which would allow firms to hold a limited quantity of MA-eligible assets in an MA portfolio for 24 months before submitting an application.

The Solvency II review includes similar changes in some areas, for example on the risk margin. Changes are generally based on EIOPA's technical advice. However, on capital relief the changes go further than EIOPA's technical advice. Other than in the UK, the matching adjustment is of limited relevance in the EU.

- 10. Cooperation with Lloyd's.** The PRA advanced cooperation with the Society of Lloyd's and the FCA to make Managing Agent authorisations quicker, improve coordination, reduce duplication and lower regulatory costs without compromising prudential standards.

Although EIOPA has not taken any action in this regard, the Lloyd's market and MGAs are something that EIOPA looked at both as part of the work on third country governance arrangements as well as part of the broader OVS and C-OVS work (i.e.: joint note on MGAs). EIOPA's IDD application reports highlighted that insurers are increasingly outsourcing key functions to MGAs, creating concerns about weak oversight, conflicts of interests, unclear responsibility for product governance and difficulties in cross-border supervision.

EIOPA will need to assess – under the RIS – to what extent the EU market relies on third countries to underwrite some specialty risks and also to propose solutions for a 'third country governance regime under IDD'. Together with the NBB, EIOPA could engage with the Lloyd's market to better understand how we can build capacity in the EU, also for specialty risks.

EIOPA staff have also explored the possibility of widening disapplication of conduct of business rules (disclosure requirements and POG) for commercial risks and large firms to ensure more proportional regulation, reduce costs for industry and consumers and address information overflow. The objective would be to reduce burden for larger firms while still protecting SMEs.

- 11. Recognised exchanges policy.** The PRA proposed a recognised exchanges policy and transfer of main indices to increase the availability of risk-sensitive prudential treatment for assets traded on recognised exchanges and better align the UK approach with other major jurisdictions.

This change is not relevant for insurance and pension regulation.

- 12. Equity-options margin exemption.** The PRA and FCA proposed an indefinite exemption for single-stock equity options and index options from UK bilateral margining requirements, to avoid increased trading costs and potential migration of activity to lower-regulated jurisdictions.

EMIR3 introduced the same permanent exemption in the EU at the end of 2024. In 2023 the ESAs supported the smooth introduction of the permanent exemption through a no-action letter, which allowed market participants not to post margin until the application of EMIR3.

- 13. Critical third-party operational resilience.** The PRA, jointly with the Bank, FCA and HMT, finalised proportionate requirements and expectations for critical third parties to manage systemic operational-resilience risks while supporting the safe adoption of technology and third-party services.

EIOPA, together with the other ESAs, has contributed to the implementation of DORA, which establishes an EU-wide framework to enhance the digital operational resilience of the financial sector. In November 2025, the ESAs published the list of designated critical ICT third-party providers (CTPPs).

- 14. Innovation work.** The PRA held a July 2024 innovation roundtable and collaborated with the wider Bank on innovation issues, including AI and machine-learning survey work, the Bank's AI Consortium, and work on innovation in money and payments.

EIOPA work on digitalisation and AI governance, including engagement with the AI Office; publication of its Opinion on AI governance and risk management, and wider work on AI, big data analytics, SupTech and generative AI.

There have also been innovation initiatives in the field of sustainability, such as the development of a proof of concept on the use of Earth Observation data for supervisory purposes and the development of AI tools for supervisory activities.

- 15. Third-country branches and subsidiaries.** The PRA updated SS5/21 and branch reporting, simplified elements of branch reporting, increased two FSCS-covered deposit thresholds, and advanced booking proposals that allow a range of booking structures and use of international resources. The report links this to responsible openness and UK competitiveness.

This specific PRA measure does not encompass insurers (it concerns the PRA's supervisory approach to international banks operating in the UK through branches or subsidiaries). For the sectors within its remit, EIOPA revised third-country branch guidelines as part of its Solvency II reporting and disclosure package in 2026. The Guidelines were shortened, but their content was not materially changed.

- 16. International engagement.** The PRA continued international supervisory cooperation, including 80 MoUs across 50 countries, cooperation with EU and EEA authorities, the ECB, EBA, EIOPA and IAIS, support for HMT financial dialogues and FTAs, and active engagement in BCBS, IAIS and FSB standard-setting. This measure is cross-sectoral across the PRA's prudential remit and is not limited to banks. The report gives particular prominence to banking and insurance engagement: banking through cooperation with the ECB/SSM, the Federal Reserve and the BCBS, and insurance through cooperation with EIOPA and the IAIS, including work on Insurance Core Principles, the Insurance Capital Standard and funded reinsurance.

EIOPA actively engages with the IAIS, the other ESAs and national competent authorities to promote consistent, risk-based supervision, supervisory convergence and effective cross-border cooperation. This includes ESA Joint Committee work on cross-sectoral risks and international IAIS work on global insurance supervision and systemic risk. Even if not explicitly mentioned, the PRA's heavy involvement on the ICS is related to this mandate, as it intends to create eventually a level playing field with other third countries. On this topic, EIOPA involvement matches that of the PRA (e.g. at technical level the PRA chairs the WG developing ICS, the CSWG, while EIOPA chairs the WG assessing ICS and other standards, the SAWG).

Given EIOPA's limited resources, its international engagement is remarkably effective. It ensures that NCAs – including those from Member States with limited resources – are fully involved in discussions and decision-making, reflecting EIOPA's "Team EU" approach.

- 17. Embedding the SCGO internally and externally.** The PRA embedded the SCGO through the Policy Approach PS, staff training, training for supervisors and authorisations teams, support for decision-making committees, PRC/SRPC engagement, twice-yearly

PRC reporting, stakeholder engagement, research initiatives, and changes to supervisory decision-making frameworks to improve efficiency. It also communicated its approach through published letters and speeches.

EIOPA does not have an equivalent SCGO and therefore does not have a comparable internal competitiveness scorecard. However, EIOPA embeds its own statutory objectives and mandate through its Single Programming Document, annual work programme, annual report, risk dashboards, supervisory convergence work, peer reviews, stakeholder engagement, consultations and reporting on strategic priorities.