



Unit D1 - Banking regulation and supervision,
Directorate-General for Financial Stability, Financial Services and Capital Markets Union,
European Commission
1049 Brussels
Belgium

17 April 2026

Dear Sirs:

RE: CONSULTATION ON THE COMPETITIVENESS OF THE EU BANKING SECTOR

We write on behalf of the Aviation Working Group (www.awg.aero –‘AWG’). AWG is a not-for-profit entity co-chaired by Airbus and Boeing whose membership comprises the world’s major aviation manufacturers, leasing companies, and financial institutions. AWG contributes to the development of policies, laws and regulations that facilitate advanced international aviation financing and leasing.

This letter conveys general points regarding several of the questions raised in the above consultation. In addition to this letter, we are inserting these points in the on-line form.

As stated in section 1.1 of the consultation, banks’ capacity to finance a competitive EU economy is systemically crucial - as banks remain the most used source of financing by EU businesses.

More specifically as regards aviation finance:

- Major European banks play a central role in the European and international aviation financing markets;
- Such banks are industry leaders, having accumulated world-leading expertise and sophistication; and
- Continuation of that leading role cannot be taken for granted: competition in global markets is a delicate equilibrium - which needs to ensure that competitiveness is not distorted or adversely impacted by burdensome and unwarranted regulatory policy measures.

Question 1 of section 1.1 asks how the banking sector currently supports economic growth in the EU and how could banks do more to boost productivity and economic growth.

Question 2 raises a closely interconnected issue which is whether barriers affecting bank financing in support of the economy, including in areas identified as political priorities by the EU or Member States are observed.

On these questions: an increase in LGD input floors and other strictures on the A-IRB and F-IRB approaches over time acts as an impediment to the banking industry’s ability *inter alia* to finance high quality transactions. The criteria under CRR3 do not take sufficient account of high-quality physical collateral and/or credits in relation to determining LGDs under IRB approaches, thus may incentivize the financing of higher risk transactions.

The core problem in this context is that the CRR 3 position which imposes higher capital charges on aviation financing is not justified by the experience of banks in terms of the realities of recovery rates.

Section 1.2 raises questions on the comparative competitiveness of EU banks in the international markets. Broadly, more stringent capital requirements in the EU makes it materially more difficult for EU banks to compete with banks in other regions who are not subject to similar constraints. This is also true in relation to competition with funding

vehicles in the EU or elsewhere which are not subject to the same (or any) prudential regime.

Section 1.5 of the questionnaire focuses on issues in relation to the international level playing field. This section of the paper states that a level playing field among the global players is critical when it comes to the regulatory framework, to ensure appropriate competition, fair treatment and outcomes for customers and global financial stability. We fully concur.

An impairment in the capacity of banks to apply advanced models to aviation finance exposures under CRR3 will distort the competitiveness of EU banks in the global market. The resulting pricing of loans from increased capital charges will lead to an uneven playing field in an international context.

AWG submits that LGD floor increases under IRB approaches and other restrictions on, and penalties in using, A-IRB models: (i) do not reflect the observed realities or risk, and have the consequence of reducing European competitiveness, and perversely, penalizing European aviation financiers; and (ii) has resulted, and will in the future further result, in materially less aviation finance lending by European banks and to European airlines, all with adverse effects, including a diminution of European control in financing European aircraft deliveries. The cumulative effect of these measures is an uneven playing field for EU banks.

Further, complex and diffuse regulatory developments, interpretation and implementation have resulted in an increase in aggregate restrictions on EU banks, compounding the above adverse effects.

The net effect of the foregoing can be seen in the decreased share of EU banks financing of aircraft deliveries with debt from 45-40% to 30-25% over the past three years. Absent changes to the CRR3 rules permitting the realities of aircraft recoveries to be reflected in A-IRB models, this reduced share is to expected fall further and materially.

In conclusion and without limiting discussions on addressing current difficulties in interpretation and application of CRR3, regulations should be frozen until rules and practices which increased the cost of EU bank financing are quantitatively justified, which, we respectfully submit, has not occurred to date. We respectfully request **that current measures as at today should be frozen as at end 2025** pending the provision, distribution, and assessment of, and related consultation on, compelling data for the increased regulatory burden.

Freezing implementation of such costly regulatory measures has sound precedent as a matter of best EU regulatory practice (e.g. MiFIR market data and transparency regime, ESMA market data guidelines and EU regulators' implementation of key Basel III elements such as the output floor).



Yours sincerely,
Jeffrey Wool
Secretary general