



The evolving European credit risk regulatory landscape after CRR3

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Regulatory Requirements on Internal Risk Systems
Risk Management

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February 10th, 2026



Foreword



The **proper implementation of CRR3 Regulation** will be underpinned by the consolidation of a substantial body of **Level 2 regulation**, largely entrusted to the EBA. This process is expected to place a considerable **operational burden** on both institutions and supervisory authorities, which will be required to manage ambitious implementation timelines while safeguarding the internal coherence and integrity of the overall regulatory framework.



In this context, the need for **regulatory simplification** is driving a shift from a “rule-based” to a more “**principle-/substance-based**” approach. Several initiatives are underway:

- **Regulators:** in December 2025, the ECB issued proposals to simplify the regulatory, supervisory and reporting framework, following the work of the High-Level Task Force on simplification
- **Supervisors:** proposals are focused on increasing efficiency by reducing overlaps across OSIs and IMIs
- **Industry:** banks’ associations and working groups are developing practical proposals aimed at supporting simplification



Further on, we will give a look to the “**ECB Guide to internal models**” (hereinafter EGIM), whose main purpose is to provide transparency on the ECB’s understanding of the most significant aspects of the regulatory framework governing the internal models for credit, market and counterparty credit risk. As such, **the EGIM document is a living one**, intended to evolve together with the upcoming level 2 legislation. In particular, we will focus on two “hot topics”: the **governance** responsibilities for the submission to the ECB of applications concerning internal models and the **machine learning** topic, which is a novelty of the 2025 version of the document.



Finally, we will discuss about the **interaction** between the above-mentioned regulations and the **AI Act**. While an initial EBA mapping exercise has not highlighted the need for immediate changes to existing Guidelines, the forthcoming application of the AI Act - also in light of potential timeline adjustments and specifications expected under the “Digital Omnibus” package - remains a key area to monitor in the near future

Agenda



The EBA roadmap on strengthening the prudential framework



The process towards European regulation simplification

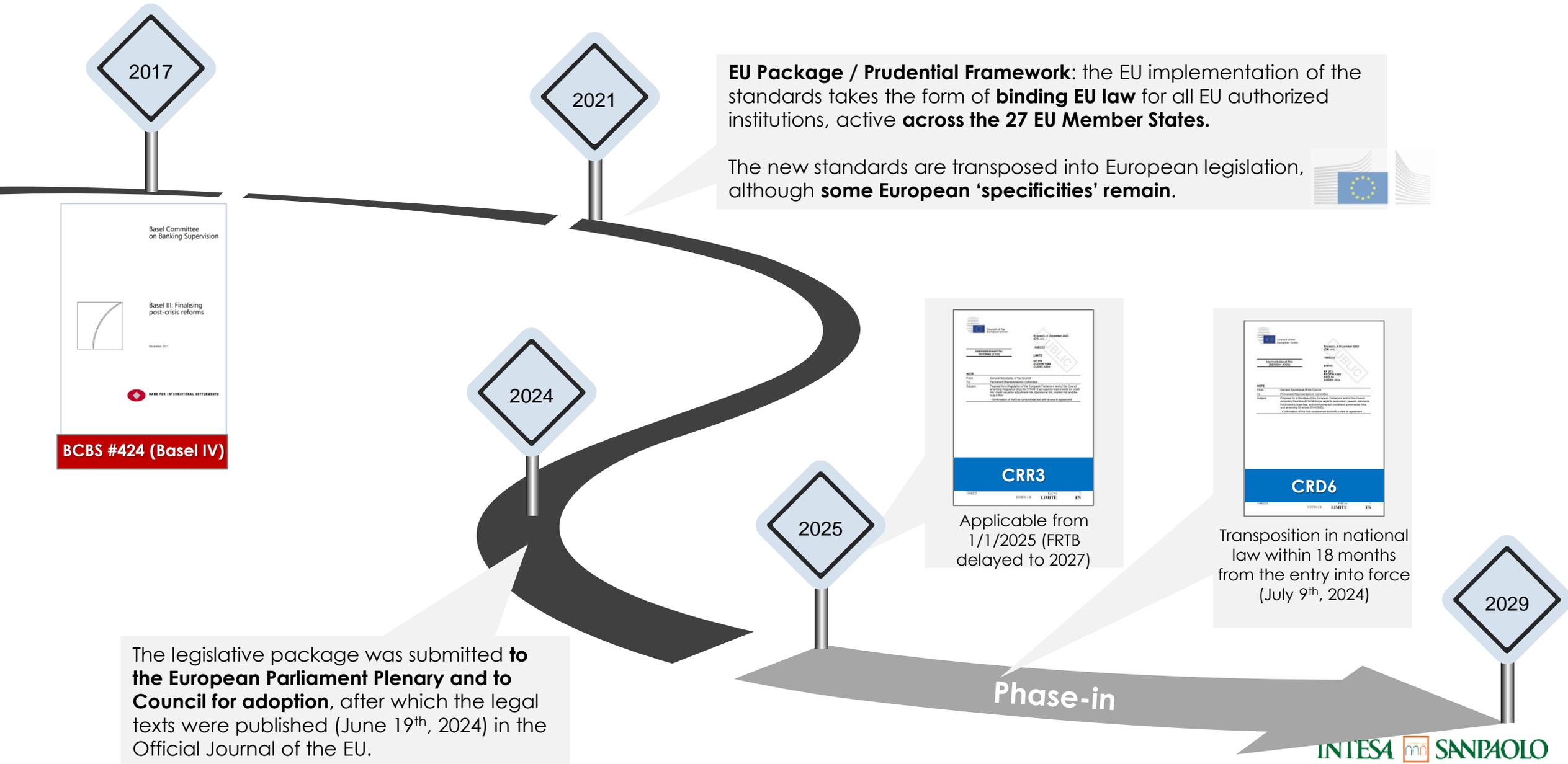


Focus on the EGIM



The interrelations with the AI Act

How the EU is implementing the Basel IV agreement



Main innovations in the banking package

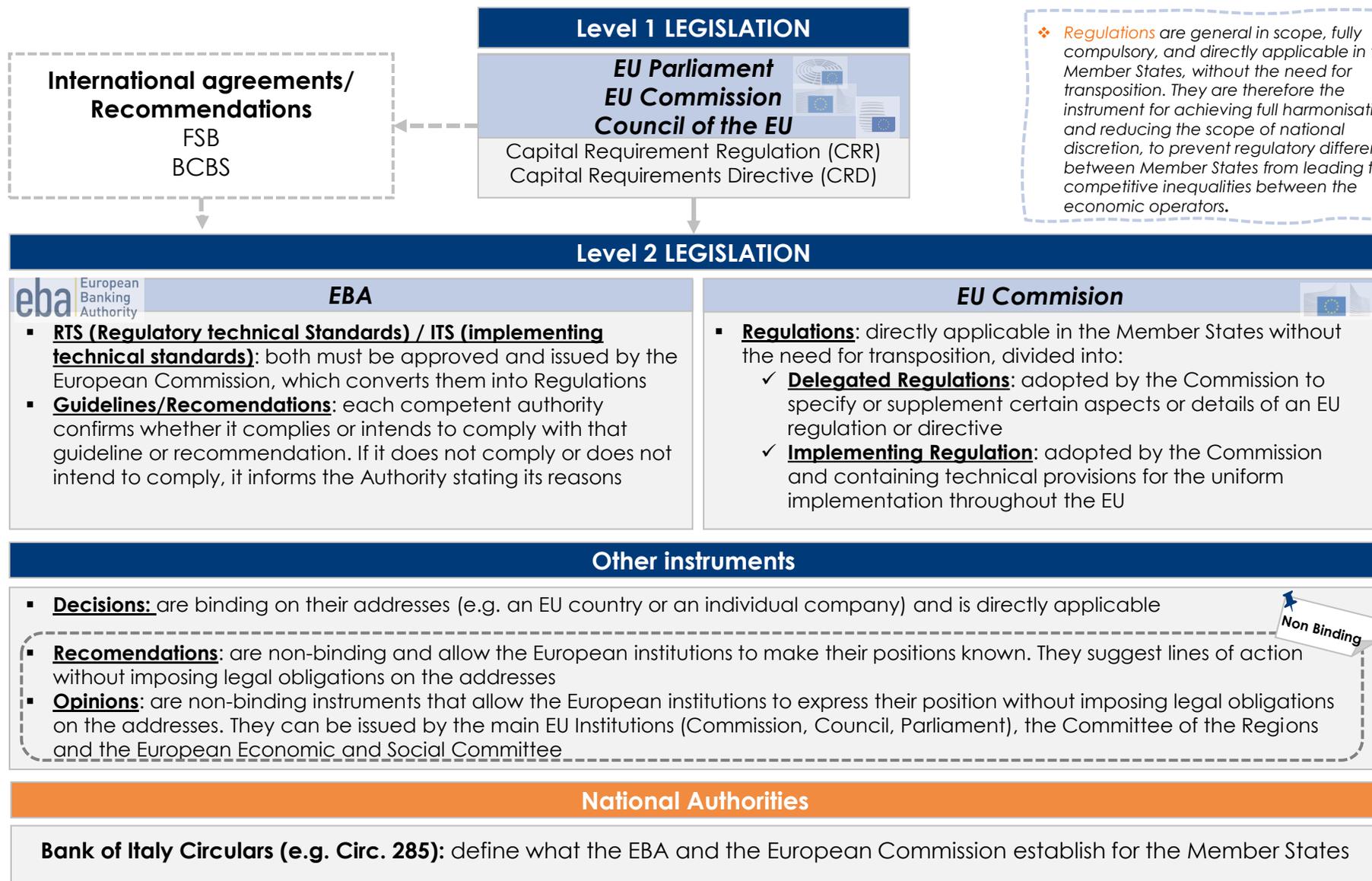
The **banking package (CRR III and CRD VI)** encompasses a number of **innovations** in the prudential framework for credit institutions.

- ❑ First, it **ensures an international level playing field** while taking into account the specific features of the EU's banking sector.
- ❑ Second, the banking package provides, deepens and facilitates access to the EU single market with **stronger enforcement tools for supervisors** overseeing EU banks, aiming at ensuring their sound management and, ultimately, better protecting financial stability and depositors.
- ❑ Furthermore, the package **contributes to the green transition** by including a new set of rules requiring banks to systematically identify, disclose and manage risks arising from ESG factors as part of their risk management.



The **EBA Roadmap** aims at facilitating the actual implementation of the law. **CRR and CRD require the EBA to develop a comprehensive set (more than 130 mandates) of technical standards, guidelines and other products.**

European regulatory framework



Definitions

❖ **Regulations** are general in scope, fully compulsory, and directly applicable in the Member States, without the need for transposition. They are therefore the instrument for achieving full harmonisation and reducing the scope of national discretion, to prevent regulatory differences between Member States from leading to competitive inequalities between the economic operators.

❖ **Directives** oblige the Member States to achieve the set out objectives, while leaving the national bodies the discretion to decide on the form and methods to be used to achieve them.

Definitions

❖ **"Regulatory"** attains to the regulatory framework, that underpins the harmonized prudential rules. Both the Level 1 legislation and the EBA's documents (like the EBA Guidelines on PD and LGD estimation) pertain to the regulatory perimeter.

❖ **"Supervisory"** attains to harmonized prudential supervisory regulations and includes all what is part of the SSM. The documents issued by the ECB (as the ECB guide to internal models) pertain to the supervisory interest.

The EBA role in actuating the banking package



is the **EU agency** in charge to contribute to create the **European Single Rulebook** in the banking sector, through the development of Technical Standards and Guidelines, The Single Rulebook's aim is to create a sole set of harmonised prudential rules for financial institutions in the whole EU.

Implementing Technical Standard



- **Technical documents** supporting the **implementation**
- Converted into **Regulation** by the European Commission (ex Reg. 1093/10)

Regulatory Technical Standard



- **Methodological documents** specifying the first level norms
- Converted into **Regulation** by the European Commission (ex Reg. 1093/10)

Guidelines



- **Soft laws** not always published in the Official Journal

The EBA roadmap for Level 2 legislation

Up to one year after the entry into force of the banking package, it includes a total of **32** mandates. This first phase has seen the **first mandates under CRD in the area of ESG**, a clear EU priority.



Expected to be **finalised within three years** after the entry into force of the banking package. It includes **most of the remaining mandates (21)**. With this third phase, most of the technical standards and guidelines will be closed.



There are some mandates (**7**) that are **ongoing and reoccurring** and are not part of any of the four phases but **were made operational at the date of implementation in 2025**.

Phase 1

Phase 2

Phase 3

Phase 4

Ongoing



- 9 RTS
- 8 ITS
- 5 GL
- 5 Reports
- 5 Other



Deadlines up to two years after entry into force. A considerable number of CRD mandates related to **high EU standards in terms of governance and access to the single market with regard to third-country branches** will be developed in this phase. It will lead to the development of a total of **43** mandates.



- 11 RTS
- 1 ITS
- 4 GL
- 5 Reports



Deadlines of four years after the entry into force of the banking package **or later**. In this last phase, a number of products (**36**), **mostly consisting of reports**, will be developed, providing information upon the implementation progress, results and challenges.



- 2 Reports
- 5 Other



Too much burden for the EBA? Too much burden for the banks?

As part of the CRR3 framework, **EBA is expected to deliver mandates in a broad range of technical areas over the coming years**. To ensure this, the EBA defined a specific Roadmap, broken down into phases, **that consists of more than 130 mandates**, including regulatory and implementing technical standards, guidelines, opinions, reports, and maintaining lists and registers.

When setting the new standards, it would be advisable for the EBA to:

- take into consideration the potential operational burden introduced;
- stick to the mandates and not extend the potential changes to elements that are not part of the relevant scope;
- pursue the right balance between the benefits for the financial stability and the costs for banks and supervisors to implement the new regulations;
- ensure that there will be no unintended overlap amongst them (e.g. by grouping the mandates on similar/connected topics to optimize their finalization and related cross-implications).

One way to simplify the overall regulatory framework would be to **move from a rule-based to a principle/substance-based approach**.

The EBA work programme 2026



Deliverables about Credit Risk in 2026

Q1	GL on the methodology to estimate IRB-Credit Conversion Factors RTS on risk weights for exposures secured by mortgages on immovable property
Q2	RTS on IRB assessment methodology RTS on permanent partial use – CP Amending GL on definition of default RTS on material model change RTS on categorisation within the specialised lending exposure class Report on the calibration of IRB risk parameters for specialised lending Report on the recognition of capped or floored unfunded credit protection Report on securities financing transactions' capital requirements GL on artificial cash flow and discount rate
Q4	RTS on criteria for high quality project finance specialised lending exposures RTS on risk weights application to specialised lending exposures Report on IRB shortfall RTS on comparable property – CP GL on immateriality of size and risk profile of exposures – CP RTS on dilution risk

Priority 1 - Rulebook: Contributing to an efficient, resilient and sustainable single market

Banking package

14. The EBA will be continuing its work on the EU Banking Package, moving towards the completion of phase 2 mandates (see EBA roadmap) and consulting or finalising mandates in phases 3 and 4.

15. A significant part of these mandates relates to the determination of capital requirements, in particular in the areas of credit risk and operational risk, and to a lesser extent CVA and trading book exposures. On credit risk, the EBA will pursue its work on the 25 products included in phases 2 to 4, focussing on those related to IRB, specialised lending. It will also initiate work on a number of “review” mandates, including the prudential treatment of leasing exposures.

16. Significant changes were introduced in the CRR in relation to entities accessing the EU market through third-country branches (TCB). In this area, the EBA will deliver on the phase 2 and 3 mandates

17. The standards concerning new supervisory tools for the prudential assessment of material changes in credit institutions, financial holding institutions and mixed financial holding institutions, such as acquisition of material holdings and mergers, will also be finalised. Such mandates are instrumental to levelling the EU playing field with regards to the prudential assessments by competent authorities in this regard.

18. In the area of governance, the relevant GLs will be amended to reinforce banks' sound governance arrangements at the top managerial level of institutions - including the need to map the duties of each individual from the management body - and with regard to ESG risks.

19. The EBA also stands ready to

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The ECB role in actuating the banking package: simplification

Simplification of the European prudential regulatory, supervisory and reporting framework December 2025



In March 2025 the ECB's Governing Council created the **High-Level Task Force on Simplification (HLTF)** to develop recommendations for simplifying the European prudential regulatory, supervisory and reporting framework for banks. The HLTF's **objective** has been **to identify undue complexities within the European regulatory, supervisory and reporting framework which may unnecessarily hamper the competitiveness of euro area banks and could place an excessive burden on them**, potentially impeding their ability to provide services to the real economy.

To address these complexities and the undue resulting burden on banks, the HLTF has formulated high-level policy recommendations for simplification, on the basis of the following principles:

- Resilience should be maintained
- Effectiveness in meeting prudential objectives needs to be maintained
- European harmonisation and financial integration should be fostered
- International cooperation should be upheld

The high level recommendations (1/2)

The task Force puts forward 17 high-level recommendations. The first nine focus on prudential regulatory measures; recommendations 10 and 11 address supervisory aspects; the remaining six concern reporting-related issues. Some of them are reported in the following:

Regulatory

- Reduce the number of elements in the risk-weighted and leverage ratio framework
- Minimum requirements composed of the highest possible quality of capital, ensuring sufficient loss-absorbing capacity
- Reciprocate macroprudential measures automatically, up to a threshold
- Refocus from directives to regulations and review the number of level 2 and 3 mandates
- A European governance mechanism whereby the Governing Council of the ECB takes a holistic view on the overall level of capital demand within and across banking union
- Finalise the savings and investment union – including completion of the banking union – to foster cross-border integration and allow for more efficient capital markets

Supervisory

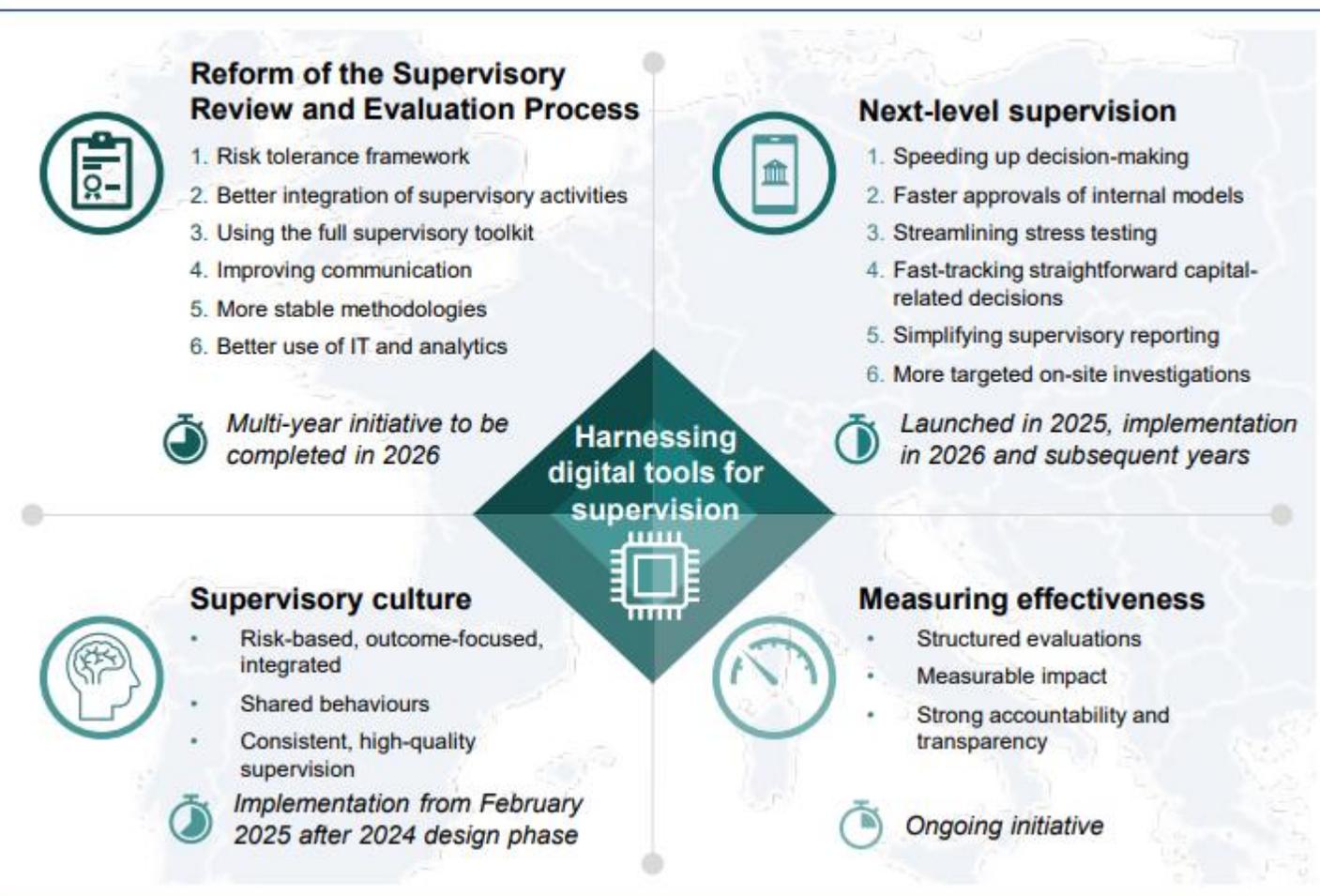
- Strengthen and complete the EU Single Rulebook to simplify supervision and help deepen the internal market in banking
- Increase the risk focus of supervision by changing the level of prescriptiveness of regulation governing supervisory processes

The high level recommendations (2/2)

Reporting

- Request once: step up coordination and data sharing among key stakeholders to avoid redundancy in data requests
- Report once: establish an integrated reporting system applicable across domains to eliminate redundancy and facilitate the multi-purpose use of data
- Resubmit less: reduce the number of data resubmissions required from banks to lower their administrative costs
- More transparency: regular and structured publication of reporting initiatives to increase transparency and reduce redundant data requests
- Review regularly: a coordinated, periodic review of reporting requirements to ensure they remain relevant and adequate
- Reform public disclosure: increase consistency between European reporting and disclosure requirements and extend the Pillar 3 Data Hub to bring bank disclosure into the digital age

The ECB role in actuating the banking package: supervision



In parallel with the report on simplification, a Supervisory Board's four-pronged reform agenda to further increase the efficiency, effectiveness and risk-based focus of prudential supervision. First, a reform of the Supervisory Review and Evaluation Process (SREP) is well advanced. Second, the objectives of the SREP reform are being extended via the "Next-level supervision" project to areas such as decision making, internal models, capital related decisions, stress testing, reporting and on-site inspections. Third, a dedicated initiative is under way to further promote a unified supervisory culture within the SSM in line with the objectives of the supervisory reforms. Lastly, the ECB is improving its analytical tools to better assess the impact and effectiveness of its supervision.

Some ideas about simplification

Some initiatives on simplification are going on from the side of banking associations and working groups. Taking inspiration from some of them, a few main points can be underlined. It seems in fact desirable:

- ❑ To elevate the role of JST in **deciding if a material model change truly requires an on-site mission**
- ❑ To **consider**, while assessing the severity of findings, **the materiality of models at overall bank level**
- ❑ To **confine inspections to their defined scope** while promoting constructive dialogue between modelling and inspection teams
- ❑ To **optimize the timing for IMI missions and models remediations**, also **adapting** the pace of processes **based on risk urgency or the bank's ability to absorb add-ons**
- ❑ To **increase coordination between IMIs and OSIs**, ensuring stricter adherence to the OSI Guide and restricting OSI criticism to relevant model uses
- ❑ To **limit the continuous expansion of the EGIM**, establishing a joint ECB-EBA-industry group to simplify EGIM
- ❑ To **limit both the frequency and scope of model updates** to align with EBA regulatory changes, **in order to increase the stability in the models**

At a more technical level, the main critical areas that are generally more controversial are:

- **Requirements for LGD estimation.**
- **Low Default portfolio models.**
- **Margin of conservatism.**

A **technical discussion** among all parties on the model-specific topics is viewed as **potentially leading to the following benefits:**

- Avoid undue complexity and effort in model development and also model review by IMI/OSI auditors and JSTs, including post-IMI remediation cycles, without lowering the quality of internal models.
- Reduce the potential for different opinions on the fulfilment of specific reviews by different audit teams (Internal Validation, Internal Audit, IMI/OSIs).
- Provide institutions with greater flexibility in regulatory or supervisory frameworks to develop models that better reflect the economics of their transactions, thereby increasing user acceptance.

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Steps towards the latest EGIM



The **ECB guide to internal models (EGIM)** aims to apply **high supervisory standards to internal models** and to make sure that related rules are understood and **applied consistently**. The EGIM is a living document, regularly updated to incorporate new regulatory developments, evolving supervisory expectations and refinements based on experience with its application.



The first version was published in 2019, being the output of the TRIM project, with the aim of explaining how the ECB interprets and applies Basel II/III and CRR requirements for approving internal models (credit risk, counterparty credit risk and market risk). The guide clarified the ECB's expectations and offered a common framework for both banks and supervisors, ensuring a more harmonized application of the rules.



The **ECB's 2024 revised Guide** clarifies its supervisory interpretation of internal model rules across general topics, credit risk, market risk and counterparty credit risk, following a public consultation. It aligns with Basel "repair" initiatives on default definition and comparability, and embeds climate and environmental risk expectations, advances a treatment of massive disposals, and outlines how banks can simplify model landscapes.



In July 2025 a new consolidated document was published, whose objective is to revise the previous version by implementing the latest European regulations, tightening requirements on internal models following the publication of CRR3 (credit, market and counterparty risk). It raises expectations on governance and, for the first time, sets binding ML requirements (transparency, explainability, data governance) with stronger data quality controls.

The revised version of the EGIM provides transparency on the ECB's understanding of the most significant aspects of the applicable regulatory framework governing the internal models used by banks.

The new structure of the EGIM



2025 EGIM

- ❑ The **generic aspects** were brought together in a new chapter on *overarching principles for internal models*, including also
 - ✓ *general principles on climate related and environmental risk,*
 - ✓ *general principles for the implementation of a changed or extended model and internal models in the context of consolidation*
- ❑ A big section of the **overarching principles** chapter is also devoted to *the use of machine learning techniques in internal models*
- ❑ The **credit risk chapter** is structured into sub-chapters on *general topics for credit risk, definition of default and estimation of credit risk parameters.*

Overarching principles and Credit risk chapters

The Overarching principles for internal models' chapter of the EGM describes how the ECB aims to ensure a uniform understanding of the non model-specific topics relating to internal models. This chapter explains the overarching principles applicable to all risk types.

Overarching principles

- | | | |
|--|---|--|
| 1. Guidelines at consolidated and subsidiary level | | 7. General principles for internal audit |
| 2. Documentation of internal models | | 8. General principles on climate-related and environmental risks |
| 3. Data governance | ○ | 9. The use of machine learning techniques in internal models ○ |
| 4. Implementation of a model risk management framework | ● | 10. Principles for the implementation of a changed or extended model |
| 5. Identification of management body and senior management | | 11. Third-party involvement |
| 6. General principles for internal validation | | 12. Internal models in the context of consolidations |

The three risk-type-specific chapters of the ECB guide to internal models (i.e. the chapters on credit risk, market risk and counterparty credit risk) explain, in a clear and transparent manner, how the ECB understands various aspects of the applicable regulations for each specific risk type. The focus of this presentation lies within the credit risk chapter.

Credit Risk

A. General topics for credit risk

1. Scope of the credit risk chapter
2. Roll-out and PPU ○
3. Internal governance ○
4. Internal validation ○
5. Internal audit ○
6. Model use ○
7. Management of changes to IRB ○
8. Data maintenance for IRB

B. Definition of default

9. Consistency of the application
10. Days past due criterion ●
11. Unlikelihood to pay criterion ●
12. Return to non-defaulted status
13. Consistency of external data
14. Adjustment to risk estimates

C. Estimation of credit risk parameters

15. Use of data
16. Probability of default ●
17. Loss given default ●
18. Conversion factor ●
19. Model-related MoC
20. Review of estimates
21. Maturity for non-retail exposures

Legend: ● Modified section/chapter ○ New section/chapter ○ Moved and modified section

Some of the most significant changes in Overarching principles and Credit risk

Machine Learning: The ECB outlines expectations for banks using machine learning in internal models, stressing explainability, justified complexity, transparency, and strong risk management processes

Roll-Out & PPU: The updated guidance on roll-out and PPU reflects CRR3, allowing banks to apply internal models to specific exposure classes without full portfolio migration, while removing the IRB coverage ratio

Internal control functions: The updated control functions guidance aligns with EBA standards, reinforcing independent validation and internal audit oversight to ensure reliable internal models and strong governance

Responsibilities for application submissions: The guidance clarifies senior management's accountability for internal model applications, stressing readiness, completeness, and proper oversight before submission to the ECB

Definition of Default & Estimation of risk parameters: ECB refines expectations for DoD, PD, and LGD, clarifying identification of default events and updating PD and LGD requirements for risk quantification purposes

Focus on machine learning

The revised EGM marks the first time the ECB has admitted the possibility of using Machine Learning techniques in internal models: a dedicated section has been introduced in the revised EGM, specifying the ECB's expectations for banks adopting these methods in their internal models. The section highlights both the potential and the challenges of such approaches, addressing a need for clarification previously raised by the industry. This represents a **key milestone in the adoption of machine learning techniques within Pillar 1 models, as it is the first time the ECB has set out expectations and opened the way to their use for regulatory purposes**. However, **this is not the first instance of a regulator addressing the topic**, as the **European Banking Authority (EBA)** had already done so in its **Discussion Paper on "Machine Learning for IRB Models"**.

- ❑ The ECB guidance emphasises that **machine learning models** must be **sufficiently explainable**, with their **complexity** justified by **tangible improvements in performance**.
- ❑ The adoption of ML **increases** the **overall complexity** and **materiality of internal models**, with higher expectations for governance, validation and reporting.
- ❑ The **principles** on machine learning should be applied **proportionately**, depending on model complexity and on the specific area of application.
- ❑ **IT infrastructure** must support **complex data** and **high computational needs**, ensuring **traceability** and **auditability** of the ML based models.
- ❑ Institutions are expected to **define scope, purpose** and **limits** of the **use of ML-based models** in the context of risk management, decision-making, credit approval, internal capital allocation and corporate governance functions.

Definition of Machine Learning: comparison between AI Act and EGIM

How to define Machine Learning?

Regulatory frameworks provide definitions of AI and ML that **are not entirely consistent**. In general, the emphasis is on the **presence of algorithms, predictions, and large volumes of data**.

Definition from the AI Act (Regulation (EU) 2024/1689)

The AI Act does **not provide an autonomous definition of ML**, but **mentions it as one of the techniques within the broader scope of artificial intelligence systems**, defined as: “systems designed to operate with varying levels of autonomy, with adaptive capabilities that generate outputs (predictions, content, recommendations, or decisions) that can influence physical or virtual environments based on specific inputs.”

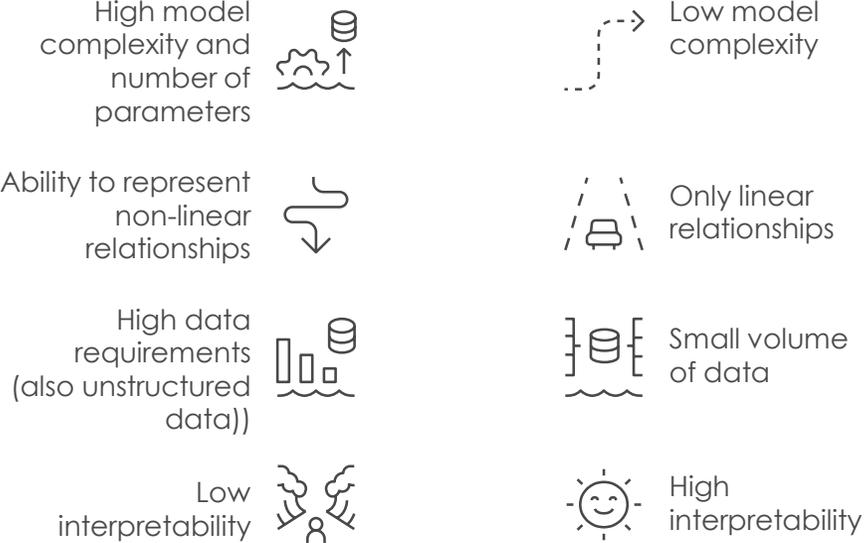
- Does **not go into detail on types of learning**.
- Has a **broad perspective** and does not exclude linear models (e.g. regression models) since it focuses mainly on inference capability.

EGIM Definition

The EGIM guide offers a **pragmatic and operational definition**. The EBA¹ and the ECB agree on some **common features** of ML:

- Use of **algorithms** to learn from data and make predictions.
- **Complex, non-linear** models, with high data requirements.
- **Low interpretability** of models.

The definition focuses on complexity and the ability of statistical learning



ML Models (Complex)

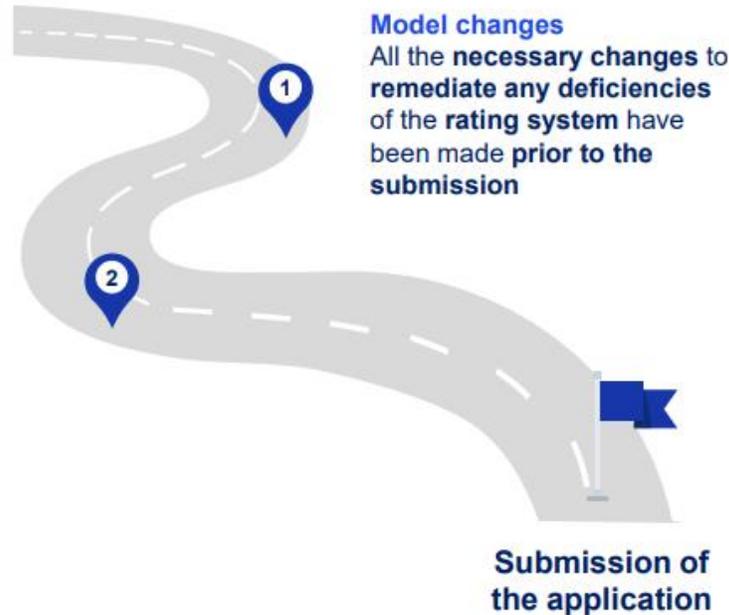
Linear Models (Simple)

(1) EBA «Discussion Paper on ML for IRB Models», 2021 and EBA «ML for IRB Models – Follow-Up Report from the Consultation on the DP on ML for IRB Models», 2023

Focus on governance responsibilities

The ECB expects the management body and senior management to be accountable for the quality and timely submission of applications and notifications for new models, model changes or extensions. Applications should only be submitted once all necessary remedial changes to address any deficiencies in the rating system have been fully implemented and after the rating system has been reviewed by internal control functions and deemed compliant with the regulation.

Readiness criteria. The institution should only submit internal model applications if



Governance responsibilities

According to the ECB's expectations, **the management body and senior management are responsible for:**

- the **quality** of applications and notifications
- the **timeliness** (i.e. adhering to the agreed timelines) of their submission and implementation of new models, model changes or extensions

The outcome of the **independent assessment conducted by the internal control functions** plays a significant role in this respect. It is expected that sufficient time will be dedicated to the independent assessment for identifying and evaluating any deficiencies in the rating system.

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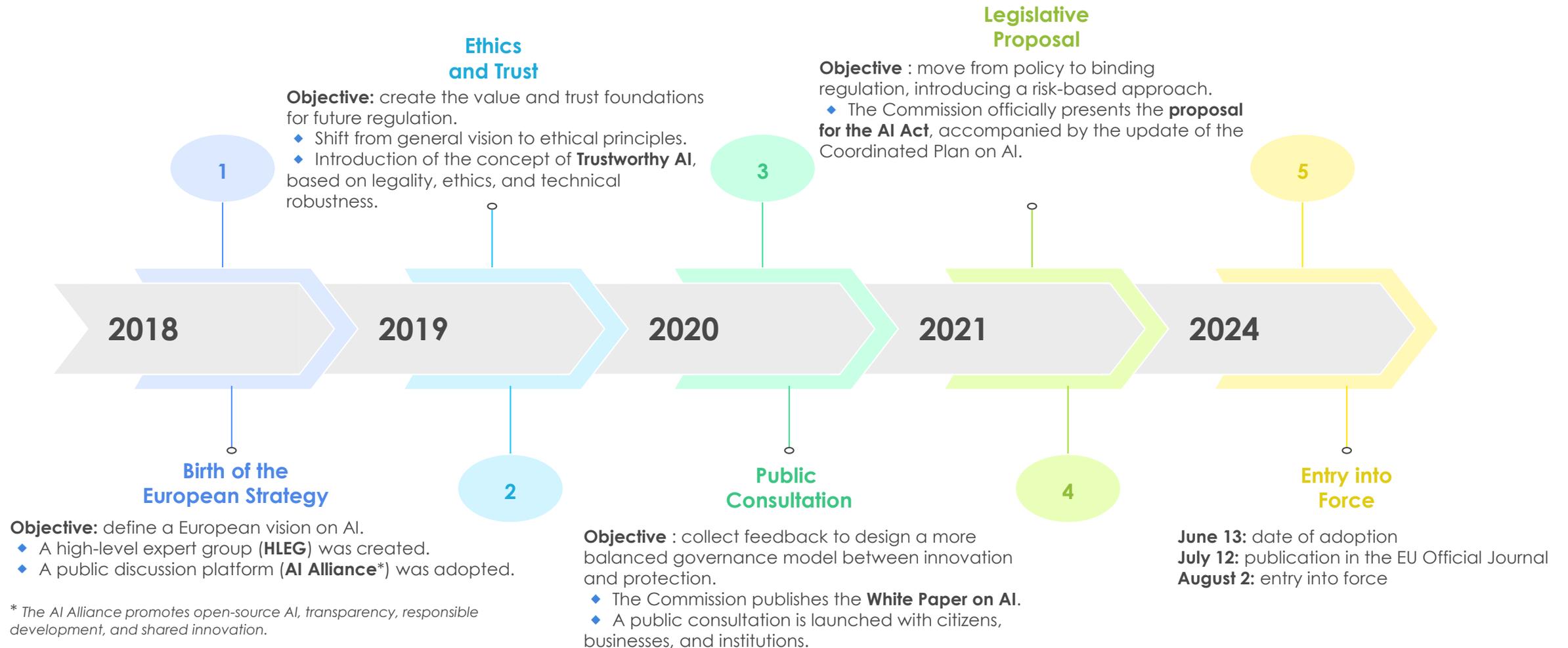


The interrelations with the AI Act

The European path towards the AI Act (2018–2024)

In August 2024, the EU's AI Act (Regulation EU 2024/1689) entered into force. Its main goals, among others, are to **create a single set of rules for how AI systems work across the EU** and **promote an AI that is safe, trustworthy and protects fundamental rights**.

The path that led to the approval and entry into force of the AI Act was long and complex. The Regulation is the result of a progressive and structured process, shaped by six years of strategic, ethical, and regulatory evolution.



The EBA's AI Act mapping exercise

In 2025, the EBA mapped the AI Act requirements on high-risk AI systems, with a focus on the use of AI for creditworthiness and credit scoring, against the sectoral requirements included in the rules within the EBA's scope of action. The purpose of the mapping exercise was to assess and promote a common understanding on the potential regulatory and supervisory implications of the AI Act for the EU banking and payments sectors.

The EBA's key findings from the AI Act mapping exercise

- ✓ **No significant contradictions have been found between the AI Act and EU banking and payment legislation.**
- ✓ **The AI Act is complementary to EU banking and payment sector legislation**, which already provides a comprehensive framework to manage risks. Some efforts may be required by banks and other financial institutions, to integrate the two frameworks effectively.
- ✓ Applying the AI Act may involve **balancing the goals of protection of fundamental rights, health and safety with the ones of other sectoral laws.**
- ✓ **The co-existence of multiple authorities (prudential/conduct authorities and Market Surveillance Authorities - MSAs) supervising financial entities' compliance** highlights the importance of supervisory cooperation to ensure effective implementation of the AI Act.

The EBA has not identified any immediate need to introduce any new or review existing EBA Guidelines. Instead, the EBA will follow up with actions to contribute to common supervisory approach to supervisory cooperation and implementation of sectoral requirements alongside AI Act requirements.

Next steps to support the implementation of the AI Act

...from the point of view of the AI Act... To avoid introducing unnecessary and unintended regulatory duplications, the AI Act acknowledges overlaps with sectoral rules and envisages targeted derogations and other types of provisions requiring an articulation between specific AI Act requirements and existing EU sectoral legislation. Upcoming EC Guidelines under Art 96(1)(e) may provide clarity on the interplay between the AI Act and sectoral legislation.

Even when the AI Act does not envisage derogations or other regulatory synergies, the EBA has found that the EU banking and payments sector legislation already includes a wide range of requirements for many of those aspects and has shared these with the AI Office, as input to EC forthcoming Guidelines on the interplay between the AI Act and EU sectoral law.

Next steps

In 2026/2027, the EBA will undertake specific activities to support the implementation of the AI Act in the EU banking and payments sector, by:



- ✓ promoting common supervisory approach and supervisory cooperation among national competent authorities in charge of financial sector supervision and market surveillance authorities;
- ✓ providing input to the AI Office, as appropriate, and participating in discussions of the AI Board Subgroup on Financial Services.

AI in the Supervisory priorities for 2026-2027

Figure 1

Supervisory priorities for 2026-28, addressing identified vulnerabilities in banks



Source: ECB.

Notes: This figure shows the two supervisory priorities for the period 2026-28 and the corresponding vulnerabilities that banks are expected to address over the next three years. ECB Banking Supervision will carry out targeted activities assessing, monitoring and following up on the vulnerabilities identified. The right-hand side of the figure shows the overarching risk category that is associated with each vulnerability.

Supervised entities should prioritise their digitalisation efforts to strengthen their competitiveness and effectively manage risks stemming from new technologies.

Over recent years, ECB Banking Supervision has identified important aspects for steering banks' digitalisation transformation in a sustainable, well-governed and risk-aware manner.

Going forward, ECB Banking Supervision will continue to monitor the general use of AI, while taking a more targeted approach to focus on banks' generative AI applications.

Main activities as part of the work programme:

- **Targeted horizontal workshops** with a selected number of banks **on generative AI applications** to strengthen supervisory understanding of how banks use these applications
- **Cooperation with market surveillance authorities** responsible for the Artificial Intelligence Act and with the European Banking Authority

Digital Omnibus Package



Simpler EU digital rules and new digital wallets to save billions for businesses and boost innovation

The Digital Omnibus is a package of proposals issued by the EU Commission on 19 November 2025, meant to lighten and assure coherence in the EU digital rules:



▪ Digital Omnibus on AI Regulation Proposal

- Digital Omnibus Regulation Proposal
- European Business Wallet
- Data Union Strategy – Unlocking data for AI



Digital Omnibus on AI doesn't write a new AI Act nor changes the basic structure (risk-based approach, risk categories, list of prohibited systems, obligations structure for high risk systems, etc.). It is instead interested **in times, governance, administrative burdens and some additional leverages**, with some focused release and a strengthening of **AI Office role**, without modifying goals and requirements which are at the basis of the rules (health preservation, security and fundamental rights ...).

Digital Omnibus on AI Regulation Proposal

Scope	AI Act	Meaning of the Digital Omnibus proposal*
High-risk AI timing	Application of high-risk rules mainly from 2.8.2026 (some exceptions until 2027).	Significant delay of terms for high-risk provider/deployer. More time to adapt.
Transparency / Contents marking (eg. deepfake)	Obligation to inform the user and to mark AI generated contents before 2.8.2026 .	Requisite substantially unchanged, but more time to adequate for already active providers.
AI literacy	General obligation for providers and deployers to ensure an adequate level of “ AI literacy ” for users and employees.	From horizontal obligation to promotion commitment: reduction of regulatory obligations referred to the minimum level of “ literacy ”, above all for non-high-risk.
Special-category data for fairness/bias	Art. 10(5) provided a limited legal basis to use sensitive data only in exceptional cases, with some practical uncertainties .	The possibility to use sensitive data for fairness is clarified and expanded ; greater legal certainty but also more attention to data protection.
AI Office & enforcement	AI Office already planned with coordination, guidelines, and oversight tasks, especially regarding GPAI, but with enforcement shared with national authorities.	Greater centralisation: less fragmentation across national authorities.
SMEs and SMCs (small mid-caps)	Discounts and simplifications only for SMEs (reduced penalties, support, lighter documentation requirements).	Extension of the “fast track” to mid-sized companies , following the assessment of the resulting regulatory impacts.
Regulatory sandboxes & real-world testing	Optional national sandboxes , with governance rules not always clear; limited real-world testing.	More “safe testing” tools and support to innovation , with fewer legal uncertainties for pilot projects.
EU database for some high-risk systems	Mandatory registration in the EU database also for some Art. 6(3) systems assessed by the provider as not posing significant risk.	Reduced administrative burdens for borderline / low-risk systems, at the cost of lower visibility in the central database.

* It is not described here the technical content of the proposal.



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Thank you for your attention

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