

# What the EU's seven-year budget plan means for banks, insurers, funds and fintech

The European Commission's Multiannual Financial Framework (MFF) for 2028–2034 signals a profound shift in how the EU allocates capital. For Central and Eastern Europe (CEE), it's not just a matter of how much money flows—but *how* it flows. Instead of traditional cohesion and grant-based instruments, Brussels proposes to pivot toward loans, equity, and guarantees under a €100 billion European Competitiveness Fund (ECF). This shift will push national promotional banks, private lenders, and institutional investors into a more central role in project financing—and fundamentally change the regulatory, risk, and capital environment for CEE financial institutions.

## 1. The headline in one sentence

Brussels will merge €865 bn of cohesion, CAP and social-policy money into national envelopes and create a €100 bn European Competitiveness Fund (ECF) that relies on loans, equity and guarantees rather than grants. This shift transforms the EU budget from a redistributive instrument into a co-financing engine—transferring risk to domestic balance sheets and fundamentally reshaping how banks, insurers and fintechs in Central and Eastern Europe operate and compete.

## 2. Capital formation: where the money moves

Instrument	2021-27	2028-34 (proposal)	Regulatory consequence
<b>Grants (cohesion)</b>	€213 bn to CEE	<b>€0</b> inside ECF; only inside NRP	<b>Vanishing first-loss tranches</b> for PPPs
<b>InvestEU guarantees</b>	€26 bn envelope	<b>Absorbed into ECF</b>	<b>Single point of entry</b> for banks structuring infra-PPPs
<b>Digital Europe grants</b>	€7.5 bn	<b>Part of ECF equity window</b>	<b>Fintech scale-ups must issue equity</b> not rely on grants
<b>EDF loans</b>	Pilot phase	<b>€25 bn callable debt under ECF</b>	<b>State-aid and ESM screening</b> for defence-tech borrowers

Table 1. From Grants to Guarantees: What Changes for CEE Finance

CEE banks that underwrote InvestEU senior debt must now re-price credit risk because EU guarantees are no longer ring-fenced.

## 3. Prudential filters: what supervisors will watch

The shift from grant-based to risk-based instruments under the ECF requires supervisors across CEE to adjust their prudential frameworks, particularly in state-aid compliance, capital classification, and solvency treatment.

### 3.1 ESM/Art. 107 state-aid

- NRP disbursements count as national resources → no EU-level state-aid exemption.
- Any ECF equity injection into banks or fintech requires Commission approval under the Temporary Crisis Framework (set to expire end-2027).

### 3.2 CRR treatment

- ECF senior loans will be senior preferred under CRR Art. 72; subordinated tranches may not qualify as Tier 2 capital.
- ECF equity stakes taken by national promotional banks (e.g., Polish BGK, Czech ČMZRB) must be deducted from CET1.

### 3.3 Solvency II

- ECF infrastructure debt issued by special-purpose vehicles will be eligible for matching adjustment only if cash-flows are EUR-denominated and regulated.
- CEE insurers holding renewable-energy equity through ECF funds must apply Solvency II equity risk charge (49 %) instead of infrastructure look-through (30 %).

## **4. Market-making: the rise of the ECF “deal-hub”**

The diagram below illustrates the proposed syndication flow under the ECF architecture, highlighting the role of CEE investment banks as lead arrangers and mezzanine tranche underwriters.

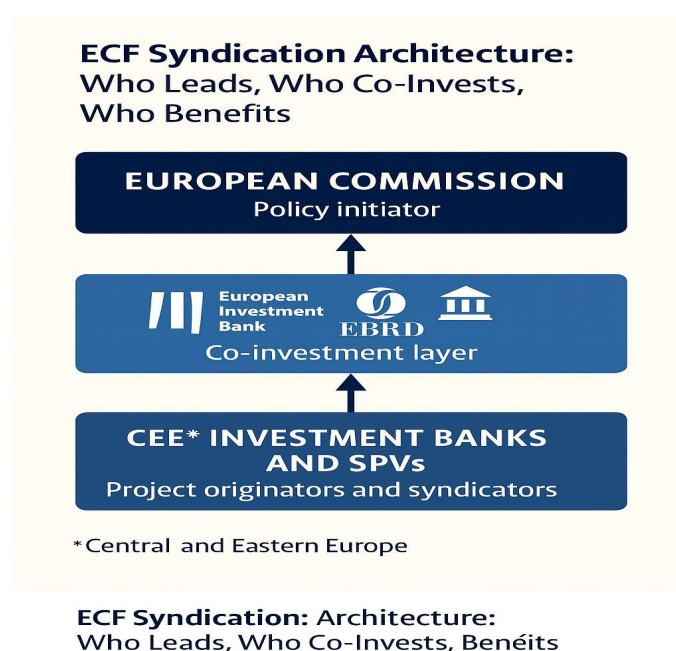


Figure 1: Structure of ECF Co-Financing and Syndication

The European Commission will task the EIB, EBRD and national promotional banks with co-investing every ECF ticket, effectively transforming these institutions into the gatekeepers of a new, risk-sharing co-financing architecture.

This mechanism will create a semi-permanent pipeline of approximately €100 billion in blended finance—comprising senior debt, mezzanine tranches and equity—that CEE banks can syndicate, warehouse or scale via public-private platforms.

For CEE investment banks, the ECF is not just a source of funding but a structural opportunity to reposition as long-term deal originators.

Action for CEE investment banks:

- Pre-qualify as ECF mandated lead arrangers (application window opens Q1-2026).
- Upgrade securitisation platforms to warehouse ECF mezzanine tranches.
- Engage with national promotional banks (e.g. BGK, ČMZRB, EximBank Romania) to align co-investment terms early.

## **5. Fintech & digital finance**

The ECF Digital Tech window (€20 billion) is not a traditional innovation grant—it is a strategic capital channel aimed at firms operating under full digital regulatory alignment. Access will be contingent on demonstrable compliance with the EU’s emerging digital finance stack: DORA, MiCA, and the forthcoming AI Act.

For fintech firms in CEE, this implies a dual transformation: both technological and regulatory.

Key prerequisites include:

- Operational Resilience Certification – Crypto-exchanges, AI cloud providers, and regtech firms must obtain SOC 2 Type II, ISO 27001, or equivalent cybersecurity certification as a condition for equity injection under the ECF.
- Regulatory Passporting – MiCA licensing and DORA compliance must be completed prior to equity call, including third-party audit of ICT risk frameworks and incident reporting infrastructure.
- ESG Data Embedding – Even digital-native firms will need to incorporate simplified ESG metrics, compatible with “CSRD-light” expectations, to enable ECF-level sustainability reporting.

Strategic implication: CEE fintech clusters (e.g., Sofia, Vilnius, Warsaw) must establish pre-qualification hubs and shared services for digital compliance to prevent exclusion from the Digital Tech pipeline.

## **6. Green taxonomy & transition finance**

The €40 bn ECF Clean-Tech envelope will become the EU's primary vehicle for financing climate and energy transition projects in the next budget cycle. However, unlike previous grant-based instruments, access to ECF resources will require full alignment with the EU Taxonomy Regulation and independent third-party verification of environmental sustainability.

For Central and Eastern Europe (CEE), this marks a fundamental shift. Regions still dependent on thermal coal, such as Silesia (PL), Hunedoara (RO), and Upper Nitra (SK), will no longer receive direct subsidies unless they present a credible, bankable decarbonisation path.

Minimum eligibility requirements include:

- Publication of detailed transition plans, in line with the EU Sustainable Finance Disclosure Regulation (SFDR), specifying timelines, emission trajectories, and adaptation investments;
- Issuance of green bonds or sustainability-linked loans, with external assurance, to demonstrate private co-financing and compliance with Article 9 of the Taxonomy Delegated Act.

Projects aiming to develop Carbon Capture, Utilisation and Storage (CCUS) or Small Modular Reactors (SMRs) must also undergo life-cycle emissions assessment and justify taxonomy compliance under the “do no significant harm” principle.

Unless these conditions are met, access to Clean-Tech funding will be restricted, effectively pushing regional actors—municipalities, utilities, and public development banks—to adopt EU-compliant green finance architecture.

Strategic implication for CEE governments: establish national transition finance taskforces to pre-screen and aggregate eligible projects before the ECF window opens in 2026.

## **7. Resolution & crisis management**

Given the senior status of ECF loans, resolution authorities in CEE (e.g., the Bank Guarantee Fund in Poland or the Resolution Council in Romania) will be required to ring-fence ECF exposures within their bail-in waterfalls.

In practical terms, this means that ECF-funded liabilities must be excluded from early-loss absorption, ranking *pari passu* with protected claims such as insured deposits

or guaranteed state liabilities. This introduces complexity in resolution planning, especially for systemically important banks that may rely on ECF instruments for capital-intensive projects.

CEE banks should take proactive steps to:

- Model adverse bail-in scenarios in their Internal Resolution Plans (IRPs) and Internal Capital Adequacy Assessment Processes (ICAAPs);
- Clarify the legal subordination of ECF instruments in documentation to avoid misclassification in supervisory reporting;
- Coordinate with national resolution authorities and EBA to define treatment of ECF liabilities under the Bank Recovery and Resolution Directive (BRRD III).

Without early alignment, banks may face regulatory arbitrage risks, increased Pillar 2 capital add-ons, or delayed access to co-financing windows.

## **8. Tax and withholding**

ECF equity and quasi-equity instruments will be deployed primarily via Luxembourg SICAVs and Irish ICAVs, using EU-blessed blended finance vehicles to pool private and institutional capital. However, these vehicles come with specific cross-border tax and regulatory implications for CEE fund managers.

Key actions for the region's asset managers include:

- AIFMD Passport Activation – CEE-based managers seeking access to ECF equity flows must secure full Alternative Investment Fund Manager (AIFM) registration, including compliance with Annex IV reporting and third-country marketing rules.
- Withholding Tax Optimization – To avoid erosion of ECF returns through double taxation, firms must proactively negotiate withholding tax relief under the EU Directive on Administrative Cooperation (DAC8) and existing bilateral tax treaties.
- Sub-Fund Structuring Expertise – Managers must develop the capacity to structure eligible sub-funds in a way that ensures compliance with ECF investment mandates, particularly regarding green and digital finance objectives.

Without this alignment, CEE asset managers risk becoming passive allocators instead of active ECF co-originators.

## 9. Timeline checklist for CFOs and CROs

Date	Milestone	To-do
<b>Q4-2025</b>	Council first reading	<b>Lobby for grandfathering</b> of existing InvestEU guarantees
<b>Q1-2026</b>	EIB issues ECF term-sheet	<b>Bid for mandated arranger status</b>
<b>Q2-2026</b>	Commission state-aid guidance	<b>Seek comfort letters</b> for ECF equity stakes
<b>Q3-2026</b>	ESMA consultation on ECF disclosure	<b>Submit comment letter</b> on SFDR alignment
<b>2027</b>	Final adoption	<b>Update ICAAP and ORSA</b> for ECF risk weights

Table 2. ECF Milestones & Regional To-Dos (2025–2027)

## 10. Conclusion: adapt or miss the pipeline

For CEE financial institutions, the post-2027 Multiannual Financial Framework (MFF) is not a grant bonanza—it is a €100 billion leveraged co-financing pipeline, where regulatory alignment, ESG credibility, and syndication capacity will determine who originates and who is sidelined.

Institutions that invest early in ESG audit readiness, adapt internal capital models to EU Taxonomy, and position themselves as mandated co-arrangers under the European Capital Fund (ECF) framework will capture long-term fee income, market share, and regulatory goodwill. Those that wait for cohesion funds will compete for a diminishing pool of grants, increasingly conditioned on green performance and transition planning.