

Key Trends in Core Banking This Week

S29-2026-BNK · Reporting Period: July 14-19, 2026

EU Supervisors Tighten Control over Bank Restructurings. On 17 July, the European Banking Authority published final technical standards implementing CRD VI requirements for material acquisitions, mergers, divisions, and transfers of assets and liabilities. The framework standardizes supervisory notifications and assessment procedures across Member States.

Its significance extends well beyond the regulatory process. Supervisors are increasingly assessing whether post-transaction governance, compliance, and organizational structures remain sustainable, not merely whether capital requirements are met.

For banking groups, regulatory execution risk is becoming a core element of transaction planning rather than a post-signing consideration.

AI Infrastructure Becomes a Banking Revenue Engine and a Concentration Risk. Investment banks continue to benefit from the accelerating AI investment cycle, with financing for data centers, semiconductor capacity, and AI-related transactions generating substantial underwriting and advisory activity. Morgan Stanley expects AI capital expenditure to continue expanding through 2028.

The opportunity is matched by an equally significant concentration risk. Banks are concurrently financing AI infrastructure, advising its developers, investing in related securities, and depending on the same technology internally.

The challenge is no longer AI exposure in isolation but whether institutions understand its cumulative effect across credit, market, and operational risk.

Branch Retrenchment Rewrites the Economics of Financial Access. An ECB working paper reports that bank branches declined by more than 30% across ten Central, Eastern, and South-Eastern European countries between 2013 and 2021, driven primarily by consolidation rather than digitalization alone.

The findings suggest that distribution strategy increasingly reflects economic and competitive pressures rather than technology adoption. Physical access remains unevenly affected, particularly in rural and highly urban markets.

As branch networks contract, supervisors may increasingly evaluate not only service availability but also customers' practical ability to access financial services.

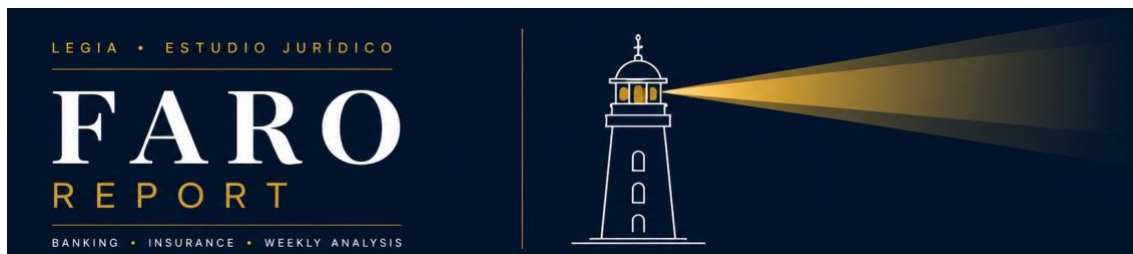
"The next concentration risk may not sit within one balance sheet, but across the financing, operation, and insurance of the same AI ecosystem."

MY TAKE

This week's developments point to a broader change in banking governance. Strategic decisions once treated separately—mergers, technology investment, and distribution restructuring, are now being examined for their cumulative institutional effects. Banks will need to demonstrate not merely that each initiative is individually controlled, but that the combined business model remains governable. Institutions that fail to recognize those interdependencies will discover them only after they become supervisory findings.

TECH TERM OF THE WEEK: "Connected AI Exposure"

The aggregate financial and operational exposure created when an institution finances AI infrastructure, advises AI companies, invests in related assets, and depends on the same technology or providers internally. Each position may appear manageable in isolation, while common valuation assumptions, infrastructure dependencies, or cyber events create correlated losses across credit, market, and operational-risk categories simultaneously.



Key Trends in the Insurance Sector This Week

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Silent AI Exposure Moves from Concept to Balance-Sheet Question. Industry analysis suggests that much of insurers' AI-related exposure remains embedded within conventional policies that neither expressly include nor exclude autonomous systems. The issue extends beyond cyber insurance into professional indemnity, D&O, product liability, and other commercial lines.

As AI agents become operationally autonomous, determining whether AI is the instrument of loss, the insured product, or an independent actor becomes increasingly complex.

The strategic concern is accumulation: exposure may develop long before policy language, pricing, and claims experience fully adapt.

EIOPA Brings Private-Asset Exposure into Sharper Supervisory View. On 16 July, EIOPA published a factsheet examining private-asset exposures held by European insurers and reinsurers, highlighting increasing supervisory attention to valuation, liquidity, and concentration risks.

Private assets continue to support long-term investment strategies but also introduce model uncertainty, embedded leverage, and limited market transparency.

The supervisory focus is shifting from asset allocation itself toward the robustness of governance, valuation controls, and risk management assumptions.

IAIS Pushes Risk-Based Solvency beyond Capital Formulas. The International Association of Insurance Supervisors published two thematic papers supporting jurisdictions implementing risk-based solvency frameworks. The guidance links ORSA practices, IFRS reporting, and supervisory assessment more closely than before.

The message is that solvency should be understood as the outcome of governance rather than a periodic capital calculation.

For insurers, prospective risk assessment and integration between financial reporting and enterprise risk management are becoming supervisory expectations rather than emerging practices.

"Insurance cannot price autonomous AI credibly while its exposure remains hidden inside policies written for human and conventional software risk."

MY TAKE

The insurance sector is moving from recognizing new risks to identifying where they already reside. AI liability and private assets may appear unrelated, yet both expose the same structural weakness: economic exposure accumulates faster than data, valuation methodologies, and contractual language can adapt. Risk-based supervision is becoming less concerned with traditional risk categories and increasingly focused on the underlying behavior of portfolios, products, and governance frameworks. Institutions that fail to recognize those hidden interdependencies are unlikely to discover them first through internal risk management; they are more likely to discover them through supervisory findings, or worse, through claims.

TECH TERM OF THE WEEK: "Affirmative AI Coverage"

Insurance coverage that explicitly and intentionally includes AI-related risks within the policy form, pricing, and underwriting terms, as distinct from silent AI exposure, where coverage is neither confirmed nor excluded. Affirmative coverage requires the carrier to identify the AI risk being assumed, model its frequency and severity, define causation and aggregation triggers, and price the exposure deliberately. Its development is the structural response to the accumulation risk created by policies written before autonomous systems became operationally significant.