Basic information

2015/2221(INI) INI - Own-initiative procedure	Procedure completed
Banking union - 2015 annual report **Subject** 2.50.04 Banks and credit 2.50.10 Financial supervision 5.20.03 European Central Bank (ECB), ESCB	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	GUALTIERI Roberto (S&D)	11/05/2015
	Shadow rapporteur MAYDELL Eva (PPE) VON STORCH Beatrix (ECR) GOULARD Sylvie (ALDE) GIEGOLD Sven (Verts/ALE)	

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	3435	2015-12-08
Economic and Financial Affairs ECOFIN	3421	2015-11-10
Economic and Financial Affairs ECOFIN	3442	2016-01-15
Economic and Financial Affairs ECOFIN	3445	2016-02-12
Economic and Financial Affairs ECOFIN	3454	2016-03-08

European Commission

Commission DG	Commissioner
Financial Stability, Financial Services and Capital Markets Union	HILL Jonathan

Key events

Date	Event	Reference	Summary
10/09/2015	Committee referral announced in Parliament		
10/11/2015	Debate in Council		
08/12/2015	Debate in Council		
15/01/2016	Debate in Council		

12/02/2016	Debate in Council		
15/02/2016	Vote in committee		
23/02/2016	Committee report tabled for plenary	A8-0033/2016	Summary
08/03/2016	Debate in Council		
10/03/2016	Decision by Parliament	T8-0093/2016	Summary
10/03/2016	Results of vote in Parliament		
10/03/2016	Debate in Parliament	CRE link	
10/03/2016	End of procedure in Parliament		

Technical information	
Procedure reference	2015/2221(INI)
Procedure type	INI - Own-initiative procedure
Nature of procedure	Initiative
Legal basis	Rules of Procedure EP 55
Stage reached in procedure	Procedure completed
Committee dossier	ECON/8/03813

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE569.634	12/11/2015	
Amendments tabled in committee		PE573.165	14/12/2015	
Amendments tabled in committee		PE573.021	14/12/2015	
Committee report tabled for plenary, single reading		A8-0033/2016	23/02/2016	Summary
Text adopted by Parliament, single reading		T8-0093/2016	10/03/2016	Summary

European Commission

Document type	Reference	Date	Summary
Commission response to text adopted in plenary	SP(2016)349	04/07/2016	

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2015/2221(INI) - 23/02/2016 - Committee report tabled for plenary, single reading

The Committee on Economic and Monetary Affairs adopted the own-initiative report by Roberto GUALTIERI (S&D, IT) on the Banking Union – Annual Report 2015.

Single Supervisory Mechanism (SSM)

Members welcomed the establishment of the SSM, which has been successful since its creation both from an operational point of view and in terms of supervisory quality.

In particular, in relation to the operational set-up, they welcomed:

- **the recruitment process,** which resulted in a good blend of competences, cultures and gender, even if ECB contracting practices leave room for improvement;
- the drafting, building on national best practices, of the **Supervisory Manual** laying down common processes, procedures and methods for conducting a euro-wide supervisory review process;
- the set-up of the **IT infrastructure** and of the supporting analytical tools;
- the setting up of **Joint Supervisory Teams (JSTs)** and the dialogue they have established with the supervised credit institutions.

Members noted that a very significant share of work is routinely devoted to **administrative procedures**, required by the SSM Regulation, which may not always be proportionate. They stood ready to consider proposals to **reduce the operational burden on structures at all levels** and to improve the effectiveness of the SSM supervision.

They also emphasised the need to avoid unnecessary administrative burden on credit institutions, in particular smaller banks, and to ensure that the **proportionality principle** is upheld.

Members also called for a **systematic review** of comprehensive assessments of ECB-supervised institutions, as well as for appropriate improvements of the methodology in the light of lessons learned. They emphasised the **limitations of the current stress test methodology** which evaluates third-country exposure on the basis of banks' internal assessment.

Members noted that:

- **banking structural reform**, which was conceived to reduce systemic risk and address the issue of 'too big to fail' institutions, has yet to be implemented and urged a swift legislative agreement;
- the **insurance sector** is becoming increasingly involved in financial services, and underlined the importance of a level playing field in order to avoid regulatory arbitrage of prudential and consumer protection rules;
- an **increase in capital requirements** beyond a certain threshold may in the short term create unintended consequences, limiting banks' lending capacity (i.e. this risk should therefore be considered when determining the level of capital).

Members considered that more appropriate attention should be paid to increased exposure in the form of **off-balance sheet items**, in particular for global systematically important banks (G-SIBs). They underlined the need to be vigilant over the development of the **shadow banking sector**.

As regards **sovereign exposures of banks and other financial intermediaries**, the report calls on the EU institutions to carefully and thoroughly assess possible changes in the medium term to the current regulatory framework, without reducing available funding for Member States, without creating unintended market or competition distortions and without affecting financial stability, and as part of a coordinated effort at the global level. Parallel measures should be taken among others to **reduce level 2 and level 3 assets exposure** and to ensure the full convergence of internal ratings-based systems for the measurement of credit risk.

The **Commission** is called upon to:

- put forward a proposal for a technical adaptation of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms and the Capital Requirements Directive (Directive 2013/36/EU) in order to align them with the Banking Union framework.
- **use regulations** (which are applicable directly and to all throughout the EU), rather than directives, as the legislative tool to ensure harmonised implementation across the EU and the Banking Union.

Members stressed that the **European Banking Authority**, with its explicit consumer protection mandate, must enforce and enhance the **consumer protection framework for banking services**, complementing the SSM's prudential supervision, and in the Union as a whole.

Single Resolution Mechanism (SRM)

Members welcomed the efficient setting-up of the Single Resolution Board (SRB) and the establishment of national resolution authorities (NRAs) in the Member States.

The committee highlighted the importance of **establishing efficient cooperation** between the SRB and the NRAs for the smooth functioning of the SRM.

The report:

- encouraged the conclusion of a **memorandum of understanding** on mutual cooperation and data sharing between the SRB and the ECB as a single supervisor;
- called for **specific arrangements** to be created within the Commission and between the SRB and the Commission in order **to define efficient procedures for decision-making in the event of resolution**;
- encourages the conclusion of cooperation agreements between the SRB and the NRAs of **non-participating Member States and third countries** for effective mutual cooperation and information exchange:
- called on the Commission to swiftly adopt the regulatory technical standard on MREL, with a high binding standard of at least 8 % MREL for all SRB banks, in line with the Bank Recovery and Resolution Directive (BRRD) (Directive 2014/59/EU);
- underlined that the Board should take due care to establish **the resolution plans of systemically important institutions**, assess their resolvability and take all action necessary to address or remove all of the impediments to their resolvability.

The report also stressed the need, as a consequence of the existence of the national compartments in the SRF, to **rapidly put in place an adequate bridge financing mechanism** in order to provide the fund, if necessary, with sufficient resources in the period before its completion and guarantee the effective separation between banks and sovereigns.

Lastly, Members regretted the decision to set up the SRF through an IGA rather than through Union law. They called on the Commission swiftly to take the necessary steps, as provided for in Article 16 of the Agreement, for a quick integration of the IGA into the framework of EU law.

Third pillar

Members recalled that, together with the SSM and the SRM, the capacity to afford **a uniform and high level of protection of deposits**, irrespective of their location, should be ensured in an effective Banking Union. Any system of protection of deposits must always avoid the introduction of any **moral hazard**, while ensuring that **risk takers remain liable for their risk taking**.

In this context, the report welcomed the Commission's proposed **package on risk sharing and risk reduction** in the Banking Union of 24 November 2015. It noted that the creation of a European Deposit Insurance Scheme (EDIS) requires the **implementation of the single rulebook** as well as of the first and second pillars of the Banking Union, and of the **transposition** of the BRRD and the Deposit Guarantee Schemes Directive (Directive 2014/49/EU) by all the participating Member States.

Banking union - 2015 annual report

2015/2221(INI) - 10/03/2016 - Text adopted by Parliament, single reading

The European Parliament adopted by 351 votes to 112, with 30 abstentions, a resolution on the Banking Union – Annual Report 2015.

1) Single Supervisory Mechanism (SSM)

Parliament welcomed the establishment of the SSM, which has been successful since its creation both from an operational point of view and in terms of supervisory quality.

In particular, in relation to the operational set-up, it welcomed:

- **the recruitment process,** which resulted in a good blend of competences, cultures and gender, even if ECB contracting practices leave room for improvement;
- the drafting, building on national best practices, of the **Supervisory Manual** laying down common processes, procedures and methods for conducting a euro-wide supervisory review process;
- the set-up of the **IT infrastructure** and of the supporting analytical tools;
- the setting up of **Joint Supervisory Teams (JSTs)** and the dialogue they have established with the supervised credit institutions.

Reducing in the administrative burden: a very significant share of work is routinely devoted to administrative procedures. Members are ready to examine proposals to reduce the operational burden on structures at all levels and to improve the effectiveness of the SSM supervision. They also emphasised the need to avoid unnecessary administrative burden on credit institutions, in particular smaller banks, and to ensure that the proportionality principle is upheld.

The ECB is called upon to ensure that the creation of a comprehensive credit risk database (Analytical Credit Dataset, AnaCredit) pays particular attention to the proportionality principle and to the need to avoid disproportionately high administrative costs, especially for smaller institutions.

Bank assessments: Parliament called for a **systematic review** of comprehensive assessments of ECB-supervised institutions, as well as for appropriate improvements of the methodology in the light of lessons learned. It emphasised the limitations of the current stress test methodology which evaluates third-country exposure on the basis of banks' internal assessment.

Non-performing loans: Members recalled that the ability to write off or sell-on non-performing loans is vital, as it frees up capital to fund new loans, in particular to SMEs. They stressed the need to **address the issue of non-performing loans** at European level, notably by facilitating the setting-up of asset management companies in those countries where this is deemed to be necessary, as was the case in Spain and Ireland.

The resolution noted that:

- banking structural reform, which was conceived to reduce systemic risk and address the issue of 'too big to fail' institutions, has yet to be implemented and urged a swift legislative agreement;
- the insurance sector is becoming increasingly involved in financial services, and underlined the importance of a level playing field in order to avoid regulatory arbitrage of prudential and consumer protection rules.

Own resources: Parliament stated that the worldwide drive towards more and better **quality** bank capital and **less leveraged banks** is a necessary condition for a sound banking system capable of supporting the economy and for avoiding any repeat of the enormous bailouts witnessed during the crisis.

It is however stressed that an increase in capital requirements beyond a certain threshold may in the short term create unintended consequences, limiting banks' lending capacity (i.e. this risk should therefore be considered when determining the level of capital).

Members considered that more appropriate attention should be paid to increased exposure in the form of **off-balance sheet items**, in particular for global systematically important banks (G-SIBs). They underlined the need to be vigilant over the development of the shadow banking sector.

Sovereign exposures of banks and other financial intermediaries: Parliament called on the EU institutions to carefully and thoroughly assess possible changes in the medium term to the current regulatory framework, without reducing available funding for Member States, without creating unintended market or competition distortions and without affecting financial stability, and as part of a coordinated effort at the global level. It stressed that in order to have a comprehensive risk reduction, parallel measures should be taken among others to **reduce level 2 and level 3 assets exposure** and to ensure the full convergence of internal ratings-based (IRB) systems for the measurement of credit risk.

Single Supervisory approach: Parliament stressed that national options and discretion attributed to Member States prevent the SSM from developing a single coherent supervisory approach within the euro area in order to ensure a true level playing field. It emphasised the need for the review of national options and stands ready to cooperate at the legislative level in order to further improve regulatory and supervisory.

Adaptation of the legislation: the Commission is called upon to:

- put forward a proposal for a technical adaptation of Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms and the Capital Requirements Directive (Directive 2013/36/EU) in order to align them with the Banking Union framework.
- **use regulations** (which are applicable directly and to all throughout the EU), rather than directives, as the legislative tool to ensure harmonised implementation across the EU and the Banking Union.

2) Single Resolution Mechanism (SRM)

Parliament welcomed the efficient setting-up of the Single Resolution Board (SRB) and the establishment of national resolution authorities (NRAs) in the Member States. It highlighted the importance of **establishing efficient cooperation** between the SRB and the NRAs for the smooth functioning of the SRM.

The resolution:

- encouraged the conclusion of a **memorandum of understanding** on mutual cooperation and data sharing between the SRB and the ECB as a single supervisor;
- called for **specific arrangements** to be created within the Commission and between the SRB and the Commission in order **to define efficient procedures for decision-making in the event of resolution**;
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Parliament also stressed the need, as a consequence of the existence of the national compartments in the SRF, to **rapidly put in place an adequate bridge financing mechanism** in order to provide the fund, if necessary, with sufficient resources in the period before its completion and guarantee the effective separation between banks and sovereigns.

Lastly, Members **regretted the decision to set up the SRF through an IGA** rather than through Union law. They called on the Commission swiftly to take the necessary steps, as provided for in Article 16 of the Agreement, for a quick integration of the IGA into the framework of EU law.

3) Third pillar

Parliament recalled that, together with the SSM and the SRM, the capacity to afford **a uniform and high level of protection of deposits**, irrespective of their location, should be ensured in an effective Banking Union. Any system of protection of deposits must always avoid the introduction of any **moral hazard**, while ensuring that **risk takers remain liable for their risk taking**.

In this context, the resolution welcomed the Commission's proposed **package on risk sharing and risk reduction** in the Banking Union of 24 November 2015. It noted that the creation of a European Deposit Insurance Scheme (EDIS) requires the **implementation of the single rulebook** as well as of the first and second pillars of the Banking Union, and of the **transposition** of the BRRD and the Deposit Guarantee Schemes Directive (Directive 2014/49/EU) by all the participating Member States.