

# Procedure file

Basic information		
INI - Own-initiative procedure	<a href="#">2016/2247(INI)</a>	Procedure completed
Banking union - Annual report 2016		
Subject		
2.50.04 Banks and credit		
2.50.10 Financial supervision		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	 Economic and Monetary Affairs	 <a href="#">HÜBNER Danuta Maria</a>	15/06/2016
		Shadow rapporteur	
		 <a href="#">DELVAUX Mady</a>	
		 <a href="#">LOONES Sander</a>	
		 <a href="#">TREMOSA I</a> <a href="#">BALCELLS Ramon</a>	
		 <a href="#">GIEGOLD Sven</a>	
	 <a href="#">VALLI Marco</a>		
Council of the European Union	Council configuration	Meeting	Date
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">3506</a>	06/12/2016
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">3495</a>	08/11/2016
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">3488</a>	11/10/2016
European Commission	Commission DG	Commissioner	
	<a href="#">Financial Stability, Financial Services and Capital Markets Union</a>	KING Julian	

Key events			
06/10/2016	Committee referral announced in Parliament		
11/10/2016	Debate in Council	<a href="#">3488</a>	
08/11/2016	Debate in Council	<a href="#">3495</a>	

06/12/2016	Debate in Council	<a href="#">3506</a>	
25/01/2017	Vote in committee		
02/02/2017	Committee report tabled for plenary	<a href="#">A8-0019/2017</a>	Summary
14/02/2017	Debate in Parliament		
15/02/2017	Results of vote in Parliament		
15/02/2017	Decision by Parliament	<a href="#">T8-0041/2017</a>	Summary
15/02/2017	End of procedure in Parliament		

### Technical information

Procedure reference	2016/2247(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Annual report
Legal basis	Rules of Procedure EP 54
Stage reached in procedure	Procedure completed
Committee dossier	ECON/8/07727

### Documentation gateway

Committee draft report	<a href="#">PE589.459</a>	11/10/2016	EP	
Amendments tabled in committee	<a href="#">PE595.751</a>	20/12/2016	EP	
Amendments tabled in committee	<a href="#">PE595.752</a>	20/12/2016	EP	
Committee report tabled for plenary, single reading	<a href="#">A8-0019/2017</a>	02/02/2017	EP	Summary
Text adopted by Parliament, single reading	<a href="#">T8-0041/2017</a>	15/02/2017	EP	Summary
Commission response to text adopted in plenary	<a href="#">SP(2017)358</a>	31/08/2017	EC	

## Banking union - Annual report 2016

The Committee on Economic and Monetary Affairs adopted the own-initiative report by Danuta Maria HÜBNER (EPP, PL) on Banking Union - Annual Report 2016.

The establishment of the Banking Union (BU) is an indispensable component of a monetary union and a fundamental building block of a genuine Economic and Monetary Union (EMU). However, further efforts are needed as the Banking Union remains incomplete as long as it lacks a fiscal backstop and a third pillar on deposit insurance.

**Supervision of non-performing loans:** Members expressed concern at the high level of non-performing loans (NPLs), as, according to ECB data, by April 2016 banks in the euro area held EUR 1014 billion in such loans. It is crucial to reduce this level. While welcoming the efforts already being made to reduce the level of NPLs in some Member States, the Commission is called upon to assist Member States in, among other things, the establishment of dedicated asset management companies (or bad banks) and enhanced supervision. They reiterated, in this context, the importance of the ability to sell off NPLs in order to free up capital, which is especially important for bank lending to SMEs. They welcomed the Commission's [proposal](#) on insolvency and restructuring including early restructuring and second chance, in the framework of the CMU and called on Member States, pending its adoption and in order to complement it, to improve their relevant legislation, especially with regard to the length of recovery procedures, the functioning of judicial systems, and more generally their legal framework concerning the restructuring of debt, and to implement necessary sustainable structural reforms aimed at economic recovery in order to tackle NPLs.

**Access to finance:** Members stressed that reliable access to finance and the sound allocation of capital in Europe's bank-based financing model depend heavily on robust balance sheets and proper capitalisation, the restoration of which after the financial crises was not and is not uniformly assured across the Union, thus hampering economic growth. The report stated that the European banking sector plays a key role in financing the European economy and that this is supported by a strong supervision system. They welcomed, therefore, the intention of the Commission to maintain the SME Supporting Factor in the upcoming revision of CRD/[CRR](#) and to extend it beyond its current threshold.

**Representation in the BCBS:** Members stressed the importance of the role of the Commission, the ECB and the EBA in terms of engaging in

the work of the Basel Committee on Banking Supervision (BCBS) and providing Parliament and the Council with transparent and comprehensive updates on the state of play of the BCBS discussions. According to Members, the EU should work on having an appropriate representation in the BCBS, notably for the euro area. The BCBS and other fora should help promote a level playing field at the global level by mitigating - rather than exacerbating - the differences between jurisdictions.

Bank structural reform: the report underlined the need to introduce a bank structural reform, including the reversal of the burden of proof, to end the problem of very large institutions being too big to fail.

National Systemic Risk Boards: while welcoming the establishment of National Systemic Risk Boards, Members stressed that the establishment of the Banking Union reinforces the need to strengthen macro-prudential policy at the European level in order to properly address potential cross-border spill-overs of systemic risk. The Commission is urged to propose a coherent and effective macro-prudential supervision in its overall review of the macro-prudential framework in 2017. Members highlighted the need to reduce the institutional complexity and lengthy process in the interaction between ESRB, ECB/ Single Supervisory Mechanism ([SSM](#)) and national authorities, and between competent and designated national authorities, in the field of macro-prudential supervision.

They also highlighted that the outcome of the referendum on the UK's membership of the EU requires an assessment of the whole European System of Financial Supervision (ESFS), including the voting modalities inside the ESAs, in particular of the double majority mechanism provided under the EBA regulation. They stressed that possible negotiations following the referendum should not lead to an unlevel playing field between EU and non-EU financial institutions, and should not be used to promote deregulation in the financial sector.

Minimum requirement for own funds and eligible liabilities (MREL): Members stressed that proper attention should be paid, in calibrating and/or phasing in new MREL requirements, to the need to create a market for MREL-eligible liabilities. They highlighted the importance of maintaining discretion for the resolution authority when setting MREL, and of making sure that banks hold sufficient subordinated and bail-inable debt.

Members suggested the adoption of legislation with the purpose of clarifying the responsibilities and powers of, respectively, resolution authorities and competent authorities, concerning early intervention measures to be taken in cases of breaches of MREL requirements.

Deposit insurance: Members reiterated their call for a third pillar in order to complete the Banking Union. They stated that the protection of deposits is a common concern for all EU citizens. The role of the Commission is to guarantee a level playing field in this area across the EU and that it should avoid any fragmentation within the internal market.

## Banking union - Annual report 2016

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The European Parliament adopted by 504 votes to 153 with 28 abstentions, a resolution on Banking Union - Annual Report 2016.

The establishment of the Banking Union (BU) is an indispensable component of a monetary union and a fundamental building block of a genuine Economic and Monetary Union (EMU). However, further efforts are needed, as the Banking Union remains incomplete as long as it lacks a fiscal backstop and a third pillar on deposit insurance.

Supervision of non-performing loans: Members expressed concern at the high level of non-performing loans (NPLs), as, according to ECB data, by April 2016 banks in the euro area held EUR 1014 billion in such loans.

While welcoming the efforts already being made to reduce the level of NPLs in some Member States, Parliament called on the Commission to assist Member States in, among others, the establishment of dedicated asset management companies (or bad banks) and enhanced supervision. It reiterated, in this context, the importance of the ability to sell off NPLs in order to free up capital, which is especially important for bank lending to SMEs.

Members welcomed the Commission's [proposal](#) on insolvency and restructuring and called on Member States, pending its adoption, to improve their relevant legislation, and more generally their legal framework concerning the restructuring of debt, and to implement necessary sustainable structural reforms aimed at economic recovery in order to tackle NPLs.

Risks associated with sovereign debt: the resolution stressed that an appropriate prudential treatment of sovereign debt might create incentives for banks to better manage their sovereign exposures. The European framework should enable market discipline in delivering sustainable policies and providing high-quality and liquid assets for the financial sector and safe liabilities for governments.

Access to finance: Members stressed that reliable access to finance and the sound allocation of capital in Europe's bank-based financing model depend heavily on robust balance sheets and proper capitalisation, the restoration of which after the financial crises was not and is not uniformly assured across the Union, thus hampering economic growth. They stated that the European banking sector plays a key role in financing the European economy and that this is supported by a strong supervision system. They welcomed, therefore, the intention of the Commission to maintain the SME Supporting Factor in the upcoming revision of CRD/[CRR](#) and to extend it beyond its current threshold.

Systemically important banks: Parliament notes the risks stemming from too-big-to-fail financial institutions. It is committed to working swiftly on the legislative proposals for the implementation in the Union of measures designed to reduce risk that have been approved at the international level (particularly total loss-absorbing capacity, central clearing of derivatives, and capital and leverage ratio add-on for globally systemic banks). It welcomed efforts to pursue improvements to the stress-testing framework.

Representation in the BCBS: Members stressed the importance of the role of the Commission, the ECB and the EBA in terms of engaging in the work of the Basel Committee on Banking Supervision (BCBS) and providing Parliament and the Council with transparent and comprehensive updates on the state of play of the BCBS discussions. According to Members, the EU should work on having an appropriate representation in the BCBS, notably for the euro area. The BCBS and other fora should help promote a level playing field at the global level by mitigating - rather than exacerbating - the differences between jurisdictions.

National Systemic Risk Boards: while welcoming the establishment of National Systemic Risk Boards, Members stressed that the establishment of the Banking Union reinforces the need to strengthen macro-prudential policy at the European level in order to properly address potential cross-border spill-over of systemic risk. The Commission is urged to propose a coherent and effective macro-prudential

supervision in its overall review of the macro-prudential framework in 2017. Members highlighted the need to reduce the institutional complexity and lengthy process in the interaction between ESRB, ECB/ Single Supervisory Mechanism ([SSM](#)) and national authorities, and between competent and designated national authorities, in the field of macro-prudential supervision.

Parliament also highlighted that the outcome of the referendum on the UK's membership of the EU requires an assessment of the whole European System of Financial Supervision (ESFS), including the voting modalities inside the ESAs, in particular of the double majority mechanism provided under the EBA regulation. It stressed that possible negotiations following the referendum should not lead to an unlevelled playing field between EU and non-EU financial institutions, and should not be used to promote deregulation in the financial sector.

Resolution: Parliament recalls the need to adhere to state aid rules when dealing with future banking crises. The exception of extraordinary public support must be both precautionary and temporary in nature and cannot be used to offset losses that an institution has incurred or is likely to incur in the near future. It calls for the definition of efficient procedures between the SRB and the Commission for decision-making in the event of a resolution.

Furthermore, the Commission needs to assess whether the SRB and the national resolution authorities are equipped with sufficient early intervention powers and sufficient early intervention instruments to prevent disruptive outflows of banks capital and loss-absorbing capacity during a crisis.

Minimum requirement for own funds and eligible liabilities (MREL): Parliament notes the Commission proposals introducing into Pillar 1 a minimum total loss absorbing capacity (TLAC) for global systemically important banks, in line with international standards.

Members stressed that proper attention should be paid, in calibrating and/or phasing in new MREL requirements, to the need to create a market for MREL-eligible liabilities. They recalled the importance of maintaining discretion for the resolution authority when setting MREL, and of making sure that banks hold sufficient subordinated and bail-inable debt.

Deposit insurance: Parliament reiterated its call for a third pillar in order to complete the Banking Union. It stated that the protection of deposits is a common concern for all EU citizens. The role of the Commission is to guarantee a level playing field in this area across the EU and that it should avoid any fragmentation within the internal market.