










Procedure file

Basic information		
INI - Own-initiative procedure	2019/2130(INI)	Procedure completed
Banking Union - annual report 2019		
Subject 2.50.04 Banks and credit		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	 Economic and Monetary Affairs	 MARQUES Pedro	18/07/2019
European Parliament		Shadow rapporteur	
		 HÜBNER Danuta Maria	
		 KELLEHER Billy	
		 URTASUN Ernest	
		 JUVIN Herve	
		 EPPINK Derk Jan	
		 SCHIRDEWAN Martin	
European Commission	Commission DG Budget	Commissioner OETTINGER Günther	

Key events			
24/10/2019	Committee referral announced in Parliament		
18/02/2020	Vote in committee		
26/02/2020	Committee report tabled for plenary	A9-0026/2020	Summary
17/06/2020	Decision by Parliament	T9-0165/2020	Summary
17/06/2020	End of procedure in Parliament		
19/06/2020	Results of vote in Parliament		

Technical information	
Procedure reference	2019/2130(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/9/01154

Documentation gateway

Committee draft report	PE643.187	15/11/2019	EP	
Amendments tabled in committee	PE644.981	18/12/2019	EP	
Committee report tabled for plenary, single reading	A9-0026/2020	26/02/2020	EP	Summary
Text adopted by Parliament, single reading	T9-0165/2020	17/06/2020	EP	Summary
Commission response to text adopted in plenary	SP(2020)427	14/12/2020	EC	

Banking Union - annual report 2019

The Committee on Economic and Monetary Affairs adopted the own-initiative report by Pedro MARQUES (S&D, PT) on Banking Union annual report 2019.

The report stressed that a more stable, competitive and convergent Economic and Monetary Union requires a solid Banking Union and a more developed and safe Capital Markets Union, as well as the creation of a budgetary instrument.

The completion of the Banking Union is a vital contributor to the international perception of the euro and its increased role in global markets. It remains incomplete as long as it lacks a backstop for the Single Resolution Fund (SRF) and a European Deposit Insurance Scheme (EDIS) as the third pillar of the Banking Union.

The Banking Union still lacks effective tools to tackle problems consumers are facing: artificial complexity, unfair commercial practices, exclusion of vulnerable groups from using basic services as well as limited involvement of public authorities.

Banking Union challenges

Despite the progress made regarding the implementation of the Banking Union, Members stressed that further progress has to be made on risk sharing and also on risk reduction in order to tackle challenges that remain in specific institutions.

Stressing that the Eurogroup is neither an institution, a body nor an agency of the European Union but an informal intergovernmental forum of discussion, the committee regretted the fact that Member States continue to act outside the Community framework, jeopardising Parliaments role as co-legislator and its right to democratic oversight.

Members noted the current prospect of low risk and low profitability in the banking sector. They highlighted the fact that low interest rates persist as a response to the current macroeconomic situation.

Brexit

Members stressed, furthermore, that economic slowdown and geopolitical tensions, including the effects of Brexit, as well as cyber risks and data security, are among the major challenges the EU banking sector is facing, in addition to climate change and the risks of money laundering and terrorism financing. They took note of the practice of UK firms of establishing branches in the EU in order to continue providing services. In this regard, they stressed the importance of a level playing field in financial regulations between the EU and the UK after Brexit and the need to prevent a regulatory race to the bottom.

Supervision

The report welcomed the progress made in the banking sector in reducing risk and increasing financial stability. However, fragilities still remain in specific institutions and that further progress is required. It underlined the importance of protecting consumer rights, namely regarding banking fees and the transparency of product costs, profitability and risks.

Members requested increased transparency standards in banking supervision, for instance in the outcomes of the supervisory review and evaluation process, in order to reinforce the trust of capital and financial markets, companies and citizens, as well as to ensure consistency of treatment across Member States.

The Commission is called on to evaluate in 2020 the current state of the credit rating agencies market, to assess it in terms of competition, information asymmetries and transparency to the markets.

Resolution

Members welcomed the fact that the Single Resolution Board (SRB) has not been required to take resolution action in 2019. They urged the Commission to review whether the legislation is adequate to ensure that all banks could, if needed, be resolved without the need for taxpayers money.

Deposit insurance

Lastly, the report noted that the Banking Union still lacks its third pillar. Members urged the completion of the Banking Union through the

creation of a fully implemented European Deposit Insurance Scheme to protect depositors against banking disruptions, ensure confidence among depositors and investors across the Banking Union and reinforce the stability of the euro area as a whole.

Banking Union - annual report 2019

The European Parliament adopted a resolution on Banking Union - Annual Report 2019.

Members argued that a more stable, competitive and convergent Economic and Monetary Union requires a solid Banking Union and a more developed and safe Capital Markets Union, as well as the creation of a Budgetary Instrument.

The challenges of the Banking Union

Despite the progress made in implementing the Banking Union, Members stressed that further progress needs to be made on risk sharing and risk reduction to address the remaining challenges in some financial institutions.

Stressing that the Eurogroup is neither an EU institution, body nor agency but an informal intergovernmental discussion forum, Parliament regretted that Member States continue to act outside the Community framework, thus jeopardising Parliament's role as co-legislator and its right of democratic scrutiny.

Members called for intergovernmental negotiations on, inter alia, the budgetary instrument for convergence and competitiveness to continue in an open framework guaranteeing Parliament's active participation, while respecting the Union's legal order.

While welcoming the fact that the resilience of the European banking system has been generally strengthened, Members stressed that profitability levels in the sector remain low and that the macroeconomic environment is deteriorating, notably as a result of the COVID-19 pandemic.

Against a macroeconomic background of low interest rates, the resolution stressed that the economic slowdown, geopolitical tensions, notably due to the Brexit, cyber risks and data security represented major challenges for the EU banking sector, together with climate change and the risks of money laundering and terrorist financing.

Members took note of the legislative and supervisory measures that have been adopted to ensure that banks continue to lend throughout the COVID-19 crisis. They stressed that any relief granted should be made fully available to support bank customers, families and firms; supports the actions taken by banking supervisors to introduce strong temporary restrictions on the payment of dividends and bonuses and the buying back of own shares by banks.

Parliament called for the establishment of a EU-wide green bond standard and the definition of a framework favourable to the development of these bonds in order to enhance the transparency, effectiveness and credibility of sustainable investments.

In line with the joint EU-UK commitments, Parliament has committed itself to maintaining close and structured cooperation at political and technical level on regulatory and supervisory matters.

Supervision

Parliament considered that the current supervisory framework has focused primarily on credit risk exposures, to the detriment of market risk exposures related to illiquid securities, including derivatives. It therefore urged for adequate measures to enhance asset quality review and on the Single Supervisory Mechanism (SSM) to include among its main supervisory priorities the reduction of these complex and illiquid financial instruments, including derivatives.

While welcoming efforts to strengthen the financial sector and reduce non-performing loans (NPL) at EU level, Members stressed the need to protect customers' rights in the context of transactions on this type of loan. They stressed the importance of protecting consumers' rights, particularly with regard to banking fees, transparency of product costs, profitability and risks. In this respect, European supervisory authorities should exercise their powers of intervention when financial and credit products are likely to harm the consumer.

Parliament called for increased transparency standards in banking supervision, for example regarding the outcomes of the supervisory review and evaluation process. It also stressed the need to address the challenges posed by innovative financial technologies and cyber security, stressing the importance of ensuring the protection of clients data and their security.

The Commission was called on to evaluate the current state of the credit rating agencies market in 2020 and to examine it in terms of competition, information asymmetry and transparency in the markets.

Resolution

Members welcomed the fact that the Single Resolution Board was not required to take any resolution action in 2019. They called on the Commission to review whether the legislation is adequate to ensure that all banks could, if needed, be resolved without the need for taxpayers money and to take into account the Financial Stability Board review of the too big to fail legislation and address potential shortcomings, in particular with regard to the safeguarding of retail deposits.

The Single Resolution Board should complete the process of setting up resolution plans and analyse whether all banks concerned meet minimum capital requirements and eligible liabilities.

Deposit insurance

Lastly, noting that the Banking Union still lacks its third pillar, Parliament urged the completion of the Banking Union through the creation of a fully implemented European Deposit Insurance Scheme to protect depositors against banking disruptions, ensure confidence among depositors and investors across the Banking Union and reinforce the stability of the euro area as a whole.