Banking union - Annual report 2018

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The Committee on Economic and Monetary Affairs adopted the own-initiative report by Nils TORVALDS (ALDE, FI) on Banking Union – annual report 2018.

The Committee welcomed the achievements and results of the Banking Union in helping to foster a truly single market, a level playing field, financial stability and increased predictability for market actors.

It underlined the importance of commitment to the process of completing the Banking Union and the need to ensure **openness and equal treatment** of all participating Member States.

It recalled that the completion of the Banking Union, including a **European Deposit Insurance Scheme** and a fiscal backstop for the **Single Resolution Fund**, must continue as well as **measures to achieve risk reduction**, which contributes to further increasing financial stability and growth prospects.

Members believed that one of the aims of the Banking Union, besides ensuring financial stability, should be, keeping in mind the **proportionality principle**, to **preserve the diversity of EU sustainable banking models** and to **avoid guiding the European banking system towards a single model** or **disproportionally penalising smaller banks**, as this diversity enables the requirements of citizens and of their projects to be met, as well as acting as a diversification tool, a key feature to cope with potential shocks.

They stressed that the **proposals made by international bodies**, such as the Basel Committee on Banking Supervision, should be translated into European law in such a way as to **take due account** of the **specific characteristics** of the European banking sector.

They recalled the need for a **coherent and concise set of rules** for the proper functioning of the Banking Union, while keeping in mind the importance of **proportionality**. They urged the Commission to:

- prioritise regulations over directives as the legislative tool for the Banking Union and ensure that Member States fully and correctly implement all relevant legislation;
- identify and remove obstacles to the internal market, in cooperation with the European supervisory authorities.

Members believed that **decisions** by the supervisory and resolution authorities must be **coherent, properly explained, transparent and made public**.

Supervision

Members noted the ECB's recent "failing or likely to fail" assessments, carried out in 2018. They stressed the need to improve the response times of European banking supervision and expressed deep concern that some of these cases raised issues concerning the **enforcement of anti-money laundering rules** in the Banking Union.

They called on the SSM, EBA and ESRB to use **consistent methodologies when defining the stress test** in order to ensure a high level of transparency on this procedure and in order to prevent possible distortions.

The Committee was concerned that some financial institutions have **excessively large exposures to sovereign debt** issued by their own governments and stressed that the **EU regulatory framework** on prudential treatment of sovereign debt should be **consistent with international standards**.

It called on the co-legislators to adopt the proposal to **strengthen the role of the EBA** in the fight against **money laundering in the financial sector** without undue delay and urged the need for **enhanced cooperation and information sharing** between national supervision authorities **based on common standards within the EU** and subject to EU-level coordination and support where national authorities are overwhelmed.

Members were concerned about recent cases of **money laundering at European banks** and noted that several of these cases have been reported by non-EU jurisdictions. They therefore called for a **unified approach towards prudential and anti-money laundering supervision**.

Members urged:

- the **Commission and supervisory authorities** to perform a **comprehensive analysis** of the **impact of Brexit**;
- the **EU27** to deepen **common regulation and common supervision** while enhancing the depth and breadth of the capital markets within the EU27;
- **all negotiators** to work towards the adoption of a balanced and sustainablelegislative package to **reduce risk in the banking system** before the European elections in 2019;
- the **SSM and EBA** to continue their work on the **adequacy of using internal models** to establish their credibility and achieve a level playing field across institutions;
- **authorities at the EU, national and global levels** to continue vigilantly monitoring the risks posed by **shadow banking activities** and to address them as quickly as possible to ensure fair competition, transparency and financial stability.

Resolution

Members recalled that:

- Parliament’s position that the **European Stability Mechanism** should be **fully incorporated into the EU's institutional framework** and stressed the need for proper **democratic scrutiny**;
- the objective of the EU resolution regime is to make sure that taxpayers are protected, the cost of bank management failures is borne by its shareholders and creditors, and that the stability of the financial system as a whole is preserved.

They urged the Commission to:

- examine regulation in the light of the **Bank Recovery and Resolution Directive (BRRD)** and propose **transparent application of the rules on state aid** in relation to the BRRD;
- regularly assess whether the banking sector has benefited from **implicit subsidies and State aid** since the beginning of the crisis, including by means of the provision of unconventional liquidity support, and to publish a report in this regard.