

# Banking union - Annual report 2018

2018/2100(INI) - 16/01/2019 - Text adopted by Parliament, single reading

The European Parliament adopted by 497 votes to 125 with 14 abstentions, a resolution on Banking Union – annual report 2018.

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## *Completing Banking Union*

Parliament 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 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 disproportionately penalising smaller banks.

Recalling the need for a coherent and concise set of rules for the proper functioning of the Banking Union, Members 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.

Decisions by the supervisory and resolution authorities must be coherent, properly explained, transparent and made public.

## *Supervision*

Noting the ECB's recent "failing or likely to fail" assessments, carried out in 2018, Members stressed the need to improve the response times of European banking supervision.

They expressed deep concern that some of these cases raised issues concerning the enforcement of **anti-money laundering rules** in the Banking Union, and the fact that money laundering cases risk exposing the EU economy to financial and political instability. It therefore called for a **unified approach to prudential supervision and the fight against money laundering**.

Parliament called on the Single Supervisory Mechanism (SSM), the European Banking Authority (EBA) and the European Systemic Risk Board (ESRB) to use consistent methodologies when defining the **stress tests** in order to ensure a high level of transparency on this procedure and in order to prevent possible distortions.

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

It encouraged authorities at the EU, national and global levels to continue vigilantly monitoring the risks posed by **shadow banking** activities, recalling that at the end of 2017 it was estimated to account for around 40 % of the EU financial system.

Members urged all negotiators to work towards the adoption of a balanced and sustainable legislative package to reduce risk in the banking system before the European elections in 2019.

### ***Resolution***

Members recalled 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.

The Commission was urged 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.

Lastly, Parliament underlined that the process for establishing the European Deposit Insurance Scheme (EDIS) should continue for the completion of the Banking Union.