

Banking Union - annual report 2019

2019/2130(INI) - 17/06/2020 - Text adopted by Parliament, single reading

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.