Banking Union – annual report 2021

2021/2184(INI) - 05/07/2022 - Text adopted by Parliament, single reading

The European Parliament adopted by 494 votes to 100, with 9 abstentions, a resolution on the Banking Union – annual report 2021.

Recalling that Banking Union is an **essential element for the completion of economic and monetary union and the internal market**, Parliament noted that the first two pillars of the Banking Union, the single supervisory mechanism and the single resolution mechanism, are now in place and fully operational, but that the European deposit insurance scheme has not yet been established.

General considerations

Members recalled that **significant progress has been made** since the 2008 financial crisis, namely that Europe's banks are now in a stronger position to withstand financial shocks, and resolution mechanisms are in place to ensure that failing banks can be wound up without the use of taxpayers' money.

The banking sector has shown a relatively high degree of resilience to the COVID-19 crisis and has played an important role in limiting the negative impact of the pandemic on the economy. Members support efforts to strengthen and complete the banking union and stressed that progress must be made in parallel in its various areas.

Deeply concerned about the Russian invasion of Ukraine and its economic consequences for the European economy, Parliament called on the European Central Bank, European supervisory authorities and competent national authorities to **closely monitor the effects of the war** on the EU banking sector.

Members believe that emergency measures to support banks' lending capacity to households and businesses should remain in place as long as necessary. They stressed the importance of ensuring a **targeted, gradual, prudent and well-coordinated transition** from pandemic support measures to recovery support tools, including reforms in Member States through national recovery and resilience plans. Members stressed the need to take into account the great instability created by the Russian invasion of Ukraine before deciding whether to phase out these measures.

The resolution underlined the key role of the EU banking sector and capital markets in **financing the resilience, recovery and green and digital transformation of the European economy**, including ensuring access to credit for SMEs. It recalled that, to fulfil these tasks, the EU banking sector must be strong, resilient, well-regulated and well-capitalised. Parliament supported the ongoing work on the implementation of the **Basel III rules** and welcomed the Commission's legislative banking package of 27 October 2021 in this respect. In the implementation process, the Union should ensure full harmonisation with the Basel standards, while also taking into account the proportionality principle.

Parliament welcomed the fact that the banking sector is adapting to the challenges and opportunities of **digitalisation**, which will enable banks to better serve their customers remotely and to offer them new products. As the banking sector is particularly vulnerable to the threat of cyber-attacks, Members stressed the need for further investment and research to develop innovative solutions to strengthen the banking sector's cyber security.

Parliament recalled that cooperation between the Single Supervisory Mechanism and the UK Financial Conduct Authority is based on the Memorandum of Understanding between the ECB and the UK authorities, which entered into force on 1 January 2021. The Commission recently announced the

extension of its temporary authorisation for EU banks and fund managers to use UK clearing houses. Members called on the Commission to take measures to **facilitate more clearing in the EU in the medium term**.

Supervision

Parliament stressed the need to consider various scenarios and prepare for different eventualities in the light of the risks posed to the banking sector by the Russian aggression against Ukraine.

Members consider that credit risk management, monitoring and the reduction of non-performing loans should remain one of the key priorities. Although stable for the time being, the situation needs to be closely monitored as emergency measures are phased out. The issue of the **regulatory treatment of sovereign exposures** also requires further consideration in international fora.

The resolution stressed the importance of the banking sector in **financing the transition to a carbon-neutral economy**. Concerned that climate-related risks on banks' balance sheets could eventually put banks in financial difficulty, Members believe that these risks should be reduced to prevent bank failures. They stressed the need for further improvements in banks' disclosure of climate and environmental risks to facilitate risk assessment by banks and supervisors.

Highlighting the disparity in **interest rates offered to households and SMEs** across Member States, Parliament called on the Commission and banking supervisors to consider measures to ease the burden on mortgage holders and SMEs in Member States with higher lending rates in order to ensure that all citizens and businesses can access much-needed capital at fair and competitive rates.

The resolution underlined the need for effective **anti-money laundering supervision** and stressed the importance of strengthening consumer and investor protection against abuses, harmful practices and harmful products.

Resolution

Parliament welcomed the fact that the banks within the Single Resolution Board’s remit have overall made **good progress towards resolvability and strengthening their loss-absorbing capacity**. It welcomed the introduction of a backstop to the Single Resolution Fund in 2022.

Members supported the review and clarification of the public interest assessment criteria to ensure a more consistent and predictable application of the resolution mechanism. It is important that the Single Resolution Board adopts a proportionate approach to allow banks to define their minimum capital requirements and eligible liabilities. Members support a review of the role of group recovery and resolution plans in the crisis management framework. They also support a review of state aid rules for the banking sector.

Deposit insurance

Parliament stressed that a European deposit insurance scheme would improve the protection of depositors in the EU and their confidence in the banking sector and would help strengthen the banking union by reducing the link between sovereign issuers and banks.

Members welcomed the inclusion of the **proposal for a regulation establishing a European deposit insurance scheme** in the EU institutions joint declaration setting out the main legislative priorities for 2022. They recalled that Parliament is co-legislator for legislation on the European deposit insurance scheme and that Parliament's position on this matter should be taken into account.