

# Banking Union – annual report 2024

2024/2055(INI) - 26/03/2025 - Committee report tabled for plenary, single reading

The Committee on Economic and Monetary Affairs adopted an own-initiative report by Ralf SEEKATZ (EPP, DE) on the banking union - annual report 2024.

The Union is at a turning point that will determine its economic future over the coming decades. Reports published in 2024 by Enrico Letta and Mario Draghi emphasised that it must make a major turnaround to compete with the United States or China. In this context, the banking union is a cornerstone of competitiveness. A strengthened Banking Union will enable the EU to generate the necessary capital to make the European economy fit for the future.

## *General observations*

While acknowledging the progress made over the past ten years through the establishment of the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM), Members stressed that the banking union will not be complete without the establishment of its third pillar, the European Deposit Insurance Scheme.

According to the report, completing the Banking Union would be a **positive step forward for EU citizens and the economy**, improving the competitiveness and stability of the banking sector, reducing systemic risk, improving supply and choice for consumers, and expanding cross-border banking opportunities, thereby facilitating access to finance for households and businesses. The Commission is called upon to ensure that completing the Banking Union and the Capital Markets Union remains a **key priority**.

The report stressed the need to ensure the stability of deposits and underlined that cyber resilience is a key element of the competitiveness of the Union's banking sector.

Members regretted that the ability of EU banks to finance major investments is limited by **lower profitability**, which is insufficient to ensure their competitiveness. They called for a review of the regulatory framework with a view to streamlining it and stressed the need to find proportionate solutions that take into account the specific nature of the EU banking system (which includes a large number of small banks), without undermining financial stability.

The Commission is invited to:

- assess the need to develop targeted frameworks within the banking union to improve access to finance for **SMEs** and start-ups;
- further examine whether the creation of a **separate jurisdiction** for Union banks with significant cross-border operations could contribute to the completion of the banking union or whether it would intensify the fragmentation of the banking sector;
- focus on aspects that contribute to achieving the goals of **digitalisation**, modernisation, simplification, streamlining and increased competitiveness.

While noting the progress made by the ECB on the **digital euro**, Members recalled that the digital euro should complement, not replace, cash and that the decision on whether or not to introduce a digital euro is a political decision to be taken by the Union co-legislators, given the major impact that such a decision could have on a wide range of Union areas, including privacy and consumer protection.

## *Monitoring*

Members welcomed the adoption of the banking package incorporating Basel III standards in the EU, while highlighting the current lack of clarity regarding the implementation of Basel III standards in some other jurisdictions and the potential risk for an international level playing field.

The report noted that some Member States have levels of exposure to **non-performing loans** of around 1% or less, while others have levels above 4%. Efforts to reduce European banks' exposure to these types of loans should therefore continue.

Members noted that the banking sector plays a role in supporting the transition to a digital and carbon-neutral economy. They welcomed the idea of **increasing venture capital** and unlocking capital to finance fast-growing businesses in the Union. They welcomed the establishment of the new Anti-Money Laundering and Countering the Financing of Terrorism Authority and stressed the need to strengthen the resilience of non-bank financial intermediaries, including by creating specific regulatory and supervisory instruments. Crypto assets also require special attention from national supervisory authorities, the SSM, and the European Systemic Risk Board.

## *Resolution*

Members recalled that the position adopted by Parliament in April 2024 on the framework for banking crisis management and deposit insurance aims to ensure a more consistent approach across Member States to the application of resolution tools and deposit protection. The report stressed the importance of (i) a proportionate approach for smaller banks, (ii) preserving **shareholders' and creditors' primary responsibility** for bearing losses in the event of a bank's failure, and (iii) a sufficient minimum requirement for own funds and eligible liabilities (**MREL**) to ensure the credibility of the resolution framework. It underlined that resorting to using taxpayers' money must be avoided.

## *Deposit insurance*

The report highlighted that the Commission's proposal for a European Deposit Insurance Scheme was published in 2015 and that the situation has evolved considerably since then. The position of its Committee on Economic and Monetary Affairs on a European Deposit Insurance Scheme was adopted in April 2024. This position deviates from the 2015 Commission proposal and adopts a new approach. Members encouraged the Council to **move forward with negotiations** on a European Deposit Insurance Scheme.