Basic information

2016/2247(INI) INI - Own-initiative procedure	Procedure completed
Banking union - Annual report 2016 **Subject** 2.50.04 Banks and credit 2.50.10 Financial supervision	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	HÜBNER Danuta Maria (PPE)	15/06/2016
	Shadow rapporteur DELVAUX Mady (S&D) LOONES Sander (ECR) TREMOSA I BALCELLS Ramon (ALDE) CARTHY Matt (GUE/NGL) GIEGOLD Sven (Verts/ALE) VALLI Marco (EFDD)	

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	3506	2016-12-06
Economic and Financial Affairs ECOFIN	3495	2016-11-08
Economic and Financial Affairs ECOFIN	3488	2016-10-11

European Commission

Commission DG	Commissioner
Financial Stability, Financial Services and Capital Markets Union	KING Julian

Key events

Date	Event	Reference	Summary
06/10/2016	Committee referral announced in Parliament		
11/10/2016	Debate in Council		

08/11/2016	Debate in Council		
06/12/2016	Debate in Council		
25/01/2017	Vote in committee		
02/02/2017	Committee report tabled for plenary	A8-0019/2017	Summary
14/02/2017	Debate in Parliament		
15/02/2017	Decision by Parliament	T8-0041/2017	Summary
15/02/2017	Results of vote in Parliament		
15/02/2017	End of procedure in Parliament		

Technical information	
Procedure reference	2016/2247(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Annual report
Legal basis	Rules of Procedure EP 55
Stage reached in procedure	Procedure completed
Committee dossier	ECON/8/07727

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE589.459	11/10/2016	
Amendments tabled in committee		PE595.751	20/12/2016	
Amendments tabled in committee		PE595.752	20/12/2016	
Committee report tabled for plenary, single reading		A8-0019/2017	02/02/2017	Summary
Text adopted by Parliament, single reading		T8-0041/2017	15/02/2017	Summary

European Commission

Document type	Reference	Date	Summary
Commission response to text adopted in plenary	SP(2017)358	31/08/2017	

Banking union - Annual report 2016

2016/2247(INI) - 15/02/2017 - Text adopted by Parliament, single reading

The European Parliament adopted by 504 votes to 153 with 28 abstentions, a resolution on Banking Union - Annual Report 2016.

The establishment of the Banking Union (BU) is an indispensable component of a monetary union and a fundamental building block of a genuine Economic and Monetary Union (EMU). However, further efforts are needed, as the Banking Union remains incomplete as long as it lacks a fiscal backstop and a third pillar on deposit insurance.

Supervision of non-performing loans: Members expressed concern at the high level of non-performing loans (NPLs), as, according to ECB data, by April 2016 banks in the euro area held **EUR 1014 billion in such loans**.

While welcoming the efforts already being made to reduce the level of NPLs in some Member States, Parliament called on the Commission to assist Member States in, among others, the establishment of dedicated asset management companies (or “bad banks”) and enhanced supervision. It reiterated, in this context, the importance of the ability to **sell off NPLs in order to free up capital**, which is especially important for bank lending to SMEs.

Members welcomed the Commission’s proposal on insolvency and restructuring and called on Member States, pending its adoption, to improve their relevant legislation, and more generally their legal framework concerning the restructuring of debt, and to implement necessary sustainable structural reforms aimed at economic recovery in order to tackle NPLs.

Risks associated with sovereign debt: the resolution stressed that an **appropriate prudential treatment** of sovereign debt might create incentives for banks to better manage their sovereign exposures. The European framework should enable market discipline in delivering sustainable policies and providing high- quality and liquid assets for the financial sector and safe liabilities for governments.

Access to finance: Members stressed that reliable access to finance and the sound allocation of capital in Europe's bank-based financing model depend heavily on robust balance sheets and proper capitalisation, the restoration of which after the financial crises was not and is not uniformly assured across the Union, thus hampering economic growth. They stated that the European banking sector plays a key role in financing the European economy and that this is supported by a strong supervision system. They welcomed, therefore, the intention of the Commission to maintain the SME Supporting Factor in the upcoming revision of CRD/CRR and to extend it beyond its current threshold.

Systemically important banks: Parliament notes the risks stemming from “too-big-to-fail” financial institutions. It is committed to working swiftly on the legislative proposals for the implementation in the Union of measures designed to reduce risk that have been approved at the international level (particularly total loss-absorbing capacity, central clearing of derivatives, and capital and leverage ratio add-on for globally systemic banks). It welcomed efforts to pursue improvements to the stress-testing framework.

Representation in the BCBS: Members stressed the importance of the role of the Commission, the ECB and the EBA in terms of engaging in the work of the Basel Committee on Banking Supervision (BCBS) and providing Parliament and the Council with transparent and comprehensive updates on the state of play of the BCBS discussions. According to Members, the EU should work on having an **appropriate representation** in the BCBS, notably for the euro area. The BCBS and other fora should help promote a level playing field at the global level by mitigating - rather than exacerbating - the differences between jurisdictions.

National Systemic Risk Boards: while welcoming the establishment of National Systemic Risk Boards, Members stressed that the establishment of the Banking Union reinforces the need to strengthen macro-prudential policy at the European level in order to properly address potential cross-border spill-over of systemic risk. The Commission is urged to propose a coherent and effective macro-prudential supervision in its overall review of the macro-prudential framework in 2017. Members highlighted the need to reduce the institutional complexity and lengthy process in the interaction between ESRB, ECB/ Single Supervisory Mechanism (SSM) and national authorities, and between competent and designated national authorities, in the field of macro-prudential supervision.

Parliament also highlighted that the outcome of the **referendum** on the UK’s membership of the EU requires an **assessment of the whole European System of Financial Supervision** (ESFS), including the voting modalities inside the ESAs, in particular of the double majority mechanism provided under the EBA regulation. It stressed that possible negotiations following the referendum should not lead to an unlevelled playing field between EU and non-EU financial institutions, and should **not be used to promote deregulation** in the financial sector.

Resolution: Parliament recalls the need to **adhere to state aid rules** when dealing with future banking crises. The exception of extraordinary public support must be both precautionary and temporary in nature and cannot be used to offset losses that an institution has incurred or is likely to incur in the near future. It calls for the definition of efficient procedures between the SRB and the Commission for decision-making in the event of a resolution.

Furthermore, the Commission needs to assess whether the SRB and the national resolution authorities are **equipped with sufficient early intervention powers** and sufficient early intervention instruments to prevent disruptive outflows of banks’ capital and loss-absorbing capacity during a crisis.

Minimum requirement for own funds and eligible liabilities (MREL): Parliament notes the Commission proposals introducing into Pillar 1 a minimum total loss absorbing capacity (TLAC) for global systemically important banks, in line with international standards.

Members stressed that proper attention should be paid, in calibrating and/or phasing in new MREL requirements, to the need to create a market for MREL-eligible liabilities. They recalled the importance of maintaining discretion for the resolution authority when setting MREL, and of making sure that banks hold sufficient subordinated and bail-inable debt.

Deposit insurance: Parliament reiterated its call for a **third pillar** in order to complete the Banking Union. It stated that the protection of deposits is a common concern for all EU citizens. The role of the Commission is to guarantee a level playing field in this area across the EU and that it should avoid any fragmentation within the internal market.

Banking union - Annual report 2016

2016/2247(INI) - 02/02/2017 - Committee report tabled for plenary, single reading

The Committee on Economic and Monetary Affairs adopted the own-initiative report by Danuta Maria HÜBNER (EPP, PL) on Banking Union - Annual Report 2016.

The establishment of the Banking Union (BU) is an indispensable component of a monetary union and a fundamental building block of a genuine Economic and Monetary Union (EMU). However, further efforts are needed as the Banking Union remains incomplete as long as it lacks a fiscal backstop and a third pillar on deposit insurance.

Supervision of non-performing loans: Members expressed concern at the high level of non-performing loans (NPLs), as, according to ECB data, by April 2016 banks in the euro area held **EUR 1014 billion in such loans**. It is crucial to reduce this level. While welcoming the efforts already being made to reduce the level of NPLs in some Member States, the Commission is called upon to assist Member States in, among other things, the establishment of dedicated asset management companies (or “bad banks”) and enhanced supervision. They reiterated, in this context, the importance of the ability to **sell off NPLs in order to free up capital**, which is especially important for bank lending to SMEs. They welcomed the Commission’s proposal on insolvency and restructuring including early restructuring and second chance, in the framework of the CMU and called on Member States, pending its adoption and in order to complement it, to improve their relevant legislation, especially with regard to the length of recovery procedures, the functioning of judicial systems, and more generally their legal framework concerning the restructuring of debt, and to implement necessary sustainable structural reforms aimed at economic recovery in order to tackle NPLs.

Access to finance: Members stressed that reliable access to finance and the sound allocation of capital in Europe's bank-based financing model depend heavily on robust balance sheets and proper capitalisation, the restoration of which after the financial crises was not and is not uniformly assured across the Union, thus hampering economic growth. The report stated that the European banking sector plays a key role in financing the European economy and that this is supported by a strong supervision system. They welcomed, therefore, the intention of the Commission to maintain the SME Supporting Factor in the upcoming revision of CRD/CRR and to extend it beyond its current threshold.

Representation in the BCBS: Members stressed the importance of the role of the Commission, the ECB and the EBA in terms of engaging in the work of the Basel Committee on Banking Supervision (BCBS) and providing Parliament and the Council with transparent and comprehensive updates on the state of play of the BCBS discussions. According to Members, the EU should work on having an appropriate representation in the BCBS, notably for the euro area. The BCBS and other fora should help promote a level playing field at the global level by mitigating - rather than exacerbating - the differences between jurisdictions.

Bank structural reform: the report underlined the need to introduce a bank structural reform, including the reversal of the burden of proof, to **end the problem** of very large institutions being too big to fail.

National Systemic Risk Boards: while welcoming the establishment of National Systemic Risk Boards, Members stressed that the establishment of the Banking Union reinforces the need to strengthen macro-prudential policy at the European level in order to properly address potential cross-border spill-overs of systemic risk. The Commission is urged to propose a coherent and effective macro-prudential supervision in its overall review of the macro-prudential framework in 2017. Members highlighted the need to reduce the institutional complexity and lengthy process in the interaction between ESRB, ECB/ Single Supervisory Mechanism (SSM) and national authorities, and between competent and designated national authorities, in the field of macro-prudential supervision.

They also highlighted that the outcome of the **referendum** on the UK’s membership of the EU requires an **assessment of the whole European System of Financial Supervision** (ESFS), including the voting modalities inside the ESAs, in particular of the double majority mechanism provided under the EBA regulation. They stressed that possible negotiations following the referendum should not lead to an unlevel playing field between EU and non-EU financial institutions, and should **not be used to promote deregulation** in the financial sector.

Minimum requirement for own funds and eligible liabilities (MREL): Members stressed that proper attention should be paid, in calibrating and/or phasing in new MREL requirements, to the need to create a market for MREL-eligible liabilities. They highlighted the importance of maintaining discretion for the resolution authority when setting MREL, and of making sure that banks hold sufficient subordinated and bail-inable debt.

Members suggested the adoption on legislation with the purpose of clarifying the responsibilities and powers of, respectively, resolution authorities and competent authorities, concerning early intervention measures to be taken in cases of breaches of MREL requirements.

Deposit insurance: Members reiterated their call for a **third pillar** in order to complete the Banking Union. They stated that the protection of deposits is a common concern for all EU citizens. The role of the Commission is to guarantee a level playing field in this area across the EU and that it should avoid any fragmentation within the internal market.