Basic information

2020/2122(INI) INI - Own-initiative procedure	Procedure completed
Banking Union - annual report 2020 **Subject** 2.50.04 Banks and credit	

Key players

European Parliament	**Committee responsible**	**Rapporteur**	**Appointed**
	ECON Economic and Monetary Affairs	HÜBNER Danuta Maria (EPP)	23/04/2020
		Shadow rapporteur MAVRIDES Costas (S&D) NAGTEGAAL Caroline (Renew) PETER-HANSEN Kira Marie (Greens/EFA) JURZYCA Eugen (ECR) GRANT Valentino (ID)	

European Commission	**Commission DG**	**Commissioner**
	Economic and Financial Affairs	GENTILONI Paolo

Key events

Date	Event	Reference	Summary
17/09/2020	Committee referral announced in Parliament		
13/07/2021	Vote in committee		
26/07/2021	Committee report tabled for plenary	A9-0256/2021	Summary
06/10/2021	Debate in Parliament		
07/10/2021	Decision by Parliament	T9-0415/2021	Summary

Technical information

Procedure reference	2020/2122(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/9/03116

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE658.703	21/04/2021	
Amendments tabled in committee		PE693.617	26/05/2021	
Amendments tabled in committee		PE693.618	26/05/2021	
Committee report tabled for plenary, single reading		A9-0256/2021	26/07/2021	Summary
Text adopted by Parliament, single reading		T9-0415/2021	07/10/2021	Summary

European Commission

Document type	Reference	Date	Summary
Commission response to text adopted in plenary	SP(2021)735	02/02/2022	

Banking Union - annual report 2020

2020/2122(INI) - 07/10/2021 - Text adopted by Parliament, single reading

The European Parliament adopted by 495 votes to 100, with 91 abstentions, a resolution on the Banking Union - Annual Report 2020.

Members pointed out that the Banking Union has put in place the institutional framework for further market integration, through the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM), but that the European Deposit Insurance Scheme (EDIS), the third pillar of the Banking Union, is still pending.

The benefits of the Banking Union

Members welcomed the entry of Bulgaria and Croatia into the Banking Union, as well as the discussions in Denmark and Sweden on the possibility of these two countries entering the Banking Union. While banks have been more resilient in responding to the current crisis because they are better capitalised and less leveraged than a decade ago, Members stated that the banking sector is characterised by certain structural inefficiencies that may be exacerbated by the current crisis and that more needs to be done to **reduce the high levels of non-performing loans** that persist in some financial institutions.

Parliament found that a fully operational Banking Union, together with a fully integrated and strong capital markets union, would contribute to the resilience of the European economy, support the functioning of Economic and Monetary Union and strengthen the international role of the euro. In this context, it stressed the need for a level playing field to ensure that SMEs are not disadvantaged in their access to finance and the need to carefully monitor the issuance of securitised products.

The Commission is called upon to make further efforts to better align financial market activity with **sustainability objectives** and social, environmental and governance criteria and to continue its efforts in the field of sustainable finance.

The resolution underlined the exceptional nature of the pandemic and the temporary nature of the relief measures put in place as an initial containment measure to limit economic damage. Stressing that economic support measures must remain tailored to current and expected economic circumstances, Members called for a well**-orchestrated, gradual and targeted shift from pandemic relief to recovery support tools**, including reforms in the Member States through the national recovery and resilience reform plans, as an early or uncoordinated withdrawal of the temporary measures could see the re-emergence of the pre-crisis deficiencies and vulnerabilities of the banking sector.

Members welcomed the acceleration of the digital transition in the banking sector and called on the ECB to further examine the implications of a digital currency for the banking sector and its potential impact on financial stability. They welcomed the objective of a **digital euro** operating alongside cash as a secure and competitive digital payment instrument.

Supervision

Stressing the importance of improving the transparency and predictability of European banking supervision, Members noted that **sound credit risk management** should remain a key priority for the SSM.

The resolution recognised that the COVID-19 crisis increases the risk of a further build-up of non-performing loans which could reach levels as high as **EUR 1.4 trillion by the end of 2022**. It stressed that ensuring the proper and timely management of deteriorated asset quality on banks' balance sheets will be key to preventing a build-up of non-performing loans in the short term.

Members are concerned that as Member States sell increasing volumes of sovereign bonds, the **share of sovereign debt on banks' balance sheets** is also increasing, potentially aggravating the sovereign-bank nexus. Members believe that Next Generation EU will offer high-quality, low-risk European assets by allowing a rebalancing of sovereign bonds on banks' balance sheets.

The report stressed the importance of **protecting consumer rights**, particularly regarding unfair and aggressive terms and practices, bank fees, transparency of product costs, profitability and risks. It also stressed the importance of strong internal governance structures within banks as well as stress testing to build confidence. Additional supervisory pressure would be needed to ensure that financial institutions properly disclose climate and environmental risks.

Resolution

Members trust that the introduction of a backstop to the SRF in 2022, two years earlier than originally envisaged, in the form of a revolving credit line from the European Stability Mechanism (ESM) will strengthen the crisis management framework and is an important step towards completing the Banking Union.

The resolution welcomed the fact that, although the SRB was not required to take resolution measures in 2020, it nevertheless collaborated with the SSM in cases close to the crisis. It stressed the need to facilitate the liquidation of banks in whose resolution the SRB or the national resolution authority assess that there is no public interest. It also suggested that resolution should work for more banks, especially medium-sized banks.

Deposit insurance

Members stressed the importance of depositors across the Banking Union enjoying the same level of protection for their savings wherever their bank is located. They stressed that the implementation of the DGSD, **guaranteeing up to EUR 100 000 in banking deposits**, aims to contribute to a higher level of deposit protection.

The Commission is called on to take further steps to **relaunch the negotiations** on the EDIS through a roadmap-based work plan.

Banking Union - annual report 2020

2020/2122(INI) - 26/07/2021 - Committee report tabled for plenary, single reading

The Committee on Economic and Monetary Affairs adopted an own-initiative report by Danuta Maria HÜBNER (EPP, PL) on Banking Union - Annual Report 2020.

Members pointed out that the Banking Union has put in place the institutional framework for further market integration, through the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM), but that the European Deposit Insurance Scheme (EDIS), the third pillar of the Banking Union, is still pending.

The benefits of the Banking Union

Members welcomed the entry of Bulgaria and Croatia into the Banking Union, as well as the discussions in Denmark and Sweden on the possibility of these two countries entering the Banking Union. While banks have been more resilient in responding to the current crisis because they are better capitalised and less leveraged than a decade ago, Members stated that the banking sector is characterised by certain structural inefficiencies that may be exacerbated by the current crisis and that more needs to be done to **reduce the high levels of non-performing loans** that persist in some financial institutions.

The report found that a fully operational Banking Union, together with a fully integrated and strong capital markets union, would contribute to the resilience of the European economy, support the functioning of Economic and Monetary Union and strengthen the international role of the euro. In this context, it stressed the need for a level playing field to ensure that SMEs are not disadvantaged in their access to finance.

The Commission is called upon to make further efforts to better align financial market activity with **sustainability objectives** and social, environmental and governance criteria and to continue its efforts in the field of sustainable finance.

Members considered that a strengthened approach to cooperation between the SSM and the CRU is particularly important to ensure that appropriate action is taken in a timely manner. They stressed the **vital contribution to addressing the crisis** of temporary measures such as public guarantee schemes, moratoria on loan repayments for borrowers in financial difficulty, the central banks' liquidity programmes and the ECB's targeted longer-term refinancing operations (TLTRO), asset purchase programme (APP) and pandemic emergency purchase programme (PEPP).

The report stressed that these extraordinary temporary measures should be accompanied by measures to mitigate market and economic distortions. The Commission and national and European supervisory authorities are urged to prepare for a likely deterioration in the quality of banks' assets.

Members welcomed the acceleration of the **digital transition** in the banking sector, which should be pursued in full respect of consumers' rights and should safeguard financial inclusion.

The report welcomed the ECB's work on the **digital euro** and called on the ECB to further analyse the implications of a digital currency for the banking sector and its potential impact on financial stability. It welcomed the objective of a digital euro operating alongside cash as a secure and competitive digital payment instrument.

Supervision

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The report recognised that the COVID-19 crisis increases the risk of a further build-up of non-performing loans which could reach levels as high as EUR 1.4 trillion by the end of 2022. It stressed that ensuring the proper and timely management of deteriorated asset quality on banks' balance sheets will be key to preventing a build-up of non-performing loans in the short term.

Members recognise the role played by banks in **supporting businesses and the real economy** during the pandemic in some Member States. Banks should diligently assess the financial soundness and viability of businesses, proactively engage with distressed debtors to manage their exposures, and offer financing and viable restructuring or suitable alternative options to viable sectors and companies, especially SMEs, to ensure that defaults are prevented where possible and that businesses and consumers are not at risk of over-indebtedness.

The report stressed the importance of **protecting consumer rights**, particularly regarding unfair and aggressive terms and practices, bank fees, transparency of product costs, profitability and risks. It also stressed the importance of strong internal governance structures within banks as well as stress testing to build confidence.

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