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(2015/2221(INI))

Committee on Economic and Monetary Affairs

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

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The European Parliament,

- having regard to Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions¹ (SSM Regulation),
- having regard to the Interinstitutional Agreement between the European Parliament and the European Central Bank on the practical modalities of the exercise of democratic accountability and oversight over the exercise of the tasks conferred on the ECB within the framework of the Single Supervisory Mechanism²,
- having regard to the ECB Annual Report on supervisory activities 2014 of March 2015³,
- having regard to Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities (SSM Framework Regulation)⁴,
- having regard to the Decision of the European Central Bank of 17 September 2014 on the implementation of separation between the monetary policy and supervision functions of the European Central Bank (ECB/2014/39)⁵,
- having regard to the Decision of the European Central Bank of 4 February 2014 identifying the credit institutions that are subject to the comprehensive assessment (ECB/2014/3)⁶,
- having regard to the comprehensive assessment carried out by the European Central Bank between November 2013 and October 2014⁷,
- having regard to Regulation (EU) 2015/534 of the European Central Bank of 17 March 2015 on reporting of supervisory financial information⁸,
- having regard to Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation

¹ OJ L 287, 29.10.2013, p. 63.

² OJ L 320, 30.11.2013, p. 1.

³ <https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssmar2014.en.pdf>.

⁴ OJ L 141, 14.5.2014, p. 1.

⁵ OJ L 300, 18.10.2014, p. 57.

⁶ OJ L 69, 8.3.2014, p. 107.

⁷ <https://www.bankingsupervision.europa.eu/banking/comprehensive/2014/html/index.en.html>.

⁸ OJ L 86, 31.3.2015, p. 13.

(EU) No 1093/2010¹ (SRM Regulation),

- having regard to the Agreement between the European Parliament and the Single Resolution Board on the practical modalities of the exercise of democratic accountability and oversight over the exercise of the tasks conferred on the Single Resolution Board within the framework of the Single Resolution Mechanism,
 - having regard to Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes²,
 - having regard to the Report on Completing Europe’s Economic and Monetary Union (‘Five Presidents’ Report’),
 - having regard to Rule 52 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs (A8-0000/2015),
- A. whereas 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);
- B. whereas the BU is instrumental to ensuring stability and restoring confidence in euro area banks, enhancing financial integration, fostering risk sharing within the monetary union and contributing to breaking the link between sovereigns and banks at national level;
- C. whereas in a BU a Single Rulebook must be complemented by a Single Supervisory Mechanism (SSM), a Single Resolution Mechanism (SRM) and a common deposit guarantee scheme (DGS), and should be provided with an efficient fiscal backstop at EU level;
- D. whereas the SSM is the first pillar of the BU and aims to ensure a uniform and homogeneous supervision of euro area banks, create a level playing field in the banking market, and contribute to the safety and soundness of credit institutions and the stability of the financial system;
- E. whereas the SRM is the second pillar of the BU and aims to ensure uniform rules and procedures and a common decision-making process for orderly resolution of failing banks with minimum impact on the real economy and public finance;
- F. whereas a common DGS, originally intended as the third pillar of the BU, so far consists only in an approximation of national DGSs, while a common DGS that is able to ensure the same level of protection for deposits, irrespective of their location, is a necessary component of a true BU;

Single Supervisory Mechanism (SSM)

1. Welcomes the establishment of the SSM, which has been successful both from an

¹ OJ L 225, 30.7.2014, p. 1.

² OJ L 173, 12.6.2014, p. 149.

operational point of view and in terms of supervisory quality, and considers it a remarkable achievement, taking into account the complexity of the project and the very short time frame available;

2. Welcomes in particular, in relation to the operational set-up:
 - (a) the recruitment process, which resulted in a good blend of competences, cultures and gender, thus contributing to the supranational nature of the SSM, and the thorough training activity programme for national competent authorities (NCAs) and ECB staff;
 - (b) the drafting, building on national best practices, of the Supervisory Manual laying down common processes, procedures and methods for conducting a euro-wide supervisory review process;
 - (c) the set-up of the IT infrastructure and of the supporting analytical tools;
 - (d) the setting up of Joint Supervisory Teams (JSTs) and the dialogue they have established with the supervised credit institutions;
 - (e) the processes devised to work off the common procedures (authorisation of qualifying holdings, licensing, passporting, fit and proper assessments);
3. Notes that a very significant share of work is routinely devoted to administrative procedures, required by the SSM Regulation, which may not always be proportionate, and stands ready to consider proposals aimed at reducing the operational burden on structures at all levels and improving the effectiveness of the SSM supervision, namely by delegating certain decisions on specific administrative issues within clear limits and guidelines;
4. Believes that while the degree of effectiveness achieved by JSTs in less than a year is remarkable, further improvements can be pursued, including by involving NCAs in a more effective way and ensuring that their staff are motivated and involved in the decision-making process;
5. Takes note of the remarks made by supervised entities about the need for early planning of supervisory actions, in order to enhance their quality and avoid the unintended consequence of affecting banks' business activities, and considers that there is a great deal of room for improvement in this respect;
6. Emphasises the need to avoid double reporting requirements and more generally an unnecessary administrative burden on credit institutions, in particular smaller banks;
7. Stresses the importance of close interaction between the ECB's Directorates General (DGs) in charge of direct and indirect micro-prudential supervision and the DG in charge of horizontal supervision and expertise services, and emphasises the role of the latter in improving the comprehension, among supervised entities, of a common supervisory approach underlying the concrete individual micro-prudential measures;
8. Considers the comprehensive assessment performed ahead of the launch of the SSM to

be a fundamental step towards restoring the confidence lost through the crisis years and enhancing the resilience of the euro area banking system by improving its capitalisation and increasing transparency;

9. Underlines that economic recovery is underway but is still fragile and modest, inflation remains below its target, credit dynamics are still subdued in many jurisdictions and a large stock of non-performing loans weighs on many European banks' balance sheets, limiting their capacity to finance the economy;
10. Highlights that effective coordination between macro-prudential and micro-prudential policies is crucial, and underlines that the SSM is fully part of the EU macro-prudential framework and has been given relevant macro-prudential responsibilities, together with the NCAs and the ECB Governing Council;
11. Believes that the worldwide drive towards more and better quality bank capital is a necessary condition for a sound banking system capable of supporting the economy and for avoiding any repeat of the enormous bailouts witnessed during the crisis;
12. Notes that an increase in capital requirements, beyond a certain threshold, may in the short term induce banks to curtail the supply of credit, and therefore looks forward to an overall stabilisation of the level of capital;
13. Considers the stabilisation of the supervisory and regulatory framework an important element to restore investors' confidence, to avoid uncertainty about regulatory and supervisory action, and to support growth and financial stability;
14. Welcomes the development of a common methodology for the 2015 round of the Supervisory Review and Evaluation Process (SREP); takes note that, partly as a consequence of the swift start of the SSM, many aspects of this methodology were finalised while the SREP cycle was already underway, and considers that in order to improve robustness of results and consistency between banks' risk profiles and capital levels, the process leading to the approval of the common risk assessment may benefit from further refinement;
15. Underlines that the legislation's lack of clarity on the hierarchy between pillar two and capital buffers in relation to the Maximum Distributable Amount threshold and to other sanctioning measures does not prevent the SSM from using a margin of flexibility in order to avoid solutions which are too rigid and might negatively affect the AT1 bond market and the level playing field with other jurisdictions;
16. Believes that the homogenisation of supervisory practices and standards within the euro area is a key objective for the SSM in order to ensure a true level playing field; in this respect, welcomes the agreement on a single implementation of national options and discretion for the euro area; considers that such a single implementation requires a gradual approach and should aim to address all existing barriers and segmentations; stands ready to cooperate at the legislative level to further improve regulatory and supervisory harmonisation;
17. Stresses the importance of the work that has been undertaken on the homogenisation of the calculation of risk-weighted assets, which is pivotal for comparability purposes, and

on the review of internal models for the calculation of banks' capital requirements, and considers progress in this area, for all portfolios, crucial in order to preserve the effectiveness and credibility of banking supervision in the euro area;

18. Underlines that the SSM should look beyond credit risk to all forms of bank risk, and that further steps are necessary to reinforce the supervisory scrutiny of banks' financial portfolios, especially level 3 assets;
19. Considers that appropriate attention should be paid to increased exposure in the form of off-balance sheet items, in particular for global systematically important banks (G-SIBs);
20. Underlines the important role played by the SSM during the Greek crisis in monitoring the condition of the country's banking sector, in conducting a comprehensive assessment of the significant Greek institutions and in contributing to the determination of the recapitalisation needs;
21. Believes that the ECB's supervisory strategy, while avoiding any differentiation along national lines, should reflect and safeguard pluralism of banking models across the EU;
22. Considers transparency vis-à-vis market players and the public, including on sensitive topics, to be essential for fair competition in the banking market; underlines that transparency of both supervisors and supervised entities is also a prerequisite for accountability, as it allows Parliament and the public to be informed about key policy issues and to assess consistency with rules and supervisory practices;
23. Highlights that in this regard the publication of a list of Frequently Asked Questions on the SREP could be a useful tool;
24. Welcomes the efficient and open way in which the ECB has so far fulfilled its accountability obligations towards Parliament and calls upon the ECB to continue to fully engage in this regard and to further contribute to improving Parliament's capacity to assess SSM policies and activities;
25. Underlines the importance of cooperation with the European Banking Authority (EBA) and with other authorities within the European System of Financial Supervision, while fully respecting the division of roles and competences and the separation between regulation and supervision in order to help ensure compliance with the EU checks-and-balances structure;

Single Resolution Mechanism (SRM)

26. Welcomes the efficient setting up of the Single Resolution Board (SRB) and the establishment of the national resolution authorities (NRAs) in the Member States;
27. Highlights the importance of establishing efficient cooperation between the SRB and the NRAs for the smooth functioning of the SRM; considers the organisational model established by the SSM through the JSTs to be a good basis for organising cooperation within the SRM;

28. Encourages the conclusion of a memorandum of understanding (MoU) on mutual cooperation and data sharing between the SRB and the ECB as single supervisor, in order to increase efficiency and avoid double reporting for banks, while allowing the SRB to have access to the data necessary to fulfil its institutional mandate;
29. Underlines the discrepancy between banks directly supervised by the SSM and banks under the direct responsibility of the SRB (including other cross-border groups) and its potential consequences in terms of the SRB's access to information;
30. Calls for specific arrangements within the Commission and between the SRB and the Commission in order to define efficient procedures for decision-making in the event of resolution;
31. Encourages the conclusion of cooperation agreements between the SRB and the NRAs of non-participating Member States and third countries for effective mutual cooperation and information exchange;
32. Welcomes the preparation by the SRB of manuals on resolution activities, in line with the relevant EBA standards, which aim to promote a consistent and effective approach to resolution tasks within the SRM;
33. Calls for timely progress in drawing up resolution plans and the setting of a minimum requirement for own funds and eligible liabilities (MREL) for institutions in the scope of the SRM, in order to be able to ensure an orderly resolution of failing banks with a minimum impact on the real economy and public finances;
34. Takes note of the double role of the Board members who are at the same time members of an executive body with decision-making roles and senior managers accountable in that capacity to the Chair, and considers that an evaluation of this structure should be undertaken before the end of the current mandate;
35. Calls on Member States to fully and swiftly implement the Bank Recovery and Resolution Directive (BRRD) and the intergovernmental agreement (IGA) on transfer and mutualisation of contributions to the Single Resolution Fund; regrets the decision to set up the fund through an IGA rather than through Union law;
36. Stresses the need, as a consequence of the existence of the national compartments in the SRF, to rapidly put in place an adequate bridge financing mechanism in order to provide the fund, if necessary, with sufficient resources in the period before its completion; recalls that the Eurogroup and the Ecofin ministers identified, in their statement of 18 December 2013, the possibility of having recourse to both national sources and the European Stability Mechanism (ESM), and considers the latter the most effective and credible solution, which could be implemented either through a swift revision of the ESM treaty or through appropriate implementation of the provisions of Article 13 thereof;
37. Welcomes, nonetheless, the progress made so far in securing public bridge financing to help ensure the availability of funds for concrete resolution through national resources; underlines, however, that the specificities of the arrangements currently being discussed (uncommitted credit lines, prior national approval, staggered payments) may reduce the

usefulness of public bridge financing;

38. Recalls that the credibility of the BU, and in particular of bail-in and single resolution provisions, requires a common backstop in order to be able to support the SRF, if necessary, beyond its capacity of EUR 55 billion, and considers that its setting-up should start swiftly and be based on the ESM;

Third pillar

39. Underlines that, together with the SSM and the SRM, the capacity to afford the same level of protection to deposits, irrespective of their location, is an indispensable component for completing the BU;
40. Welcomes the Commission's announcement regarding the presentation of a legislative proposal for the first steps towards a European Deposit Insurance Scheme (EDIS) by establishing a reinsurance mechanism at EU level for the national deposit guarantee schemes;
41. Instructs its President to forward this resolution to the Council, the Commission, the ECB and the SRB.