

COMPROMISE PROPOSALS
ANNUAL BANKING UNION REPORT 2016
Version 20.01.2017

COMP A (includes AMs 90, 91, 92, 94, 95, 96, 97, 98, 101, 102, 103, 106, 143, 149 - covers AMs 90 to 104, 106, 143, 149)

Paragraph 1

Is concerned about (Balz, 98) 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 non-performing loans* (Carthy and al, 106); considers that *reducing this level* (Hayes, 94) is crucial; *welcomes efforts to already reduce the level of NPLs in some countries* (Hayes, 94) ; *notes however that until now the issue has mainly been addressed at national level* (Delvaux and als. 90); *considers that the problem needs to be solved as soon as possible but acknowledges that a definite solution will take time* (Martusciello, 91; Ferber 101; Muresan 102); *considers that any suggested solution should take into account the source of NPLs, the impact on banks' lending capacity to the real economy, and the need for the development of a NPL primary and secondary market, possibly in the form of safe and transparent securitisation, and involve both the Union and national level* (Delvaux and als., 90; Martusciello 91; Huebner 95; Beres 103); *recommends that the Commission assists Member States in, among others, the establishment of dedicated asset management companies (or "bad banks") and enhanced supervision* (Delvaux and als 90); *reiterates in this context the importance of the ability to sell off NPLs in order to free up capital, especially important for bank lending to SMEs* (Paunova 96); *welcomes the ECB's consultation on a draft guidance to banks on non-performing loans as a first step but believes that more substantial progress has to be made* (Loones 92, Balz 98, Muresan 102); *welcomes the Commission proposal on insolvency and restructuring* (Goulard and als. 97) *including early restructuring and second chance, in the framework of the CMU* (Loones 92); *pending its adoption and as a complement to it* (Huebner 95) calls on Member States 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* (Loones 92) and to *implement*

necessary sustainable structural reforms aiming at economic recovery (Balz 98) in order to tackle NPLs; *notes that, according to the Bank for International Settlements, some euro-area banks weakened their capital bases by paying substantial dividends sometimes exceeding the level of retained earnings throughout the crisis years* (Giegold 149); *considers that the capital position of banks can be strengthened by reducing dividend payments and raising fresh equity* (Tang 143);

COMP B (covering AMs 107, 109 and 113)

Paragraph 1a

Is concerned by the lingering instability of the banking landscape in Europe, inter alia underlined by the 2016 IMF Global Financial Stability Report that states that Europe would even under a cyclical recovery retain a high share of weak and challenged banks (Tang 107); *notes the low profitability of a number of institutions in the euro area* (Goulard and als, 109); *points out that explanations for this situation include among others the stock of NPLs, the interest rate environment as well as possible demand side issues* (Carthy and als, 113); *reiterates the call by the IMF for fundamental changes in both bank business models and system structure to ensure a healthy European banking system* (Tang 107);

COMP C

Includes AMs 118, 119, 123, 126, 129, 130, 131, 134

Covers AMs 118 to 132, 133, 134, 136, 211, 379, 414

Paragraph 2

Considers that there are risks associated with sovereign debt; *notes as well that in some Member States financial institutions have overly invested in bonds issued by their own government, leading to excessive 'home bias'* (Giegold 118) *while one of the main objectives of the Banking Union is to break the bank-sovereign-risk nexus* (Giegold 118, Beres and als, 130); (Giegold 118, Loones 119, Tremosa i Balcells 123); *notes that an appropriate prudential treatment of sovereign debt might create incentives for banks to better manage their sovereign exposures* (Loones 119); notes, however, that *government bonds play a critical role*

as a source of high-quality, liquid collateral (Goulard and als. 131) *and in the conduct of monetary policy* (Beres 126) *and that* modifying *their* prudential treatment, *especially if no phasing-in approach is envisaged* (Balz, 134), could have a significant effect on *both* the financial *and the public* (Beres 126, Goulard and al. 131) sector, which calls for a careful consideration of the pros and cons of a revision of the current framework before any proposal is made (takes into account idea of Martusciello 130); *takes note of the various policy options set out in the report of the High Level Working Group on the prudential treatment of sovereign exposures discussed at the informal ECOFIN meeting of 22 April 2016*; considers that *the EU* regulatory framework *should be consistent with the international standard* (Delvaux and al, 129); *awaits therefore the results of the FSB work on sovereign debt with great interest in order to guide future decisions*; *considers that 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* (Goulard and als. 131); *stresses that, in parallel with the reflections on sovereign debt, reflection should take place on convergence on a wider range of economic issues, on state aid rules (partly from Martusciello 130) and on risks such as misconduct, including financial crime (partly from Giegold 118)*;

COMP D

(includes AMs 139, 140, 141, 142, 144, 145, 146, 148, 151-covers AMs 137, 139 to 148+ AM152, AM 153, +AM 158+ AM 167+AM 414)

Paragraph 3

Considers it essential *for depositors, investors and supervisors* (Loones 148) to *address the excessive variability in risk-weights applied to risk-weighted assets of the same class* across institutions (Von Weiszacker, 140); *recalls that the current rules governing the use of internal models provide a significant level of flexibility for banks and add a layer of modelling risk from the supervisory perspective* (Von Weiszacker, 140); welcomes *in this respect the work undertaken by the EBA to harmonise key assumptions and parameters the divergence of which has been identified as one of the main drivers of variability as well as the work done by the ECB banking supervision within its Targeted Review of Internal Models (TRIM) project in order to assess and confirm the adequacy and appropriateness of*

internal models; encourages further progress on these workstreams (Huebner 141, also covers part of Loones 148); *awaits the outcome of* the work done internationally to streamline the resort to internal models *in the case of operational risk and lending to corporates, other financial institutions, specialised finance and equities banks* (Giegold 139) *in order to re-establish the credibility of internal models* (Goulard and als, 146) *and ensure that they focus on the areas where they deliver added value* (Huebner 141); *also welcomes* the introduction of a leverage ratio to act as a *robust backstop, in particular for global systemically important institutions (G-SIIs)*; (Loones 148); *stresses the need for a more risk-sensitive standard approach to ensure respect of the “same risks, same rules” principle* (in part from Giegold 139) ; *calls on financial supervisors to allow new internal models only if they do not lead to unjustified significantly lower risk weights* (Giegold 139); *reiterates the conclusions of its resolution of 23 November 2016 on the finalisation of Basel III* (from Delvaux and als, 158); *in particular*, recalls that the regulatory changes planned should not result in *overall* (Giegold 139, Delvaux and als, 158) increases in capital requirements nor harm the ability of banks to finance the real economy, in particular SMEs; *stresses that the international work should respect the proportionality principle* (Ferber 145); *recalls the importance of not unduly penalising the EU banking model* (Delvaux and als 158) *and of avoiding discrimination between EU and international banks* (Martusciello 152); *calls on the Commission to ensure European specificities are considered when developing new international standards in this area* (Hayes, 144) *and to take duly into account the proportionality principle and the existence of different banking models when assessing the impact of future legislation implementing internationally agreed standards* (Loones 167);

COMP E

Includes AMs 156, 158, 160, 162, 163, 165, 167

Covers AM 156, 157, AM 158 to 166, 306)

Paragraph 4

Points out that guidance provided by international fora *should be followed to the greatest extent possible* in order to avoid the risk of regulatory fragmentation (original text+Marías 164+Vandenkendelaere133) *with regard to the regulation and supervision of large, internationally active banks* (Balz 162, Loones 163) *without this preventing a critical approach when needed and without this precluding targeted departures from international*

standards when and where the characteristics of the European system are not sufficiently taken into account (from original text, Ferber 166); *recalls the conclusions of its resolution of 12 April 2016 on the EU role in the framework of international financial, monetary and regulatory institutions and bodies* (Delvaux and als. 165); *in particular, stresses the importance of the role of the Commission, the European Central Bank and the European Banking Authority to engage in the work of the BCBS and provide the European Parliament and the Council with transparent and comprehensive updates on the status of the development of the BCBS discussions; considers that the EU should work on having an appropriate representation in the BCBS and notably for the euro area; calls for a stronger visibility of this role during ECOFIN meetings, as well as enhanced accountability towards the ECON Committee in the European Parliament* (Goulard and als. 156, also covers Tremosa i Balcells 160); *underlines that the BCBS and other fora should help to promote a level playing field at the global level by mitigating - rather than exacerbating - the differences between jurisdictions* (Delvaux and als, 158; Loones 163);

COMP F

Covers and includes AMs 157 and 268

Paragraph 4a

Points to the risks, including systemic risks, of a rapidly growing shadow banking sector as shown in the 2016 EU Shadow Banking Monitor; insists that any action on the regulation of the banking sector must be accompanied by appropriate regulation of the shadow banking sector; calls, therefore, for coordinated action in order to ensure fair competition and financial stability (end of Giegold 157, same idea in Delvaux and als 268);

COMP G

Includes AMs 172, 173, 175, 176, 177, 178

Covers AMs 170 to 180

Paragraph 5

Stresses that national options and discretions *may* hinder (Muresan 179, Ferber 180) the creation of a level playing field between Member States *and the comparability of the financial*

reporting by banks to the public (Goulard and als, 175); *is pleased with the opportunity offered by the newly proposed amendment to the CRR to close or restrict the use of some of them at Union level* (Huebner 176, Vandenkendelaere 177) *in order to address existing barriers and segmentation* (Paunova 178) *and to keep only the ones that are strictly necessary because of the diversity of banking models* (Goulard and als, 175); *urges that this opportunity be fully exploited* (Huebner 176); welcomes the ECB guidance and regulation harmonising the exercise of some of the national options and discretions within the Banking Union; *stresses however that, when conducting work on the reduction of options and discretions, the ECB shall remain within the limits of its mandate (from Ferber 180); stresses that working towards the deepening of the single rulebook is crucial and underlines the need to streamline its current form of overlapping and intertwining of existing, amended and new legislation* (Delvaux and als.173); *calls on the ECB to make fully public the Supervisory Manual laying down common processes, procedures and methods for conducting a euro-wide supervisory review process* (Giegold 172);

COMP H

Includes AM , 189, 190, 191, 193, 194

Covers AMs 186 to 194

Paragraph 6

Notes the clarifications with regard to (Loones 193) *the objectives of Pillar 2 and its place within the stacking order of capital requirements proposed in the amendment to the Capital Requirements Directive* (Huebner 190); *notes that the use of capital guidance is said to balance financial stability concerns with the need to leave scope for supervisory judgement and case-by-case analyses* (Huebner 190); *encourages the ECB to clarify the criteria that underline the Pillar 2 guidance; recalls that this guidance does not constrain the Maximum Distributable Amount (MDA) and therefore should not be disclosed* (Delvaux and als. 189); *believes that the use of capital guidance should not result in a demonstrable reduction of Pillar 2 requirements* (Vandenkendelaere 191, Loones 193); *considers that more supervisory convergence is needed concerning the composition of own funds to cover Pillar 2 requirements and guidance* (Cozzolino 194); *is pleased therefore that the issue is addressed in the proposed amendment to the Capital Requirements Directive;*

COMP I

Covers and includes AMs 112, 135, 138, end of 157 as from “reiterates”; 196)

Paragraph 6a

Stresses the risks stemming from the holding of level 3 assets *including derivatives* (Giegold 157, Cozzolino 135) and in particular from the difficulty of their valuation; notes that *these risks should be reduced* (Cozzolino 135) and that this calls for a progressive reduction of the holdings of these assets (Martusciello 112, Huebner 196); calls on the SSM to make this issue one of its supervisory priorities and to organise, jointly with the EBA, a quantitative stress test on it (Martusciello 112, Huebner 196);

COMP J

Includes AMs 199, 200, 201, 202, 203, 204, 205,

Covers AMs 198 to 210

Paragraph 7

Notes the risks stemming from 'too-big-to-fail', *too-interconnected-to-fail and too-complex-to-resolve* (Carthy and als, 205) *financial institutions; notes that a set of policy measures designed at the international level to address these risks have been agreed (notably TLAC, central clearing of derivatives, capital and leverage ratio add-on for globally systemic banks)* (Goulard and als, 199, Beres 200, Balz 201); *is committed to work swiftly on the corresponding legislative proposals for their implementation in the Union* (Beres 200) reducing further risks stemming from the too-big-to-fail issue; *recalls the words of Mark Carney, Chair of the Financial Stability Board, that agreement on proposals for a common international standard on total loss-absorbing capacity for G-SIBs is a watershed in ending "too big to fail" banks* (Goulard and als, 199; also similar idea in Huebner 202, Tremosa i Balcells 203, Martusciello 204); *also notes that an effective bail-in mechanism and the application of an appropriate level of MREL are an important part of the regulatory measures to address this issue* (Balz 201) *and to enable globally systemic banks to be resolved without recourse to public subsidy and without disruption to the wider financial system* (Goulard and als, 199);

COMP Ja

Covers AM 234, 266, 281, 246

New Paragraph 7a

Highlights the limitations of the current stress test methodology; welcomes, therefore, the EBA's and the ECB's efforts to pursue improvements to the stress testing framework; believes, however, that more should be done to better reflect the possibility and reality of real crisis situations by, inter alia, better incorporating more dynamic elements such as contagion effects in the methodology (Loones 234 and Giegold 281); considers that the lack of transparency characterising the ECB's own stress tests imply uncertainty in supervisory practices; calls on the ECB to publish the results of its stress test exercise to foster market confidence (Giegold 266);

COMP K

Includes AMs 217 and 218

Covers AMs 215,216, 217, 218

Paragraph 8

Welcomes the progress made to prepare for allowing some delegation in the area of fit and proper decisions; nevertheless (Delvaux and als 217) points out that a change in the regulations is needed to allow more and (Delvaux and als 217) easier delegation of decision-making on some routine issues from the Supervisory Board to relevant officials; would welcome such a change which would (Delvaux and als 217) contribute to making ECB banking supervision more efficient and effective; calls on the ECB to specify the tasks and the legal framework for the delegation of decision-making (Giegold 218)

COMP L

Includes and covers AMs 86, 108, 114, 219, 222, 242, 244, 245, 250, 251, 256

Paragraph 8a

Takes note of the report of the European Court of Auditors on the functioning of the Single Supervisory Mechanism; ***takes note of the findings concerning the insufficient level of staffing (Goulard and als 222, Ferber 108); calls on national competent authorities and***

Member States to fully provide the ECB with the necessary human resources and economic data in order to do its job (Tremosa i Balcells 242) *in particular as concerns on-site inspections* (Ferber 108); *calls on the ECB to amend the SSM Framework Regulation in order to formalise commitments by participating NCAs and to implement a risk-based methodology to determine the target number of staff and the composition of skills for Joint Supervisory Teams* (Giegold 86); takes the view that more involvement of *ECB personnel* and *lower reliance on staff from NCAs* (Delvaux and als, 256) would improve the independence of supervision, together with the use of staff from the competent authority of one Member State to supervise an institution from another Member State, which also contributes to effectively addressing the risk of supervisory forbearance; *welcomes the ECB's cooperation with the European Parliament on staff working conditions*; *calls on the ECB to promote a good working environment that fosters professional cohesion in the ECB* (Delvaux and als, 256); *recalls the potential conflict of interest between supervisory tasks and responsibility for monetary policy and the need for a clear separation between both sets of functions* (Ferber 114, Tremosa i Balcells 250, Loones 251); *calls on the ECB to perform a risk analysis on possible conflicts of interest and envisage separate reporting lines where specific supervisory resources are concerned* (Giegold 86); believes that, while *the separation of monetary policy and supervision* is a central principle, it should not preclude cost savings enabled by the sharing of services, provided such services are non-critical in terms of policy making and proper guarantees are established; *calls on the ECB to hold public consultations when drafting quasi legislative measures in order to enhance its accountability* (from Giegold 245);

COMP M

Paragraph 9

Includes AMs 226, 227, 230, 231, 232, 238, 239

Covers AMs 223 to 233, 243

Recalls the need to find, in *regulation as well as in* (Loones 232) the exercise of supervision, a balance between the need for proportionality and the need for a consistent approach; *notes, in this respect, the changes put forward regarding reporting and remuneration requirements in the Commission proposal amending Directive 2013/36/EU* (Loones 232, same idea in Delvaux and als, 231); *calls on the Commission to prioritise work on a "small banking box" and to extend it to an assessment of the feasibility of a future regulatory framework*

consisting of less complex and more appropriate and proportional prudential rules specific to different types of banking models (Giegold 226); points out that all banks should be subject to an appropriate level of supervision; recalls that appropriate supervision is key to monitor all risks whatever the size of the banks (Goulard and als, 230); respects the division of roles and competences between the Single Resolution Board (SRB), the European Banking Authority (EBA) and other authorities within the European System of Financial Supervision, while underlining the importance of effective cooperation (Paunova 227); sees a need to overcome the proliferation of overlapping reporting requirements and national interpretations of European laws in a common market (Giegold 226); supports streamlining efforts to date such as the idea behind the European Reporting Framework (ERF) (Hayes 238) and encourages further efforts in this direction to avoid double reporting and unnecessary additional costs of regulation; calls on the Commission to address the issue in due course in line with its conclusions from the call for evidence (Delvaux et als 239), for instance through a proposal for a common unitary and consolidated supervisory reporting procedure; calls as well for a timely announcement of ad-hoc and permanent reporting requirements to ensure high data quality and planning security (Giegold 226);

COMP Ma

Paragraph 9a

Includes and covers AMs 252, 257, 260, 261, 262, 263, 271

Welcomes the establishment of National Systemic Risk Boards, but stresses 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 (Delvaux et al 261); encourages the Commission to propose a coherent and effective macro-prudential supervision in its overall review of the macro-prudential framework in 2017 (Delvaux et al 262); calls on the Commission to be especially ambitious in order to (Delvaux et al 262) enhance the ESRB's institutional and analytical capacity to assess risks and vulnerabilities in and beyond the banking sector (Giegold 260) and to intervene accordingly (Delvaux et al 262); considers that borrowing based instruments (such as LTVs and DSTIs) should be embedded in European legislation to ensure harmonisation in the use of these additional types of macro-prudential instruments (Giegold 252); highlights the need to reduce the institutional complexity and lengthy process in the interaction between ESRB, ECB/SSM and national authorities, and between competent and

designated national authorities, in the field of macro-prudential supervision (Delvaux et al 262 and Giegold 263); welcomes in this regard the progress already made on cross-border coordination by the ESRB recommendation on voluntary reciprocity (Delvaux et al 262); reiterates its call for the clarification of the linkages between the macro-prudential framework and existing micro-prudential tools, in order to ensure effective interaction of macro-prudential and micro-prudential policy instruments (Giegold 271); expresses concern about the vulnerabilities in the real estate sector identified by the ESRB (Giegold 257); notes that the EBA is still to deliver RTSs on the condition of capital requirements for mortgage exposure under Articles 124(4)(b) and 164(6) CRR; (Giegold 271); notes that only a small number of SSM members have activated or plan to activate general systemic risk buffers and a counter-cyclical capital buffer until now ; notes that the ECB has so far not fully exercised its macroeconomic supervisory powers by fostering the adoption of macro-prudential supervisory instruments by national authorities (Giegold 259);

COMP Mb

Paragraph 9b

Covers AM 181, 249

Highlights that the outcome of the referendum on the UK membership to 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 for in article 44(1) of the EBA regulation; emphasises that possible negotiations following the referendum should not lead to an unlevel playing field between the EU and non-EU financial institutions and shall not be used to promote deregulation in the financial sector (covering Giegold 181, Goulard 249)

COMP N

Includes AMs 276, 277, 278, 280, 281, 282, 283, 284, 285

Covers AMs 275 to 285, 287

Paragraph 10

Recalls the need to adhere to State aid rules *when dealing with future banking crises* (Loones 278) *and that 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 (Goulard and als, 282); ~~stresses that operations aimed at cleaning the balance sheets from the burden of non-performing loans are equivalent to recognising losses on these assets (Giegold 287);~~ *calls for the definition of efficient procedures between the SRB and the Commission for decision-making in the event of a resolution, especially concerning the timeframe* (Delvaux and als. 277); takes the view that *the* (Delvaux and als. 277) flexibility embedded within the current framework *should be clarified* (Delvaux and als. 277) and *recalls* (Martusciello, 284) *that it should* (Vandenkendelaere, 280) be better exploited *in order to address specific situations, without hindering genuine resolution of banks which are insolvent* (Giegold 281), in particular in the case of preventive *and alternative* measures involving the use of DGS funds *provided for in DGSD Article 11(3) and (6)* (Delvaux and als. 277; idea of clear framework in Loones 278 is also implicit here); *calls on the Commission, therefore, to reconsider its interpretation of the relevant State aid rules in an effort to guarantee that the preventive and alternative measures provided for by the European legislator in the Deposit Guarantee Directive can actually be implemented* (Ferber 283 Muresan 285); *notes that specific situations have been treated differently without clear justifications* (Martusciello, 284); *reminds the Commission that a report assessing the continuing need for allowing precautionary recapitalisations and the conditionality attached to such measures was due by 31 December 2015; calls on the Commission to submit such a report as soon as possible* (Goulard and als, 282);

COMP O

Includes AMs 296, 297, 298, 299, 301, 302, 303, 304, 307, 317

Covers AMs 295 to 304, 317

Paragraph 11

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 (Giegold 295, Loones 303 and 304); takes note of the differences between TLAC and MREL; stresses, however, that both standards share the same objective, *namely to make sure that banks have enough regulatory capital and loss-absorbing liabilities to make bail-in an effective instrument in resolution without causing financial instability and without needing public money* (Goulard and als, 298), *thereby avoiding the socialisation of private risks* (Tang, 301); concludes therefore that a holistic approach to loss-absorption can be

reached by combining the two, *building on TLAC as transposed in the current Commission proposal as the minimum standard, subject to the agreement to be reached by the co-legislators* (Balz 302); highlights that due consideration should be given to retaining the two criteria of size and risk-weighted assets and *notes the interconnection between the risk-weighted asset criteria underlying the TLAC standard and the ongoing work in the EU and at the BCBS on internal models and on the finalisation of the Basel III framework* (Giegold 295; Carthy and als, 299); *stresses 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* (Martusciello 296, Huebner 297, also same idea in Delvaux and als 307); *highlights the importance of maintaining discretion for the resolution authority when setting MREL* (Huebner 297) *and of making sure banks hold sufficient subordinated and bail-inable debt (Von Weiszacker 317); emphasises that market disclosure should be made in an appropriate manner in order to avoid investor misinterpretation of the MREL requirements* (Martusciello 296, Delvaux and als. 300);

COMP P

Includes and covers AMs 308, 309 and 310

Paragraph 12

Draws attention to the importance of clarifying in legislation the stacking order between MREL-eligible CET1 and capital buffers; *stresses the need to adopt 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* (Giegold 308); *notes the Commission proposal for the introduction of the MREL guidance* (Huebner 309); *reiterates that the calibration of MREL should in all cases be closely linked to and justified by the resolution strategy of the bank at issue* (Paunova 310);

COMP Q

Includes AMs 313, 315, 320

Covers AMs 313 to 315 and 318 to 320

Paragraph 13

Stresses that it is crucial to harmonise the hierarchy of claims in bank insolvency across Member States in order to make the implementation of the BRRD more ~~credible~~ (Von Weizsäcker 317); consistent and effective *and to provide certainty to cross-border investors; welcomes therefore the Commission's proposal to go further in the harmonisation of the hierarchy of claims* (Huebner 313, Goulard and al. 320) ; *notes that better harmonisation of the regular insolvency regime and of its hierarchy of claims will also be essential, both, in the case of banks, to avoid discrepancies with the bank resolution regime, and, in the case of companies, to provide additional clarity and certainty to cross-border investors and contribute to addressing the issue of NPLs; welcomes that the BRRD brought an important change in the hierarchy of insolvency, giving priority to insured deposits, so that they rank senior to all capital instruments, loss absorbing capacity, other senior debt and uninsured deposits* (Paunova 315); *calls on the Single Resolution Board (SRB) to present the results of the resolvability assessments for G-SIB and other banks, including the proposed measures to overcome impediments to resolution* (Giegold 314);

COMP R

Includes AMs 316, 326, 327

Covers 316, 324-327

Paragraph 14

Notes the range of legal options available to ensure the subordination of TLAC-eligible debt; points out that none is preferred by the FSB; is of the view that the approach adopted should first and foremost strike a balance between flexibility, *effectiveness (Balz, 327), legal certainty* (Ferber 316, Huebner 326) *and the ability of the market to absorb any new class of debt* (Huebner 326);

COMP S

Includes and covers AM 154, 294, 329 and 341

Paragraph 14a

Recalls that the newly introduced resolution regime has resulted in some instruments offered to investors, in particular retail investors, involving a higher risk of loss than under the previous regime (Giegold 329; same idea also in Carthy et al. 294); *further recalls* that bail-

inable instruments should only be sold *in the first place* to appropriate investors which can absorb potential losses without being threatened in their own sound financial standing (Goulard and als 341); *therefore urges the Commission to foster the implementation of relevant existing legislation and calls on the ESAs to strongly contribute to detecting mis-selling practices* (Giegold 154, Giegold 329, in the same direction also Goulard et al. 341);

COMP T

Includes AMs 329, 330 and 331

Covers 328, 330, 331

Paragraph 15

Warns that the BRRD requirement of contractual recognition for bail-in powers on liabilities governed by non-EU legislation proves cumbersome to implement; *considers this issue an immediate concern* (Hayes 331); *notes the right introduced by the proposed amendments to the BRRD for competent authorities to waive this requirement; considers that this approach allows for flexibility and for a case-by-case assessment of the liabilities concerned* (Huebner 330); *calls on the Commission and resolution authorities to ensure that the conditions for granting exemptions and the subsequent actual decisions on exemptions do not endanger banks' resolvability* (from Giegold 329);

COMP U

Includes AMs 337 and 338

Covers AMs 336, 337, 338, 339

Paragraph 17

Points out that swift and effective exchange of information between supervision and resolution authorities is paramount in order to ensure smooth crisis management; welcomes the conclusion of a memorandum of understanding (*MoU*) between the ECB and the SRM in respect of cooperation and information exchange; *calls on the ECB to specify in the MoU the communication procedures between joint supervisory teams and internal resolution teams* (Giegold 338); *recommends that the attendance of the ECB as a permanent observer at the SRB Plenary and Executive Sessions be made fully reciprocal by allowing a representative*

of the SRB to attend the Supervisory Board of the ECB as a permanent observer (Huebner 337);

COMP V

Includes and covers AMs 335 and 342

Paragraph 17a

Calls for the ex-ante contributions to the Single Resolution Fund to be calculated in a strongly transparent manner with efforts to harmonise information on calculation outcomes and improve the understanding of the calculation methodology (Hayes 335); calls on the Commission to carry out the review of the calculation of the contributions to the SRF provided for in recital 27 of delegated Regulation (EU) 2015/63 with the utmost care and in particular to examine the adequacy of the risk factor in order to ensure that the risk profile of less complex institutions is properly taken into account (Ferber 342);

COMP W

Includes AMs 334, 340, 426, 427, 430, 431

Covers AMs 255, 290, 417 to 431, 334, 340, 356, 433, 434

Paragraph 17b

Takes note of the Statement of the Finance Ministers of 8 December 2015 on the system of bridge financing arrangements for the SRF; notes, in this respect, that 15 out of 19 euro area Member States have already signed a harmonised Loan Facility Agreement with the SRB; recalls that these individual credit lines will only be available as a last resort (Loones 334); is of the opinion that this solution is not sufficient to overcome (Giegold 430) the bank-sovereign vicious circle and end taxpayer-funded bailouts (Carthy and als, 425); calls for rapid progress in (Giegold 430, Vandenkendelaere 431, Delvaux and als 427) the work by the Council and the Commission on a common fiscal backstop for the SRF, the ultimate liability for the financing of which should rest with the banking sector (from Balz 426) and which should be fiscally neutral over the medium term, as agreed within the agreement on the SRF (Balz 426, Delvaux and als, 427) and confirmed by the European Council in June 2016 (Delvaux and als 427);

COMP Wa

Covers AM 343 to 355, 359 to 410

Reiterates its call for a third pillar in order to complete the Banking Union; recalls that the protection of deposits is a common concern for all EU citizens; is currently debating the proposal on EDIS at committee level;

COMP AC

Includes AM 358 and 413

Covers AMs 411 to 413, 358, 293

Paragraph 23

Stresses that the introduction of the EDIS and discussions on this project should not lead to a weakening of the efforts towards improving the implementation of the DGSD; welcomes the work done recently by the EBA to promote convergence in this field; welcomes that all Member States have transposed the BRRD (Delvaux et als 293); *reminds the obligation of all Member States to apply and correctly implement the BRDD and the DGSD* (Tremosa i Balcells 358; Loones 413);

RECITALS

COMP AD

Recital A

Includes AMs 35, 38, 41, 42, 44; covers AM 34 to 42, 44

A. Whereas 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*) (Fernandez 38); *whereas further efforts are needed as the Banking Union remains incomplete as long as it lacks a fiscal backstop and a Third Pillar being a European approach to deposit re-/insurance which is currently debated at the Committee level* (Delvaux and als 35; also same idea in Cozzolino 42 and Von Weiszacker 41); *whereas*

a completed Banking Union will be an important contribution to breaking the sovereign-risk nexus (Delvaux and als 44);

COMP AE

Recital B

Includes AMs 49, 54, 55; covers AM 49 to 56

B. Whereas the capital and liquidity ratios of EU banks have *in general* (Von Weiszacker 49, Loones 55) steadily improved over the last years; whereas risks to financial stability nevertheless remain; whereas the current situation calls for caution when introducing *extensive* (Loones 55) regulatory changes, *especially with regards to the financing environment for the real economy* (Ferber, 54);

COMP AF

Recital C

Includes AM 70; covers AM 69 to 71

C. Whereas the *objective of the* new resolution regime that entered into force in January 2016 *is to bring about* a change of paradigm *from bail-out to bail-in*; (Loones 70); whereas market participants still need to adapt to the new system;

COMP AG

Recitals D and Da

Includes AMs 45, 47, 75, 78; covers AM 74, 76

D. *Whereas all Member States that have adopted the euro make up the Banking Union* (Fernandez 45); *whereas the euro is the currency of the European Union* (Fernandez 47); whereas *all Member States, with the exception of those having a derogation, are committed to joining the euro and therefore to joining* the Banking Union (Goulard and als 75);

Da. *whereas the transparency and accountability of the Commission to the European*

Parliament are key principles; whereas this implies proper follow-up of Parliament's recommendations by the Commission and proper assessment and monitoring of this follow-up by the Parliament;