

European Parliament's Banking Union reports in 2015 - 2018

This briefing provides an overview of the European Parliament's expectations and priorities for the banking union as set out in its annual Banking Union reports during the 8th legislative term. The main themes found in these reports over the last 4 years are highlighted in the first section of this briefing, while the second part turns to the ECB Banking Supervisor's response to the 2017 Banking Union report, the most recent response available, as well as concrete actions expected from the SRB, who as yet have not provided a formal response. The annex of the briefing includes a comparison of the positions taken by the EP in the annual reports in the following policy areas: banking developments and structures; institutional and organisational issues; regulatory issues; completing the banking unions; risk assessment; supervisory issues and priorities; crisis management; and policies related to Anti-Money-Laundering (AML).



Banking Union reports: A snap-shot of the main issues

The [2018](#), [2017](#), [2016](#), and [2015](#) Banking Union reports set out the EP expectations and priorities on issues relating to banking supervision, resolution and the completion of the banking union, in particular deposit insurance. These reports (so-called own initiative reports) are adopted as resolutions and are, after adoption in plenary, sent to the Council, the Commission, the European supervisory authorities concerned (the European Central Bank Banking Supervisor and the Single Resolution Board) and to the national parliaments.

The quick setup of the **Single Supervisory Mechanism** (SSM) as part of the ECB has been qualified a "remarkable achievement" (e.g. 2015 report). Commenting on its performance over time, the 2018 Banking Union report "takes positive note of the achievement and results of the Banking Union in helping to foster a truly single market, a level playing field, financial stability and increased predictability for market actors", while emphasising the need to reduce risk in the banking system (e.g. 2018 report).

Over the years, some highlighted risks, and the need to address them, have remained constant (i.e. NPLs, sovereign exposures, level 2 and 3 assets) while others have gained prominence in recent years (i.e. AML, fintech, Brexit). The need for enhanced transparency in supervision and increased harmonisation is also a longstanding theme. In addition, the need to respect diversity in banking structures, and the need for proportionality, also when implementing global standards is raised by the EP. From an institutional governance perspective, the EP has stressed the need to keep supervision separate from monetary policy, and for enhanced cooperation and sharing of information with other stakeholders, including the SRB, European Court of Auditors (ECA) and



European Banking Authority (EBA). The inclusion of all Member States in the Banking Union has also been encouraged.

In terms of supervisory issues, common themes include the need to harmonise internal models, the need to reduce the operational burden of supervision for banks, and the need to make certain issues supervisory priorities (i.e. level 2 and 3 assets, shadow banking, IT risks and cybersecurity). The EP also encourages increased transparency and disclosure of policies, methodologies and transparency related to supervision and stress tests. The need to improve the macro stress test methodology is also raised in several editions of the Banking Union reports.

In the 2015 Banking Union report, the EP welcomed the establishment of the **Single Resolution Board** (SRB) and focused on issues related to improving the effectiveness of the Single Resolution Mechanism (SRM). In order to enhance resolvability, the EP has, over the years, focused on progress, consistency, and clarity in terms compliance with Minimum Requirement for own funds and Eligible Liabilities (MREL) targets. Increased harmonisation, the need to align resolution to the EU state aid framework, and the need for a fiscal backstop to the SRB are further recurring themes. From a regulatory perspective, the EP has stated the need to review the legal framework to ensure that SRB and National Resolution Authorities (NRAs) are sufficiently equipped with early intervention powers, and for the Intergovernmental Agreement on the Single Resolution Fund (SRF) to be incorporated into the EU legal framework.

Over the years, the EP has stressed the need to complete the banking union, and the need to progress on establishing a **European deposit insurance scheme** (EDIS). Furthermore the need to harmonise the rules applying to deposit guarantee schemes is seen as instrumental for promoting a level playing field.

A more detailed overview of the EP expectations and priorities as included in its Banking Union reports in 2015-2018 set out are summarised in the Annex.

Some responses to the Banking Union Reports

Apart from identifying what it considers priorities in the Banking Union, the Banking Union reports also makes certain **calls for action** towards the ECB Banking Supervisor and SRB. Given that the 2018 Banking Union report was published only in January 2019, neither the ECB nor the SRB has so far provided a response. Thus, this section looks at the 2017 Banking Union Report, the calls for action it made, and the responses by the ECB Banking Supervisor and SRB.

ECB Banking Supervisor's feedback on the EP's 2017 Banking Union Report

The ECB Banking Supervisor has provided its response to the [2015](#), [2016](#) and [2017](#) EP Banking Union reports, the latter being published on 9 July 2018. Most of the issues raised by the EP were addressed in these responses. The following issues, however, seem to have only been partially addressed or not addressed in the response to the 2017 EP report/resolution:

Transparency of solvency assessments: In paragraph 6, the EP resolution calls on the SSM to reflect on ways to increase transparency when assessing the solvency of credit institutions. The ECB Banking Supervisor's response has a dedicated section on transparency aspects, focussed on the disclosure of stress test results (see also section V on stress test results). The issue of transparent solvency assessments, however, is not addressed as such.

Uniform reporting system: In paragraph 19, the EP resolution calls for the introduction of a uniform reporting system to address the issue that credit institutions have to report the same data several times to different recipients. The ECB Banking Supervisor's response does not explicitly address the notion of a uniform reporting system, yet it mentions that at the end of 2016, the SRB was granted direct access to relevant supervisory information and data stored in the ECB supervisory IT system.

The ECB Banking Supervisor further outlines that this streamlined and automated exchange of information ensured that the reporting burden on banks was kept to a minimum.

Shadow banking risks: In paragraph 19, the EP resolution calls for coordinated action to ensure that the risks and vulnerabilities associated with the EU shadow banking system are appropriately monitored. The ECB Banking Supervisor's response, however, does not specifically mention the shadow banking system.

SRB as permanent observer: In paragraph 5, the EP resolution calls on the ECB Banking Supervisor to improve the day-to-day cooperation with the Single Resolution Board (SRB), welcoming in this regard if the ECB allowed a representative of the SRB to be a permanent observer at meetings of the ECB Supervisory Board. The ECB Banking Supervisor's response does not specifically address the notion of a permanent observer, but it mentions that the rules for the cooperation between the ECB and the SRB are established in the Memorandum of Understanding (MoU), a revised version thereof was published on 6 June 2018¹. In the [revised MoU](#), the institutional representation of the SRB was left unchanged. This means that the SRB will still only be invited to meetings of the Supervisory Board for items related to the tasks and responsibilities of the SRB. The SRB was not made a permanent observer.

Inter-institutional Agreement with the European Court of Auditors (ECA): In paragraph 5, the EP resolution calls for an inter-institutional agreement (IIA) between the ECB and the ECA. In that respect the ECB Banking Supervisor's response only mentions that it is currently analysing the proposal, seeking clarifications and assessing certain legal aspects.

In this context it may be noted that on 13 November 2018, the EU Contact Committee of EU Supreme Audit Institutions reiterated its perception in public a [statement](#) that it still sees deficiencies in the accountability and audit arrangements of the supervisory mechanism for banks in the euro area.

The ECB Banking Supervisor responded with varying degrees of detail to those elements of the Banking Union Report in which the EP has not explicitly called for action but rather expressed an opinion. For example, in paragraph 20 the EP resolution considers that the proportionality principle could be better taken into account in certain supervisory arrangements – the ECB Banking Supervisor addressed that aspect in a detailed section of its response. In paragraph 13, on the other hand, the EP considers that the capital position of banks can be strengthened by reducing dividend payments - that aspect is not addressed in the ECB Banking Supervisor's response, even though it has actually issued recommendations on dividend distribution policies in 2015, 2016, and 2018.

The SRB's pending response to the EP's 2017 Banking Union report

In its 2017 Banking Union [resolution](#), the EP asked the SRB for concrete actions with regard to at least six issues, namely:

- Point 5: [the EP] invites the ECB and the SRB to use the opportunity offered by the current discussions on the update of the memorandum of understanding between them in order to close existing gaps and improve the effectiveness of resolution actions ;
- Point 5: [the EP] calls on the ECB and the SRB to keep improving their day-to-day cooperation and strengthening their working relationship ;
- Point 6: [the EP] calls on the Commission, the SSM and the SRB to reflect on ways to increase transparency when assessing the solvency of credit institutions and considering resolution decisions ;

¹ The new MoU, in particular, provides for an automatic exchange of information on a continuous basis, without any explicit request or justification, regarding information explicitly mentioned in the annex of Memorandum. The previous MoU provided for exchange of information on a voluntary basis (in the absence of an explicit request)

- Point 31: [the EP] calls on the SRB and the Commission to jointly publish a summary of the issues most criticised by the legal applications [lodged before the General Court of the EU in relation to the resolution of Banco Popular] ;
- Point 36: [the EP] calls on the SRB to provide a comprehensive list of obstacles to resolvability encountered in national or European legislation ;
- Point 40: [the EP] calls on the SRB to intensify its recruitment efforts and on national authorities to make seconded experts easily available to the SRB.

Unlike the ECB Banking Supervisor, the SRB has so far not published a formal reply to the issues raised in the 2017 Banking Union resolution. No formal response was issued for previous versions of the Banking Union Report either.

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Annex - A comparison of the EP's Banking Union reports over the past 4 years

Policy area	2015 Banking Union report	2016 Banking Union report	2017 Banking Union report	2018 Banking Union report
Banking developments and structures				
Banking industry structure	Diversity of banking models and proportionality (pt. 36) Drive towards sound banking system should not favour one banking model (pt. 20)	Need for Bank Structural Reform (pt.17)	Need for more proportionality in banking supervision (pt. 20) Regulatory framework should take principles and missions of cooperative and mutual banks into account (pt. 22) Concerned about influence of resolution decisions on structure of banking system, (pt. 42)	Preserving diversity of EU sustainable banking models and proportionality (pt. 4) Not penalising smaller banks (pt. 4)
Banking industry developments	Credit dynamics still subdued (pt. 14)	Access to finance depends on robust balance sheets and capitalisation (pt. 6)	Concerned regarding trend to use increasingly complex structures to escape supervision (pt. 27)	
Institutional and organisational issues				
Shadow banking			Concerned by the spread of shadow banking in the EU (pt. 27)	Shadow banking already accounting for 40% of the financial system (pt. 20)
EP scrutiny	EP welcomes the full engagement of ECB with EP (pt. 39)	EC, ECB and EBA need to update EP on developments in BCBS and the EU's role (pt. 8)	Need for access to Parliament of resolution decisions (pt. 31)	Backstop to SRF should be incorporated in EU institutional framework and subject to scrutiny (pt. 23)
Separation between monetary policy and supervision		Need for clear separation while encouraging cost-savings (pt. 21)	Principle of separation generally well-complied with (pt. 16)	ECB has succeeded in keeping two roles separate, but further debate necessary (pt. 21)

		SSM enabled to take independent positions on all relevant issues i.e. effects of interest rate decisions (pt. 23)		
Governance	<p>Rules on conflict of interest (pt. 5)</p> <p>Need for close interaction between ECB DGs (pt. 10)</p> <p>SRM should evaluate role of Board members structure by end of current mandate (pt. 53)</p>	<p>Need for ECB to address insufficient level of staffing (pt. 21)</p> <p>SRM should evaluate role of Board members structure by end of current mandate (pt. 51)</p> <p>EP recommends representative of SRB attend Supervisory Board of ECB as permanent observer (pt. 50)</p>	Involvement of more ECB staff on in-site inspections enhance independence of banking supervision (pt. 17)	EP welcomes conclusion of ECA that ECB operational set up for crisis management satisfactory (pt. 29)
Effectiveness/ efficiency of SSM	<p>Welcomes operational set up of IT systems, JSTs, common procedures, supervisory manual and recruitment process, although latter leaves some room for improvement (p. 3)</p> <p>Reducing operational burden and reporting (pt. 4, 7, 8)</p> <p>Proportionality of credit risk data base (pt. 9)</p> <p>Involving NCA in JST in a more effective way (pt. 6)</p>	<p>EP welcomes delegation of fit and proper decisions from SSB to relevant officials and need to ensure framework allows for such delegations (pt. 20)</p> <p>Reducing operational burden and reporting (pt. 25)</p> <p>Need for well functioning IT systems (pt. 30)</p> <p>Welcome JST and enhanced exchange of information (pt. 33, 34).</p> <p>NCA's should have leeway in implementing AnaCredit, need for</p>	EP calls for uniform reporting system to enhance efficiency of supervision and reduce supervisory burden (pt. 19)	

		proportionality and public consultation (pt.28, 29)		
Efficiency/Effectiveness of SRM	<p>EP welcomes manual on resolution activities to ensure consistent, effective and proportional approach (pt. 49)</p> <p>EP underlines potential consequences of discrepancy between banks supervised by SSM and those under SRB for access to information (pt. 46)</p>	Need to clarify role of reliance on external service providers for resolution (pt. 41)	<p>SRB is understaffed and calls for additional staff, mindful for balance of representation and clear balance of division with NRAs (pt. 40)</p> <p>Need to reduce burden arising from SRB's responsibility for significant cross-border institutions in addition to banks directly supervised by the SSM (pt. 40)</p>	
Confidentiality/transparency		ECB should hold public consultations on quasi-legislative measures (pt. 21)		
Relationship with other institutions (ECA, SRM...)	<p>Strengthening of ECA audit mandate (pt. 40)</p> <p>Importance of cooperating with SRB (pt. 41)</p> <p>Effective coordination with macro-prudential policies and actors (pt. 16)</p> <p>Role of the ECB/SSM during the Greek crisis (pt. 35)</p> <p>Need for efficient cooperation and exchange of information between NRAs, JSTs, NCAs and IRTs (pt. 43,44, 45)</p>	<p>EP urges full cooperation with ECA to enhance accountability (pt. 24)</p> <p>Clear division of responsibility between ECB and EBA, ECB should not become de facto standard setter for non-SSM banks (pt. 27)</p> <p>Need efficient exchange of information between ECB and SRB and welcomes MoU between both parties (pt. 50)</p>	<p>Importance of cooperation and coordination between EBA and SSM, but acknowledging lead of SSM on BU specific issues (pt. 4).</p> <p>Need to improve framework for exchange of information between ECB and SRB, as well as ECA (pt. 5)</p> <p>Change regulation to make delegation of ECB decision-making desirable (pt. 30)</p>	<p>Need to ensure information sharing and efficiency in regards crisis management (pt. 29)</p> <p>EP welcomes the revised MoU between the ECB and SRB (pt. 30)</p>

	<p>Encourages completion of MoU between SSM and SRB (pt. 45)</p> <p>EP calls for decision making arrangements to be made between Commission and SRB in the case of resolution (pt. 47)</p>			
Relationship with other supervisors (opt-in)	<p>Broad representation in the BU (pt. 2)</p> <p>Should be cooperation agreements between SRB and NRAs of non-participating MS and third countries (pt. 48)</p>	Encourage all MS to adopt euro or join the BU (pt. 2)	EP encourages all non-euro MS to join the BU (pt. 29)	BU open to all MS (pt. 3)
Brexit		Brexit requires assessment of ESFS to prevent unlevel playing field and deregulation (pt. 32)	<p>EP welcomes work done by EBA, ESMA and SSM on promoting convergence in light of Brexit (pt. 25)</p> <p>EP concerned about preparedness of some smaller banks in Brexit preparations (pt. 25)</p>	<p>Preparedness of banking supervisors for all possible outcome (pt. 14)</p> <p>Commission and supervisors to come up with a comprehensive analysis of Brexit (pt. 14)</p>
Regulatory issues				
Legal issues for SRM	EP calls on Commission to present proposals to reduce legal claims under the no creditor worse off principle (pt. 56)		EP notes high number of legal cases pertaining to the SRB and need for Commission to assess impact on SRM effectiveness (pt. 33)	
Banking and prudential legislation	Swift agreement of BSR regulation needed (pt. 18)	EP welcomes extension of SME supporting factor	Commission referred Croatia, Cyprus, Portugal and Spain to CJEU	Balanced and sustainable legislative package

	<p>Assessment of capital requirements' impact on the real economy (pt. 21,22)</p> <p>Financial stability and resolvability assessment for cross-border mergers and acquisition (pt. 34)</p>	<p>in revision of CRD/CRR (pt. 7)</p> <p>Need a comprehensive review of cumulative impact of changes in regulatory environment (pt. 10)</p> <p>CRR review on liquidity and capital waivers need to take consumer protection in host countries into account (pt. 34)</p> <p>EP notes the clarifications to objectives of Pillar 2 as proposed in amendments to the CRD (pt. 13)</p>	<p>for failing to fully enact Mortgage Credit Directive (pt.11)</p> <p>EP notes Commission proposal to establishing level playing field between investment firms and credit institutions (pt. 27)</p>	<p>to reduce risks (pt. 15)</p> <p>Commission to effectively address the "too-big-to fail" (pt. 15)</p> <p>Commission to identify gaps to address shadow banking (pt. 20)</p>
<p>Regulation on resolution</p>	<p>Call for full implementation of BRRD by MS (pt. 54)</p> <p>EP welcomes intergovernmental agreement on SRF establishment, but calls for integration into EU law (pt. 55)</p> <p>EP notes discrepancy in timing between rules on burden sharing and full bail-in and invites SRB to conduct assessment of transition period (pt. 60)</p>	<p>Discussions on EDIS should not weaken implementation of DGDC and welcome EBA work to promote convergence (pt. 56)</p> <p>Need to clarify in legislation stacking order between MREL eligible CET1 and capital buffers (pt. 43)</p> <p>Need to adopt legislation clarifying responsibilities of authorities in case of breaches of MREL requirement (pt. 43)</p> <p>Need to clarify in the legislation that MREL eligible CET1</p>	<p>Co-legislators to take SRM legal cases into account when deciding on TLAC/MREL and moratorium rules (pt. 31)</p> <p>Resolution of BRRD should not lag behind international standards (pt. 36)</p> <p>EP welcomes agreement on harmonisation of priority ranking of unsecured debt instrument (pt. 37)</p> <p>Note legislative proposals for implementing TLAC into Union law (pt. 38)</p> <p>EP recalls that IGA on SRF to be</p>	

		<p>is on top of capital buffers (pt. 44)</p> <p>Reflection on impact of resolution rules on real economy should be undertaken (pt. 47)</p> <p>BRRD requirement of contractual recognition for bail-in powers governed by non-EU legislation difficult to implement thus requiring a flexible approach (pt. 49)</p> <p>Need to incorporate IGA on SRF into EU legal framework (pt. 52)</p>	<p>incorporated into Union law (pt. 39)</p>	
NPL	<p>Need to address the issue of NPL at European level (setting up of asset management companies) (pt. 15)</p>	<p>Need to develop primary and secondary market for NPLs and setting up of asset management companies (pt. 1)</p>	<p>Integration of national and EU efforts to reduce NPLs and future buildup (pt. 7)</p> <p>Need to implement Council conclusions and for Commission to explore legislative and non-legislative measures to deal with NPLs (pt. 8)</p>	<p>Need for efficient insolvency laws (pt. 16)</p>
Authorities (ESA review, SSM and SRM)			<p>Welcome change in SSM regulation to allow for permanent representation of SRB on SSM Board meetings (pt. 5)</p> <p>EP takes note of proposals on the review of the European System of Financial Supervision (pt. 26)</p>	<p>EP welcomes Commission's proposal to strengthen EBA in the field of AML (pt. 12)</p> <p>Single market needs appropriate supervisory powers at EU level (pt. 13)</p> <p>EP notes ongoing negotiations regarding the</p>

				European System of Financial Supervision (pt. 18)
Single rule book	<p>Integrated European rulebook on financial regulation and consumer rights (pt. 24)</p> <p>Reduction of options and national discretions (pt. 27)</p> <p>Use of regulation instead of directives (pt. 29)</p>	<p>Efforts to reduce national options and discretions i.e. ECB guidance and CRR amendments welcomed (pt. 11)</p> <p>EBA to enhance consumer protection framework to complement SSM (pt. 38)</p> <p>Need to harmonise hierarchy of claims in bank insolvency to ensure consistent application of BRRD (pt. 45)</p>	<p>Call on Commission to use regulations as legislative tool (pt. 1)</p> <p>Options and discretions should be harmonised as much as possible (pt. 21)</p> <p>Further harmonisation of rules under DGSD needed (pt. 45)</p>	<p>Prioritise regulations over directives (pt. 7)</p> <p>Need for harmonisation of insolvency laws (pt. 24)</p> <p>EC should prioritise ensuring full implementation of relevant regulations in MS (pt. 7)</p>
Accounting rules including global standards (IFRS)			Should not be undue delay in implementing IFRS 9, while ESRB and SSM need to monitor any impacts (pt. 18)	
Global standards i.e. Basel 3	Involvement of SSM in design of global regulatory standards (pt. 42)	<p>International regulatory changes should take proportionality and different banking models into account (pt. 5)</p> <p>Important for BCBS to promote level playing field (pt. 8)</p> <p>Committed to working on implementing international measures aimed at reducing risks stemming from TBTF in the EU (pt. 16)</p>	Proposals by international bodies, including BCBS, should take EU banking sector into account (pt.14, 15)	Translation into EU law taking into account the EU specific characteristics and proportionality (pt. 5, 6)

Capital Market Union		EP welcomes EC proposal on insolvency and restructuring in context of CMU (pt.1)		Commitment to the process of completing the CMU (pt. 2) EU27 to deepen common regulation and supervision (pt. 14)
Treatment of sovereign exposures	Assessment of possible changes in the medium term (pt. 33)	Revision of current framework must be in line with international standards and weigh all pros and cons (pt. 4)	EU regulatory framework should be in line with work of the BCBS and FSB and takes note of ongoing work on SBBSs (pt. 12)	EU framework to be consistent with international standards (pt. 11)
Fintech			EP notes work by Commission and ECB regarding FinTech and reiterates need to balance consumer protection, financial stability and innovation (pt. 23)	Given potential, welcome Commission's communication on Fin-tech - need for clear regulation and appropriate supervision (pt. 19) Great potential and need to encourage innovation (pt. 19)
Completing the Banking Union				
EDIS	EP requires implementation of single rulebook, first and second BU pillars, and transposition of BRRD and DGDS (pt. 66)	Need for third pillar to complete the BU (pt. 55)	BU remains incomplete, debating EDIS (pt. 46) Ongoing discussions on appropriate legal basis for EDIS (pt. 47)	The establishment of EDIS for the completion of the BU must continue (pt. 1, 31)
Deposit Guarantee Scheme	Capacity to provide uniform and high level of deposit protection required for an effective BU (pt.64) Well functioning DGS one of the ways to prevent taxpayer funded bailouts (pt.67)		EP welcomes EBA publication of data regarding DGSD and suggests improved presentation and expanded scope of data (pt.43,44)	

SRF	<p>EP calls on MS to collect contributions to the SRF in a timely manner (pt. 57)</p> <p>EP recommends assessment of tools at disposal of the SRB on basis of EU legislation (pt. 59)</p> <p>Need to put in place adequate bridge financing mechanism prior to completion of SRF (pt. 61, 62)</p> <p>EP calls on the Commission to review risk factor in SRF contributions (pt. 58)</p>			
Backstop to SRF	Backstop to the SRF should be fully operationalised by the end of the transition period (pt. 63)	Need rapid progress on common fiscal backstop for SRF (pt. 54)	Need for fiscal backstop and notes Commission proposal to turn ESM into the European Monetary Fund as the backstop (pt. 39)	<p>The completion of the BU must continue (pt. 1)</p> <p>EP notes agreement reached at June 2018 Euro Summit on the ESM acting as backstop to SRF (pt. 23)</p>
Liquidity in resolution				EP follows ongoing debates on tool for provision of liquidity in resolution (pt. 27)
Risk reduction	EP welcome's Commission November 2015 package on risk sharing and risk reduction (pt. 65)			Risk reduction for the completion of the BU must continue (pt. 1, 31)
Risk assessment				
Level 2 and Level 3 assets		Risks stemming from holding of Level 3 assets (pt. 14)	Risks stemming from holding of Level 3 assets (pt. 10)	Well above average in some MS (pt. 16)

NPL	Large stock of NPLs (pt. 14)	Large stock of NPLs (pt. 1)	Large stock of NPLs (pt. 7)	EP welcomes the reduction of NPL over the past years - Well above average in some MS. Risk still significant but lower than it was (pt. 16)
Sovereign debt		Risks associated with sovereign debt with some examples of excessive home bias (pt. 4)	Still risks associated with sovereign debt with some examples of excessive home bias (pt. 12)	Risks associated with sovereign debt - some institutions largely exposed (pt. 11)
Profitability		EP notes low level of profitability in the European banking sector (pt. 3)		
Soundness of banks	Off-balance sheet items for G-SIBs (pt. 32)			
Supervisory issues and policies				
Supervisory tools and methodology	Homogenisation of calculation of risk-weighted assets (pt. 30)	EP welcomes work of the ECB, EBA in terms of harmonising internal models (pt. 5) Need for proportionality in regulation and supervision (pt. 25) Need for dynamic supervisory practices (pt. 26)	EP stresses importance of addressing flaws in internal models and work done by EBA and ECB to ensure strengthening of capital position and level playing field (pt. 13) Internal market risk models currently used by European banks violate the Level Playing Field Principle (pt. 13)	Work on the adequacy of using internal models (pt. 17)
SREP - Pillar 2 (General)	EP considers SREP a necessary tool in identifying bank risks (pt. 13, 31) Need to further refine SREP methodology (pt. 25)	Need for more guidance regarding Pillar 2 <i>criteria</i> , but guidance itself should not be disclosed as does not constrain the Maximum Distributable Amount (pt. 13)		

Capital-related policy/ adequacy of capital level	Supervisory flexibility in applying the MDA threshold (pt. 26)	Use of capital guidance allows for supervisory judgment to be exercised, but should not allow 'demonstrable reduction' in Pillar 2 requirements (pt. 13)		
Funding/ Liquidity-related policy	Initiatives for improved SME funding should be expanded (pt. 23)			
Sovereign risk exposures	Non application of fair value for government bonds (pt. 28)	EP calls on ECB to maintain non-application of fair value measurement on exposures to central governments until IFRS 9 is applied (pt. 29)		
NPL		EP welcomes ECB guidance on NPLs but more needs to be done (pt. 1)	Concern regarding ECB guidance on NPLs (pt. 9)	
Level 2/Level 3 assets	Risk reduction for level 2 and level 3 assets needed (pt. 33)	EP calls on ECB to make reduction of Level 3 assets a priority and for ECB and EBA to organise a quantitative stress test (pt. 14)	EP welcomes inclusion of risk management measures related to Level 3 assets in EBA 2018 stress test and call on SSM to make issue a single supervision priority for 2018 (pt. 10)	
Supervisory disclosure (SSM and SRM)	Disclosure of supervisory practices, including capital targets (pt. 37), and suggests a SREP FAQ (pt. 38) Ex ante SRF contributions to be calculated in a transparent and proportional manner (pt. 53)	EP calls for ECB supervisory manual to be made public (pt. 11) Need for higher transparency on SREP cycle, effectiveness, Pillar 2 decisions and Joint Supervisory Standards (pt. 15)	EP reflect on ways to improve transparency in assessing solvency and resolution (pt. 6) More transparency in future resolution cases needed (pt. 31) Ex ante SRF contributions to be	Supervisory decisions to be coherent, explained, transparent, access to document (pt. 8)

		EP calls on SRB to present results of resolvability assessments for G-SIBs (pt. 45)	calculated in a transparent and proportional manner (pt. 41)	
Dividend distribution policies		Need to strengthen capital positions by reducing dividend payments and raising equity (pt. 1)	Need to strengthen capital positions by reducing dividend payments and raising equity (pt. 13)	
Banks' governance	SREP: work on bank governance, risk management (pt. 25)			
IT risks and cybersecurity	SREP: work on cyber-risk (pt. 25)	Need legal framework to allow for exchange of information on cyber risks (pt. 35) Need banks to be ambitious in field of cybersecurity (pt. 36)	EP calls on supervision authorities and financial institutions to guarantee cyber security given increased vulnerability and calls on SSM to make this a high-level priority (pt. 24)	Need to improve cyber-resilience (pt. 19)
Mis-selling/consumer issues and policies		Call on ESAs to contribute to detecting mis-selling practices (pt. 48)	Need to monitor mis-selling, EBA should disclose extent to which instruments susceptible to bail-in are held by non-professional investors and advise on any remedial action (pt. 37)	
Level playing field	Role of Commission to guarantee a level playing field in the EU (pt. 68) Level playing field (banks/insurance) needed (pt. 19)	Role of Commission to guarantee a level playing field in the EU (pt. 57)		

Macro-prudential measures	Macro-prudential policies to put greater emphasis on preventing fluctuations in the financial cycle (pt. 17)	Need to strengthen EU level macro-prudential policy, reduce institutional complexity, ensure effective interaction with micro-prudential policy, and foster adoption by national authorities (pt. 31)		
Shadow banking	Need to be vigilant over developments in shadow banking (pt. 31, 32)	Increasing risks requires coordinated action (pt. 9)	EP concerned by spread of shadow banking requiring continued vigilance (pt. 28)	Monitoring of the risks posed by shadow banking (pt. 20)
Comprehensive assessment and asset quality review	Systematic review of the comprehensive assessment and appropriate changes to methodology (pt. 11)			
Stress tests				
Stress tests methodology	Enhancements in the macro stress testing framework (pt. 12)	Methodology should better reflect real crisis situations (pt. 18) Need for NCAs to communicate when reject demand to take specific circumstances into account (pt. 19)	Need for EBA, ESRB and ECS to be consistent in methodology and assumptions (pt. 3)	EP welcomes inclusion of level 2/level 3 assets in the scope of the ST (pt. 10) EP calls on the use of consistent methodology (SSM, EBA and ESRB) (pt. 10)
Stress tests results and disclosure	Transparency on pillar 2 decisions needed (pt. 37)	EP calls on ECB to publish results (pt. 18)	Enhanced transparency for ECB stress tests for additional banks under its supervision needed (pt. 3)	
Crisis management				
State Aid		Need to adhere to state aid rules in future crises (pt. 39)	EP concerned about mismatch in state aid rules and	EP calls on Commission to assess application

		<p>EP calls on Commission to reconsider interpretation of state aid so as to allow for full implementation of DGDS (pt. 39)</p>	<p>ability of DGSs to participate in resolution as evidenced in legal cases, and asks Commission to thus review framework on insolvency law to address issue (pt. 32)</p> <p>EP calls on Commission to assess if Article 107(3)(b) TFEU fulfilled and whether banking sector benefitted from implicit subsidies and state aid (pt. 34, 35)</p>	<p>of state aid rules in relation to the BRRD (pt. 26)</p> <p>EP calls on Commission to publish a report to assess whether banking sector benefitted from implicit subsidies and state aid (pt. 28)</p>
Early intervention	Commission should review whether SRB and NRAs sufficiently equipped with early intervention powers (pt. 51)	Commission should review whether SRB and NRAs sufficiently equipped with early intervention powers (pt. 40)		Clearer distinction between supervisory powers and early intervention powers needed (pt. 22)
Failing or likely to fail			EP agrees with EC that FOLT decision procedures need to improve (pt.2)	<p>Need to improve the response times (pt. 9)</p> <p>Further harmonisation of practices (pt. 22)</p>
Bail in buffer	Need progress on MREL in line with BRRD, and implementation of TLAC (pt. 50)	<p>Holistic approach to loss absorption can be reached by combining TLAC and MREL (pt. 42)</p> <p>Proper attention on calibrating and phasing in of MREL, allowing for discretion and appropriate market disclosure (pt. 42)</p> <p>Approach to ensure subordination of TLAC eligible debt should balance</p>	Welcome progress on setting binding MREL targets and need for proportionality (pt. 36)	

		flexibility, effectiveness, legal certainty and ability to be absorbed by the market (pt. 46)		
AML and other issues				
Resolution planning	Establishing resolution plans of SIFIs and addressing impediments to resolvability priority for SRB (pt. 52)		Need for resolution plans to take problems of single point of entry strategies into account (pt. 36)	
Precautionary recapitalisation		Commission report on precautionary recapitalisation due December 2015 still outstanding (pt. 39)	Use of AQR for precautionary recapitalisation should be clarified (pt. 6) Public financial support should only be exceptional measure (pt. 33)	Need to clarify rules and ensure limited to exceptional cases (pt. 25)
SSM involvement in AML		SSM should have monitoring powers concerning AML (as well as EBA) (pt. 37)		Urgent need for a common EU approach to AML (pt. 12) Unified approach towards prudential and AML supervision (pt.13)

