Press release

24-01-2018 - 17:23
Reference No: 20180124IPR92788

European Parliament

Intensifying measures to safeguard Europe's financial system

- Non-performing loans, sovereign debt and cyber-security to be tackled
- Call for review of state aid rules and to minimize public support for failing banks
- Improved protection of bank deposits needed

Current conditions provide a window of opportunity for needed reforms to complete the Banking Union, say Committee on Economic and Monetary Affairs MEPs.

Reinforcing efforts to create a safe financial sector, outlined in the own-initiative report, comprise all pillars of the Banking Union: supervision and resolution, as well as the deposit insurance scheme yet to be established.

Supervising financial institutions

As part of the supervision of banks, tackling the identified risks associated with non-performing loans (NPL) and sovereign debt, MEPs

- call on the Commission to encourage the establishment of "bad banks", where non-performing assets can be transferred to, to develop secondary markets for NPLs and to promote the provision of information to potential investors;

- urge member states to swiftly implement the action plan to tackle NPLs in the EU;

- call for more diverse banks' sovereign bond portfolios.

Furthermore, MEPs emphasize the decisive role of cyber-security for banking services, prompting the national supervisory authorities to screen and analyse risks and the financial institutions to protect consumer data. Preparing for Brexit, the committee stresses that any supervisory cooperation model between the UK and the EU, should meet the EU's supervisory standards.

Managing failing banks soundly

Concerning resolution mechanisms put in place as part of the Banking Union's second pillar, MEPs

- accentuate that the Bank Recovery and Resolution Directive (BRRD) was drawn up to protect taxpayers' money by minimizing the use of extraordinary public financial support for failing institutions. It is stressed, that such measures may only be used to remedy "a serious disturbance in the economy";

- underline their concern about the mismatch between state aid rules and Union legislation. They therefore call on the Commission to review the 2013 Banking Communication, as well as the EU's framework for bank insolvency;

- urge Member States to immediately implement the Directive to harmonize the priority ranking of unsecured debt instruments, already in force. This allows for banks to be able to issue debt in a new insolvency class, and thus generate required monetary buffers.

Protecting European bank deposits

For the completion of the Banking Union and establishment of a third pillar, MEPs underline the necessity of a European Deposit Insurance Scheme (EDIS). For the existing deposit guarantee schemes (DGSs), they emphasize the necessity to increase the build-up of financial means to meet their target levels of covered deposits by 3 July 2024.

Quote

Sander Loones (ECR, BE), rapporteur, said: “The year 2017 was a crucial year for the Banking Union. The Spanish Bank Banco Popular was the first one to test the new framework, and several national banking sectors continue to struggle with bad loans. Having thoroughly assessed these developments, the report concludes that, overall, the Banking Union is working better. However, it very much remains a work in progress, as several challenges, such as high levels of bad loans and outdated state aid rules, require further action.”

Next steps

The committee approved the non-legislative resolution by 48 votes to 7, with 2 abstentions. The full house is expected to vote on the draft text on 28 February.

Further information

Website of the Committee on Economic and Monetary Affairs
Watch webstreaming live

Contacts

Dorota KOLINSKA
Press Officer
(+32) 2 28 32787 (BXL)
(+33) 3 881 76725 (STR)
(+32) 498 98 32 80
@EP_Economics
dorota.kolinska@europarl.europa.eu

Anja WÖLKER
Press
anja.wolker@ep.europa.eu