

## European Parliament's Banking Union reports in 2015 - 2019

*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. The first section of this briefing provides a short overview of the 2019 Banking Union report, the ECB Banking Supervisor's response, as well as concrete actions expected from the Single Resolution Board, who as yet have not provided a formal response to any of Parliament's Banking Union reports. In order to better contextualise the themes of latest Banking Union report, the subsequent section addresses the main themes raised in previous Banking Union reports (2015-2018).*



*The annex of the briefing includes a comparison of the positions taken by the European Parliament in its Banking Union reports in the following policy areas: banking developments and structures; institutional and organisational issues; regulatory issues; completing the banking union; risk assessment; supervisory issues and priorities; crisis management; policies related to anti-money-laundering; and climate and sustainability issues.*

### The Banking Union - Annual Report 2019

Banking Union reports set out the European Parliament's (EP) expectations and priorities on issues relating to banking supervision, resolution and the completion of the Banking Union, in particular deposit insurance. These reports (own initiative reports) are adopted as resolutions and are, after adoption in plenary, sent to the Council, the Commission, the European authorities concerned (the Banking Supervisor arm of European Central Bank (ECB) and the Single Resolution Board (SRB)) and to the national parliaments.

The [2019 Banking Union report](#), adopted on 19 June 2020, reflects on the COVID-19 pandemic and the important role banks can play in mitigating the most severe economic consequences of the crisis, thus welcoming the regulatory and supervisory measures taken so far. As compared to previous Banking Union reports, the 2019 report points to the current macroeconomic environment and the challenges it poses for the banking sector, particularly in terms of profitability. Moreover, the 2019 report highlights the interlinkages between the Banking Union, the Capital Markets Union and more broadly to the need to complete the Economic and Monetary Union, such as the need for a euro area budgetary instrument. It also states that completing the Banking Union, and Economic and Monetary Union in general, should preferably be pursued through the Community method where the European Parliament is able to exercise its right to democratic oversight.

Another new area of focus is that of climate-related risks and on the need for the banking and financial sector to promote environmental sustainability. The report points to the role of credit rating agencies with regard to environmental, social and governance criteria, arguing that the market needs to be competitive. In addition, it calls on the Commission to evaluate in 2020 the current state of the credit rating agencies market more generally. Various aspects of consumer



protection are highlighted (namely in relation to retail mortgages), as is the issue of gender balance in high-level appointments.

The 2019 report also touches on many of the risks raised in earlier reports (bank profitability, fintech, Brexit, anti-money laundering, non-performing loans, shadow banking). While the risk posed by level 2 and 3 assets have been identified in previous reports, the 2019 report argues that the supervisory focus has been on credit risk exposures to the detriment of market risk.

The Banking Union reports also makes certain calls for action towards the European Central Bank Banking Supervisor, the Commission, the Council, and the Single Resolution Board. These are discussed in more detail below, along with the response of the relevant supervisors.

### ECB Banking Supervisor's feedback on the EP's 2019 Banking Union Report

Previously, the ECB Banking Supervisor has provided its response to the [2015](#), [2016](#), [2017](#) and [2018](#) EP Banking Union reports. Most of the issues raised by the EP were addressed in these responses. The 2019 report made relatively few direct calls to the ECB Banking Supervisor for action. Specific requests relate to climate change and sustainability, Brexit preparedness, Level 2 and 3 assets, transparency and anti-money laundering (AML). The ECB Banking Supervisor [responded](#) to most of the points raised in the 2019 report, using the opportunity to outline its work in these areas, and putting forward suggestions for further policy action.

For example, on the issue of Brexit, the ECB suggests that *"...in the absence of a unified EU-level framework, the current patchwork of national frameworks for the cross-border provision of services gives rise to regulatory arbitrage, as firms circumvent host supervision and EU regulatory requirements. In this context, the authorisation and supervision of third-country branches could be further harmonised at the EU level"*.

In response to the climate and sustainability issues included in this year's report, the ECB Banking Supervisor dedicated a section of its response to the topic, stating that *"in line with its mandate, the ECB support the aims of the EU, including fostering a sustainable economy that ensures prosperity and secures citizens' long-term well-being against economic, social and ecological risks"*. The response also makes reference to its [Guide](#) on climate-related and environmental risks published in May 2020.

However, some points made in the EP 2019 Banking Union report were not fully addressed in the ECB response, notably as regards:

**Increased transparency in banking supervision standards:** In paragraph 34, the EP resolution requests increased transparency from supervisors, including in the outcomes of the supervisory review and evaluation process (SREP). While the ECB Banking Supervisor's response highlights the improvements in how it communicates to the public over the past year, no mention is made for how transparency can be reinforced going forward.

**Alignment of prudential and anti-money laundering supervision:** In paragraph 40, the EP highlights the need for prudential and AML supervision to be better aligned. The ECB Banking Supervisor agrees that better coordination is important and mentions how it has made efforts to enhance and further develop its internal methodologies to ensure that AML/CFT-related concerns are *"systematically factored into its prudential assessment"*. However, no public information of how this is done is available. Moreover, no mention is made of the [upcoming review](#) of this methodology. The report also points to the ECB having *"a role to play in combatting money laundering"* (see paragraph 41).

**Bank recovery and resolution directive (BRRD) provisions on consumer protection:** Paragraph 26 calls on supervisory and resolution authorities to vigorously enforce the newly introduced BRRD provisions on consumer protection<sup>1</sup>, in particular regarding MREL. While not calling on EU-level

<sup>1</sup> See Article 44a as introduced by Directive (EU) 2019/879, which amended the BRRD.

supervisors specifically, the ECB Banking Supervisor did not make reference to this point or clarify their mandate in regards to consumer protection issues in their response.

In addition, the ECB Banking Supervisor's response touches on areas beyond those where it was explicitly called to act, including outlining the ongoing risks related to low profitability in the banking sector, and that of the shadow banking sector. Regarding the latter, the ECB notes that *"...the recent pandemic shock illustrated that the non-bank sector can amplify market volatility and price dislocation, particularly when market liquidity comes under pressure..."* and reiterates its commitment to monitor such risks. Moreover, the ECB Banking Supervisor reiterates its support for further discussions on the creation of a European safe asset, the full implementation of Basel III standards, a European Deposit Insurance Scheme (EDIS) and a number of instruments aimed at enhancing the crisis management framework (harmonisation of national insolvency laws, Single Resolution Fund (SRF) backstop, and clarification of early intervention measures).

### The SRB's pending response to the EP's 2019 Banking Union report

In its 2019 Banking Union report, the EP called on the SRB in paragraph 47 to *"complete the process of establishing resolution plans and analyse if all relevant banks hold sufficient MREL; notes that the SRB does not regularly disclose the extent to which banks comply with MREL targets"*. More generally, the EP calls for a reflection on the Single Resolution Mechanism's framework, the need for more consistent application of the public interest test and enhanced clarification of early intervention measures.

Unlike the ECB Banking Supervisor, the SRB has so far not published a formal reply to the issues raised in the 2019 Banking Union resolution. No formal response was issued for previous versions of the EP Banking Union Reports either.

### Banking Union reports during the 8th parliamentary term: A snap-shot

The European Parliament has adopted Banking Union reports for [2018](#), [2017](#), [2016](#), and [2015](#), following the establishment of the ECB Banking Supervisor and Single Resolution Mechanism (SRM).

The quick setup of the single banking supervisor 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.

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 over time (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 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 SRF 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 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.

For more details on the EP calls of action and the responses by the ECB and the SRB, please see Annex overleaf.

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## Annex - A comparison of the EP's Banking Union reports over the past 5 years

Policy area	2015 Banking Union report	2016 Banking Union report	2017 Banking Union report	2018 Banking Union report	2019 Banking Union report
<b>Banking developments and structures</b>					
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)		Welcomes resilience of the banking sector (pt. 6)
<b>Institutional and organisational issues</b>					
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)	Concerned by interconnectedness of non-bank financial intermediation sector and traditional banking sector (pt. 37)

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)	Regret that Member States continue to act outside the Community framework, including work on the BICC and HLWG on EDIS (pt. 4, 5)  Raises concerns that EP not kept inform of discussion in the HLWG on EDIS (pt. 56)
Separation between monetary policy and supervision		Need for clear separation while encouraging cost-savings (pt. 21)  SSM enabled to take independent positions on all relevant issues i.e. effects of interest rate decisions (pt. 23)	Principle of separation generally well-complied with (pt. 16)	ECB has succeeded in keeping two roles separate, but further debate necessary (pt. 21)	
Governance	Rules on conflict of interest (pt. 5)  Need for close interaction between ECB DGs (pt. 10)  SRM should evaluate role of Board members structure by end of current mandate (pt. 53)	Need for ECB to address insufficient level of staffing (pt. 21)  SRM should evaluate role of Board members structure by end of current mandate (pt. 51)  EP recommends representative of SRB attend Supervisory Board of ECB as permanent observer (pt. 50)	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)	Need for gender balance in all nominations for high-level appointments to EU institutions and bodies (pt. 19)
Effectiveness/efficiency of SSM	Welcomes operational set up of IT systems, JSTs, common procedures, supervisory manual and	EP welcomes delegation of fit and proper decisions from SSB to relevant officials and need to ensure	EP calls for uniform reporting system to enhance efficiency of		Notes and supports the legislative and supervisory measures taken in relation to COVID-19 (pt. 10)

	<p>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>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 proportionality and public consultation (pt.28, 29)</p>	<p>supervision and reduce supervisory burden (pt. 19)</p>		
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>	<p>Need to clarify role of reliance on external service providers for resolution (pt. 41)</p>	<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		<p>ECB should hold public consultations on quasi-legislative measures (pt. 21)</p>			

<p><b>Relationship with other institutions (ECA, SRM...)</b></p>	<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>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>	<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>Welcomes support of Commission and ECB Presidents for completing BU and EMU (pt. 3)</p> <p>Welcomes MoU between the ECB and ECA (pt. 33)</p> <p>Welcomes improved and refined information sharing between supervisory and resolution institutions (pt. 34)</p> <p>Welcomes agreement on exchange of information between ECB and AML authorities (pt. 39)</p>
<p><b>Relationship with other supervisors (opt-in)</b></p>	<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>	<p>Encourage all MS to adopt euro or join the BU (pt. 2)</p>	<p>EP encourages all non-euro MS to join the BU (pt. 29)</p>	<p>BU open to all MS (pt. 3)</p>	<p>BU open to all MS (pt. 2)</p>

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>	<p>Preparedness of banking supervisors for all possible outcome (pt. 17)</p> <p>Calls for further harmonisation to prevent regulatory arbitrage (pt. 17)</p>
<b>Regulatory issues</b>					
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	<p>Swift agreement of BSR regulation needed (pt. 18)</p> <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>EP welcomes extension of SME supporting factor 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>Commission referred Croatia, Cyprus, Portugal and Spain to CJEU 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>Balanced and sustainable legislative package 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>	Prudential and crisis management rules should promote flexibility for cross-border banks (pt. 52)

<p><b>Regulation on resolution</b></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 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>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 incorporated into Union law (pt. 39)</p>		<p>Calls on Commission to review adequacy of resolution framework (pt. 46, 49)</p>
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<p><b>Non-performing loans (NPLs)</b></p>	<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>	<p>Welcomes efforts to strengthen the financial sector and reduce NPLs at EU level and risk reduction measures achieved in the Banking Package (pt.23)</p> <p>Takes note of the ongoing legislative work on the directive for credit servicers and credit purchasers (pt. 23)</p>
<p><b>Authorities (ESA review, SSM and SRM)</b></p>			<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 European System of Financial Supervision (pt. 18)</p>	<p>Concerned that the EBA may not deliver its proposals for reducing the administrative burden for small institutions within the deadline set by co-legislators in the Banking Package (pt. 30)</p>
<p><b>Single rule book</b></p>	<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</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>	<p>Calls for harmonisation of insolvency laws and consistent application of the crisis management framework (pt. 48)</p> <p>Encourages integration of ‘fit and proper’ requirements into the Capital Requirements Regulation (pt. 41)</p>

		insolvency to ensure consistent application of BRRD (pt. 45)			
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)	International regulatory changes should take proportionality and different banking models into account (pt. 5)  Important for BCBS to promote level playing field (pt. 8)  Committed to working on implementing international measures aimed at reducing risks stemming from TBTF in the EU (pt. 16)	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)	Translation of Basel III into EU law taking into account the EU specific characteristics and proportionality (pt. 28)  International standards should promote a level playing field and reduce fragmentation (pt. 31)  Calls on Commission to act on recommendation of <a href="#">EP resolution</a> on finalisation of Basel III when drafting new legislative proposals (pt. 28)
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)	Stresses the importance of completing CMU (pt. 20)
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	EU regulatory framework should be in line with work of the BCBS and FSB and	EU framework to be consistent with international standards (pt. 11)	EU regulatory framework should be consistent with international standards and

		and weigh all pros and cons (pt. 4)	takes note of ongoing work on SBBs (pt. 12)		calls for further work on safe assets (pt.16)
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)	Supports principle of technological neutrality, and highlights the need to address challenges of new technology (pt. 35, 36)
<b>Completing the Banking Union</b>					
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)	Urges for creation of EDIS and calls for Commission to analyse framework of institutional protection schemes (pt. 53, 54, 55)
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	EP calls on MS to collect contributions to the SRF in a timely manner (pt. 57)  EP recommends assessment of tools at disposal of the SRB				

	on basis of EU legislation (pt. 59) Need to put in place adequate bridge financing mechanism prior to completion of SRF (pt. 61, 62) EP calls on the Commission to review risk factor in SRF contributions (pt. 58)				
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)	The completion of the BU must continue (pt. 1) EP notes agreement reached at June 2018 Euro Summit on the ESM acting as backstop to SRF (pt. 23)	Calls for the creation of the backstop to the SRF and its swift operationalisation (pt. 51)
Liquidity in resolution				EP follows ongoing debates on tool for provision of liquidity in resolution (pt. 27)	Calls on Commission to address lack of liquidity in resolution mechanism without delay (pt. 51)
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 reduction (and sharing) for the completion of the BU must continue (pt. 1, 21)
<b>Risk assessment</b>					
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)	Takes note of the work of the Basel Committee on Banking Supervision (BCBS) on sovereign risk (pt. 16)
Profitability		EP notes low level of profitability in the European banking sector (pt. 3)			Stresses that bank profitability remains low in an increasingly challenging environment (pt. 7, 8, 9)
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)	Importance of continuous evaluation of internal models (pt. 29)

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)		Notes reduction in NPLs but calls for further efforts (pt. 6, 23)
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)		Considers current supervisory framework to focus on credit risk to the detriment of market risk (pt. 22)

					Calls on the SSM to continue to include level 2 and 3 assets in its main supervisory priorities (pt.22)
Supervisory disclosure (SSM and SRM)	<p>Disclosure of supervisory practices, including capital targets (pt. 37), and suggests a SREP FAQ (pt. 38)</p> <p>Ex ante SRF contributions to be calculated in a transparent and proportional manner (pt. 53)</p>	<p>EP calls for ECB supervisory manual to be made public (pt. 11)</p> <p>Need for higher transparency on SREP cycle, effectiveness, Pillar 2 decisions and Joint Supervisory Standards (pt. 15)</p> <p>EP calls on SRB to present results of resolvability assessments for G-SIBs (pt. 45)</p>	<p>EP reflect on ways to improve transparency in assessing solvency and resolution (pt. 6)</p> <p>More transparency in future resolution cases needed (pt. 31)</p> <p>Ex ante SRF contributions to be calculated in a transparent and proportional manner (pt. 41)</p>	Supervisory decisions to be coherent, explained, transparent, access to document (pt. 8)	<p>Requests increased transparency standards in banking supervision (pt. 34)</p> <p>Notes that the SRB does not regularly disclose the extent to which banks comply with MREL targets (pt. 47)</p>
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)		Welcome SSM actions to restrict payment of dividends in response to COVID-19 (pt. 10)
Banks' governance	SREP: work on bank governance, risk management (pt. 25)				
IT risks and cybersecurity	SREP: work on cyber-risk (pt. 25)	<p>Need legal framework to allow for exchange of information on cyber risks (pt. 35)</p> <p>Need banks to be ambitious in field of cybersecurity (pt. 36)</p>	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)	Calls for Commission to respond to advice of ESAs on need for legislative improvements relating to ICT risk management and need for balanced legislative framework (pt. 36)

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)		<p>Underlines the need to protect consumer rights in the context of NPLs (pt. 23, 24)</p> <p>Underlines importance of protecting consumer rights and calls for EBA and other ESAs to fulfil its mandate in this regard (pt. 25, 27)</p> <p>Calls on supervisory and resolution authorities to vigorously enforce the newly introduced BRRD provisions on consumer protection, including on MREL (pt. 26)</p> <p>Calls for Commission to further assess miss-selling of financial products (pt. 26)</p>
Level playing field	<p>Role of Commission to guarantee a level playing field in the EU (pt. 68)</p> <p>Level playing field (banks/insurance) needed (pt. 19)</p>	Role of Commission to guarantee a level playing field in the EU (pt. 57)			Calls for further harmonisation of application of capital buffers to create a level playing field (pt. 32)
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)			Calls for establishment of macro-prudential toolkit to address risks of shadow banking sector (pt. 38)

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)	Recognises role of shadow banking sector, while calling for coordinated action to reduce risks (pt. 37, 38)
Comprehensive assessment and asset quality review	Systematic review of the comprehensive assessment and appropriate changes to methodology (pt. 11)				
<b>Stress tests</b>					
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)		
<b>Crisis management</b>					
State Aid		Need to adhere to state aid rules in future crises (pt. 39) EP calls on Commission to reconsider interpretation of state aid so as to allow for full implementation of DGDS (pt. 39)	EP concerned about mismatch in state aid rules and ability of DGGS to participate in resolution as evidenced in legal cases, and asks Commission to thus review framework on	EP calls on Commission to assess application of state aid rules in relation to the BRRD (pt. 26) EP calls on Commission to publish a report to assess whether banking sector benefited from implicit	

			<p>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>	subsidies and state aid (pt. 28)	
<b>Early intervention</b>	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)	Need to reduce overlap with standard intervention measures of the ECB (pt. 50)
<b>Failing or likely to fail</b>			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>	
<b>Bail in buffer</b>	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 flexibility, effectiveness, legal certainty and ability to be</p>	Welcome progress on setting binding MREL targets and need for proportionality (pt. 36)		Calls on SRB to analyse adequacy of MREL (pt. 47)

		absorbed by the market (pt. 46)			
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)		Calls for SRB to complete process of establishing resolution plans (pt. 47)
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)	
<b>Anti-money laundering</b>					
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)	Calls for need to align prudential and AML supervision (pt. 40)EP convinced of SSM role in combatting AML and welcomes setting up of dedicated unit (pt. 41)  Welcomes Council conclusions of 5 December 2019 on AML (pt. 42)  Calls on Commission to explore AML risks of cryptocurrencies (pt. 43)

Climate and sustainability issues					
Climate-related risks and risks assessments					<p>Welcomes EBA efforts to introduce climate considerations into annual risks assessment and the introduction of climate change stress tests (pt.13)</p> <p>Stress the importance of increasing the understanding of banks regarding climate-related risks (pt. 13)</p> <p>Stresses the importance of standardisation of the sustainability rating criteria (pt. 44)</p> <p>Notes the potential importance of the ESG criteria for credit risks assessments by credit rating agencies and to promote a competitive market for sustainability ratings (pt. 44)</p> <p>Calls for the EBA and ESRB to take steps in developing a methodology to measure the severity of climate-related risks (pt. 45)</p>

<p>Sustainable investment</p>					<p>Acknowledges the role of the banking sector in the transition towards a low carbon economy (pt. 11)</p> <p>Welcomes the political agreement on Regulation to facilitate sustainable investment (pt.12)</p> <p>Calls for revision of Non-Financial Reporting Directive to better reflect ESG-related disclosure obligations (pt. 12)</p> <p>Calls on European banks to sign up to Principles for Responsible Banking (pt.14)</p> <p>Calls on EU and national supervisors to follow the recommendations of the Principles for Responsible Banking, the Sustainable Banking Network and the Network of Central Banks and Supervisors for Greening the Financial System (pt. 14)</p> <p>Calls for the implementation of an EU-wide green bond standard and a framework to facilitate the development of this instrument (pt. 15)</p>
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