



TEXTS ADOPTED

P8_TA(2017)0041

Banking Union – Annual Report 2016

European Parliament resolution of 15 February 2017 on Banking Union – Annual Report 2016 (2016/2247(INI))

The European Parliament,

- having regard to the Commission Action plan on a Capital Markets Union of 30 September 2015 (COM(2015)0468),
- having regard to its resolution of 19 January 2016 on ‘Stocktaking and challenges of the EU Financial Services Regulation: impact and the way forward towards a more efficient and effective EU framework for Financial Regulation and a Capital Markets Union’¹,
- having regard to the Euro Area Summit Statement of 29 June 2012, in which the participants stated their intention ‘to break the vicious circle between banks and sovereigns’²,
- having regard to the European Systemic Risk Board’s first EU Shadow Banking Monitor of July 2016,
- having regard to the 2016 International Monetary Fund (IMF) Global Financial Stability Report,
- having regard to the results of the stress tests conducted by the European Banking Authority (EBA) and published on 29 July 2016,
- having regard to the results of the EBA CRD IV-CRR / Basel III monitoring exercise based on December 2015 data and released in September 2016,
- having regard to the ECOFIN Council conclusions of 17 June 2016 on a roadmap to complete the Banking Union,
- having regard to the Commission communication of 24 November 2015 entitled ‘Towards the completion of the Banking Union’ (COM(2015)0587),

¹ Texts adopted, P8_TA(2016)0006.

² http://www.consilium.europa.eu/en/european-council/pdf/20120629-euro-area-summit-statement-en_pdf

- having regard to Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions¹ (SSM Regulation),
- having regard to Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities² (SSM Framework Regulation),
- having regard to the SSM statement on its supervisory priorities for 2016,
- having regard to the ECB Annual Report on supervisory activities 2015, published in March 2016³,
- having regard to European Court of Auditors Special Report 29/2016 on the Single Supervisory Mechanism⁴,
- having regard to the EBA report of July 2016 on the dynamics and drivers of non-performing exposures in the EU banking sector,
- having regard to the European Systemic Risk Board report on the regulatory treatment of sovereign exposures of March 2015,
- having regard to the approval by the ECB Governing Council on 4 October 2016 of principles increasing transparency in developing ECB regulations on European statistics, and taking into account the transparency practices of the European Parliament, the Council and the Commission,
- having regard to the consultation held by the ECB on its draft guidance to banks of September 2016 on non-performing loans,
- having regard to the ECB Guide on options and discretions available in Union law,
- having regard to Regulation (EU) 2016/445 of the European Central Bank of 14 March 2016 on the exercise of options and discretions available in Union law⁵,
- having regard to the ongoing discussions within the Basel Committee, and in particular to the consultative document of March 2016 on ‘Reducing variation in credit risk-weighted assets – constraints on the use of internal model approaches’,
- having regard to the EBA report of 3 August 2016 on the leverage ratio requirements under Article 511 of the Capital Requirements Regulation (CRR) (EBA-Op-2016-13),
- having regard to the ECOFIN Council conclusions of 12 July 2016 on finalising the post-crisis Basel reforms,

¹ OJ L 287, 29.10.2013, p. 63.

² OJ L 141, 14.5.2014, p. 1.

³ <https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssmar2015.en.pdf>

⁴ ‘Single Supervisory Mechanism – Good start but further improvements needed’,
http://www.eca.europa.eu/Lists/ECADocuments/SR16_29/SR_SSM_EN.pdf

⁵ OJ L 78, 24.3.2016, p. 60.

- having regard to its resolution of 12 April 2016 on the EU role in the framework of international financial, monetary and regulatory institutions and bodies¹,
- having regard to its resolution of 23 November 2016 on the finalisation of Basel III²,
- having regard to the Commission’s ongoing work on the review of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012³ (CRR), in particular as regards the review of Pillar 2 and the treatment of national options and discretions,
- having regard to Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council⁴ (BRRD),
- having regard to Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010⁵ (SRM Regulation),
- having regard to the 2015 annual report of the Single Resolution Board (SRB) of July 2016,
- having regard to the Commission communication on the application, from 1 August 2013, of State aid rules to support measures in favour of banks in the context of the financial crisis (‘Banking Communication’)⁶,
- having regard to Commission Delegated Regulation (EU) 2016/1450 of 23 May 2016 supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the criteria relating to the methodology for setting the minimum requirement for own funds and eligible liabilities⁷,
- having regard to the Commission report of 28 July 2016 on an assessment of the remuneration rules under Directive 2013/36/EU and Regulation (EU) No 575/2013 (COM(2016)0510),
- having regard to the Financial Stability Board (FSB) Total Loss-Absorbing Capacity (TLAC) term sheet of November 2015,

¹ Texts adopted, P8_TA(2016)0108.

² Texts adopted, P8_TA(2016)0439.

³ OJ L 176, 27.6.2013, p. 1.

⁴ OJ L 173, 12.6.2014, p. 190.

⁵ OJ L 225, 30.7.2014, p. 1.

⁶ OJ C 216, 30.7.2013, p. 1.

⁷ OJ L 237, 3.9.2016, p. 1.

- having regard to the Bank for International Settlements (BIS) Working Paper No 558 of April 2016 on ‘Why bank capital matters for monetary policy’,
 - having regard to the EBA’s interim report of 19 July 2016 on the implementation and design of the MREL framework,
 - having regard to the Commission’s supplementary analytical report of October 2016 on the effects of the proposal for a European Deposit Insurance Scheme (EDIS),
 - having regard to the EBA’s final report of 14 December 2016 on the implementation and design of the MREL framework,
 - having regard to the Agreement on the transfer and mutualisation of contributions to the Single Resolution Fund, and in particular Article 16 thereof,
 - having regard to the Memorandum of Understanding of 22 December 2015 between the Single Resolution Board and the European Central Bank in respect of cooperation and information exchange,
 - having regard to Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes¹ (DGSD),
 - having regard to the Commission proposal of 24 November 2015 for a regulation of the European Parliament and of the Council amending Regulation (EU) No 806/2014 in order to establish a European Deposit Insurance Scheme (COM(2015)0586),
 - having regard to the various EBA guidelines issued under the Deposit Guarantee Scheme Directive, in particular the final reports on guidelines on cooperation agreements between deposit guarantee schemes of February 2016 and on guidelines on stress tests of deposit guarantee schemes of May 2016,
 - having regard to the statement of the Eurogroup and the ECOFIN Ministers of 18 December 2013 on the SRM backstop,
 - having regard to the Council statement of 8 December 2015 on Banking Union and bridge financing arrangements for the Single Resolution Fund,
 - having regard to Protocol No 1 on the role of national parliaments in the European Union,
 - having regard to Protocol No 2 on the application of the principles of subsidiarity and proportionality,
 - having regard to Rule 52 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs (A8-0019/2017),
- 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

¹ OJ L 173, 12.6.2014, p. 149.

Monetary Union (EMU); whereas further efforts are needed as the Banking Union remains incomplete as long as it lacks a fiscal backstop and a third pillar, this being a European approach to deposit re-/insurance which is currently being debated at committee level; whereas a completed Banking Union will be an important contribution to breaking the sovereign-risk nexus;

- B. whereas the European Central Bank (ECB) might on specific occasions suffer from conflict of interests due to its dual responsibility as both a monetary policy authority and a banking supervisor;
- C. whereas the capital and liquidity ratios of EU banks have in general steadily improved over the last years; whereas risks to financial stability nevertheless remain; whereas the current situation calls for caution when introducing extensive regulatory changes, especially with regard to the financing environment for the real economy;
- D. whereas a proper clean-up of bank balance sheets after the crisis has been delayed and this continues to hamper economic growth;
- E. whereas it is not the role of the European institutions to ensure the profitability of the banking sector;
- F. whereas the objective of the new resolution regime that entered into force in January 2016 is to bring about a change of paradigm from bailout to bail-in; whereas market participants still need to adapt to the new system;
- G. whereas participation in the Banking Union is open to Member States that have not yet adopted the euro;
- H. whereas all Member States that have adopted the euro make up the Banking Union; whereas the euro is the currency of the European Union; 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;
- I. whereas transparency and accountability of the Commission vis-à-vis 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 Parliament;
- J. whereas our work on the Capital Markets Union (CMU) should not reduce the pressure for completion of our work on the Banking Union, which remains a pre-requirement for financial stability in the bank-reliant landscape of the European Union;
- K. whereas recent data show that the estimated value of all non-performing loans (NPLs) in the euro area is EUR 1 132 billion¹;

Supervision

- 1. Is concerned at the high level of NPLs, as, according to ECB data, by April 2016 banks in the euro area held EUR 1 014 billion in such loans; considers that reducing this level

¹ 2017 independent Annual Growth Survey 5th Report, 23 November 2016.

is crucial; welcomes the efforts already being made to reduce the level of NPLs in some Member States; notes, however, that until now the issue has mainly been addressed at national level; considers that the problem needs to be solved as soon as possible, but acknowledges that a definitive solution will take time; 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 primary and secondary market for NPLs, possibly in the form of safe and transparent securitisation, that involves both Union and national levels; recommends that the Commission assists Member States in, among others, the establishment of dedicated asset management companies (or 'bad banks') and enhanced supervision; reiterates in this context the importance of the ability to sell off NPLs in order to free up capital, which is especially important for bank lending to SMEs; welcomes the ECB's consultation on a draft guidance to banks on NPLs as a first step, but believes that more substantial progress has to be made; welcomes the Commission's proposal on insolvency and restructuring including early restructuring and second chance, in the framework of the CMU; calls on Member States, pending its adoption and in order to complement it, 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, and to implement necessary sustainable structural reforms aimed at economic recovery 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; considers that the capital position of banks can be strengthened by reducing dividend payments and raising fresh equity;

2. Encourages all Member States that have not yet adopted the euro to take all necessary steps to do so, or to join the BU, in order to progressively align the BU with the entire internal market;
3. Is concerned at the lingering instability of the banking landscape in Europe, as underlined inter alia in the 2016 IMF Global Financial Stability Report, which states that Europe would, even under a cyclical recovery, still have a high proportion of weak and challenged banks; notes the low profitability of a number of institutions in the euro area; points out that explanations for this situation include among others the stock of NPLs, the interest rate environment, and possible demand-side issues; endorses the call made by the IMF for fundamental changes in both bank business models and system structure in order to ensure a healthy European banking system;
4. Considers that there are risks associated with sovereign debt; notes as well that in some Member States financial institutions have over-invested in bonds issued by their own government, leading to excessive 'home bias' while one of the main objectives of the BU is to break the bank-sovereign-risk nexus; notes that an appropriate prudential treatment of sovereign debt might create incentives for banks to better manage their sovereign exposures; notes, however, that government bonds play a critical role as a source of high-quality, liquid collateral and in the conduct of monetary policy, and that modifying their prudential treatment, especially if no phasing-in approach is envisaged, could have a significant effect on both the financial sector and the public sector, and that this necessitates a careful consideration of the pros and cons of a revision of the current framework before any proposal is made; 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; awaits, therefore the results, of the FSB's 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; 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 and on risks such as misconduct, including financial crime;

5. Considers it essential for depositors, investors and supervisors to address the excessive variability in risk weights applied to risk-weighted assets of the same class across institutions; 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; 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 in ECB banking supervision within the ECB's 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; awaits the outcome of the work done internationally to streamline resort to internal models in the case of operational risk and lending to corporates, other financial institutions, specialised finance and equities banks, in order to re-establish the credibility of internal models and ensure that they focus on the areas where they deliver added value; also welcomes the introduction of a leverage ratio to act as a robust backstop, in particular for global systemically important institutions (G-SIIs); stresses the need for a more risk-sensitive standard approach in order to ensure respect of the 'same risks, same rules' principle; calls on financial supervisors to allow new internal models only if they do not lead to unjustified significantly lower risk weights; reiterates the conclusions of its resolution of 23 November 2016 on the finalisation of Basel III; in particular, recalls that the regulatory changes planned should not result in overall increases in capital requirements or harm the ability of banks to finance the real economy, in particular SMEs; stresses that the international work should respect the proportionality principle; recalls the importance of not unduly penalising the EU banking model and of avoiding discrimination between EU and international banks; calls on the Commission to ensure that European specificities are considered when developing new international standards in this area, 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;
6. Stresses that reliable access to finance and the sound allocation of capital in Europe's bank-based financing model depend heavily on robust balance sheets and proper capitalisation, the restoration of which after the financial crises was not and is not uniformly assured across the Union, thus hampering economic growth;
7. Underlines that the European banking sector plays a key role in financing the European economy and that this is supported by a strong supervision system; welcomes, therefore, the intention of the Commission to maintain the SME Supporting Factor in the upcoming revision of CRD/CRR and to extend it beyond its current threshold;
8. 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 with

regard to the regulation and supervision of large, internationally active banks, without this either preventing a critical approach when needed or precluding targeted departures from international standards when and where the characteristics of the European system are not sufficiently taken into account; 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; in particular, stresses the importance of the role of the Commission, the ECB and the EBA in terms of engaging in the work of the BCBS and providing Parliament and the Council with transparent and comprehensive updates on the state of play of the BCBS discussions; considers that the EU should work on having an appropriate representation in the BCBS, notably for the euro area; calls for a stronger visibility of this role during ECOFIN meetings, as well as enhanced accountability to Parliament's Committee on Economic and Monetary Affairs; underlines that the BCBS and other fora should help promote a level playing field at the global level by mitigating – rather than exacerbating – the differences between jurisdictions;

9. Points to the risks, including systemic risks, of a rapidly growing shadow banking sector, as shown by 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;
10. Underlines the need for a comprehensive view of the cumulative impact of the different changes in the regulatory environment, whether they concern supervision, loss absorption, resolution or accounting standards;
11. Stresses that national options and discretions may hinder the creation of a level playing field between Member States and the comparability of the financial reporting by banks to the public; 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 in order to address existing barriers and segmentation, and to keep only those that are strictly necessary because of the diversity of banking models; urges that this opportunity be fully exploited; welcomes the ECB guidance and regulation harmonising the exercise of some of the national options and discretions within the BU; recalls, however, that when conducting work on the reduction of options and discretions the ECB shall remain within the limits of its mandate; stresses that working towards the deepening of the single rulebook is crucial, and underlines the need to streamline the current overlapping and intertwining of existing, amended and new legislation; calls on the ECB to make fully public the Supervisory Manual laying down common processes, procedures and methods for conducting a euro area-wide supervisory review process;
12. Stresses that there has been a natural learning phenomenon for all the members of the Supervisory Board since the creation of the SSM, dealing with a variety of different business models and entities of different sizes, and that this needs to be supported and accelerated;
13. Notes the clarifications with regard to the objectives of Pillar 2 and its place within the stacking order of capital requirements proposed in the amendments to the Capital Requirements Directive (CRD); 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; 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; believes that the use of capital guidance should not result in a demonstrable reduction of Pillar 2 requirements; considers that more supervisory convergence is needed concerning the composition of own funds to cover Pillar 2 requirements and guidance; is pleased, therefore, that the issue is addressed in the proposed amendment to the CRD;

14. Stresses the risks stemming from the holding of level 3 assets, including derivatives, and in particular from the difficulty of their valuation; notes that these risks should be reduced and that this calls for a progressive reduction of the holdings of these assets; 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;
15. Reiterates the need to ensure higher transparency on the full set of supervisory practices, in particular in the SREP cycle; asks the ECB to publish performance indicators and metrics in order to demonstrate supervisory effectiveness and enhance its external accountability; reiterates its call for more transparency with regard to Pillar 2 decisions and justifications; calls on the ECB to publish Joint Supervisory Standards;
16. Notes the risks stemming from ‘too-big-to-fail’, too-interconnected-to-fail and too-complex-to-resolve financial institutions; notes that a set of policy measures designed at international level to address these risks have been agreed (notably TLAC, central clearing of derivatives, and capital and leverage ratio add-on for globally systemic banks); is committed to working swiftly on the corresponding legislative proposals for their implementation in the Union, thus reducing further the risks stemming from the too-big-to-fail issue; recalls the words of Mark Carney, Chair of the FSB, to the effect that agreement on proposals for a common international standard on total loss-absorbing capacity for G-SIBs represents a watershed in putting an end to too-big-to-fail banks; 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 for addressing this issue and enabling globally systemic banks to be resolved without recourse to public subsidy and without disruption to the wider financial system;
17. Highlights the limitations of the current stress test methodology; welcomes, therefore, the EBA’s and 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; 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;
18. Considers that when a national competent authority (NCA) rejects the demand to take into account specific circumstances in the stress test exercise, this should be communicated to the EBA and the SSM so as to ensure a level playing field;
19. Welcomes the progress made to prepare for allowing some delegation in the area of fit and proper decisions; points out, nevertheless, that a change in the regulations is needed to allow more and easier delegation of decision-making on certain routine issues, from the Supervisory Board to relevant officials; would welcome such a change, which would contribute to making the ECB’s banking supervision more efficient and effective;

calls on the ECB to specify tasks and legal framework for the delegation of decision-making;

20. Takes note of the report of the European Court of Auditors (ECA) on the functioning of the SSM; takes note of the findings concerning the insufficient level of staffing; calls on NCAs and Member States to fully provide the ECB with the necessary human resources and economic data enabling it to do its job, in particular as regards on-site inspections; 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; takes the view that more involvement of ECB personnel and less reliance on staff from NCAs 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 within it; 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; calls on the ECB to perform a risk analysis on possible conflicts of interest and to envisage separate reporting lines where specific supervisory resources are concerned; 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 policymaking and proper guarantees are established; calls on the ECB to hold public consultations when drafting quasi-legislative measures in order to enhance its accountability;
21. Underlines that the creation of the SSM has been accompanied by an increase of influence for the European Union on the international stage compared to the pre-existing situation;
22. Underlines that the separation of the supervisory tasks from monetary policy functions should enable the SSM to take an independent position on all relevant matters, including on potential effects of ECB interest rate targets on the financial position of supervised banks;
23. Shares the opinion of the ECA that an audit gap has emerged since the establishment of the SSM; is concerned that owing to limitations imposed by the ECB on the ECA's access to documents, important areas are left unaudited; urges the ECB to fully cooperate with the ECA to enable it to exercise its mandate and thereby enhance accountability;
24. Recalls the need to find, in regulation as well as in the exercise of supervision, a balance between the need for proportionality and the need for a consistent approach; notes, in this respect, the changes proposed regarding reporting and remuneration requirements in the Commission proposal amending Directive 2013/36/EU; 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 model; points out that all banks should be subject to an appropriate level of supervision; recalls that appropriate supervision is key to monitoring all risks whatever the size of

the banks; respects the division of roles and competences between the SRB, the EBA and other authorities within the European System of Financial Supervision, while underlining the importance of effective cooperation; sees the need to overcome the proliferation of overlapping reporting requirements and national interpretations of European laws in a common market; supports the streamlining efforts made to date, such as the idea behind the European Reporting Framework (ERF), 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, for instance through a proposal for a common unitary and consolidated supervisory reporting procedure; calls as well for the timely announcement of ad hoc and permanent reporting requirements so as to ensure high data quality and planning security;

25. Underlines that the safety and soundness of a bank cannot be captured by a point-in-time assessment of its balance sheet alone, as they are ensured through dynamic interactions between the bank and the markets, and affected by various elements in the entire economy; underlines, therefore, that a sound framework for financial stability and growth should be comprehensive and balanced so as to cover dynamic supervisory practices and not focus merely on static regulation with mainly quantitative aspects;
26. Draws attention to the division of responsibilities between the ECB and the EBA; stresses that the ECB should not become the de facto standard-setter for non-SSM banks;
27. Notes that on 18 May 2016 the ECB Council adopted the regulation on the collection of granular credit and credit risk data (AnaCredit); calls on the ECB to allow national central banks as much leeway as possible when implementing AnaCredit;
28. Calls on the ECB not to begin work on any further stages of AnaCredit until after a public consultation exercise has been carried out, with the full involvement of the European Parliament and with particular account being taken of the proportionality principle;
29. Reiterates its stressing of the importance of strong and well-functioning IT systems corresponding to the needs of the supervisory functions of the SSM and security concerns; regrets recent reports of persisting weaknesses in the IT system;
30. 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 spillovers of systemic risk; encourages the Commission to propose a coherent and effective macroprudential supervision in its overall review of the macroprudential framework in 2017; calls on the Commission to be especially ambitious in order to enhance the ESRB's institutional and analytical capacity to assess risks and vulnerabilities in and beyond the banking sector and to intervene accordingly; considers that borrowing based instruments (such as LTVs and DSTIs) should be embedded in European legislation so as to ensure harmonisation in the use of these additional types of macroprudential instruments; 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 macroprudential supervision; welcomes, in this regard, the progress already

made on cross-border coordination by the ESRB recommendation on voluntary reciprocity; reiterates its call for the clarification of the linkages between the macroprudential framework and existing microprudential tools, in order to ensure effective interaction of macroprudential and microprudential policy instruments; expresses concern about the vulnerabilities in the real estate sector identified by the ESRB; 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; 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 macroprudential supervisory instruments by national authorities;

31. Highlights that the outcome of the referendum on the UK's membership of 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 EU and non-EU financial institutions, and should not be used to promote deregulation in the financial sector;
32. Welcomes the excellent work of the Joint Supervisory Teams (JSTs), which are a good example of European cooperation and knowledge-building; points out that the proposed future use of a rotating system in the organisation of JSTs should guarantee objective supervision while taking into consideration the lengthy process of knowledge-building in this very complex field of expertise;
33. Welcomes the fact that the Banking Union has widely eliminated the home-host issue in supervision, by the establishment of a single supervisor and the greatly improved exchange of relevant information between supervisory authorities, enabling a more holistic supervision of cross-border banking groups; stresses that, owing to the current incomplete state of the Banking Union, the CRR review on liquidity and capital waivers needs to appropriately take into account consumer protection concerns in host countries;
34. Welcomes the ECB initiative to oblige supervised banks to report significant cyber-attacks under a real-time alert service, as well as the SSM on-site inspections to supervise cyber-security; calls for the establishment of a legal framework which facilitates the exchange of sensitive information relevant to preventing cyberattacks between banks;
35. Stresses the crucial role of cybersecurity for banking services and the need to incentivise financial institutions to be very ambitious in protecting consumer data and guaranteeing cybersecurity;
36. Notes that the SSM has been assigned the task of European banking supervision for the purpose of ensuring compliance with EU prudential rules and of ensuring financial stability, while other supervisory tasks having clear European spillovers have remained in the hand of domestic supervisors; stresses, in this regard, that the SSM should have monitoring powers concerning Anti-Money Laundering (AML) activities of national banking supervisors; emphasises that the EBA should also be assigned additional powers in the field of AML, including the powers to carry out on-site assessments of Member States' competent authorities, to require the production of any information that

is relevant to assessing compliance, to issue recommendations for remedial action, to make those recommendations public, and to take measures that are necessary to ensure that the recommendations are effectively implemented;

37. Reiterates its call on the EBA to enforce and enhance the consumer protection framework for banking services in line with its mandate, complementing the SSM's prudential supervision;

Resolution

38. Recalls the need to adhere to state aid rules when dealing with future banking crises, 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; 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; takes the view that the flexibility embedded within the current framework should be clarified, and recalls that it should be better exploited in order to address specific situations, without hindering genuine resolution of banks which are insolvent, in particular in the case of preventive and alternative measures involving the use of DGS funds provided for in the Deposit Guarantee Schemes Directive (DGSD) Article 11(3) and (6); 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 DGSD can actually be implemented; notes that specific situations have been treated differently without clear justification; 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;
39. Invites the Commission to assess, in the light of experience and within the framework of the review of Regulation (EU) No 806/2014, whether the SRB and the national resolution authorities are equipped with sufficient early intervention powers and sufficient early intervention instruments to prevent disruptive outflows of banks' capital and loss-absorbing capacity during a crisis;
40. Underlines the importance of clarifying practical issues which are directly affecting resolution, such as the reliance on service providers which provide critical services, for example in the case of outsourced IT services;
41. 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; 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 public money being needed, thereby avoiding the socialisation of private risks; 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; 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; 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; highlights the importance of maintaining discretion for the resolution authority when setting MREL, and of making sure that banks hold sufficient subordinated and bail-inable debt; emphasises that market disclosure should be made in an appropriate manner in order to avoid investor misinterpretation of the MREL requirements;

42. 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; notes the Commission proposal for the introduction of the MREL guidance; 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;
43. Draws attention to the importance of clarifying in legislation that MREL-eligible CET1 is on top of capital buffers, so as to prevent double counting of capital;
44. 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 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; 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 the fact that the BRRD has 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; calls on the SRB to present the results of the resolvability assessments for G-SIBs and other banks, including the proposed measures to overcome impediments to resolution;
45. 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, legal certainty and the ability of the market to absorb any new class of debt;
46. Calls for a reflection on the possible negative impact on the real economy from the revision of the Basel rules, the introduction of MREL requirements, the introduction of TLAC and IFRS 9; calls for any solution aimed at smoothing the impacts;
47. 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; further recalls that bail-inable instruments should only be sold in the first place to appropriate investors who can absorb potential losses without being threatened in their own sound financial standing; therefore urges the Commission to foster the implementation of relevant existing legislation, and calls on the ESAs to

contribute strongly to the detection of mis-selling practices;

48. Warns that the BRRD requirement of contractual recognition for bail-in powers on liabilities governed by non-EU legislation is proving cumbersome to implement; considers this issue an immediate concern; 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; calls on the Commission and the resolution authorities to ensure that the conditions for granting exemptions and the subsequent actual decisions on exemptions do not endanger banks' resolvability;
49. 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; 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, also as a permanent observer;
50. Takes note of the double role of the Board members of the SRB, who are at the same time members of an executive body with decision-making roles and senior managers accountable in that capacity to the Chair of the Board, and considers that an evaluation of this structure should be undertaken before the end of the current mandate;
51. Recalls that the substance of the Intergovernmental Agreement on the Single Resolution Fund (SRF) is to be ultimately incorporated into the Union legal framework; calls on the Commission to reflect on ways of doing so; stresses that the upcoming incorporation of the fiscal compact into EU law could provide a useful template;
52. Calls for the ex ante contributions to the SRF to be calculated in a strongly transparent manner, with efforts to harmonise information on calculation outcomes and improve the understanding of the calculation methodology; 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;
53. 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; is of the opinion that this solution is not sufficient to overcome the bank-sovereign vicious circle and end taxpayer-funded bailouts; calls for rapid progress in 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 and which should be fiscally neutral over the medium term, as agreed within the agreement on the SRF and confirmed by the European Council in June 2016;

Deposit insurance

54. 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;
55. 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 the fact that all Member States have transposed the BRRD; reminds all Member States of the obligation to apply and correctly implement the BRRD and the DGSD;
56. Recalls that the role of the Commission is to guarantee a level playing field across the EU and that it should avoid any fragmentation within the internal market;

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57. Instructs its President to forward this resolution to the Council, the Commission, the ECB, the SRB, the national parliaments, and the competent authorities as defined in point 40 of Article 4(1) of Regulation (EU) No 575/2013.