



TEXTS ADOPTED

P8_TA(2019)0030

Banking Union - Annual report 2018

European Parliament resolution of 16 January 2019 on Banking Union – annual report 2018 (2018/2100(INI))

The European Parliament,

- having regard to its resolution of 1 March 2018 on Banking Union – Annual Report 2017¹,
- having regard to the feedback of the Commission and the European Central Bank (ECB) on Parliament’s resolution of 1 March 2018 on Banking Union – Annual Report 2017,
- having regard to the statement agreed by the Euro Summit at its meeting of 29 June 2018,
- having regard to the European Court of Auditors (ECA) special report of 16 January 2018 on the operational efficiency of the ECB’s crisis management for banks²,
- having regard to the Commission proposal of 24 May 2018 for a regulation of the European Parliament and of the Council on sovereign bond-backed securities (COM(2018)0339),
- having regard to the determinations of 23 February 2018 by the ECB that ABLV Bank and ABLV Bank Luxembourg were failing or likely to fail, in accordance with the Single Resolution Mechanism Regulation³,
- having regard to the launch on 31 January 2018 by the European Banking Authority

¹ Texts adopted, P8_TA(2018)0058.

² ‘Special report no 02/2018: The operational efficiency of the ECB’s crisis management for banks’, European Court of Auditors, 16 January 2018,
<https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=44556>

³ Press release, ‘ECB determined ABLV Bank was failing or likely to fail’, European Central Bank, 24 February 2018,
<https://www.bankingsupervision.europa.eu/press/pr/date/2018/html/ssm.pr180224.en.html>

(EBA) of its 2018 EU-wide stress test exercise¹,

- 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')²,
- having regard to the ESMA Annual Statistical Report on EU derivatives markets of 18 October 2018,
- having regard to the ECB's announcements of 15 March 2018 on supervisory expectations for new non-performing loans (NPLs)³ and of 11 July 2018 on further steps in its supervisory approach to the stock of NPLs⁴,
- having regard to the report of European Systemic Risk Board (ESRB) of September 2018 entitled 'Approaching non-performing loans from a macroprudential angle',
- having regard to the ESRB report of September 2018 entitled 'EU Shadow Banking Monitor N° 3',
- having regard to the vacancy notice for the position of Chair of the ECB Supervisory Board from 1 January 2019⁵,
- having regard to the report from the Commission to the European Parliament and the Council of 11 October 2017 on the Single Supervisory Mechanism established pursuant to Regulation (EU) No 1024/2013 (COM(2017)0591),
- having regard to the proposals to amend 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 648/2012 (CRR) (COM(2016)0850) and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (CRD IV) (COM(2016)0854),
- having regard to the opinion of the European Central Bank of 8 November 2017 on amendments to the Union framework for capital requirements of credit institutions and investment firms (CON/2017/46),

¹ Press release, 'EBA launches 2018 EU-wide stress test exercise', European banking Authority, 31 January 2018, <http://www.eba.europa.eu/-/eba-launches-2018-eu-wide-stress-test-exercise>

² OJ C 216, 30.7.2013, p. 1.

³ Press release, 'ECB sets out its supervisory expectations for new NPLs', European Central Bank, 15 March 2018, <https://www.bankingsupervision.europa.eu/press/pr/date/2018/html/ssm.pr180315.en.html>

⁴ Press release, 'ECB announces further steps in supervisory approach to stock of NPLs', European Central Bank, 11 July 2018, <https://www.bankingsupervision.europa.eu/press/pr/date/2018/html/ssm.pr180711.en.html>

⁵ OJ C 248A, 16.7.2018, p. 1.

- having regard to the ESRB report of July 2017 entitled ‘Financial stability implications of IFRS 9’,
 - having regard to the Council conclusions of 11 July 2017 on the action plan to tackle non-performing loans in Europe,
 - having regard to Rule 52 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs (A8-0419/2018),
- A. whereas entrusting the ECB with the supervision of systemically important financial institutions has proven to be successful;
 - B. whereas prudential and anti-money laundering supervision cannot be treated as separate;
 - C. whereas the role of the EBA needs to be significantly strengthened in order to effectively implement and monitor anti-money laundering measures;
 - D. whereas it is important to clarify the treatment of State aid in actions by deposit guarantee schemes¹;
 - E. whereas the stock of NPLs and level 2 and level 3 exposures are still worryingly high in the banking systems of some Member States;
 - F. whereas the numbers and ratios of NPLs still vary substantially between Member States;
 - G. whereas participation in the Banking Union is open to Member States that have not yet adopted the euro; whereas no Member State has so far decided to participate on that basis; whereas several Member States are discussing the possibility of joining the Banking Union; whereas different financial institutions see advantages in being situated within the Banking Union;
1. Takes positive note of the achievements 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; underlines the importance of commitment to the process of completing the Banking Union and the need to ensure openness and equal treatment of all Member States participating in the Banking Union; recalls that the completion of the Banking Union, including a European Deposit Insurance Scheme and a fiscal backstop for the Single Resolution Fund, must continue as well as measures to achieve risk reduction, which contributes to further increasing financial stability and growth prospects;
 2. Stresses the importance of the commitment to the process of completing the Capital Markets Union, which will help to build a true single capital market in the EU, channel credit into the real economy, further enable private risk sharing, reduce the need for public risk sharing, facilitate cross-border investments and complement funding through

¹ Case T-98/16: Action brought on 4 March 2016 – *Italy v Commission* (OJ C 145, 25.4.2016, p. 34).

banks;

3. Recalls that the Banking Union is open to all Member States that wish to join; welcomes any steps taken by non-euro area Member States to join the Banking Union as this helps to align the Banking Union with the internal market;
4. Considers that one of the aims of the Banking Union, besides ensuring financial stability, should among others be, keeping in mind the proportionality principle, to preserve the diversity of EU sustainable banking models and to avoid guiding the European banking system towards a single model or disproportionately penalising smaller banks, as this diversity enables the requirements of citizens and of their projects to be met, as well as acting as a diversification tool, a key feature to cope with potential shocks;
5. Stresses that the proposals made by international bodies should be translated into European law in such a way as to take due account of the specific characteristics of the European banking sector;
6. Stresses that the Basel Committee on Banking Supervision (BCBS) standards in particular should not be enacted wholesale into European law without taking proper account of the specific characteristics of the European banking system and of the proportionality principle;
7. Recalls the need for a coherent and concise set of rules for the proper functioning of the Banking Union, while keeping in mind the importance of proportionality; calls on the Commission, where appropriate, to prioritise regulations over directives as the legislative tool for the Banking Union and to make it a priority to fully ensure that all relevant legislation is fully and correctly implemented in all Member States; calls on the Commission, in cooperation with the European supervisory authorities, to identify and remove obstacles to the internal market;
8. Believes that decisions by the supervisory and resolution authorities must be coherent, properly explained, transparent and made public; urges the supervisory and resolution authorities to be as restrictive as possible in applying the provisions that allow them to refuse access to documents;

Supervision

9. Takes note of the ECB's recent 'failing or likely to fail' assessments, carried out in 2018; stresses the need to improve the response times of European banking supervision; is deeply concerned that some of these cases raised issues concerning the enforcement of anti-money laundering rules in the Banking Union; underlines the urgent need for a common EU approach in this regard with clearly assigned powers; welcomes, in this regard, the Commission's proposal to strengthen the EBA in the field of money laundering;
10. Notes the results of the EBA's EU-wide stress test; welcomes the inclusion of level 2 and level 3 instruments in the scope of 2018 stress tests; believes that stress tests should be interpreted in combination with other on-going supervisory monitoring activities; calls on the Single Supervisory Mechanism (SSM), EBA and ESRB to use consistent methodologies when defining the stress test in order to ensure a high level of

transparency on this procedure and in order to prevent possible distortions;

11. Recalls that there are risks associated with sovereign debt; takes note of the on-going work of the Basel Committee on Banking Supervision (BCBS) on sovereign risk; is also concerned by the fact that some financial institutions have excessively large exposures to sovereign debt issued by their own governments; stresses that the EU regulatory framework on prudential treatment of sovereign debt should be consistent with international standards;
12. Welcomes the Commission proposal to strengthen the role of the EBA in the fight against money laundering in the financial sector; calls on the co-legislators to adopt the proposal without undue delay and urges the need for enhanced cooperation and information sharing between national supervision authorities based on common standards within the EU and subject to EU-level coordination and support where national authorities are overwhelmed;
13. Remains concerned about recent cases of money laundering at European banks and that money laundering cases risk exposing the EU economy to financial and political instability; notes that several of these cases have been reported by non-EU jurisdictions; calls for a unified approach towards prudential and anti-money laundering supervision; notes as well that issues concerning the enforcement of anti-money laundering legislation have also been revealed outside the Banking Union and that joining the Banking Union could benefit non-euro area Member States in tackling these issues;
14. Underlines the fact that financial markets are strongly interrelated; stresses the importance of preparedness of banking supervisors for all possible outcomes in the Brexit negotiations between the EU-27 and the United Kingdom, bearing in mind that this is not a substitute for preparedness of private actors themselves; calls on the Commission and supervisory authorities to perform a comprehensive analysis of the impact of Brexit; calls on the EU-27 to deepen common regulation and common supervision while enhancing the depth and breadth of the capital markets within the EU-27;
15. Urges all negotiators to work towards the adoption of a balanced and sustainable legislative package to reduce risk in the banking system before the European elections in 2019; urges the Council, in particular, to negotiate in good faith, taking due account of the diversity of EU banking models, of the proportionality principle and the balanced package adopted by the European Parliament; calls on the Commission to effectively address the ‘too-big-too fail’ problem together with the risks of different EU banking models, taking into account their size in the relevant markets;
16. Takes note of the on-going negotiations on the NPL package; notes the ECB addendum on NPLs and the work of the EBA on guidelines on management of non-performing and forborne exposures; welcomes the reduction in volume of NPLs over the past years; reiterates its concern that the total number, and proportion, of non-performing loans and of level 2 and level 3 instruments remains well above average in some Member States; stresses that the risk to financial stability posed by NPLs is still significant but nevertheless lower than it was a few years ago; agrees with the Commission that the primary responsibility for reducing NPLs lies with the Member States, notably through efficient insolvency laws, and banks themselves, but emphasises the interest of the EU to reduce the share of NPLs;

17. Is concerned at the wide use of internal models by the banking institutions; calls on the SSM and EBA to continue their work on the adequacy of using internal models in order to establish their credibility and achieve a level playing field across institutions;
18. Takes note of the on-going negotiations on the European System of Financial Supervision (ESFS); believes that a single market needs appropriate supervisory powers at EU level; stresses that the core task of the ESFS is to ensure effective supervisory action;
19. Welcomes the Commission communication on FinTech; recognises the great potential of FinTech and the need to encourage innovation; notes, however, the need for clear regulation and appropriate supervision that protects consumers and ensures financial stability as well as a level playing field for financial market actors; considers that FinTech, which carries out the same kinds of activities as other players in the financial system, should be subject to the same operating rules; underlines the need to continuously improve the cyber resilience of the EU financial sector;
20. Remains concerned about the extent of shadow banking in the EU; recalls that at the end of 2017 it was estimated to account for around 40 % of the EU financial system; encourages authorities at the EU, national and global levels to continue vigilantly monitoring the risks posed by these activities and to address them as quickly as possible in order to ensure fair competition, transparency and financial stability; calls on the Commission to urgently identify remaining gaps in the current regulations;
21. Recalls the initial debate on the role of the ECB as both monetary and supervisory authority; considers that, overall, the ECB has succeeded in keeping the two roles separate; believes, however, that further debate is necessary to avoid the risk of a conflict of interests between the two tasks; stresses the importance of the cooperation between the EBA as a regulatory authority and the SSM as a supervisory authority within the Banking Union, while respecting the division of responsibilities;
22. Considers that further harmonisation of practices concerning the assessment of whether a bank is failing or likely to fail as well as a clearer distinction between supervisory powers and early intervention powers would help to make crisis management by competent authorities, prior to resolution, more effective;

Resolution

23. Notes the agreement reached at the Euro Summit meeting of 29 June 2018 that the European Stability Mechanism (ESM) will provide the common backstop to the Single Resolution Fund (SRF) and that the ESM will be reformed to provide effective stability support based on strict conditions ensuring responsibility, accountability and the principle of moral hazard prevention as well as safeguarding the principle that taxpayers are not liable for banking risks; recalls Parliament's position that this mechanism should be fully incorporated into the Union's institutional framework and stresses the need for proper democratic scrutiny;
24. Recalls that normal insolvency proceedings are the procedure applied when resolution action is not deemed to be in the public interest; is aware that divergences in insolvency legislation reflect well-established national procedures; notes that insolvency legislation may benefit from further harmonisation across the Union in order to ensure common

rules and a level playing field for all banks, investors and creditors;

25. Reaffirms its position that the rules for precautionary recapitalisation need to be clarified; notes that precautionary recapitalisation can be an instrument for crisis management but believes that its use needs to be strictly limited to exceptional cases where the bank is compliant with the harmonised minimum regulatory capital levels and therefore solvent and where compliance with EU State aid rules is ensured; recalls that the objective of the EU resolution regime is to make sure that taxpayers are protected, the cost of bank management failures is borne by its shareholders and creditors, and that the stability of the financial system as a whole is preserved; stresses that the rules on the resolution of credit institutions need to be even better applied;
26. Calls on the Commission to assess the recovery and resolution of credit institutions in the light of state aid rules; calls on the Commission to examine regulation in the light of the Bank Recovery and Resolution Directive (BRRD); calls on the Commission to propose transparent application of the rules on state aid in relation to the BRRD;
27. Stresses the importance of access to liquidity for banks in resolution, during and immediately after resolution proceedings; follows with interest ongoing debates on a possible tool for the provision of liquidity in resolution;
28. Calls on the Commission to regularly assess whether the banking sector has benefited from implicit subsidies and State aid since the beginning of the crisis, including by means of the provision of unconventional liquidity support, and to publish a report in this regard; underlines the distortive effect State aid can have on the functioning of the internal market; recalls the strict requirements for the application of Article 107(3)(b) of the Treaty on the Functioning of the European Union and calls again on the Commission to re-examine on a yearly basis whether these requirements continue to be fulfilled;
29. Welcomes the conclusion of the ECA, in its report on the operational efficiency of the ECB's crisis management for banks, that the organisational set-up of the ECB and its resourcing for the assessment of recovery plans and the supervision of banks in crisis are satisfactory, while noting that there are outstanding issues concerning information sharing and efficiency of coordination; recalls that cooperation and exchange of information between authorities are essential for the smooth implementation of resolution measures;
30. Welcomes the revised memorandum of understanding between the ECB and the Single Resolution Board (SRB); stresses that a streamlined and in some cases automated exchange of information increases efficiency and helps to ensure that the reporting burden on banks is kept to a minimum;

Deposit insurance

31. Takes note of the agreement reached at the Euro Summit meeting of 29 June 2018 concerning the European Deposit Insurance Scheme (EDIS) as well as the Commission communication of 11 October 2017 on EDIS; underlines that the process for establishing EDIS should continue for the completion of the Banking Union; recognises the benefits of risk sharing and further risk reduction;

o

o o

32. Instructs its President to forward this resolution to the Council, the Commission, the European Banking Authority, the European Central Bank, the Single Resolution Board, the parliaments of the Member States and the competent authorities as defined in point (40) of Article 4(1) of Regulation (EU) No 575/2013.