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**TEXTS ADOPTED**

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**P9\_TA(2020)0165**

**Banking Union - annual report 2019**

**European Parliament resolution of 19 June 2020 on Banking Union – annual report 2019 (2019/2130(INI))**

*The European Parliament,*

- having regard to its resolution of 16 January 2019 on Banking Union – annual report 2018<sup>1</sup>,
- having regard to the feedback of the Commission and the European Central Bank (ECB) on Parliament’s resolution of 16 January 2019 on Banking Union – annual report 2018,
- having regard to the approval of the Banking Package by the European Parliament and the Council,
- having regard to The Five Presidents’ Report of 22 June 2015 entitled ‘Completing Europe’s Economic and Monetary Union’,
- 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 2010 Framework Agreement on relations between the European Parliament and the European Commission,
- having regard to the Political Guidelines for the next European Commission 2019-2024 entitled ‘A Union that strives for more – My agenda for Europe’, presented by Ursula von der Leyen on 16 July 2019,
- having regard to its resolution of 23 November 2016 on the finalisation of Basel III<sup>2</sup>, and to the conclusions of the Ecofin Council of 12 July 2016,
- 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 ECB Annual Report on supervisory activities 2018, published in

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<sup>1</sup> Texts adopted, P8\_TA(2019)0030.

<sup>2</sup> OJ C 224, 27.6.2018, p. 45.

March 2019<sup>1</sup>,

- having regard to the European Systemic Risk Board report of July 2019 entitled ‘EU Non-bank Financial Intermediation Risk Monitor 2019’<sup>2</sup>,
- having regard to the European Banking Authority (EBA) Fintech Roadmap conclusions from the consultation on the EBA’s approach to Financial Technology (Fintech) of March 2018,
- having regard to the EBA report of November 2019 entitled ‘Risk Assessment of the European Banking System’<sup>3</sup>,
- having regard to the EBA report of 18 July 2019 on regulatory perimeter, regulatory status and authorisation approaches in relation to FinTech activities,
- having regard to the European Supervisory Authorities’ (ESAs) report of January 2019 entitled ‘FinTech: Regulatory sandboxes and innovation hubs’<sup>4</sup>,
- having regard to the Interinstitutional Agreement of 7 November 2013 between the European Parliament and the European Central Bank on the practical modalities of the exercise of democratic accountability and oversight over the exercise of the tasks conferred on the ECB within the framework of the Single Supervisory Mechanism<sup>5</sup>,
- having regard to the Memorandum of Understanding of 9 October 2019 between the ECB and the European Court of Auditors (ECA) regarding audits on the ECB’s supervisory tasks<sup>6</sup>,
- having regard to the endorsement by the Euro Summit on 14 December 2018 of the report of the Eurogroup in its inclusive format establishing a High-Level Working Group,
- having regard to the endorsement by the same Euro Summit of the terms of reference of the common backstop to the Single Resolution Fund,
- having regard to the Commission report of 30 April 2019 on the application and review of Directive 2014/59/EU (Bank Recovery and Resolution Directive (BRRD)) and Regulation (EU) No 806/2014 (Single Resolution Mechanism Regulation (SRMR)) (COM(2019)0213),
- having regard to the statement agreed by the Euro Summit at its meeting of

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<sup>1</sup> <https://www.bankingsupervision.europa.eu/press/publications/annual-report/pdf/ssm.ar2018~927cb99de4.en.pdf?eacb68897aba01af07abf90319758ded>

<sup>2</sup> [https://www.esrb.europa.eu/pub/pdf/reports/nbfi\\_monitor/esrb.report190717\\_NBFImonitor2019~ba7c155135.en.pdf?aad1f4a011a6d589537645242475aa89](https://www.esrb.europa.eu/pub/pdf/reports/nbfi_monitor/esrb.report190717_NBFImonitor2019~ba7c155135.en.pdf?aad1f4a011a6d589537645242475aa89)

<sup>3</sup> [https://eba.europa.eu/sites/default/documents/files/document\\_library/Risk%20Analysis%20and%20Data/Risk%20Assessment%20Reports/2019/Risk%20Assessment%20Report\\_November%202019.PDF](https://eba.europa.eu/sites/default/documents/files/document_library/Risk%20Analysis%20and%20Data/Risk%20Assessment%20Reports/2019/Risk%20Assessment%20Report_November%202019.PDF)

<sup>4</sup> [JC 2018 74](#).

<sup>5</sup> OJ L 320, 30.11.2013, p. 1.

<sup>6</sup> [https://www.bankingsupervision.europa.eu/ecb/legal/pdf/memorandum\\_of\\_understanding\\_between\\_the\\_eca\\_and\\_the\\_ecb\\_regarding\\_the\\_ecbs\\_supervisory\\_tasks.pdf](https://www.bankingsupervision.europa.eu/ecb/legal/pdf/memorandum_of_understanding_between_the_eca_and_the_ecb_regarding_the_ecbs_supervisory_tasks.pdf)

21 June 2019,

- having regard to the ECA special report of 10 July 2019 on EU-wide stress tests for banks<sup>1</sup>,
- having regard to the announcement by the ECB of 22 August 2019 of the revision of supervisory expectations for prudential provisioning for new non-performing loans to account for the new EU regulation on supervisory expectations for prudential provisioning<sup>2</sup>,
- having regard to the Commission communication of 12 June 2019 entitled ‘Fourth Progress Report on the reduction of non-performing loans and further risk reduction in the Banking Union’ (COM(2019)0278),
- having regard to the European Securities and Markets Authority Technical Advice of 18 July 2019 to the European Commission on Sustainability Considerations in the credit rating market<sup>3</sup>,
- having regard to the European Stability Mechanism discussion paper of October 2019 entitled ‘Completing banking union to support Economic and Monetary Union’,<sup>4</sup>
- having regard to the Commission communication entitled ‘Action Plan: Financing Sustainable Growth’ (COM(2018)0097),
- having regard to its resolution of 8 June 2011 on credit rating agencies: future perspectives<sup>5</sup>,
- having regard to the Commission study of November 2019 on the differences between bank insolvency laws and on their potential harmonisation,
- having regard to its resolution of 19 September 2019 on the state of implementation of the Union’s anti-money laundering legislation<sup>6</sup>,
- having regard to the EBA opinions of 8 August 2019 on the eligibility of deposits, coverage level and cooperation between deposit guarantee schemes (DGSs), of 30 October 2019 on deposit guarantee scheme payouts and of 23 January 2020 on deposit guarantee scheme funding and uses of deposit guarantee scheme funds,
- having regard to the Joint Opinion of the ESAs of 4 October 2019 on the risks of money

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<sup>1</sup> ‘Special report no10/2019: EU-wide stress tests for banks: unparalleled amount of information on banks provided but greater coordination and focus on risks needed’, European Court of Auditors, 10 July 2019,

<https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=50393>

<sup>2</sup> Press release, ‘ECB revises supervisory expectations for prudential provisioning for new non-performing loans to account for new EU regulation’, 22 August 2019,

<https://www.bankingsupervision.europa.eu/press/pr/date/2019/html/ssm.pr190822~f3dd1be8a4.en.html>

<sup>3</sup> [ESMA 33-9-321](#).

<sup>4</sup> [Discussion Paper Series/7](#), European Stability Mechanism, October 2019.

<sup>5</sup> OJ C 380E, 11.12.2012, p. 24.

<sup>6</sup> Texts adopted, P9\_TA(2019)0022.

laundrying and terrorist financing affecting the European Union's financial sector<sup>1</sup>,

- having regard to the Commission study of November 2019 on options and national discretions under the Deposit Guarantee Scheme Directive and their treatment in the context of a European Deposit Insurance Scheme,
  - having regard to the agreement on the exchange of information between the ECB and the competent authorities responsible for anti-money laundrying and combating the financing of terrorism (AML/CFT),
  - having regard to the Commission's withdrawal of its proposal on structural measures improving the resilience of EU credit institutions (COM(2014)0043),
  - having regard to the EBA report of November 2019 on NPLs – progress made and challenges ahead<sup>2</sup>,
  - having regard to the ECB's financial stability review of November 2019,
  - having regard to the joint advice of the ESAs to the European Commission of 10 April 2019 on the need for improvements relating to ICT risk management requirements in the EU financial sector<sup>3</sup>,
  - having regard to the 2018 Annual Economic Report of the Bank of International Settlements,
  - having regard to the EBA report of 29 October 2019 on potential impediments to the cross-border provision of banking and payment services,<sup>4</sup>
  - having regard to Rule 54 of its Rules of Procedure,
  - having regard to the report of the Committee on Economic and Monetary Affairs (A9-0026/2020),
- A. whereas a more stable, competitive and convergent Economic and Monetary Union requires a solid Banking Union and a more developed and safe Capital Markets Union, as well as the creation of a Budgetary Instrument;
- B. whereas the completion of the Banking Union is a vital contributor to the international perception of the euro and its increased role in global markets;
- C. whereas downside risks to global and euro area economic growth have increased, particularly since the global outbreak of the COVID-19 pandemic, and continue to create financial stability challenges;
- D. whereas the Banking Union remains incomplete as long as it lacks a backstop for the Single Resolution Fund (SRF) and a European Deposit Insurance Scheme (EDIS) as the third pillar of the Banking Union;

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<sup>1</sup> [JC 2019 59](#).

<sup>2</sup> <https://eba.europa.eu/file/233465/download?token=xH5hxq39>

<sup>3</sup> JC 2019 26, <https://eba.europa.eu/file/102634/download?token=ZR98JZp8>

<sup>4</sup> <https://eba.europa.eu/file/178124/download?token=7fFsD9og>

- E. whereas a well-functioning market for retail financial services is important for both the economy and citizens of the EU;
- F. whereas the Banking Union still lacks effective tools to tackle problems consumers are facing: artificial complexity, unfair commercial practices, exclusion of vulnerable groups from using basic services as well as limited involvement of public authorities;
- G. whereas, despite the overall reduction of non-performing loans (NPLs) in recent years, the level of NPLs in some financial institutions still remains high;
- H. whereas entrusting the ECB with the supervision of systemically important financial institutions has proven to be successful; whereas the ECB can exercise, where necessary, supervisory tasks in relation to all credit institutions authorised in, and branches established in, participating Member States;
- I. whereas the development of the Single Resolution Mechanism (SRM), which aims at ensuring uniform rules and procedures and a common decision-making process for orderly resolution of failing banks with minimum impact on the real economy, was efficient; whereas there is still, however, work to be done in order to effectively prevent taxpayer-funded intervention in failing banks;
- J. whereas recent large-scale money laundering scandals involving financial institutions in the EU demonstrate that prudential and anti-money laundering supervision cannot be treated separately and that a proper system of supervision and enforcement of EU legislation is lacking;
- K. whereas the European banking sector still remains by far the main provider of financing to companies, in contrast with other jurisdictions, where capital markets account for a considerable share of financing to companies;
- L. whereas more than ten years after the financial crisis, the ‘too big to fail’ and ‘too interconnected to fail’ problems remain insufficiently addressed and under review by the Financial Stability Board;

### ***General considerations***

1. Recalls the progress made regarding the implementation of the Banking Union, namely on risk reduction; stresses, however, that further progress has to be made on risk sharing and also on risk reduction in order to tackle challenges that remain in specific institutions;
2. Recalls that the Banking Union is open to all Member States that wish to join;
3. Welcomes the support of the President of the European Commission and the President of the ECB for the completion of the Banking Union and, more broadly, the Economic and Monetary Union, through, for example, the creation of a Budgetary Instrument in order to attain a more stable, competitive and convergent Union;
4. Stresses that the Eurogroup is neither an institution, a body nor an agency of the European Union but an informal intergovernmental forum of discussion; regrets the fact that Member States continue to act outside the Community framework, jeopardising Parliament’s role as co-legislator and its right to democratic oversight;

5. Highlights the lack of efficacy of the intergovernmental negotiations conducted thus far, most notably those involving the Budgetary Instrument for Convergence and Competitiveness and the Eurogroup's Banking Union High Level Working Group; urges negotiations to continue in an open setting that guarantees Parliament's active involvement, within the legal order of the EU; underlines the increased judicial protection that these changes would result in, along with stricter requirements regarding transparency and access to documents;
6. Welcomes the overall increased resilience of the European banking system, as attested by the EBA's 2019 Risk Assessment of the European Banking System; welcomes in particular the fact that banks have kept their capital ratios stable and asset quality has improved, as reflected in a further decline of NPLs;
7. Stresses, however, that profitability levels remain low and the macroeconomic environment is deteriorating, namely in view of the COVID-19 pandemic, which has triggered unprecedented challenges to the global economy, affecting asset quality and, thus, the profitability of banks; further notes that a high level of competition, especially in the area of financial technology (FinTech), as well as higher operational risks due to digitalisation and innovation, and the lack of integration of markets due to remaining fragmentation between Member States, are expected to pose further challenges to bank profitability;
8. Notes the current prospect of low risk and low profitability in the banking sector; highlights the fact that low interest rates persist as a response to the current macroeconomic situation; stresses, furthermore, that economic slowdown and geopolitical tensions, including the effects of Brexit, as well as cyber risks and data security, are among the major challenges the EU banking sector is facing, in addition to climate change and the risks of money laundering and terrorism financing;
9. Notes that, bank profitability has increased steadily since 2012, with return on equity surpassing 6 % since 2017; highlights, however, that this evolution falls short of the estimated cost of capital for most banks; underlines that the low risk and low interest rate environment has resulted in lower costs for provisions and losses; points out that this is not, however, a structural improvement and that challenges to profitability are not expected to abate in the short term; recalls the need to continuously evaluate the levels of financing to the economy, and particularly to SMEs, coming from the financial system as whole; calls for an appropriate assessment of the impact of past and future regulations on reaching the objective of financing the economy;
10. Emphasises that the provision of credit and liquidity by banks plays a decisive role in mitigating the most severe economic consequences of the COVID-19 outbreak on people in the EU; notes, in this context, the legislative and supervisory measures that have been proposed or adopted to make sure that banks keep lending throughout this crisis; welcomes the flexibility given to banks in relation to the prudential treatment of loans, the application of accounting rules, and the release of capital buffers; emphasises that any relief granted should be made fully available to support bank customers, families and firms; supports the actions taken by banking supervisors to introduce strong temporary restrictions on the payment of dividends and bonuses and the buying back of own shares by banks;
11. Underlines the crucial role of the banking sector in channelling funding into the real economy, and particularly into sustainable and socially responsible investments, thereby

fostering growth and employment and enabling the transition to a climate-neutral economy, while not endangering financial stability;

12. Welcomes, in that respect, the political agreement reached on the Regulation on the establishment of a framework to facilitate sustainable investment; calls for the revision of the Non-Financial Reporting Directive in order to better reflect the ESG-related reporting and disclosure obligations;
13. Is concerned that the vulnerabilities of banks to climate-related risks may not be fully comprehended and welcomes the EBA's commitments to include climate risk considerations in its annual risk assessment and to introduce climate change stress tests; underlines, in this respect, the importance of adequate disclosure and risk assessment;
14. Calls, furthermore, on all European banks to sign up to the UN-led Principles for Responsible Banking and, accordingly, to report annually on their efforts to implement sustainable financing and to reduce climate change-related risks in their balance sheets; calls on the EU and national competent authorities responsible for the banking sector to follow and, where possible, implement 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;
15. Calls for the establishment of a EU-wide green bond standard and the definition of a framework favourable to the development of these bonds in order to enhance the transparency, effectiveness and credibility of sustainable investments;
16. Takes note of the work of the Basel Committee on Banking Supervision (BCBS) on sovereign risk; stresses that the EU regulatory framework on prudential treatment of sovereign debt should be consistent with international standards; calls for further discussions on the creation of a European safe asset, based on an evaluation to be performed by the Commission of the sovereign bond-backed securities (SBBS) proposal and possible developments, in order to strengthen the international role of the euro, stabilise financial markets and allow banks to diversify their portfolios;
17. Underlines the fact that financial markets are strongly interrelated; stresses the importance of preparedness of banking supervisors for all possible outcomes of Brexit, bearing in mind that this complements preparedness of private actors themselves; welcomes all significant actions and cooperation so far; takes note of the practice of UK firms of establishing branches in the EU in order to continue providing services; stresses, in this regard, the risk of regulatory arbitrage due to the diverse application of rules in each Member State; considers, therefore, that further harmonisation is required to avoid regulatory arbitrage and to ensure that risks are appropriately addressed; underlines the importance of a level playing field in financial regulations between the EU and the UK after Brexit and the need to prevent a regulatory race to the bottom;
18. Reiterates the commitments that the EU has undertaken jointly with the United Kingdom under the revised Political Declaration; commits to maintaining close and structured cooperation on regulatory and supervisory matters, at both political and technical levels;
19. Regrets that the Commission and the large majority of EU governments have so far failed in ensuring full gender balance in EU institutions and bodies, particularly with regard to high-level appointments in economic, financial and monetary affairs; calls on

the governments of the Member States, the European Council, the Eurogroup and the Commission to actively work towards gender balance in their upcoming proposals for shortlists and appointments, endeavouring to include at least one female and one male candidate per nomination procedure; reiterates its resolution on respect for the gender balance principle in forthcoming lists of candidates;

20. Stresses the importance of completing the Capital Markets Union, which complements the Banking Union in the financing of the real economy; stresses, furthermore, that a fully integrated Capital Markets Union together with a fully-fledged Banking Union would allow for public and private risk sharing, and would moreover strengthen the international role of the euro as well as further enhancing the competitiveness of European markets and promoting sustainable private investment; highlights, in this regard, the need for a level playing field that avoids disadvantages for SMEs in terms of access to finance, and the need to carefully monitor the issuance of securitised products;

### ***Supervision***

21. Welcomes the progress made in the banking sector in reducing risk and increasing financial stability; notes however that fragilities still remain in specific institutions and that further progress is required; recalls the aims of the Banking Union of ensuring financial stability, and fostering a truly single market, a level playing field and predictability for market actors;
22. Considers, nevertheless, that the current supervisory framework has focused primarily on credit risk exposures, to the detriment of market risk exposures related to illiquid securities, including derivatives; urges for adequate measures to enhance asset quality review, and welcomes, in this regard, the inclusion of level 2 and level 3 instruments in the scope of the 2018 stress tests; reiterates its call on the SSM to include among its main supervisory priorities the reduction of these complex and illiquid financial instruments, including derivatives;
23. Welcomes the efforts made to strengthen the financial sector and reduce NPLs at European level and the risk reduction measures achieved in the recent Banking Package; notes that the ratio of NPLs held by significant institutions fell by more than half from the start of ECB banking supervision, in November 2014, to June 2019; highlights that the euro area NPL average was 2,9 % in September 2019, down from 6,5 % in December 2014; welcomes this significant progress; points out that the level of non-performing loans still remains high in certain institutions and that further efforts are needed to address this issue; takes note of the ongoing legislative work on the directive for credit servicers and credit purchasers, and stresses the need to make sure that the development of secondary markets for loans and the creation of an extrajudicial enforcement mechanism (AECE) include appropriate consumer protection;
24. Underlines the need to protect customers' rights in the context of NPL transactions; notes the importance of the full implementation of the Mortgage Credit Directive (2014/17/EU); calls on Member States to put measures in place to ensure that borrowers, who might be in already vulnerable financial situations, are not subject to aggressive and unfair treatment and practices by poorly-regulated debt buyers and collectors; calls on the Commission, in the upcoming revision of the Consumer Credit Directive, to lay down more ambitious provisions on the protection of borrowers against abusive practices, ensuring that those rights apply equally to existing and future loans;



25. Underlines the importance of protecting consumer rights, namely regarding banking fees and the transparency of product costs, profitability and risks; calls, in this respect, on the EBA to devote more focus to fulfilling its mandate on properly collecting, analysing and reporting on consumer trends, and also on the review and coordination of financial literacy and education initiatives by the competent authorities;
26. Notes that recent banking crises have revealed that credit institutions have miss-sold bonds and other financial products to retail customers; calls on supervisory and resolution authorities to vigorously enforce the newly introduced BRRD provisions on consumer protection, particularly the minimum requirement for own funds and eligible liabilities (MREL); urges the Commission to further assess the issue of miss-selling of financial products by banking institutions;
27. Calls on the ESAs to make full use of their powers to ensure a high degree of consumer protection, including, where appropriate, product intervention powers where financial and credit products have resulted in or are likely to result in consumer detriment;
28. Notes that work on the implementation of the final Basel III standards has already started; stresses that the BCBS standards should be enacted into European law in a timely fashion and with due regard for their goals, while taking proper account of the specific characteristics of the European banking system, where appropriate, and the proportionality principle; warns that, owing to the diversity of banking models across the EU, a one-size-fits-it-all solution might be ill-suited to the European market; underlines that the competitiveness and financial stability of the EU banking sector should be ensured and its ability to finance the economy, in particular SMEs, should not be harmed; is convinced that viable and well-capitalised financial institutions are necessary for the sound financing of the EU economy and a stable Banking Union; recalls its resolution of 23 November 2016 on the finalisation of Basel III and calls on the Commission to act on the recommendations therein when drafting the new legislative proposals;
29. Takes note of the importance of the need to assess the adequacy of internal models and to continuously evaluate them, in order to ensure they are reliable and robust; takes note of the findings of the targeted review of internal models (TRIM) carried out by the ECB; calls on banks to improve their use and implementation of their internal models accordingly;
30. Is concerned that the EBA warned about not delivering its proposals for reducing the administrative burden for small institutions within the deadline set by co-legislators in the Banking Package;
31. Recalls that standards provided by international fora should avoid regulatory fragmentation and help to promote a level playing field for all internationally active banks;
32. Notes that in its report assessing the risks to and vulnerabilities of the EU banking sector, the EBA points to differences in the application and setting of the O-SII buffer among Member States; calls, thus, for further harmonisation of the application of capital buffers across the EU, in order to create a level playing field;
33. Welcomes the agreement on a Memorandum of Understanding between the European Central Bank and the European Court of Auditors, setting out the practical arrangements

for the exchange of information between the institutions in respect of their respective mandates;

34. Requests increased transparency standards in banking supervision, for instance in the outcomes of the supervisory review and evaluation process, in order to reinforce the trust of capital and financial markets, companies and citizens, as well as to ensure consistency of treatment across Member States; welcomes improved and refined information-sharing between supervisory and resolution institutions;
35. Notes that innovative financial technologies are profoundly transforming the financial sector, including banking and payment services, and welcomes the efficiency and broader range of choices these offer to consumers in the market; supports technological neutrality as a guiding principle and encourages investments in financial technology;
36. Highlights the need to address the challenges posed by these new technologies, such as ensuring sustainable business models that are interoperable across borders, a level playing field in terms of regulation and supervision, and cybersecurity; underlines the responsibility of financial institutions in ensuring the protection of clients' data and their security, in accordance with EU law; notes, also, the increasing reliance of the banking sector on cloud computing and urges the Commission to respond to the joint advice of the ESAs on the need for legislative improvements relating to ICT risk management requirements in the EU financial sector; reiterates that a balanced legislative framework and legal certainty can enhance an environment prone to innovation without undermining financial stability;
37. Recognises the contribution that the non-bank financial intermediation sector, previously known as shadow banking, can make to further diversifying the funding channels to the economy; highlights, however, that there is considerable interconnectedness between the non-bank financial intermediation sector and the 'traditional' banking sector, which raises concerns of systemic risk given the lack of appropriate regulation and supervision of the former;
38. Calls, in this regard, for coordinated action to address these risks, including the establishment of a macroprudential toolkit and the further operationalisation of existing tools to counter threats to financial stability posed by the increasing role of the non-bank financial intermediation system; considers that it is necessary to assess whether prudential requirements on large exposures in particular to non-bank financial intermediation are sufficient to ensure financial stability; underlines further the risks highlighted by the European Systemic Risk Board (ESRB) in its EU Non-bank Financial Intermediation Risk Monitor 2019, such as those derived from liquidity transformation, risk-taking and leverage affecting the sector more broadly;
39. Welcomes the agreement on the exchange of information between the ECB and the authorities responsible for anti-money laundering (AML) and combating the financing of terrorism (CFT); recalls its resolution of 19 September 2019 on the state of implementation of the Union's anti-money laundering legislation; welcomes the joint position paper of 8 November 2019, prepared by several euro area finance ministers, which calls for the harmonisation of the European money laundering and terrorism financing regulatory framework;
40. Recalls that for AML/CFT efforts to be effective, the competent authorities and financial institutions must act in a coordinated manner; highlights that prudential and

anti-money laundering supervision need to be better aligned; recalls its serious concerns about regulatory and supervisory fragmentation in the field of AML/CFT, which has led to a failure to provide adequate oversight and responses to the deficiencies of national supervisory authorities and undermines their ability to supervise the increasing cross-border activity in the EU;

41. Is convinced that the SSM also has a role to play in combatting money laundering and welcomes the setting-up of a dedicated anti-money laundering unit; notes in particular the complexity of carrying out the important suitability assessment of the top management of banks due to the highly diverse transposition of the Capital Requirements Directive; encourages, therefore, the integration of the ‘fit and proper’ requirements into the Capital Requirements Regulation;
42. Welcomes the Council conclusions of 5 December 2019, which give a mandate to the Commission to explore ways of ensuring better cooperation between authorities and conferring AML tasks to an EU body, and to turn certain parts of the Anti-money Laundering Directive into a Regulation, in order to ensure a single rulebook; welcomes the Commission’s communication on an Action Plan for a comprehensive Union policy on preventing money laundering and terrorist financing, which outlines proposals to further harmonise the AML/CFT rulebook and effectively address the risks posed by cross-border illegal activity to the integrity of the EU financial system and the security of EU citizens, namely through the creation of a new EU body;
43. Acknowledges that legal and supervisory action need to be taken to address the money laundering and terrorism financing risks posed by crypto assets; invites the Commission to further carry out impact assessments on the money laundering and terrorism financing risks that may arise from vulnerabilities created by the increasing use of new technologies by credit and financial institutions, and the rapid spread of crypto assets in view of the absence of a common regulatory regime and the anonymity associated with those assets;
44. Calls on the Commission to evaluate in 2020 the current state of the credit rating agencies market, to assess it in terms of competition, information asymmetries and transparency to the markets; notes that sustainability ratings based on environmental, social and governance (ESG) criteria may become an important complement to credit risk assessments; stresses the importance of standardisation in the criteria for sustainability rating and ensuring that the development of a market for the provision of sustainability ratings is competitive and not concentrated with a limited number of providers;
45. States the need for efforts to make financial market activity more consistent with sustainability objectives and ESG criteria, underlining the central role of the ESAs in these objectives; calls, in this respect, on the EBA, in coordination with the ESRB, to take steps towards a common methodology for measuring the intensity of climate risks to which financial institutions are exposed, including risks related to the possible depreciation of assets in the event of changes to the regulatory treatment stemming from climate change mitigation and adaptation, the macroeconomic impact of sudden changes in energy use and a rise in the incidence of natural catastrophes;

## ***Resolution***

46. Welcomes the fact that the Single Resolution Board (SRB) has not been required to take resolution action in 2019; invites the Commission to reflect on the appropriate follow-up to its own report on the implementation of BRRD and SRMR of April 2019; urges the Commission to review whether the legislation is adequate to ensure that all banks could, if needed, be resolved without the need for taxpayers' money; calls on the Commission to take into account the Financial Stability Board review of the 'too big to fail' legislation and address potential shortcomings, in particular with regard to the safeguarding of retail deposits;
47. Calls on the SRB 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;
48. Invites the Commission to reflect on the potential for further harmonisation of specific aspects of existing national insolvency laws and to assess the extent to which such further harmonisation is necessary to ensure a consistent and effective application of the crisis management framework; calls on the Commission, in the framework of the revision of the Deposit Guarantee Scheme Directive (DGSD) to bring more clarity to the least-cost principle under the DGSD;
49. Calls for further reflection on the Single Resolution Mechanism's framework and the need to assess the applicability of the Banking Communication of 2013<sup>1</sup>; notes the need to ensure a level playing field and the consistent application of the public interest test;
50. Notes the important role that early intervention measures can play in preventing bank failures and crises; notes, however, that the requirements for the use of early intervention measures overlap with some of the standard intervention measures of the ECB; stresses that in such instances, standard intervention measures are favoured; considers, therefore, that this overlap should be removed by way of the sufficient clarification of the legal basis for each instrument, in order to ensure the gradual application of the measures;
51. Takes note of the Eurogroup decision on the 'agreement in principle' related to the reform of the European Stability Mechanism and its terms of reference; calls for the creation of the backstop to the SRF and its swift operationalisation; is concerned by the lack of a mechanism in the Banking Union to ensure that liquidity can be provided to a bank in the event of a resolution in order to ensure the smooth continuity of services and the stability of financial markets, and calls on the Commission to attempt to address this gap without further delay;
52. Stresses the fact that banks need to be able to operate across borders while managing their capital and liquidity at a consolidated level, in order to diversify their risks and address any lack of profitability; highlights its view that rules should allow for greater flexibility for the parent company in this regard, while providing for credible and enforceable mechanisms that require, in the event of a crisis, the parent company (resolution entity) to provide capital, MREL, and liquidity to subsidiaries located in a host country within the Banking Union;

### ***Deposit insurance***

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<sup>1</sup> OJ C 216, 30.7.2013, p. 1.

53. States that the Banking Union still lacks its third pillar; urges the completion of the Banking Union through the creation of a fully implemented European Deposit Insurance Scheme to protect depositors against banking disruptions, ensure confidence among depositors and investors across the Banking Union and reinforce the stability of the euro area as a whole; recognises the benefits of risk sharing and further risk reduction in specific institutions;
54. Urges the Council to resume negotiations on EDIS as soon as possible, while ensuring a coherent framework with the DGSD in order to deliver on the objective of enhancing financial stability;
55. Calls on the Commission to analyse the framework of functioning institutional protection schemes in the context of EDIS;
56. Takes note of the continued discussions on the completion of the Banking Union within the High-level Working Group on EDIS, established in January 2019 to report to the Eurogroup, including on further improvements to the crisis management framework for banks; is concerned that Parliament has not been kept informed of discussions taking place in the context of the High-Level Working Group on EDIS, which reports to the Eurogroup; notes that the Commission is a participant in the High-Level Working Group and recalls Article 9 of the 2010 Framework Agreement, which contains the obligation for the Commission to guarantee equal treatment, particularly on legislative matters, between Parliament and the Council;

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