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COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS
PUBLIC HEARING WITH ELKE KÖNIG
CHAIRPERSON OF THE SINGLE RESOLUTION BOARD

BRUSSELS
MONDAY, 14 MARCH 2022

1-002-0000

IN THE CHAIR: IRENE TINAGLI
Chair of the Committee on Economic and Monetary Affairs

(The hearing opened at 17.27)

1-003-0000
Chair. – So let's get started. I would like to welcome Elke König, Chairperson of the Single Resolution Board (SRB), to this first hearing in 2022, and I'm particularly happy that she can be here in person so we are resuming our normal way of working.

The public hearing is organised in the framework of the regulation establishing the Single Resolution Mechanism and of the agreement between the European Parliament and the Single Resolution Board on the practical modalities of the exercise of democratic accountability over the exercise of the task conferred on the Single Resolution Board. The meeting is timely for reasons we all understand.

One of the effects of the invasion of Ukraine and the ensuing sanctions has been the disruption to Russian banks operating in the European Union. The SRB has already been called upon to take decisions in respect of Sberbank Europe AG Bank based in Austria, and so I'm sure that there will be a lot of issues to discuss in this regard and lots of interest from our MEPs.

Now, before we start, let me just remind you of the usual housekeeping rules. Ms König will have the floor for an introductory statement of 10 minutes and then we will turn to the Q&A session. There will be five-minute slots for the question and the answer, with the possibility of a follow-up question, time permitting, within the same slot. And then, if time allows, there may be Catch-the-Eye slots.

So, Ms König, thank you again for being with us and you have the floor.

1-004-0000

Elke König, *Chair of the Single Resolution Board***.** – Thank you, Madam Chair, good evening and good evening, honourable Members, and I think the first thing is, really, it's a pleasure to be here in person and to see real people in front of me and next to me.

And thank you for the opportunity to update you on the work of the SRB. You have already mentioned that clearly our priorities, our standard reporting has been a bit shifted away against the overall backdrop. And I would say three months ago when I last addressed this committee, the backdrop of all our work at the SRB was the pandemic and the economic impact of COVID. This seems to have miraculously disappeared.

Unfortunately, however, the war in Ukraine and the unfolding tragedy there is now not only the backdrop of our work, but in some respects it has already been centre stage, not least because of the resolution of Sberbank Europe. I'll come back to this soon.

I will give you a better update on what we did precisely in Sberbank in this resolution case, and then I will go back to the completion of the Banking Union and our work in resolvability assessment, which is at the centre of what we are doing in our, I would call it, day-to-day work.

Earlier this month, we had to intervene with regard to Sberbank Europe AG and I think this is, honestly, with all the tragedy around, the reason for a good example of putting policy into practice at short notice.

The crisis in this case unfolded with lightning speed because of the current political situation that resulted in a loss of trust in the institution and made customers withdraw funds from Sberbank Europe. With regard to Sberbank, we had decisions to make in three countries: Croatia, Slovenia and Austria. In all three countries, the banks were decided to be, or were declared to be, failing or likely to fail. And in the first step, we took a moratorium decision just to buy us a bit of time to organise a proper resolution case. So I think the first lesson learned is it was good that also this House voted in favour of a moratorium to just allow us to take a structured decision.

Within the moratorium period, we were able to find buyers for the two subsidiaries of Sberbank Europe, the subsidiaries in Croatia and in Slovenia, and we could do so in an open sales process, a very rapid one, but a very transparent one at the same time. So the operations there could continue after the moratorium was lifted with no impact on customers or on financial stability.

Turning to Austria, the parent, the European parent of this group, we decided that no resolution action was required for the Austrian parent company because it was simply not in the public interest to put it into a European resolution procedure. Therefore, it's now being wound up at national level in Austria. In other words, the bank is being dealt with under national insolvency procedure. Depositors are protected under the national DGS. There is one specialty: the Austrian bank had a branch in Germany, so you can also see good cooperation now between the two DGSs because the German DGS is basically handling this for the Austrian DGS.

We were able to manage the crisis thanks to the structures in place. The SRB really worked hand-in-glove with many partners at national, EU and international level, and I'm thankful for the excellent cooperation we received at all these levels – because one thing was pretty clear from the beginning: if we take a decision for the parent or for the Banking Union subsidiaries, it's highly unlikely that the other subsidiaries would not be impacted. So, from the first moment, it was always about having a coordinated action for all involved.

So I think if you take this together, I think all of this has just got one thing in common – you can call it protection. Decisions protect financial stability, and the decisions protect depositors up to an amount of at least EUR 100 000 in Austria and with no limits because they were transferred in Slovenia and Croatia. And all this could be done without using any public funds. So it's not only that the customers are protected, the taxpayers too. I think the proof of the pudding is in the eating, and in this case, we can say this is proof of the EU resolution framework and I think it really showed how it works.

However, and there are also two lessons to be learned. We were again faced with a couple of problematic points. In this group, we were dealing with different legal frameworks simultaneously, because you might believe that you transfer in Croatia and you transfer in Slovenia, but the rules on how you can do this are different. I would have always thought: I understand Germany, so why should Austria be so different? But even the insolvency procedure and how to trigger it is different there.

So we were again, I think it's important to highlight that this issue of already having three different legal frameworks would have been clearly amplified for any larger group or to take it around. This is why I have long been calling for harmonising the framework for insolvency of financial institutions. This case should serve as a reminder that we need to get this job done, not least to allow handling the failure of a bank in a consistent manner within the Banking Union or, still better, within Europe.

The second point is clearly, I think it also shows that there is a point to be made for EDIS. Customers of these banks needed to be assured that their savings or deposits are protected up to EUR 100 000 by the national DGSs. It would have been much better to have a European scheme to provide this reassurance. It's fair to say that at least in one Member State, we saw quite some tension building up about: 'are depositors safe?'; 'what about my bank being another bank?' So, I think to be able to instil confidence at a time of crisis, to have a proper EDIS would be definitely a worthwhile step.

Let's be honest, deposits are only protected in so far as a DGS can pay out. And I think a European layer would install by far more confidence. So with that again, EDIS is needed and of course, harmonisation of insolvency frameworks, at least for financial institutions.

Let me now move back to our ordinary work: resolution planning, resolvability assessment. We have been talking about this for long now. More transparent assessment of resolvability is a key priority for us. That's why we have started to work on a heat-map on assessing resolvability. Designed as a tool to monitor, to benchmark, but also to communicate on banks' progress towards full resolvability.

We have attempted internally the first draft and like always when you see the first results, you see also all the question marks on: 'how do we make sure that this is equivalent?'; 'how do we make sure that we are treating the banks fairly?' But I think we are currently working on this, and I'm still very optimistic that by summer – now summer might go into September - we will be able to publish something and then start an annual reporting cycle on how far have we come on resolvability.

But, in a nutshell, and perhaps as a preliminary result, not very surprising, we can say banks have made most progress on those areas or capabilities that were phased-in the years 2020-2021. So it's on bail-in capabilities, assessment of critical functions and access to FMIs (Financial Market Infrastructure). Positive, but also not surprising G-SIIs (Global Systemically Important Institutions), so the largest banks are far more advanced on resolvability profiles like governance, loss-absorbing capacity, contingency planning, communication, than the other banks, which is probably also a result of a joint pressure from the US, the UK and us.

Other banks are on average here a bit less advanced, but they seem to be broadly aligned on capabilities like critical assessing, critical functions and the like. So it’s a bit of a mixed picture and it’s not giant differences, and clearly significant progress has still to be made on the capabilities, which are on our agenda for 2022-2023. Liquidity and resolution adequacy of management information systems, separability of assets and liabilities to make sure that you can transfer tools and capabilities to restructure.

Positive news at the end, regarding MREL, I think we mentioned that already: it seems, or it’s now proven, that nearly all banks were able to meet their 2022 binding intermediate targets. It’s less than a handful of banks that just didn’t meet this target. There are still differences, and there are still deficits towards the 24 targets, and I’m starting to tell the banks – I’ve always told them – they should issue while the sun is shining. And I think unfortunately, we are proven right with this because now the sun is not shining for the moment – except outside.

We remain, therefore, as SRB, we remain committed, bringing all banks to the same resolvability footing by end 2023 and as I said, to publish this heat-map. Hopefully I can give you more details during our next meeting.

Policy work, just to briefly touch on this, we are continuing to build up the adequate MREL capacity, as I said, with hindsight we were correct, to push the banks last year to really issue. We are working on banks’ capabilities to manage liquidity, separability and capabilities for reorganisation and management information systems. All banks have their clear working priorities and all the guidance, I think, they need for this.

In the interests of time, I will skip topics that normally interest this committee too, about the SRF, our plea for a liquidity facility and the like. So, with that, I would probably just conclude: whatever lies ahead of us, we are committed to work to ensure financial stability and I’m now very much looking forward to your questions.

1-005-0000

Markus Ferber (PPE). – Hello Ms König. I share your happiness at being able to see one another again in person and not just on screen.

The Western sanctions against Russia are above all aimed at the Russian financial system. And we have seen, as you mentioned, that it has led to some European subsidiaries of Sberbank getting into difficulties. You also said that this was the first real litmus test.

Now, the longer the sanctions take effect, the stronger the impact on the real economy will be. European companies are withdrawing from Russia. Assets in Russia are being abandoned, which will also have repercussions for the banks that finance such companies.

Hence my question: has everything been finalised with Sberbank, or is there something more to come? And what measures should we be taking to identify and contain such risks at an early stage?

But I have a second question: the knock-on effects of the sanctions, especially the high energy prices, are a shock for the European economy and there is a risk that our growth will weaken significantly. It would be all the more important for the banks to remain productive in order to provide the real economy with liquidity.

One factor that the banks keep mentioning is the contributions to the common resolution fund. Of course, they cannot simply suspend contributions – I know the legal situation, too. But they had the option of making direct payments as well as a part in the form of so-called irrevocable payment commitments. Is this an instrument that you are considering making greater use of to ensure the banks have liquidity?

1-006-0000

Elke König, *Chair of the Single Resolution Board***.** – Many thanks, Mr Ferber. Let me perhaps say, I think it's fair to say that we, but in particular, also the European Central Bank, the SSM (Single Supervisory Mechanism), are very carefully monitoring the banks currently.

Looking at the first round effects, looking at what we can see for the time being, I think it's also fair to say that the banks, the European banks, seem to be well positioned to weather this storm.

Even if you were to believe that all their Russian assets are lost, this seems to be still, from what I've seen, manageable for the European banking sector. What we can't rule out is, clearly, that there is the one or the other outlier. So I would not say 'Sberbank, and that's it'. But to be fair, I think it looks very manageable.

It's perhaps a bit like with COVID. The banks are in a far better position than they've been in the past, so they have also the room for manoeuvre. Of course, when you then think about a second, third and fourth round, it might change. But for the time being, I would be mildly positive.

On your second question, on the Single Resolution Fund, I was waiting for someone to ask the question. I would first start with explaining where we are for the time being. We have still only two more years to go and deposits, which are the basis for our calculation, are growing. So I think the industry is already rightly expecting that the contributions to the fund will increase. It's not rocket science anymore. And 70 billion in the end is rather the lower number, it might be substantially beyond.

So, we have been looking into irrevocable payment commitments as an alternative. We are currently using irrevocable payment commitments up to 15%, which is the legal minimum. Thirty per cent would in principle be allowed, but there is also a legal case currently in front of the European courts, where a bank is pleading that as they lost their license or they returned their license in that case, they want the money back so that we would lose this contribution to the fund. Whereas our interpretation has always been irrevocable payment commitments need at some point to be turned around.

So, we are a bit, for the time being, still discussing. We have not taken a final decision for this year. But when you have a court case in front of you, you are a bit reluctant to change your views.

1-007-0000

Jonás Fernández (S&D). – Good afternoon and welcome. It is a pleasure to see you in person in this committee again. First of all, I would obviously like to continue the debate on the most recent Sberbank resolution which you decided on a few weeks ago. I would like to ask you again about the difficulties in ascertaining what constitutes the public interest.

In recent months you have tried to clarify this assessment process, but I would like to ask just how useful that clarification or the addendum you published to ensure an accurate assessment, has been in this case, or whether it has given rise to new uncertainties or other uncertainties that should be reviewed in the future. Not so much, perhaps, through an interpretation by the SRB, but through a change in the level 1 rules that we're waiting for the Commission to make. I would like to ask you exactly how this assessment of the public interest has been carried out and to what extent you consider that there may be lessons for revising, as I have said, the level 1 rules.

And I would also like to ask you – and with this I will conclude – about coordination between states, not only within and outside the banking union, but also with states outside the European Union. To what extent has the dialogue with other non-European agencies worked well or has it left any details that we could review in the future?

1-008-0000

Elke König, *Chair of the Single Resolution Board***.** – To be fair, I think the public interest assessment, the addendum we published end of last year on system-wide events was not really relevant in this case. We really looked at it as an idiosyncratic failure and tried to assess what would be the impact on financial stability in the various States. And it was, I was also asked this by the press, it sounds at first moment a bit confusing to see that you put two subsidiaries into resolution and the parent goes into insolvency.

But when you look at the numbers, the three entities were roughly the same size. And clearly, the Member States have a different capacity, so they were far more important as a lender to SMEs in Slovenia and as a deposit bank in Croatia than they were in Austria. So it was a very consensual decision to say 'this is a financial stability concern for those two banks'. It's not a financial stability concern to put them into normal insolvency procedure in Austria. So I would not see that any change of the legal framework would have led us to a different decision here.

On your question on coordination, as I said before, we were very much aware that within a group, if the Banking Union part fails, it's difficult to see how the rest could really survive. So we reached out immediately to the other, to the non-Banking Union European counterparts and also we tried to reach out to our non-EU counterparts to a limited extent – you need to reach someone over the weekend to be sure that you really can make this happen. But I think coordination there worked. It shows that it's also important that we really reach out for cooperation agreements, we know whom we try to reach and I think in this case, were fairly successful.

Would it always work? If you talk to countries far away, it might be more difficult.

1-009-0000

Luis Garicano (Renew). – Mrs König, really great to have you here. Thanks for coming in person and being with us after such a long time of COVID confinement. I want to go in the same direction as my colleagues and try to extract lessons. The lessons that you have gotten seem positive lessons, although you did mention deposit insurance.

So, the first goes very much in the direction of my colleague Jonas. So we have the Austrian entity in insolvency, the Czech entity is going to be wound down, but depositors only compensated up to EUR 100 000, other depositors who are going to lose money. Is this creating any instability in other Russian banks that might be coming next? So that's my first question.

I also wanted to kind of understand the process inside. My feeling in a previous case, in the Banco Popular case was that the process finished up well, but there was a little bit of a risk of not having a good ending.
Did you feel that the process inside your agency, inside the SRB, has actually worked –that your lessons internally are that now you have a good process to apply the different rules, decide on the PIA, to decide on the resolution, to decide on the winding down or liquidation?

And I wanted to ask you a little bit on the deposits. You did mention the fact that deposit insurance could have helped. Right now, you need to put any money you think, I don't know if you think or know this, is this now sure? But if you had been an entity with less liquidity and lower levels of solvency as well, how would you have proceeded with the local deposit insurance? Were you in contact with them? Were people aware of the risks to deposits? So, very much in the line of previous questions.

1-010-0000

Elke König, *Chair of the Single Resolution Board***.** – Let me try to answer the question on the process first. Like all the time, when you add up the timeline that the regulation provides to all the various steps, you will never make it. So, you need to do one thing, which I think worked well in this case. You work in parallel.

We cannot afford at the end, 24 hours I think it is, to the Commission, to endorse the decision because then we are running entirely out of time. So what we are doing in cooperation is they are with us for the entire time so that you can indeed say when they really get the decision to be endorsed, they know what they get. They have talked about it beforehand and can assess it. So I think this is a given. If you don't work in parallel, you won't make it.

The second part is, you need to see here – unlike in the case of Banco Popular, this was really something that started to happen during a week and was done over the weekend. So there was not much preparation. You could not say we have all of this time. We were lucky we had a number of considerations when the crisis heated up, but if you had asked me beforehand, would we have to resolve the bank over this weekend. I would have said 'no'. It really happened at lightning speed. So, the process, I think, is now OK.

Working together, we are normally not working and not discussing with the DGS. Our counterpart are the resolution authorities. Of course, they are keeping their DGS, the national DGS, informed. And for us, the decision was really to make sure that they also prepared to be able, when we take our decision, to immediately step in.

In this case, the unique case is really that a number of the subsidiaries were basically getting illiquid and the parent was no longer able to provide more liquidity. They had provided liquidity to the subsidiaries during the week and then there was a point where they couldn't. So the parent itself informed us that they considered themselves to be failing or likely to fail because that's it.

At that point, you are – well, there is no alternative, DGSs need to step in. My assessment, as of today, is in these cases, the DGS might be, and I'm pretty sure in the end, be fully reimbursed after all the proceeds of the liquidation. But again, this is the case for the DGS. They have super priority, also in Austria, so they should be fully reimbursed but it will take some time.

1-011-0000

Rasmus Andresen (Verts/ALE). – Hello Ms König. Thank you very much for taking our questions here in our committee. First of all, I would like to acknowledge that the Single Resolution Board really reacted very quickly and consistently and not only identified the liquidity shortages at Sberbank, but then also took action.

I have two questions and one comment: The first concerns the various resolution instruments at your disposal. I would be interested to know in more detail why you decided to use certain resolution tools and not others.

The second question concerns the situation in Croatia. A significant chunk of Sberbank's shares have now been transferred to the Croatian Postbank, which is 75 per cent owned by the Croatian state. I would be interested to know what you think about the fact that the planned transactions have been made public.

And my last point is actually more a comment than a question: I am very grateful to you for once again underlining the point of the central European deposit guarantee. This is a point that is very, very important for we as Greens and that is very, very important, especially because of the Austrian-German situation. If you hadn't said that yourself, I would have asked you about it. Now I will just leave that as a comment and concentrate on the other two questions.

1-012-0000

Elke König, *Chair of the Single Resolution Board***.** – For the different instruments you need to keep in mind that we had a bank with a liquidity crisis. So, to find a solution for the bank meant also to find a solution to fix the liquidity problem of the institution. And at that point, I think the most – what we thought was the easiest way and the best way to fix it – was to find a buyer for the bank now. To organise a transparent sales process over a weekend is not an easy task.

Therefore, we were grateful to have the two extra days, but our Croatian, as well as our Slovenian colleagues, then, really and we asked them to do this primarily for us, were trying to find out who could be suitable buyers. They approached various parties and even I can now read Croatian in the sense that if you get a letter of this length, you know it’s a ‘no’.

So, we got in the end, a number of offers. In Croatia it was, in the end, the offer of Postbank, which was the only reliable offer that could be used and solved the problem. We are fully aware that the bank is partially state-owned, but this was an open – you could call it a tender, to acquire the bank, if someone else had offered more and better we would have gone for it. And in Slovenia, exactly the same there, we had, even in the end two offers and we decided for one offer, which was the higher price and, I think, the cleaner offer.

So, this was why we used it. A publication in Slovenia, they immediately published it in Croatia. They were a bit slower, but I think there’s no reason not to publish in the end the price. So I’m just never telling numbers because I always forget them.

So, the second part, on the deposit insurance, we had already covered.

1-013-0000

Gunnar Beck (ID). – Thank you very much, Ms König, for being here in person today. The collapse of the Sberbank’s subsidiary in Vienna will cost around one billion, of which the Austrian deposit insurance will cover over 900 million, 913 million, I think. In the meantime, the Croatian subsidiary of Sberbank is being sold to the Croatian Postbank HBP. HBP Bank is almost wholly owned by the Croatian state. Well, something that is not new is that according to Transparency International Croatia is one of the most corrupt countries in Europe. Globally, it stands just ahead of Cuba and still behind countries like Malaysia, Namibia, Jordan and Rwanda. Croatia's endemic corruption problem is also confirmed by the Commission's annual assessment in its Rule of Law Report.

My question to you is therefore: can you provide this committee with the necessary documents and information proving that corruption in the Croatian banking sector was adequately analysed before the sale and that it was reasonably concluded that one would not destabilise the situation even further so that we would soon have to rescue an even bigger bank?

You indicated that things happened very quickly, so I am particularly curious to hear your answer. Because we all know how fatal corruption can be in this case here, and then an even bigger bank will have to be saved. We all know the consequences: money is printed, it drives inflation and the gap between rich and poor grows even wider.

1-014-0000

Elke König, *Chair of the Single Resolution Board***.** – Let me perhaps comment on first, you mentioned a number for the potential loss for the DGS in Austria, I would assume. As I said before, this remains to be seen. The DGS has super priority so I would expect those DGSs to be refunded out of the proceeds of the insolvency. But this is an expectation and it might take time.

On Croatia, I will not comment on Transparency International’s assessment and the like. In our case, you need to keep in mind that when we do a transaction we are reassuring ourselves at least that in principle the ECB, who is the supervisor, or in this case it will be the Croatian system because it's a less significant institution is, in principle OK with a qualified holding procedure, so that there is no concern that this sale would not meet the regulatory approval process.

I have no indication from our work that there had been anything which was not OK. As I said, it was clear the bank was known. It was also known because they had beforehand already tried because ... sorry, I go one step back. Sberbank had been undergoing a restructuring in 2021, which was then overtaken by the crisis situation. So that there were already valuations, there were already indications of selling some of the subsidiaries to a third party. Now this would have been another third party, which was no longer available for the transaction. But there was already some preparation there and some indication about transactions.

So I think I feel comfortable, we protected financial stability and we got it into a bigger little home. Still little, but a bigger home in Croatia.

1-015-0000

Bogdan Rzońca (ECR). – Thank you very much for your explanations. That was very interesting. I would like to return for a moment to the pandemic situation. Is it really the case that we can already say that the banking system is over the pandemic, that banks are no longer struggling because of the pandemic, and that there are no surprise anymore? I am asking about this because during the pandemic various countries used different aid instruments for businesses, for local authorities, and bank flows were different from those in normal times, so is there really no further risk here as far as the pandemic is concerned?

The second issue is a general questions concerning the war. Of course, it's hard to avoid this. I simply want to know whether you are analysing the situation sufficiently to say today – we don't know where we are, whether this is the beginning of the war, the middle or close to the end – that the SRB is planning any extraordinary measures to be applied if the war were to be longer or shorter or if it were to end?

1-016-0000

Elke König, *Chair of the Single Resolution Board***.** – Thank you for your question. Let me first mention the pandemic, I think the pandemic, hopefully, is a bit behind us, I think we all hope for this.,

But I'm pretty sure we have seen in 2021 when in a number of Member States, the measures were step-wise fading, going away, that we did not see a huge increase in non-performing loans, we did not see a significant increase in insolvencies. So, I would be mildly optimistic that unless we see a giant new wave of the pandemic that this is behind us. But let's keep in mind it's behind us with by far higher levels of indebtedness of Member States. So, this, I think, for the pandemic.

The second topic – we are indeed keeping a close eye on all the banks under our remit, and it's going a bit back to my response to Mr Ferber's question. Can we already fully grasp the impact of what will be happening as the second, third and fourth wave – if this is a very prolonged war or even expanding? Probably, no. But for the time being, we are mildly optimistic that the banks are in a reasonable position, on average, to weather this.

Sorry, to add one point, clearly, this is also a question where clearly, in the first line, it's for the supervisor. So the ECB and I know that they are on a daily basis really trying this and they're sharing this information with us, but probably for them to be asked this too.

1-017-0000

Danuta Maria Hübner (PPE). – Thank you, Chair, and good afternoon Madam König, and as usual, a great pleasure listening to you.

I will not ask you about Sberbank but rather, if you allow me, about the boring issue of MREL and also in the light of the recent developments. I would like to focus on the treatment of this leverage amount with respect to the calculation of the final MREL.

You mentioned the ECB, the supervision, that they decided to exclude some exposures to central banks from calculating the total exposure measure for the bank and this leverage amount in response to COVID. My colleague who asked the question probably referred to it.

But my understanding is that the supervision might have extended this measure to the end of March of this year – and they I think they announced it quite recently. And I don’t know how far you can go in commenting on this, but you, I think last week, confirmed that the final MREL targets will be also recalibrated in this year. And the resolution planning cycle based on the leverage amount to ensure MREL adjustment before January 2024. And so, depending I think on what the supervision would do, I mean, the recalibration may have to be more or less substantial.

So I’m just wondering whether the SRB is working already on this revised scenario and taking into account the change of the political environment. Do you see the challenges this year also that would influence your calibration efforts? And do you think that you would be prepared, if needed, to also have additional measures to guarantee the resolvability of the banks in this in this context? So that would be my question about your vision for this year’s calibration in particular and how you see the need of considering also other measures.

1-018-0000

Elke König, *Chair of the Single Resolution Board***.** – Thank you Ms Hübner. Indeed, the ECB granted this leeway on the leverage ratio in 2020, and it’s expiring. So it is expiring at the end of March. We had already published in December that we will follow the ECB’s approach, so once they take it away, we will also recalibrate MREL.

Now, I’m not sure this is not relevant for all banks to the same extent. So what we have decided now for the 2021 cycle, which has just finished for MREL, was that we send a letter to all those banks that have already got their decision and those that are in the process of getting it. They will get from us the MREL decision, which is still including this adjustment and a pro forma calculation that tells them after this is taken out what would be the MREL 2024.

I think it’s fair to say, in the current environment, we see that banks have different attitudes. Some banks seem to like photo finishes and wait for the last moment until they issue the necessary MREL. You might be lucky, but you might also be caught in the middle. And some banks have already, for example, pre-funded, used last year’s very good conditions or even the very first months of this year to fund.

So I can’t say whether it has really an impact on banks meeting their final MREL targets. But we had indicated to the banks and they all know that we will follow the same way that the ECB does. Take away this leeway in the leverage ratio and recalibrate MREL then for the next decision, and they have still two years to go.

1-019-0000

Pedro Marques (S&D). – Thank you so much. Also glad to see you in person here with us, Ms König. Two questions given this current situation.

First, we’d like to ask you from your experience, now we had the situation of Banco Popular and Sberbank: all the preparatory work that we do with the banks, that is mandatory for the banks, even the resolution plans that the bank actually prepare, has it been useful for you? In the Banco Popular it was apparently not the case. Does it really make a difference? I mean, are we indeed better prepared with the bulk of legislation and obligations that these banks have? And was the SRB better prepared for this, given the information that you had from the bank?

Second, EDIS, as you said, certainly we have been insisting, as a Parliament, a lot on the completion of the Banking Union. We know that we are just on the unfolding of this crisis. We don’t know about the additional consequences to the European banking system of this situation. We know that some banks are more exposed to the Russian economy. Let this be clear.

Given also some evolution in some countries in recent months, even in the last year, within the European Union, what is your evaluation of that? Are we closer to the completion of the Banking Union? We are a bit desperate with some governments, as you know, but at the same time, apparently some governments have gone in the right direction. What is your evaluation? Are we really close to the completion of the Banking Union, or not at all, from your information?

1-020-0000

Elke König, *Chair of the Single Resolution Board***.** – I think I’ll take the second question first.

I would hope so. And I know that the President of the Eurogroup, Paschal Donohoe, is trying his utmost to come up with a work programme, a staggered programme to make progress on the Banking Union. And I think it’s worth all his efforts, and I hope that we will see this progress and not wait for the next crisis to have unfolded until we make progress. But I know that this is a very thorny road.

On the other topic: well, each case will always be different. But to be clear, compared to 2017 – we are now in 2021 – we had a resolution plan, we had a very clear understanding of the banking group we had at hand. So for me, the resolution planning we are doing will never be – you go to the shelf, you take it out, give it to someone in the team and say: ‘can you please implement it and let me know when I have to come back to sign the documents’.

It is always just the starting point for considering what is the current situation, what’s the best solution under these circumstances. But it provides us with a sound foundation to start working, and it also puts the banks into a different situation because you can talk and you know what are critical functions. You know what you really have to focus on.

So I think the work is valuable, but it will never be a work where you say; ‘I have a resolution plan and now I know exactly what to do and I can put it on autopilot’.

1-021-0000

President. – Thank you very much. And now we have finished the list of our registered speakers. We are just in time and I have no requests for catch-the-eye, so I will close this meeting.

Just before closing let me remind you of the next meetings. We have an ECON/ENVI joint meeting tomorrow, Tuesday, at 11.00 a.m.. A BUDG/ECON joint meeting on Wednesday at 5.45 p.m. and an ECON committee meeting on Monday 21 March in two sessions, 1.45 p.m. and 4.45 p.m.

And now we’ll just take a few minutes because we have to clear the room for the in-camera meeting that we will have in a while with Ms König. Thank you.

(The hearing closed at 18.17)