



TEXTS ADOPTED

P9_TA(2021)0415

Banking Union - annual report 2020

European Parliament resolution of 7 October 2021 on Banking Union – annual report 2020 (2020/2122(INI))

The European Parliament,

- having regard to its resolution of 19 June 2020 on Banking Union – annual report 2019¹,
- having regard to the feedback of the Commission and the European Central Bank (ECB) on Parliament’s resolution of 19 June 2020 on Banking Union – annual report 2019,
- having regard to the ECB Annual Report on supervisory activities 2020 of 23 March 2021²,
- having regard to the ECB Annual Report on supervisory activities 2019 of 19 March 2020³,
- having regard to its resolution of 14 March 2019 on gender balance in EU economic and monetary affairs nominations⁴,
- having regard to its resolution of 8 October 2020 with recommendations to the Commission on ‘Digital Finance: emerging risks in crypto-assets – regulatory and supervisory challenges in the area of financial services, institutions and markets’⁵,
- having regard to its resolution of 8 October 2020 entitled ‘Further development of the Capital Markets Union (CMU): improving access to capital market finance, in particular by SMEs, and further enabling retail investor participation’⁶,

¹ OJ C 362, 8.9.2021, p. 45.

² <https://www.bankingsupervision.europa.eu/press/publications/annual-report/pdf/ssm.ar2020~1a59f5757c.en.pdf>.

³ <https://www.bankingsupervision.europa.eu/press/publications/annual-report/pdf/ssm.ar2019~4851adc406.en.pdf>.

⁴ OJ C 23, 21.1.2021, p. 105.

⁵ OJ C 395, 29.9.2021, p. 72.

⁶ OJ C 395, 29.9.2021, p. 89.

- having regard to its resolution of 25 March 2021 on strengthening the international role of the euro¹,
- having regard to its resolution of 10 February 2021 on the European Central Bank – annual report 2020²,
- having regard to the report of the Eurosystem High-Level Task Force on Central Bank Digital Currency of October 2020 on a digital euro³,
- having regard to the report of the Financial Stability Board (FSB) of 9 October 2020 entitled ‘The Use of Supervisory and Regulatory Technology by Authorities and Regulated Institutions – Market developments and financial stability implications’⁴ ,
- having regard to the letter of the Chair of the Committee on Economic and Monetary Affairs to the President of the Eurogroup of 22 July 2020,
- having regard to the European System of Central Banks (ESCB)/European banking supervision response of August 2020 to the European Commission’s public consultation on a new digital finance strategy for Europe/FinTech action plan⁵,
- 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 ECB recommendation of 15 December 2020 on dividend distributions during the COVID-19 pandemic⁶,
- having regard to the Commission communication of 16 December 2020 on tackling non-performing loans in the aftermath of the COVID-19 pandemic (COM(2020)0822),
- having regard to the European Systemic Risk Board report of October 2020 entitled ‘EU Non-bank Financial Intermediation Risk Monitor 2020’⁷,

¹ Texts adopted, P9_TA(2021)0110.

² Texts adopted, P9_TA(2021)0039.

³ https://www.ecb.europa.eu/pub/pdf/other/Report_on_a_digital_euro~4d7268b458.en.pdf

⁴ <https://www.fsb.org/wp-content/uploads/P091020.pdf>

⁵ <https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.esbceuropeanbankingsupervisionresponsetoeuropeancommissionpublicconsultationdigitalfinancestrategyeuropefintechactionplan2020~b2e6cd0dc4.en.pdf>

⁶ https://www.bankingsupervision.europa.eu/ecb/pub/pdf/en_ecb_2020_62_f_sign~6a404d7d9c.pdf

⁷ https://www.esrb.europa.eu/pub/pdf/reports/nbfi_monitor/esrb.202010_eunon-bankfinancialintermediationriskmonitor2020~89c25e1973.en.pdf

- having regard to the EBA report of December 2020 entitled ‘Risk Assessment of the European Banking System’¹,
- having regard to the study entitled ‘Regulatory sandboxes and innovation hubs for FinTech’, published by its Directorate-General for Internal Policies² in September 2020,
- having regard to the statement agreed by the Eurogroup at its meeting of 30 November 2020,
- having regard to the statements agreed by the Euro Summit at its meetings of 30 November and 11 December 2020,
- having regard to the statement of the Euro Summit in inclusive format of 11 December 2020 on the ESM reform and the early introduction of the backstop to the Single Resolution Fund,
- having regard to the quarterly Risk Dashboard covering Q4 2020 published by the EBA³,
- having regard to the ECB’s financial stability review of November 2020,
- having regard to the monitoring report of November 2020 on risk reduction indicators, prepared jointly by the services of the European Commission, the ECB and the Single Resolution Board (SRB)⁴,
- having regard to the Joint Committee of the European Supervisory Authorities report of March 2021 on risks and vulnerabilities in the EU financial system⁵,
- having regard to the 2020 Annual Economic Report of the Bank for International Settlements,
- having regard to the draft Memorandum of Understanding between the EU and the UK establishing a framework for financial services regulatory cooperation,
- having regard to the briefings of January 2021 entitled ‘Review of the bank crisis management and deposit insurance frameworks’ and ‘Banking Union: Postponed Basel III reforms’, and of October 2020 entitled ‘European Parliament’s Banking Union

¹ https://www.eba.europa.eu/sites/default/documents/files/document_library/Risk%20Analysis%20and%20Data/Risk%20Assessment%20Reports/2020/December%202020/961060/Risk%20Assessment_Report_December_2020.pdf

² Study – ‘Regulatory Sandboxes and Innovation Hubs for FinTech: Impact on innovation, financial stability and supervisory convergence’, European Parliament, Directorate-General for Internal Policies, Policy Department for Economic, Scientific and Quality of Life Policies, September 2020.

³ https://www.eba.europa.eu/sites/default/documents/files/document_library/Risk%20Analysis%20and%20Data/Risk%20dashboard/Q4%202020/972092/EBA%20Dashboard%20-%20Q4%202020.pdf

⁴ <https://www.consilium.europa.eu/media/46978/joint-risk-reduction-monitoring-report-to-eg-november-2020-for-publication.pdf>

⁵ https://www.esma.europa.eu/sites/default/files/library/jc_2021_27_jc_spring_2021_report_on_risks_and_vulnerabilities.pdf

reports in 2015-2019', published by the Economic Governance Support Unit of its Directorate-General for Internal Policies,

- having regard to the Commission's consultation on the review of the crisis management and deposit insurance framework¹,
- having regard to the SRB report of March 2020 entitled 'Expectations for banks'²,
- having regard to ECB paper No 251 of its Occasional Paper Series entitled 'Liquidity in resolution: comparing frameworks for liquidity provision across jurisdictions'³,
- having regard to the German Presidency progress report of 23 November 2020 on the strengthening of the Banking Union⁴,
- having regard to the Croatian Presidency progress report of 29 May 2020 on the strengthening of the Banking Union⁵,
- having regard to the speech by SRB Chair Elke König of January 2021 entitled 'The crisis management framework for banks in the EU: what can be done with small and medium-sized banks?'⁶,
- having regard to the FSB final report of 1 April 2021 on the evaluation of the effects of too-big-to-fail reforms⁷,
- having regard to the blog post written by SRB Chair Elke König on the SRB's approach to minimum requirements for own funds and eligible liabilities (MREL) taking into consideration the impact of COVID-19⁸, and to her appearance in the Committee on Economic and Monetary Affairs on 27 October 2020⁹,
- having regard to the supervisory blog post by Andrea Enria of 9 October 2020 entitled 'Fostering the cross-border integration of banking groups in the banking union'¹⁰,
- having regard to the EBA report on competent authorities' approaches to the anti-money laundering and countering the financing of terrorism supervision of banks¹¹,

¹ https://ec.europa.eu/info/consultations/finance-2021-crisis-management-deposit-insurance-review-targeted_en

² https://srb.europa.eu/sites/default/files/efb_main_doc_final_web_0.pdf

³ <https://www.ecb.europa.eu/pub/pdf/scpops/ecb.op251~65a080c5b3.en.pdf>

⁴ <https://data.consilium.europa.eu/doc/document/ST-13091-2020-INIT/en/pdf>

⁵ <https://data.consilium.europa.eu/doc/document/ST-8335-2020-ADD-1/en/pdf>

⁶ <https://srb.europa.eu/en/node/1118>

⁷ <https://www.fsb.org/wp-content/uploads/P010421-1.pdf>

⁸ <https://srb.europa.eu/en/node/967>

⁹ <https://www.europarl.europa.eu/committees/en/product/product-details/20201021CAN58122>

¹⁰ <https://www.bankingsupervision.europa.eu/press/blog/2020/html/ssm.blog201009~bc7ef4e6f8.en.html>

¹¹ https://www.eba.europa.eu/sites/default/documents/files/document_library/News%20and%20Press/Press%20Room/Press%20Releases/2020/EBA%20acts%20to%20improve%20AML/CFT%20supervision%20in%20Europe/Report%20on%20CA%20approaches%20to%20AML%20CFT.pdf

- having regard to the Commission’s action plan for a comprehensive Union policy on preventing money laundering and terrorism financing, published on 7 May 2020,
 - having regard to the EBA report on the future AML/CFT framework in the EU¹ ,
 - having regard to the Bruegel blog post of 7 December 2020 entitled ‘Can the gap in the Europe’s internal market for banking services be bridged?’² ,
 - having regard to the European Court of Auditors (ECA) Special Report entitled ‘Resolution planning in the Single Resolution Mechanism’, published on 14 January 2021,
 - having regard to Rule 54 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs (A9-0256/2021),
- A. whereas overall, the banking sector has responded to the COVID-19-induced crisis with resilience, founded on the regulatory overhaul enacted since the global financial crisis, facilitated by the Single European Rulebook and single supervision in the Banking Union, and supported by extraordinary public policy relief measures and capital conservation practices;
- B. whereas the COVID-19-induced crisis has demonstrated that a strong banking sector, combined with integrated capital markets, is vital to the recovery of the European economy;
- C. whereas the Banking Union, comprising the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM), ensures full alignment between supervision and management of banking crises;
- D. whereas a more stable, competitive and convergent Economic and Monetary Union requires a solid Banking Union with a European Deposit Insurance Scheme (EDIS) and a more developed and safe Capital Markets Union (CMU), which would also contribute to the international perception of the euro and its increased role in global markets;
- E. whereas the Banking Union is open to all EU Member States; whereas Bulgaria and Croatia have joined the European Exchange Rate Mechanism (ERM) II and entered the Banking Union;
- F. whereas the completion of the Banking Union beyond its two existing pillars, in particular the establishment of an EDIS, remains a priority; whereas targeted reforms in the resolution and deposit insurance areas should further enhance the robustness of the banking sector and safeguard overall financial stability;

¹ https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Reports/2020/931093/EBA%20Report%20on%20the%20future%20of%20AML%20CFT%20framework%20in%20the%20EU.pdf

² <https://www.bruegel.org/2020/12/can-the-gap-in-the-europes-internal-market-for-banking-services-be-bridged/>

- G. whereas both the ECB and the SRB have called for the swift completion of the Banking Union, namely through the establishment of the EDIS;
- H. whereas the backstop for the Single Resolution Fund (SRF) will have been introduced by 2022, two years earlier than previously envisaged, providing a common, system-wide safety net for banks in resolution;
- I. whereas, before the COVID-19-induced crisis, the EU banking sector was characterised by structural inefficiencies, expressed in low profitability, reduced cost-efficiency, low interest rates, overcapacity and uncertainty vis-à-vis the sustainability of business models; whereas some problems remain insufficiently addressed;
- J. whereas, despite the overall reduction in non-performing loans (NPLs) in recent years, reinforced efforts are needed to reduce the persisting high levels of NPLs in some financial institutions;
- K. whereas the shortcomings identified during the COVID-19-induced crisis should be taken into account when revising the crisis management and deposit insurance (CMDI) framework and further integrating the banking sector; whereas embracing the lessons learned during the pandemic could pave the way for improved cost efficiency and more sustainable business models;
- L. whereas the sovereign-bank nexus continues to exist and the EU regulatory framework for the prudential treatment of sovereign debt should be consistent with international standards; whereas the level of sovereign exposures has been growing in a number of banks; whereas a number of national options and discretions persist within the prudential legislative framework, undermining the European dimension of the Banking Union;
- M. whereas climate change, environmental degradation and the transition to a low-carbon economy are factors to be taken into account when assessing the sustainability of banks' balance sheets, as a source of risk potentially impacting investments across regions and sectors; whereas sophisticated risk models should already capture many of the risks associated with climate change;
- N. whereas the ECB has found, in the context of its Targeted Review of Internal Models (TRIM) project, that supervised institutions can continue to use internal models, subject to supervisory measures;
- O. whereas the drive for technological transformation has accelerated, increasing the efficiency of banks and their ambition for innovation, while at the same time exposing them to the new risks and challenges of the digital finance world, cybersecurity, reputational risks, data privacy, money laundering risks and consumer protection;
- P. whereas consumer and investor protection is paramount to the deepening of the CMU, and strong EU consumer protection rules providing a strong minimum baseline are necessary; whereas national rules implementing European consumer protection requirements vary across the Banking Union, pointing to the need for harmonisation; whereas the Banking Union still lacks effective tools to tackle the problems consumers are facing, such as artificial complexity, unfair commercial practices, the exclusion of

vulnerable groups from using basic services and the limited involvement of public authorities;

- Q. whereas the further strengthening and harmonisation of EU prudential and anti-money laundering supervision and enforcement, which are necessary to protect the integrity of the EU's financial system, are a priority;
- R. whereas sound global standards and principles are important for the prudential regulation of banks; whereas the standards of the Basel Committee on Banking Supervision (BCBS) should be enacted into European law in a timely fashion and with due regard for their goals, taking proper account of the specific characteristics of the European banking system and the proportionality principle, where appropriate;
- S. whereas the withdrawal of the UK from the EU has resulted in the relocation of some banking services to the EU; whereas the SSM played a crucial steering and monitoring role through its systematic 'preparedness' guidance and coordination with significant banks on their operating models; whereas the full assessment of the effectiveness of the banking sector's preparedness for the new reality will become clear in the medium and long term;
- T. whereas the EU and the UK are currently committed to maintaining regulatory and supervisory cooperation in the field of financial services; whereas this cooperative approach should underpin long-term EU-UK relations;
- U. whereas the current crisis management framework does not ensure a consistent approach in coping with distressed banks' problems across Member States, as a result, inter alia, of the differing interpretation of the Public Interest Assessment (PIA) by the SRB and national resolution authorities, the availability under national insolvency proceedings of tools similar to the resolution tools under the Bank Recovery and Resolution Directive (BRRD)¹ and the Single Resolution Mechanism Regulation², and the misalignment of incentives when choosing a solution for addressing a bank's failure as a result of the different conditions for accessing the funding sources available for resolution and insolvency;
- V. whereas the CMDI should ensure a consistent and efficient approach for all banks, regardless of size or business model, as well as contribute to preserving financial stability, minimise the use of taxpayers' money and ensure a level playing field across the EU, while duly taking into account the principle of subsidiarity;

¹ Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council (OJ L 173, 12.6.2014, p. 190).

² Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (OJ L 225, 30.7.2014, p. 1).

- W. whereas supervision and resolution rules, as well as the resolution fund, have been centralised, but deposit guarantee schemes remain national and differ across Member States; whereas the provisions set out in the Deposit Guarantee Schemes Directive¹ (DGSD) provide for a minimum baseline of protection for depositors; whereas, however, depositors across the Banking Union should enjoy the same level of protection through the establishment of an EDIS;

General considerations

1. Welcomes the entry of Bulgaria and Croatia into the Banking Union and the inclusion of the Bulgarian lev and the Croatian kuna in ERM II; takes note of the decisions of the ECB to establish close cooperation with the Bulgarian National Bank and the Croatian National Bank; highlights that the National Banks of Bulgaria and Croatia are duly represented in the ECB Supervisory Board and the SRB's Plenary Session and Extended Executive Sessions with the same rights and obligations as all other members, including voting rights;
2. Stresses that participation in the ERM and the Banking Union is inextricably linked to the respective EU standards and legislation; encourages Bulgaria and Croatia to also make significant progress in fighting money laundering and financial crime; recalls that a comprehensive assessment of the banking sector, including of less significant institutions (LSIs), should be conducted prior to accession to the common currency;
3. Welcomes the discussions in Denmark and Sweden on the possibility of entering the Banking Union and stresses that cooperation among national supervisors is of the utmost importance, in particular with regard to cross-border activities; underlines the importance of preserving existing and well-functioning business models with respect to financial stability;
4. Recalls that the Banking Union has delivered the institutional set-up for greater market integration through the SSM and the SRM, but that the EDIS, the third pillar of the Banking Union, is still pending; welcomes the possible revision of the resolution framework and supports the current reflection on further targeted harmonisation of insolvency laws, with a view to increasing the efficiency and coherence of the crisis management of banks in the EU, as well as on the completion of the third pillar of the Banking Union by means of a deposit insurance scheme aiming to enhance the level of deposit protection, while minimising moral hazard, reducing the link between banks and sovereigns, and guaranteeing equal protection to all depositors in the Banking Union;
5. Takes note of the Euro Summit statement of 11 December 2020 which invites the Eurogroup to 'prepare, on a consensual basis, a stepwise and time-bound work plan on all outstanding elements needed to complete the Banking Union'; regrets that Member States continue to act outside the Community framework, undermining Parliament's role as co-legislator; asks to be kept informed of the ongoing discussions at the level of the Eurogroup and of the High-level Working Group on the EDIS; reiterates its request for enhanced cooperation with the Eurogroup President, notably by expanding the

¹ Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes (OJ L 173, 12.6.2014, p. 149).

frequency of the Economic Dialogues with the Eurogroup President to mirror the model and regularity of the Monetary Dialogues;

6. Considers that banks were able to respond to the current crisis with more resilience as they were better-capitalised and less-leveraged than a decade ago, demonstrating the positive effects of the institutional set-up that has been put in place and of the regulatory reforms following the 2008 financial crisis; considers, nevertheless, that the banking sector is characterised by certain structural inefficiencies, which can be further exacerbated by the current crisis; is particularly concerned about the high levels of legacy non-performing exposures that many institutions had before the pandemic; points out that the stock of NPLs has declined considerably since the establishment of the Banking Union and that the downward trend in NPLs continued in 2020, despite the COVID-19 crisis; believes that the deteriorating asset quality of banks may impact the already subdued profitability, potentially leading to insolvency cases for banks highly exposed to the economic sectors most affected;
7. Notes that the completion of the Banking Union and the deepening of the CMU will deliver better conditions for the financing of the European economy, for both households and companies that are still largely reliant on bank credit to foster investments and job creation, as well as further enhance the competitiveness of European markets and promote sustainable private investments; highlights the stabilising effect of small- and medium-sized banks on the EU's economy in times of crisis; considers it necessary to pursue a proportional approach in the regulatory developments to complete the Banking Union and the CMU;
8. Observes that a fully-fledged Banking Union, together with a fully integrated and strong CMU, would contribute to the resilience of the European economy, support the functioning of the Economic and Monetary Union, and strengthen the international role of the euro; highlights the importance of a level playing field that avoids disadvantages for small and medium-sized enterprises (SMEs) in terms of access to finance, and the need to carefully monitor the issuance of securitised products; considers that the full burden of recovery from the crisis should not fall on the banks, but should rather promote a strong CMU that contributes to the reactivation and resilient recovery of the European economy; finds that the Recovery and Resilience Facility may provide impetus for the completion of the Banking Union, considering the crucial role of the banking sector in providing access to credit and channelling the available funding into the real economy, in particular into sustainable and socially responsible investments; underlines the role of private finance and investments, alongside public investments, in supporting the climate transition, as established in the Sustainable Europe Investment Plan; calls on the Commission to make further efforts to better align financial market activity with sustainability objectives and environmental, social and governance (ESG) criteria, including a legislative proposal on the development of sustainability ratings based on such criteria; calls on the Commission to pursue its efforts in the field of sustainable finance by adopting the remaining delegated acts under the EU Taxonomy

Regulation¹ and the Disclosure Regulation² and applying, inter alia, a robust ‘do no significant harm’ methodology;

9. Considers that while the good relationship between the SSM and the SRB has been fundamental from the inception of the system, a strengthened approach to cooperation between the two pillars is particularly important in the current context to ensure appropriate and timely action;
10. Underlines the vital contribution to addressing the crisis of temporary measures such as public guarantee schemes, moratoria on loan repayments for borrowers in financial difficulty, the central banks’ liquidity programmes and the ECB’s targeted longer-term refinancing operations (TLTRO), asset purchase programme (APP) and pandemic emergency purchase programme (PEPP); underlines that these extraordinary temporary measures should be accompanied by measures to mitigate distortions to markets and the economy; further highlights the significance of the flexibility extended by regulators to banks to allow them to operate below Pillar 2 Guidance (P2G) and with reduced capital requirements;
11. Emphasises the exceptional nature of a pandemic and the temporary character of the relief measures put in place as an initial containment measure to limit economic damage; notes that economic support measures must remain tailored to current and expected economic circumstances; calls for a well-orchestrated, gradual and targeted shift from pandemic relief to recovery support tools, including reforms in the Member States through the national recovery and resilience reform plans, as an early or uncoordinated withdrawal of the temporary measures could see the re-emergence of the pre-crisis deficiencies and vulnerabilities of the banking sector, including increasing banks’ exposure to credit risk, potentially affecting their capital position, and potentially compromising growth and the outcome of the recovery;
12. Welcomes the targeted changes to the Capital Requirements Regulation (CRR) introduced by the ‘CRR quick fix’ in order to support banks’ lending capacity to households and businesses³, thereby mitigating the economic impact of the COVID-19 pandemic and ensuring that the regulatory framework interacts smoothly with other measures to address the crisis;
13. Notes that in December 2020 the SSM issued a statement changing its previous recommendation on dividend payments and share buybacks, recommending that banks that intend to pay dividends or buy back shares need to be profitable and have robust capital trajectories; calls on the SSM to provide an estimate of the distributions (dividends and share buybacks) and variable remuneration undertaken in the first and second trimesters of 2021 by banking institutions within its remit and to assess their

¹ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

² Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1).

³ Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic (OJ L 204, 26.6.2020, p. 4).

impact on banks' capital position following this assessment; calls on the SSM to evaluate whether the restrictions on distributions beyond September 2021 can be a useful tool for as long as fundamental uncertainties about the economic recovery and the quality of bank assets persist; calls on the Commission to examine a legally binding dividend and share buyback tool as a supervisory tool in times of crisis;

14. Invites the Commission, as well as national and European supervisory authorities (ESAs), to prepare for an expected deterioration in the asset quality of banks; welcomes the ESAs' first joint risk assessment report of March 2021 advising banks to prepare by adjusting provisioning models to ensure the timely recognition of adequate levels of provisions, by undertaking sound lending practices and adequate pricing of risks, bearing in mind that public support measures such as loan moratoria and public guarantee schemes will expire, as well as by following conservative policies on dividends and share buybacks; takes note of the ESAs' warning to financial institutions that they continue to develop further actions to accommodate a 'low-for-long' interest rate environment;
15. Notes with concern the heterogeneous application of International Financial Reporting Standard (IFRS 9) with regard to the loss provisioning by institutions revealed during the COVID-19 pandemic; calls on the SSM to take measures to ensure the consistent application of reporting standards across institutions in the Banking Union;
16. Considers that an integrated Banking Union must be contingent on a well-functioning single market for retail financial services; calls on the Commission to assess the obstacles and barriers that arise for consumers when availing of retail banking products such as mortgage loans on a cross-border basis and to propose solutions to ensure that consumers can benefit from retail financial services across borders; notes, furthermore, the high discrepancy in mortgage interest rates across the Union;
17. Welcomes the accelerated pace of digitalisation in the banking sector, allowing banks to better serve clients remotely and offer new products and providing opportunities for increased cost-efficiency; stresses, in this respect, that digitalisation in the banking sector should be pursued with full respect for consumers' rights and should preserve financial inclusion, especially for vulnerable groups with low digital or financial literacy levels; underlines that digitalisation requires considerable investments in IT systems, R&D and new operating models, which may lead to lower profitability in the short term; strongly supports the Commission's new Digital Finance Strategy and welcomes the Digital Finance Package launched by the Commission in 2020, which will facilitate the scaling-up of innovative technology across borders while ensuring financial sector resilience; looks forward to the further development of the proposals for a regulation and a directive on digital operational resilience for the financial sector (DORA), which will ensure that financial entities put in place the adequate safeguards to mitigate the impact of ICT-related incidents; takes the view that its successful implementation will profit from significant public and private investments and cooperation in innovation towards greater security and resilience systems; considers that the digitalisation of the European banking sector offers the Union an opportunity to attract foreign capital and compete on the global market; points out, in this respect, the growing interconnectedness between banks, crypto-assets and digital finance;
18. Underlines the importance of securing technological neutrality in regulatory and supervisory approaches; highlights the need to address the challenges and opportunities

of the use of new innovative technologies related to banking supervision and the oversight of payment systems;

19. Welcomes the ECB's work on the digital euro, including its report on the topic and the outcome of its public consultation; points out that, depending on the precise design features of a digital euro, the impact on the banking sector might be significant, affecting areas such as payments, banks' ability to perform maturity transformation, and overall lending capacity and profitability, and therefore invites the ECB to conduct further analysis of the implications of a digital currency for the banking sector, as well as of the potential financial stability implications; welcomes the objective of the digital euro functioning alongside cash as a means of secure and competitive digital payment, and acknowledges the potential benefits for citizens; supports the ECB's efforts in ensuring a high level of privacy, data protection, confidentiality of payment data, cyber resilience and security; takes note of the discussion around a digital currency and acknowledges the added value that a digital currency could bring in strengthening the international role of the euro;
20. Notes that in March 2020, the Group of Central Bank Governors and Heads of Supervision (GHOS) revised the implementation timeline for the final elements of the Basel III framework to increase the operational capacity of banks and supervisors to respond to the immediate consequences of the COVID-19 pandemic; underlines the importance of sound global standards for banking regulation and their consistent and timely implementation; awaits the Commission's upcoming proposal on the implementation of the finalised Basel III standards; recalls that the implementation should take into account the principle of proportionality, and respect, where appropriate, the specificities and diversity of the EU banking sector, while at the same time ensuring that the EU Capital Requirements Regulation is Basel-compliant; stresses that the current revision should respect the principle of not significantly increasing overall capital requirements, while at the same time strengthening the overall financial position of European banks; recalls its resolution of 23 November 2016 on the finalisation of Basel III¹ and calls on the Commission to act on the recommendations therein when drafting the legislative proposals; calls on the Commission to introduce measures aimed at increasing banks' lending to the real economy, in particular to SMEs, and to finance the recovery, along with the digital and environmental transition in Europe; underlines that in order to uphold its economic sovereignty and strategic autonomy, the EU needs strong and competitive European banks to offer wholesale banking services to corporates of all sizes;
21. Highlights 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; stresses that the recent pandemic shock illustrated that the non-bank sector can amplify market volatility and price dislocation, particularly when market liquidity comes under pressure; calls on the Commission to consider whether additional macro-prudential tools are required, namely the development of ex ante liquidity management tools and careful analysis of existing leverage measures;
22. Notes the interdependencies between banks and central counterparties (CCPs); points to the doubts arising in connection with the responsibilities of banks and CCPs for

¹ OJ C 224, 27.6.2018, p. 45.

potential end-of-waterfall losses and the effects of those responsibilities on banks' prudential requirements; highlights in this regard the risks of excessive reliance on UK CCPs and welcomes the measures adopted by the Commission over the past year setting the criteria for classifying third-country CCPs;

23. Regrets the failure to ensure full gender balance in EU financial institutions and bodies, and in particular the fact that women continue to be underrepresented in executive positions in the field of banking and financial services; stresses that gender balance on boards and in the workforce brings both societal and economic returns; considers that the selection of applicants to EU financial institutions and bodies should be based on criteria of merit and ability, so that the institution or body involved operates as effectively as possible; calls on governments and all institutions and bodies to prioritise the achievement of full gender balance as soon as possible, including by providing gender-balanced shortlists of candidates for all future appointments requiring Parliament's consent, including at the ECB and the EU's top financial institutions, endeavouring to include at least one female and one male candidate per nomination procedure; recalls its resolution of 14 March 2019¹ aiming to secure gender balance in the forthcoming list of candidates for EU economic and monetary affairs nominations and reiterates its commitment not to take into account lists of candidates where the gender balance principle has not been respected;
24. Calls on the Commission to review the eligibility criteria with the objective of attracting a higher number of applications from women;

Supervision

25. Acknowledges the role of European banking supervision in ensuring the provision of temporary capital and operational relief to banks as a response to the COVID-19 pandemic, so they can continue to provide financial support to businesses and households and absorb losses, while maintaining the high quality of the supervision; notes the SSM's concerns with regard to high costs, low profitability, depressed market valuations and insufficient investment in new technologies in the banking sector; calls for guidance on the expected time scale for and approach to rebuilding the buffers;
26. Highlights the importance of enhancing the transparency and predictability of EU banking supervision and commends in this regard the recent practice of publishing bank-specific Pillar 2 requirements; believes that individual requirements make SSM expectations more reliable and facilitate more informed investor decisions;
27. Expects that recent changes to the SSM organisational structure, while simplifying the system and incorporating technological innovation, will facilitate more risk-based supervision and internal institutional collaboration;
28. Finds merit in the November 2020 SSM analysis of the potential vulnerabilities of the banking sector in different scenarios, with regard to the effects of the shock on asset quality and capital;
29. Notes that sound management of credit risk should remain one of the key priorities for the SSM; shares the SSM's concerns that banks might change their credit risk models

¹ OJ C 23, 21.1.2021, p. 105.

and takes note, in this regard, of the SSM supervisory expectations for appropriate operational preparations in anticipation of the increase in NPLs and for robust credit risk management, as outlined in its letters to CEOs of significant institutions and its COVID-19 credit risk strategy; supports the SSM's intensified oversight of high leveraged markets; notes that not all banks have been able to meet the SSM's expectations for credit risk management, meaning that further efforts are required;

30. Acknowledges that the COVID-19-induced crisis increases the risk of the further build-up of NPLs; notes with concern the ECB's prediction that NPLs in a severe but plausible scenario could reach levels as high as EUR 1.4 trillion by the end of 2022; stresses that ensuring the proper and timely management of deteriorated asset quality on banks' balance sheets will be key to preventing a build-up of NPLs in the short term; advises the Member States to make further efforts to address this issue; notes in this regard the Commission communication of 16 December 2020 on tackling non-performing loans in the aftermath of the COVID-19 pandemic (COM(2020)0822) to enable banks to support EU households and businesses; expects that the revision of the Consumer Credit Directive¹ will ensure a high level of consumer protection, namely by laying down more ambitious provisions on the protection of borrowers against abusive practices and ensuring that those rights apply equally to existing and future loans; calls for the monitoring of any potential cliff edge effects, particularly when temporary relief measures are withdrawn; calls on supervisors to continue to adequately consider the side effects that massive disposals of NPLs can have on the prudential balance sheets of banks that use internal models;
31. Underlines that banks should comply with the applicable prudential rules and supervisory guidance on NPLs and maintain operational capacity so as to proactively manage distressed debtors and control their balance sheets, accelerating the early identification of bad loans in order to reduce the risk of weakening lending capacity in times of great demand for recovery-related investment; highlights the existing flexibility in implementing ECB guidance on NPLs, including granting more time for banks with particularly high NPL levels for the submission of their NPL reduction strategies;
32. Recalls that risk reduction in the banking sector would contribute to a more stable, strong and economic growth-oriented Banking Union; notes, in this regard, the political agreement that was reached on the Commission's proposal for a directive on credit servicers and credit purchasers, which will encourage the development of secondary markets for NPLs in the EU and aims to help banks to reduce the stocks of NPLs on their balance sheets;
33. Recognises the role played by banks in supporting businesses and the real economy during the pandemic in some Member States; stresses that banks should diligently assess the financial soundness and viability of businesses, proactively engage with distressed debtors to manage their exposures, and offer financing and viable restructuring or suitable alternative options to viable sectors and companies, especially SMEs, in order to ensure that defaults are prevented where possible and that businesses and consumers are not at risk of over-indebtedness; stresses that the prudential framework should be consistently amended to allow and encourage the application of

¹ Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC (OJ L 133, 22.5.2008, p. 66).

forbearance measures to firms and households where banks assess that the prospect of recovery remains high, and calls for the removal of all regulatory obstacles to their application; urges banks to contemplate, as a last resort, the exit of unviable companies from the market in a structured way; considers that banks should ensure adequate credit transmissions from the Eurosystem to the real economy; welcomes the measures set out in the Commission communication of 24 September 2020 entitled ‘A Capital Markets Union for people and businesses – new action plan’ (COM(2020)0590) and its annex on directing SMEs whose credit applications have been turned down to alternative providers of funding;

34. 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;
35. Underlines the importance of protecting consumer rights, namely regarding unfair and aggressive terms and practices, banking fees, the transparency of product costs, profitability and risks; notes that the Banking Union still lacks effective tools to tackle the problems consumers are facing, such as unfair commercial practices and artificial complexity; 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; calls on the Commission to scrutinise the unfair clauses and practices employed by the banking sector in consumer contracts and to ensure the effective and swift implementation by all Member States of the Unfair Contract Terms Directive¹ using all means available;
36. Notes that the expected credit losses, together with the current low interest environment, might negatively affect the profitability of banks; points to the need for banks to readjust their business models towards more sustainable, cost-saving and technologically advanced strategies, and to perform strategic steering and prudent oversight of business functions, with full respect for consumers’ rights; emphasises the importance of ensuring that banks’ provisioning decisions to support their lending capacity are not unduly postponed, particularly when the demand for credit picks up;
37. Is alarmed that recent banking crises have revealed that credit institutions have routinely mis-sold bonds and other financial products to retail customers; regrets that the enforcement of the BRRD provisions on consumer protection with respect to minimum requirements for own funds and eligible liabilities (MREL) has been piecemeal; urges the Commission to assess the mis-selling of financial products by banking institutions and, based on the findings, to come up with appropriate proposals, including in the upcoming BRRD revision;
38. Considers that the possible benefits of banking consolidation, both within the EU and cross-border, in addressing low profitability, overcapacities and the fragmentation of the banking sector should be further documented; acknowledges the trend in the banking sector towards engagement in consolidation and points, in this context, to the ECB guide on the supervisory approach to consolidation, supporting well-designed and well-executed business combinations; highlights the benefits of protecting the

¹ Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts (OJ L 95, 21.4.1993, p. 29).

diversity/plurality of financial sectors in building up systemic trust and maintaining financial stability; calls on the Commission to take into account and follow up on the conclusions of the Financial Stability Board's 2021 evaluation of the effects of too-big-to-fail reforms on the financial system;

39. Regrets that the home-host issue remains a challenge for the completion of the Banking Union and considers the introduction of the EDIS to be part of the solution, in parallel with further risk reduction measures; is concerned that if the level of NPLs rises as public support measures begin to recede, home and host countries may put in place measures to protect assets and proceed with renewed ring-fencing; stresses that banks need to be able to operate across borders while managing their capital and liquidity at a consolidated level, with credible and enforceable safeguards for host countries concerning the availability of resources and the impact on financial stability, in order to diversify their risks and address any lack of profitability; considers that gradual harmonisation is required in areas where national options and discretions apply, including in the area of insolvency law to facilitate resolution-planning for cross-border banking groups within the Banking Union;
40. Is concerned that as Member States sell increasing amounts of sovereign bonds, the share of sovereign debt on banks' balance sheets also grows, potentially aggravating the sovereign-bank nexus; considers that the creation of Next Generation EU will provide high-quality, low-risk European assets, allowing for a rebalancing of sovereign bonds on banks' balance sheets and helping to reduce the doom loop between banks and sovereigns; points out that Next Generation EU will play an important role in supporting the recovery and must serve as an opportunity to enhance investments and implement the reforms needed in every single Member State based on the agreed criteria, and to make a further contribution to strengthening the European banking system;
41. Believes that resolving the home-host issues, breaking the sovereign-bank nexus and supporting banking consolidation efforts would require the introduction of a pan-European safety net, the elaboration and implementation of intragroup financial support agreements as part of the banks' recovery plans, and the gradual harmonisation of areas where national options and discretions apply, including in the area of insolvency, while continuing risk reduction efforts;
42. Reiterates that the regulatory framework on the prudential treatment of sovereign debt must be consistent with international standards;
43. Stresses the important role of robust internal governance structures within banks, and points to the weakness identified therein in the SSM's 2020 Supervisory and Evaluation Process (SREP), which focused on how banks handled crisis-linked risk to capital and liquidity, taking into account exceptional circumstances affecting individual banks; commends the targeted approach to collecting information for capital and liquidity assessment; underlines the importance of enacting the highest standards and a level playing field in the 'fit and proper' assessments of board members of banks, which are currently construed differently across Member States owing to the highly diverse transposition of the Capital Requirements Directive; calls, therefore, for further harmonisation in this area; insists that fit and proper assessments by the competent authorities must always be conducted ex ante and not ex post; endorses the ECB's plan to revise its current guide to fit and proper assessment in 2021 in order to outline its

supervisory expectations of the quality of board members; anticipates the ECB's proposals for a package of measures aimed at enhancing fit and proper supervision; encourages in that regard consideration of the integration of the 'fit and proper' requirements into the Capital Requirements Regulation;

44. Notes that the EU-wide stress test launched on 29 January 2021 aims to test the capital trajectories of banks in a situation of worsening asset quality in the scenario of a low interest rate environment; calls on the EBA to enlarge the scope of subsequent stress test exercises, as the sample of 51 banks selected in the exercise is considered too narrow; stresses that running stress tests and, at an appropriate point in time, asset quality reviews of a rolling sample of LSIs are important exercises to build trust;
45. Welcomes the efforts of the SSM to provide guidance and clarity to banks for self-assessment and the appropriate reporting of environmental and climate change-related risks; stresses that further supervisory pressure is required for financial institutions to disclose climate-related and environmental risks appropriately; considers the SSM climate risk stress test an important step in evaluating banks' practices and identifying concrete areas of improvement; commends, in this context, the recommendation of the ECB guide on climate-related and environmental risks, enhancing a strategic, comprehensive approach to tackling climate-related risk; supports the idea of banks' preparing self-assessment and action plans in 2021 followed by a supervisory review of banks' actions in 2022; considers that these self-assessments and reports must be consistent with the proportionality principle and must not undermine banks' capacity and competitiveness; takes note of the EBA's initiative to run an EU-wide pilot exercise on climate risk, and notes its findings that more disclosure on transition strategies and greenhouse gas (GHG) emissions is needed to allow banks and supervisors to assess climate risk more accurately; recalls that investments and lending in unsustainable economic activities may lead to stranded assets or sunk investments;
46. Notes the EBA's role in leading, coordinating and monitoring the EU financial sector's fight against money laundering and terrorist financing; welcomes the ECB's efforts over the past two years to enhance the exchange of information between the SSM and anti-money laundering/countering the financing of terrorism (AML/CFT) supervisors to better take into account AML aspects in prudential supervision measures; calls for this responsibility to be matched by appropriate funding and resources; welcomes the EBA's support on the individual functioning of AML supervisory powers' implementation across Member States and calls for further actions to ensure that AML/CFT supervision is risk based, proportionate and effective; points to the differences in approaches taken to AML/CFT supervision by national authorities and in the application of EU legislation, which may result in regulatory arbitrage; encourages partial conversion of Anti-Money Laundering Directive provisions into a regulation; regrets that several Member States have not yet fully transposed Anti-Money Laundering Directive IV and V and that even more Member States have demonstrated serious shortcomings in their effective implementation; welcomes the fact that the Commission has started to launch infringement procedures and calls on the Commission to launch infringement procedures for the remaining cases of lack of transposition and implementation of the AMLDs; takes note of the EBA's second mandate to build a database on AML, which is expected to be developed in 2021, and to enhance cooperation and the exchange of information across European authorities; stresses the important role of AML colleges for cross-border groups, comprising all the AML authorities of the jurisdictions where the group operates, in assessing how the group is performing in the area of AML;

47. Welcomes the Commission's action plan for a comprehensive Union policy on preventing money laundering and terrorism financing, published on 7 May 2020; calls on the Commission to swiftly adopt its AML legislative package; urges the Commission to present a proposal to establish a European AML supervisor; stresses that the scope of the AML framework should cover crypto-asset issuers and providers; invites the Commission to consider the creation of a European Financial Intelligence Unit (FIU);
48. Highlights the important role of the banking sector in the battle against tax avoidance; reiterates Parliament's position that increased audits and 'know your customer' requirements are in order for transactions involving countries in Annex I or II of the list of non-cooperative jurisdictions for tax purposes;
49. Welcomes the Commission's Digital Finance Package; considers that the Commission's proposals on markets in crypto-assets and digital operational resilience are timely, useful and necessary; emphasises that while digital finance increases the financing options for consumers and businesses, consumer protection and financial stability should be preserved;
50. Takes note of the UK's withdrawal from the EU; acknowledges the progress that many significant banks have achieved in their post-Brexit target operating models as agreed with the SSM, and supports the SSM's efforts to monitor progress towards these models in the areas of assets, staff and booking practices; reiterates that, in the context of the relocation of business in the EU, empty shell institutions are not acceptable in the euro area; considers that existing regulatory loopholes in the EU legal framework should be addressed in order to strengthen supervision and recalls that the SSM has assumed direct responsibility for the prudential supervision of systemically relevant investment firms since the entry into force of the revised Investment Firms Regulation¹ in June 2021;
51. Stresses the importance of maintaining a level playing field in the regulatory space and preventing a regulatory race to the bottom; notes in this context that the Memorandum of Understanding (MoU) between the ECB and the UK authorities based on the template negotiated by the EBA and covering prudential supervision outside insurance and pension schemes, which entered into force on 1 January 2021, provides a solid foundation for supervisory cooperation between the SSM and the UK Prudential Regulation Authority, focusing on information exchange and reciprocal treatment of cross-border banking groups and with a view to sharing responsibilities related to branch supervision;
52. Notes that adherence to the proportionality principle is key to making banking supervision work, in particular for smaller institutions;

Resolution

53. Trusts that the introduction of a backstop to the SRF in 2022, two years earlier than originally envisaged, in the form of a revolving credit line from the ESM, thereby providing a safety net for bank resolutions in the Banking Union, will strengthen the

¹ Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms (OJ L 314, 5.12.2019, p. 1).

crisis management framework and is an important step towards completing the Banking Union; notes that the significant build-up of the SRF, together with the common backstop, will provide the SRB with access to combined funds well above the level of EUR 100 billion; notes the need for risks in the banking systems to continue to be reduced in parallel with the establishment of the EDIS;

54. Insists on holding banks solely responsible for their performance instead of letting taxpayers shoulder the burden of a crisis management framework;
55. Welcomes the fact that while the SRB was not required to take resolution action in 2020, it nevertheless meticulously collaborated with the SSM regarding close-to-crisis cases; takes note of the relief measures and flexibility granted by the SRB for meeting MREL interim targets without endangering resolvability; stresses that information on such measures remains extremely limited on the SRB website; urges the SRB to increase transparency and, in particular, to make public the guidance followed by internal resolution teams (IRTs) in applying COVID-19-related relief measures; takes note of the 2020 MREL policy developed by the SRB and the dedicated reporting for MREL under the BRRD frameworks; appreciates the advancement of the current resolution planning cycle for 2021, and reiterates that proportionate MREL-setting represents one of the key elements in enhancing banks' resolvability, while ensuring broader financial stability;
56. Points out that the existing overlaps between the requirements for the use of early intervention measures and the standard supervisory powers of the ECB can prevent the implementation of early intervention measures; insists, in this context, that this overlap should be removed and trusts that the legal basis for each instrument will be clarified in order to ensure the appropriate and gradual application of the measures; endorses, in this context, bearing in mind the ECA recommendation on quantified thresholds for triggering early intervention measures, the use of swift supervisory actions, while avoiding automaticity;
57. Considers it necessary to facilitate the liquidation of banks in whose resolution the SRB or the national resolution authority assess that there is no public interest; notes that the 'sale of business' strategy may be an important tool to be used by the SRB as a way to minimise losses in resolution; recognises the need for a more harmonised framework on market exit in insolvency to avoid limbo situations and ensure alignment with regard to the withdrawal of a bank's licence; acknowledges that alternative measures under deposit guarantee schemes (DGSs) to fund deposit book transfers may have an important role to play in such cases, in particular for small and medium-sized banks, as long as they are not detrimental to depositor protection and the DGS is sufficiently funded, as a way to minimise taxpayer contributions and the destruction of value and ensure financial stability, and may also, in other cases, bridge the gap between the 8 % bail-in prerequisite for access to the resolution fund and the bank's actual loss-absorbing capacity, excluding deposits that are meant to be transferred; stresses that such interventions should be subject to the stringent application of a least-cost test; calls on the Commission, therefore, to bring more clarity to the least-cost principle and to the conditions for the use of DGS funds;
58. Notes that the current diversity of insolvency regimes is a source of uncertainty as regards the outcome of liquidation procedures; is of the opinion that in order for the Banking Union to function effectively, bank insolvency laws need to be further

harmonised; invites the Commission, following detailed study and consultation with national authorities and parliaments, to reflect on promoting the further harmonisation of specific aspects of existing national insolvency laws, as well as the conditions for the use of external funding, so as to ensure the alignment of incentives and a level playing field;

59. Finds merit, in particular, in adopting a targeted approach to the harmonisation of the creditor hierarchy in bank insolvency proceedings, in order to increase the scope of the funding by DGSs in resolution and in measures other than pay-outs, as long as DGSs are sufficiently funded;
60. Considers it necessary to make resolution work for more banks, which requires a review of the public interest assessment in order to increase transparency and ex ante predictability with regard to its expected outcome, and thus allow resolution tools to be applied to a broader group of banks, in particular medium-sized banks, and to provide the clarity needed to ensure more coherent and proportionate MREL levels; notes the SRB's ongoing work in that regard; asks that the inconsistencies between the internal resolution teams' assessments of critical functions, as mentioned in the 2021 ECA report on resolution planning in the SRM, be addressed; further underlines the need to coherently revisit the State aid rules and the Commission's 2013 Banking Communication to reflect progress in the implementation and improvement of the crisis management framework and to achieve consistency with respect to BRRD requirements, taking due account of recent rulings of the Court of Justice of the European Union; notes, in addition, the 2021 ECA recommendation for the SRB to comply with the Single Rulebook by determining substantive impediments to resolvability in each resolution plan and to follow due process for their removal;
61. Supports the idea of considering the role of group recovery and resolution plans, as well as their practical implementation, in the context of the review of the crisis management framework, with a view to ensuring a more efficient approach to managing difficulties in cross border banking; notes the proposals to offer banking groups the option of having subsidiaries and parent companies enter into a formal agreement to provide each other with liquidity support, and to link this support to their group recovery plans, in order to facilitate the use of existing provisions in a home-host balanced manner; takes the view that competent authorities should be involved in enforcing such formal agreements when needed; notes that these group recovery and resolution plans could allow for the calibration of MREL and that banks' contributions to the various safety nets would be truly risk based, reflecting the likelihood and magnitude of the use of these safety nets under the preferred crisis management strategy;

Deposit insurance

62. Stresses the importance of depositors across the Banking Union enjoying the same level of protection for their savings wherever their bank is located; points out that the implementation of the DGSD, guaranteeing up to EUR 100 000 in banking deposits, aims to contribute to a higher level of deposit protection; acknowledges the Commission's attempt to further strengthen citizens' confidence in the protection of deposits by introducing an EDIS; recognises at the same time the importance of the EDIS in contributing to helping to reduce the link between sovereigns and banks;

63. Stresses the importance of the risk proportionality of contributions to DGSs; warns that the absence of a risk-based approach may create risks of moral hazard and free-riding, leading to a subsidisation of speculative business models by conservative ones; emphasises that contributions to a future EDIS must also be proportional to risk; points out that idiosyncratic risks in different institutions still differ within the Banking Union; reiterates the need for all members of the Banking Union to transpose the BRRD and the DGSD to ensure homogenous risk reduction across the Banking Union;
64. Takes note of the review of the CMDI framework and the intermediate option for a hybrid EDIS as a first step towards the full completion of the EDIS as per the Commission's 2015 proposal, built around the idea of a new central fund coexisting with funds remaining at national DGS level and combined with a commensurate increase in the role of the SRB; draws attention to the strong interlinkages between crisis management and the EDIS and the need to address them jointly to avoid the re-nationalisation of the Banking Union and maintain a level playing field; points out, in that context, that the review of the CMDI should strive to improve the coherence and consistency of the framework;
65. Calls on the Commission to take further steps to relaunch the negotiations on the EDIS through a roadmap-based work plan; calls for a firm commitment on the part of Member States to work for an agreement that is consistent with Union interests as a whole; declares its commitment to working towards an agreement on the EDIS, while aiming to continue its work on risk-reducing measures;
66. Calls on the Commission to duly take into account the role of institutional protection schemes in protecting and stabilising member institutions;
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67. Instructs its President to forward this resolution to the Council and the Commission.