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TEXTS ADOPTED

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**P9\_TA(2022)0280**

**Banking Union – annual report 2021**

**European Parliament resolution of 5 July 2022 on Banking Union – annual report 2021 (2021/2184(INI))**

*The European Parliament,*

- having regard to Articles 114, 127(6) and 140(1) of the Treaty on the Functioning of the European Union,
- having regard to its resolution of 7 October 2021 entitled ‘Banking Union – annual report 2020’<sup>1</sup>,
- having regard to the Commission’s follow-up to Parliament’s resolution of 7 October 2021 entitled ‘Banking Union – annual report 2020’,
- having regard to the document by the European Central Bank (ECB) entitled ‘Feedback on the input provided by the European Parliament as part of its ‘Resolution on Banking Union – Annual Report 2020’<sup>2</sup>,
- having regard to the ECB’s 2020 Annual Report on Supervisory Activities, presented on 23 March 2021<sup>3</sup>,
- having regard to the ECB supervisory priorities for the period 2022-2024, published on 7 December 2021<sup>4</sup>,
- having regard to the response of the Single Resolution Board (SRB) to Parliament’s resolution of 7 October 2021 entitled ‘Banking Union – annual report 2020’,

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<sup>1</sup> OJ C 132, 24.3.2022, p. 151.

<sup>2</sup> [https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm~59811d5fb7.feedback\\_ar2020.pdf](https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm~59811d5fb7.feedback_ar2020.pdf)

<sup>3</sup> <https://www.bankingsupervision.europa.eu/press/publications/annual-report/html/ssm.ar2020~1a59f5757c.en.html>

<sup>4</sup> [https://www.bankingsupervision.europa.eu/banking/priorities/html/ssm.supervisory\\_priorities2022~0f890c6b70.en.html](https://www.bankingsupervision.europa.eu/banking/priorities/html/ssm.supervisory_priorities2022~0f890c6b70.en.html)

- having regard to its resolution of 8 October 2020 entitled ‘Digital Finance: emerging risks in crypto-assets-regulatory and supervisory challenges in the area of financial services, institutions and markets’<sup>1</sup>,
- 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’<sup>2</sup>,
- having regard to the Five Presidents’ Report of 22 June 2015 entitled ‘Completing Europe’s Economic and Monetary Union’,
- having regard to the Commission’s banking package of 27 October 2021<sup>3</sup>,
- having regard to the Commission’s targeted consultation on improving the EU’s macroprudential framework for the banking sector, beginning on 30 November 2021<sup>4</sup>,
- having regard to the Commission’s legislative package of 20 July 2021 on anti-money laundering and countering the financing of terrorism<sup>5</sup>,
- having regard to the ECB Financial Stability Review of November 2021<sup>6</sup>,
- having regard to the study entitled ‘The digital euro: policy implications and perspectives’, requested by its Committee on Economic and Monetary Affairs and published by its Directorate-General for Internal Policies in January 2022<sup>7</sup>,
- having regard to the ECB report of 2 October 2020 on the digital euro<sup>8</sup>,
- having regard to the ECB report entitled ‘Digital euro experimentation scope and key learnings’<sup>9</sup>,
- having regard to the Memorandum of Understanding between the ECB and the UK authorities, which entered into force on 1 January 2021<sup>10</sup>,

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<sup>1</sup> OJ C 395, 29.9.2021, p. 72.

<sup>2</sup> OJ C 395, 29.9.2021, p. 89.

<sup>3</sup> [https://ec.europa.eu/info/publications/211027-banking-package\\_en](https://ec.europa.eu/info/publications/211027-banking-package_en)

<sup>4</sup> [https://ec.europa.eu/info/consultations/finance-2021-banking-macroprudential-framework\\_en](https://ec.europa.eu/info/consultations/finance-2021-banking-macroprudential-framework_en)

<sup>5</sup> [https://ec.europa.eu/info/publications/210720-anti-money-laundering-counteracting-financing-terrorism\\_en](https://ec.europa.eu/info/publications/210720-anti-money-laundering-counteracting-financing-terrorism_en)

<sup>6</sup> <https://www.ecb.europa.eu/press/pr/date/2021/html/ecb.pr211117~43fea9f9ce.en.html>

<sup>7</sup> [https://www.europarl.europa.eu/RegData/etudes/STUD/2022/703337/IPOL\\_STU\(2022\)703337\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2022/703337/IPOL_STU(2022)703337_EN.pdf)

<sup>8</sup> [https://www.ecb.europa.eu/pub/pdf/other/Report\\_on\\_a\\_digital\\_euro~4d7268b458.en.pdf](https://www.ecb.europa.eu/pub/pdf/other/Report_on_a_digital_euro~4d7268b458.en.pdf)

<sup>9</sup> <https://www.ecb.europa.eu/pub/pdf/other/ecb.digitaleuroscopekeylearnings202107~564d89045e.en.pdf>

<sup>10</sup> [https://www.bankingsupervision.europa.eu/legalframework/mous/html/ssm.mou\\_2019\\_pra~fbad08a4bc.en.pdf?57221907ef3ce290b35bd2ab650868bb](https://www.bankingsupervision.europa.eu/legalframework/mous/html/ssm.mou_2019_pra~fbad08a4bc.en.pdf?57221907ef3ce290b35bd2ab650868bb)

- having regard to the document of the ECB / European Systemic Risk Board (ESRB) Climate Risk Monitoring Team of July 2021 entitled ‘Climate-related risk and financial stability’<sup>1</sup> ,
- having regard to the ECB economy-wide climate stress test of September 2021<sup>2</sup> ,
- having regard to the ECB’s targeted review of internal models, published in April 2021,
- having regard to the ECB report of November 2021 entitled ‘The state of climate and environmental risk management in the banking sector: Report on the supervisory review of banks’ approaches to manage climate and environmental risks’<sup>3</sup> ,
- having regard to the Paris Agreement and to the Glasgow Climate Pact adopted under the United Nations Framework Convention on Climate Change,
- having regard to the SRB 2020 Annual Report of 30 June 2021<sup>4</sup> ,
- having regard to the SRB’s multi-annual work programme for 2021-2023 and its work programme for 2021<sup>5</sup> ,
- having regard to the SRB’s work programme for 2022<sup>6</sup> ,
- having regard to the European Banking Authority (EBA) report of 24 November 2021 entitled ‘IFRS 9 implementation by EU institutions – monitoring report’<sup>7</sup>,
- having regard to the ECB recommendation of 15 December 2020 on dividend distributions during the COVID-19 pandemic<sup>8</sup>,
- 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 its resolution of 14 March 2019 on gender balance in EU economic and monetary affairs nominations<sup>9</sup>,

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<sup>1</sup> [https://www.esrb.europa.eu/pub/pdf/recommendations/2021/esrb.climateriskfinancialstability202107\\_annex~35e1822ff7.en.pdf](https://www.esrb.europa.eu/pub/pdf/recommendations/2021/esrb.climateriskfinancialstability202107_annex~35e1822ff7.en.pdf)

<sup>2</sup> <https://www.ecb.europa.eu/pub/pdf/scpops/ecb.op281~05a7735b1c.en.pdf>

<sup>3</sup> <https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.202111guideonclimate-relatedandenvironmentalrisks~4b25454055.en.pdf>

<sup>4</sup> [https://www.srb.europa.eu/system/files/media/document/Annual%20Report%202020\\_Final\\_web.pdf](https://www.srb.europa.eu/system/files/media/document/Annual%20Report%202020_Final_web.pdf)

<sup>5</sup> <https://www.srb.europa.eu/system/files/media/document/2020-11-30%20SRB%20Multi-Annual%20Work%20Programme%202021-2023.pdf>

<sup>6</sup> [https://www.srb.europa.eu/system/files/media/document/2021-11-26\\_Work-Programme-2022.pdf](https://www.srb.europa.eu/system/files/media/document/2021-11-26_Work-Programme-2022.pdf)

<sup>7</sup> [https://www.eba.europa.eu/sites/default/documents/files/document\\_library/Publications/Reports/2021/1024609/IFRS9%20monitoring%20report.pdf](https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Reports/2021/1024609/IFRS9%20monitoring%20report.pdf)

<sup>8</sup> OJ C 437, 18.12.2020, p. 1.

<sup>9</sup> OJ C 23, 21.1.2021, p. 105.

- having regard to its resolution of 25 March 2021 on strengthening the international role of the euro<sup>1</sup> ,
- having regard to the SRB monitoring report of November 2021 on risk reduction indicators,
- having regard to the ECB’s feedback letter on the input provided by Parliament as part of its resolution of 7 October 2021 entitled ‘Banking Union – Annual Report 2020’,
- 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 European Supervisory Authorities (ESAs) second joint risk assessment report of September 2021,
- having regard to the EBA’s annual report entitled ‘Risk Assessment of the European Banking System – December 2021’<sup>2</sup> ,
- having regard to the EBA study of 16 December 2021 entitled ‘Guidelines on cooperation and information exchange between prudential supervisors, AML / CFT supervisors and financial intelligence units under Directive 2013/36/EU’<sup>3</sup> ,
- having regard to the ESRB document entitled ‘Monitoring the financial stability implications of COVID-19 support measures’, based on notes prepared at the ESRB General Board meetings of 25 March and 24 June 2021<sup>4</sup>,
- having regard to the ESRB’s ‘Report of the Expert Group on Macroprudential Stance – Phase II (implementation)’ of December 2021<sup>5</sup>,
- having regard to the Final Report of the Financial Stability Board of 1 April 2021 entitled ‘Evaluation of the Effects of Too-Big-To-Fail Reforms’<sup>6</sup>,
- having regard to the in-depth analysis of October 2021 commissioned by the Committee on Economic and Monetary Affairs entitled ‘Don’t let up. The EU needs to maintain

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<sup>1</sup> OJ C 494, 8.12.2021, p. 118.

<sup>2</sup> [https://www.eba.europa.eu/sites/default/documents/files/document\\_library/Risk%20Analysis%20and%20Data/EU%20Wide%20Transparency%20Exercise/2021/1025102/Risk\\_Assessment\\_Report\\_December\\_2021.pdf](https://www.eba.europa.eu/sites/default/documents/files/document_library/Risk%20Analysis%20and%20Data/EU%20Wide%20Transparency%20Exercise/2021/1025102/Risk_Assessment_Report_December_2021.pdf)

<sup>3</sup> [https://www.eba.europa.eu/sites/default/documents/files/document\\_library/Publications/Guidelines/2021/EBA-GL-2021-15%20GL%20on%20CFT%20cooperation/1025384/Final%20AML-CFT%20Cooperation%20Guidelines.pdf](https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Guidelines/2021/EBA-GL-2021-15%20GL%20on%20CFT%20cooperation/1025384/Final%20AML-CFT%20Cooperation%20Guidelines.pdf)

<sup>4</sup> [https://www.esrb.europa.eu/pub/pdf/reports/esrb.20210908.monitoring\\_the\\_financial\\_stability\\_implications\\_of\\_COVID-19\\_support\\_measures~3b86797376.en.pdf](https://www.esrb.europa.eu/pub/pdf/reports/esrb.20210908.monitoring_the_financial_stability_implications_of_COVID-19_support_measures~3b86797376.en.pdf)

<sup>5</sup> [https://www.esrb.europa.eu/pub/pdf/reports/esrb.report\\_of\\_the\\_Expert\\_Group\\_on\\_Macroprudential\\_Stance\\_Phase\\_II202112~e280322d28.en.pdf](https://www.esrb.europa.eu/pub/pdf/reports/esrb.report_of_the_Expert_Group_on_Macroprudential_Stance_Phase_II202112~e280322d28.en.pdf)

<sup>6</sup> <https://www.fsb.org/wp-content/uploads/P010421-1.pdf>

high standards for its banking sector as the European economy emerges from the Covid-19 pandemic’<sup>1</sup>,

- having regard to the analysis by the Economic Management Support Unit (EGOV) of Parliament’s Directorate-General for Internal Policies of October 2021 entitled ‘Preventing money laundering in the banking sector – reinforcing the supervisory and regulatory framework’<sup>2</sup>,
  - having regard to the in-depth analysis of October 2021 commissioned by the Committee on Economic and Monetary Affairs entitled ‘Did the pandemic lead to structural changes in the banking sector?’<sup>3</sup>,
  - having regard to the analysis of the Economic Management Support Unit (EGOV) of Parliament’s Directorate-General for Internal Policies of October 2021 entitled ‘Impediments to resolvability – what is the status quo?’<sup>4</sup> ,
  - having regard to the EGOV study of October 2021 entitled ‘Review of the crisis management and deposit insurance framework – Summary of some related issues’<sup>5</sup> ,
  - having regard to Rule 54 of its Rules of Procedure,
  - having regard to the report of the Committee on Economic and Monetary Affairs (A9-0186/2022),
- A. whereas the Banking Union currently consists of the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM), with the single rulebook as its foundation, ensuring full alignment between Banking Union members in respect of the supervision of banking activities and the management of banking crises and failures, while being an integral part of the Union’s financial stability; whereas although the Deposit Guarantee Schemes Directive<sup>6</sup> (DGSD) sets out high minimum standards in the area of deposit protection, the Banking Union remains unfinished because the third pillar, the European Deposit Insurance Scheme (EDIS), has not yet been established;
- B. whereas a more stable, competitive and convergent Economic and Monetary Union (EMU) requires a solid Banking Union and a more developed and safe Capital Markets Union (CMU); whereas both projects are interconnected, and developing one should lead to progress and advances with the other; whereas both the Banking Union and the CMU are essential to bolstering the EU economy in the post-COVID-19 era;

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<sup>1</sup> [https://www.europarl.europa.eu/RegData/etudes/IDAN/2021/689461/IPOL\\_IDA\(2021\)689461\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2021/689461/IPOL_IDA(2021)689461_EN.pdf)

<sup>2</sup> [https://www.europarl.europa.eu/RegData/etudes/IDAN/2021/659654/IPOL\\_IDA\(2021\)659654\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2021/659654/IPOL_IDA(2021)659654_EN.pdf)

<sup>3</sup> [https://www.europarl.europa.eu/RegData/etudes/IDAN/2021/689460/IPOL\\_IDA\(2021\)689460\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2021/689460/IPOL_IDA(2021)689460_EN.pdf)

<sup>4</sup> [https://www.europarl.europa.eu/RegData/etudes/IDAN/2021/689468/IPOL\\_IDA\(2021\)689468\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2021/689468/IPOL_IDA(2021)689468_EN.pdf)

<sup>5</sup> [https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/659632/IPOL\\_BRI\(2021\)659632\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/659632/IPOL_BRI(2021)659632_EN.pdf)

<sup>6</sup> 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).

- C. whereas the backstop for the Single Resolution Fund (SRF) will have been introduced by 2022, two years earlier than previously envisaged;
- D. 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 have thus entered the Banking Union;
- E. whereas the Russian aggression against Ukraine and its economic consequences will have a direct and indirect impact on the EU banking sector; whereas it is currently difficult to measure the extent and magnitude of this impact; whereas EU banks play a pivotal role in ensuring the implementation of and compliance with the sanctions imposed by the EU against Russia in response to the invasion;
- F. whereas the response of the EU's banking sector to the crisis triggered by the pandemic has proven the sector's resilience, founded on the regulatory overhaul enacted since the global financial crisis and facilitated by the single rulebook and coordinated supervision in the Banking Union; whereas extraordinary and needed public policy relief measures and capital conservation practices have also provided significant support to the banking sector; whereas the aggregate non-performing loan (NPL) ratio decreased further, to 2.17 % in the third quarter of 2021, although in some Member States the absolute NPL volume remains high;
- G. whereas the timely and targeted support during the COVID-19 pandemic has enabled banks to continue lending to the economy, protecting jobs and businesses, and contributing to economic growth; whereas these measures were a good initial tool for tackling the crisis; whereas there is a prospect of gradually phasing out supportive measures, giving way to recovery tools for the economy as a whole; whereas there is a need to reduce the still existing systemic risks posed by the interconnections and complexity of the EU banking system, which underpin the 'too big to fail' problem;
- H. whereas ECB Banking Supervision has communicated that it will allow banks to operate below the level of their Pillar 2 Guidance (P2G) and the combined buffer requirement until at least the end of 2022 without automatically triggering supervisory action; whereas the purpose of that decision is to ensure that banks can continue to lend to the real economy;
- I. whereas as we emerge from the COVID-19 pandemic, the Union must maintain high standards, particularly when it comes to capital requirements and risk management practices, to ensure the resilience of the sector in the future;
- J. whereas despite the high resilience of the banking sector during the COVID-19 crisis, there is a risk that the sector may be exposed to vulnerabilities, particularly in relation to asset quality, e.g. NPLs when the temporary support measures are phased out, which will require close monitoring and management;
- K. whereas the Banking Union should help to address the bank-sovereign nexus, which continues to exist; whereas the level of sovereign exposure has been growing in a number of banks; whereas the prudential treatment of sovereign debt should be consistent with international standards;

- L. whereas the role of the banking and financial markets sector is crucial to the recovery and to the transition to a carbon-neutral and digitalised economy, particularly through the channelling of key financing to foster investment (especially to SMEs); whereas such a challenge will require a strong, stable, resilient and well-capitalised banking sector, combined with integrated capital markets;
- M. whereas the transition to a carbon-neutral economy should 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 there is a need for the further assessment of these potential risks and to deploy forward-looking risk management tools that can capture longer-term climate-related and environmental risks;
- N. whereas great potential lies in the digitalisation of finance, which has brought about important technological advances in the EU banking sector through increased efficiency in the provision of banking services and a greater appetite for innovation; whereas the digitalisation of finance also presents challenges to the EU banking sector due to cybersecurity risks, data privacy, AML risks and consumer protection concerns; whereas the EU banking sector must increase its cyber resilience to ensure that ICT systems can withstand various types of cybersecurity threats; whereas the digitalisation of finance will have a significant impact on face-to-face banking, as well as on the availability of banking services in rural areas;
- O. whereas challenges arise from crypto-assets and crypto-currencies, which are complex phenomena that call for sound political responses balancing incentives to innovate and protection for investors and consumers; whereas banks have a growing responsibility in this area; whereas the environmental impact of crypto-mining needs to be considered, as well as the security threat posed when crypto wallets are anonymous;
- P. whereas given the remaining loopholes in the EU AML framework, there is a need for strengthened, harmonised and effective anti-money laundering supervision and enforcement, which is necessary to protect the integrity of the EU's financial system and to protect against threats from high-risk third countries; whereas major differences still exist in the approaches taken to AML/combating the financing of terrorism (CFT) supervision by EU national authorities and in the application of EU AML legislation;
- Q. whereas the EU and the UK are currently committed to maintaining regulatory and supervisory cooperation in the field of financial services, and this cooperative approach should underpin long-term EU-UK relations; whereas the Commission will extend its temporary permit allowing EU banks and fund managers to use UK clearing houses;
- R. whereas consumers, investors and all depositors should be properly protected in the Banking Union and should be kept well informed of any decisions that impact them; whereas consumer and investor protection is also of paramount importance in the deepening of the CMU; whereas EU law provides a common, basic level of protection for all consumers residing in the EU; whereas national rules implementing EU consumer protection requirements vary across the Banking Union and there is therefore a need for more harmonised and improved consumer protection across the EU; whereas the Banking Union still lacks effective tools to tackle the problems consumers are facing, such as artificial complexity, unfair commercial practices and the exclusion of vulnerable groups from the use of basic services;

- S. whereas one of the key objectives of the Banking Union is that taxpayers should not bear the cost of remedial action when a bank fails;
- T. whereas the crisis management and deposit insurance (CMDI) framework should ensure a consistent and efficient approach for all banks, regardless of size or business model, as well as contributing to preserving financial stability, minimising the use of taxpayers' money and ensuring a level playing field across the EU, while duly taking into account the principle of subsidiarity;

### ***General considerations***

1. Recalls that the Banking Union, which aligns responsibility for both the supervision and the resolution of banks in the euro area, and requires banks across the entire EU banking system to conduct activities in accordance with the same rule book, is an essential element for completing the EMU and the internal market; notes that the first two pillars of the Banking Union – the SSM and the SRM – are now in place and fully operational; notes, however, that a common system for deposit protection (EDIS) has not yet been established;
2. Recalls that the key goal of the Banking Union is the security and stability of the banking system in the euro area and the wider EU, and the prevention of bank bailouts by taxpayers; recalls that significant progress has been made since the financial crisis of 2008 through the establishment of the SSM and the SRM: Europe's banks are now in a stronger position to withstand financial shocks, and resolution mechanisms are in place to ensure that failing banks can be wound up without the use of taxpayers' money; supports efforts to strengthen and complete the Banking Union, and underlines that progress in its different areas should be made in parallel; stresses that the significant work undertaken to create a Banking Union has contributed to increased confidence in the EU banking sector and has increased its resilience and competitiveness, and that, consequently, throughout the COVID-19 pandemic, EU banks were robust, better capitalised and able to play an essential role in ensuring access to finance;
3. Recalls that all euro area Member States are part of the Banking Union, and that non-euro area Member States are also able to join; considers that the Banking Union should be built in a transparent, coherent and robust way, including for Member States outside the euro area; points out that Member States not belonging to the Banking Union are also bound by the rules of the single rulebook, which arose as a result of the process of harmonisation and integration of the EU banking system, and that their banking systems are de facto strongly linked to the Banking Union; 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; recognises that participation in the Banking Union requires compliance with EU standards and legislation;
4. Expresses deep concern about the Russian invasion of Ukraine and its economic consequences for the European economy; points out that the direct and indirect effects of this war will have an impact on the EU economy that is currently difficult to quantify and could pose potential risks to the stability of the EU banking sector; calls, therefore, on the ECB, the ESAs and the national competent authorities to closely monitor the impact of the war on the EU banking sector;

5. Notes that the banking sector has shown a relatively high degree of resilience to the COVID-19 crisis and has played an important role in minimising the negative impact of the pandemic on the economy; points out that this resilience is a result of the regulatory reforms adopted in the wake of the previous global financial crisis; underlines also the role of temporary measures, including those under Regulation (EU) No 575/2013<sup>1</sup> (CRR quick fix) which enabled banks to continue lending to households and businesses, and the role of additional capital space provided by the ECB; stresses that regulatory reforms following the 2008 financial crisis should be protected and that regulatory gaps should be closed;
6. Notes that the emergency measures to support banks' lending capacity to households and businesses should remain in place as long as is necessary; points out the importance of securing a well-coordinated, prudent, 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; stresses that there is a prospect of gradually phasing out emergency measures; underlines, in this context, that the great instability created by the Russian invasion of Ukraine must be taken into account when deciding on the possible phasing-out of these measures; notes the decision of the Governing Council of the ECB of 16 December 2021 to cease net asset purchases under the Pandemic Emergency Purchase Programme (PEPP);
7. Underlines the key role of the EU banking sector and capital markets in financing the resilience, recovery, and green and digital transformation of the European economy including ensuring access to credit for SMEs; recalls that, in order to cope with these tasks, the EU banking sector needs to be strong, resilient, well regulated and well capitalised;
8. Points out that a strong and well-structured CMU, alongside the development of the Banking Union, will help to 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, while also contributing to the resilience of the European economy and catalysing the green transition; stresses that in order to complete the CMU it is necessary to ensure the proportionality of the adopted rules and the protection of retail clients; welcomes the legislative proposals presented on 25 November 2021 to advance the CMU; calls on the Commission and the ESAs to assess the need to better regulate the shadow banking sector, to put forward legislative proposals, where appropriate, and to continuously monitor the resilience of capital markets;
9. Welcomes the 2022-2024 supervisory priorities of the ECB, which are to: (1) emerge from the pandemic healthy, (2) seize the opportunity to address structural weaknesses via effective digitalisation strategies and enhanced governance, and (3) tackle emerging risks, including climate-related, environmental, IT and cyber risks; acknowledges the substantive efforts made to tackle these challenges by the banking sector in recent years and the results obtained; welcomes, in this context, the reduction of aggregate NPL ratios; stresses that EU and national supervisors must monitor risks closely as emergency public support measures are phased out; highlights the importance of

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<sup>1</sup> Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

prudent risk management and appropriate provisioning; recalls that risk reduction, together with risk sharing in the banking sector, would contribute to a more stable, strong and economic growth-oriented Banking Union;

10. Supports the ongoing work on the implementation of the Basel III rules and welcomes the Commission's legislative banking package of 27 October 2021 in this context; considers that in the implementation process, the EU must ensure full alignment with Basel standards, while also taking into account the principle of proportionality, and should respect, where appropriate, the specificities and diversity of the EU banking sector, ensuring that EU banks remain able to compete with their global competitors;
11. Welcomes the fact that the banking sector is adapting to the challenges and opportunities of digitalisation, which will enable banks to better serve clients remotely, offer new products and provide opportunities for increased cost efficiency; underlines that the banking sector is particularly vulnerable to the threat of cyberattacks; welcomes, in this regard, the progress made on the proposals for a regulation and a directive on digital operational resilience for the financial sector (DORA) and for a directive on measures for a high common level of cybersecurity across the Union, repealing Directive (EU) 2016/1148 (NIS 2.0), which are the foundations of the regulatory framework to facilitate the banking sector's fight against cybercrime; calls on the ESAs and ENISA to step up their efforts to monitor and mitigate the risks related to non-EU ICT third parties; stresses the need for further investments and research to develop innovative ways to bolster the cybersecurity of the banking sector; considers that the priorities should be customer safety, financial stability and integrity, and technological neutrality; calls for the promotion of financial inclusion, especially for vulnerable groups with low digital or financial literacy levels; welcomes the progress made on the digital finance package; stresses the need for banks to preserve extensive face-to-face banking services, particularly in rural areas; welcomes with interest the work on the digital euro, which will function alongside cash; invites the ECB to consider in future work the potential impact of the digital euro on payments, banks' lending capacity and financial stability;
12. Recalls that the basis for the cooperation between the SSM and the UK Financial Conduct Authority is the Memorandum of Understanding between the ECB and the UK authorities, which entered into force on 1 January 2021; notes that the Commission has recently announced the extension of its temporary permit, allowing EU banks and fund managers to use UK clearing houses, thereby avoiding any short-term cliff-edge effects; calls on the Commission to take measures to facilitate more clearing in the EU in the medium term;
13. 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; considers that the selection of applicants to EU financial institutions and bodies should be based on criteria of merit, diversity and ability, so that the institution or body involved operates as effectively as possible; calls on governments and all institutions and bodies to provide gender-balanced shortlists of candidates for all future appointments to EU bodies and reiterates its commitment not to take into account lists of candidates where the gender balance principle has not been respected; deeply regrets that the shortlist considered by the Eurogroup for the next Board of Directors of the European Stability Mechanism does not include a single female candidate; stresses that gender balance on boards and in the

workforce brings both societal and economic returns; calls on financial institutions to regularly update their diversity and inclusion policies and to help foster healthy working cultures which prioritise inclusivity;

### *Supervision*

14. Calls on the ECB, the EBA and the ESRB to carefully monitor the risks to the banking sector posed by Russia's aggression against Ukraine and its economic consequences; points to the need to consider different scenarios and to prepare for different possible options;
15. Considers that credit risk management, monitoring and the reduction of NPLs should remain one of the key priorities; welcomes the fact that the aggregate NPL ratio in the euro area decreased further to 2.17 % in the third quarter of 2021; notes that, although the situation is stable for the time being, it should be monitored carefully given the phasing out of emergency measures; draws attention to the importance of prudential compliance, early identification and the proactive management of NPLs, as well as adequate provisioning; stresses the need for cooperation with vulnerable debtors, while acknowledging the solutions put in place by the banking sector in this regard during the pandemic (such as the moratorium on loan repayments); welcomes the adoption of Directive (EU) 2021/2167 of the European Parliament and of the Council of 24 November 2021 on credit servicers and credit purchasers<sup>1</sup>, which will help to reduce the level of NPLs on the balance sheets of EU banks and foster a secondary market for NPLs;
16. Acknowledges the significant level of sovereign debt on the balance sheets of a number of banks in the Banking Union; takes note of the work on sovereign risk carried out by the Basel Committee on Banking Supervision in this regard and emphasises that the issue of regulatory treatment of sovereign exposures requires an in-depth examination within international forums, taking into account the consequences of different approaches, and that the implementation of the solution in the EU should be consistent with international standards; believes that any potential solution should be balanced and treat all EU Member States fairly, while also ensuring sufficient liquidity in the markets for sovereign debt; stresses that the creation of an EU safe asset could help to mitigate the negative feedback loops between sovereigns and the domestic banking sectors; welcomes the creation of Next Generation EU in this context, providing low-risk European assets;
17. Considers that the transition to a carbon-neutral economy presents great potential for economic growth in a range of different sectors; notes that such a transition requires massive investments from the public and private sector, but, as also acknowledged by the ECB, its cost will be lower than the cost of inaction; emphasises the importance of the banking sector in helping to fund the transition to a carbon-neutral economy and ensuring that the EU is able to fulfil its environmental commitments; asks banks to incorporate these matters into their transition plans; underlines the importance of the Taxonomy Regulation<sup>2</sup> in such an endeavour and that its implementation should be

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<sup>1</sup> OJ L 438, 8.12.2021, p. 1.

<sup>2</sup> 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).

consistent with the objectives of the Paris Agreement and the European Green Deal; is concerned that climate-related risks on banks' balance sheets may over time put banks in financial difficulty; considers that these risks should be brought down to prevent bank failures; calls for banks to be provided with clear guidelines in this regard, based on hard economic data; welcomes the efforts of the SSM to provide guidance and clarity to banks on self-assessment of climate-related and environmental (C&E) risks; recalls that the ECB has concluded its first-ever large-scale assessment of the C&E risk management of EU banks in 2021, and welcomes the ECB's commitment to carrying out climate stress tests in 2022 as an important element in tackling climate-related risk; calls for such tests to be based on realistic data and assumptions; worries about an increase in NPLs due to stranded investments in fossil fuels; calls for the early identification and proactive management of such at-risk assets; encourages the SSM to continue and strengthen work in this direction; calls for the adequate integration of environmental and transition risks into credit rating models; stresses the need for further improvements in the disclosure of C&E risks by banks, as well as improvements in the disclosure of transition strategies by entities to facilitate banks' and supervisors' assessment of risk; calls for banks to take a double materiality perspective when assessing their climate-related risks; underlines the importance of clear legislation to prevent greenwashing; notes the new challenges, risks and opportunities for the banking sector related to the green transition;

18. Recalls that the impact of special measures implemented during the pandemic by the governments of individual Member States should be taken into account in the assessment of the current condition of banks; notes the ECB's Financial Stability Review of 17 November 2021 which states that the full effects of the pandemic on bank asset quality could take another two years to be felt;
19. Highlights that the interest rates offered to households and SMEs across the Member States are highly disparate; urges the Commission and banking supervisors to consider measures to ease the burden on mortgage holders and SMEs in Member States with higher lending rates so as to ensure that all citizens and businesses can access much-needed capital at fair and competitive rates;
20. Notes the trend towards increased consolidation in the banking sector in Europe in recent years and that EU banking merger and acquisition activity in 2021 is on track to exceed both 2020 and 2019 levels owing to a range of factors, including cost pressures, low interest rates and digitalisation<sup>1</sup>; notes the possible benefits of banking consolidation, including addressing the low profitability, overcapacity and fragmentation of the banking sector, but also recognises the possible negative effects of consolidation and the challenges posed to banking supervision by large systemically important institutions, whose possible problems may affect financial stability in many jurisdictions; welcomes the ECB's guide on the supervisory approach to consolidation in the banking sector, which outlines supervisory expectations regarding consolidation projects<sup>2</sup>; stresses the benefits of a diversified and competitive banking sector in

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<sup>1</sup> <https://www.spglobal.com/marketintelligence/en/news-insights/blog/a-new-dawn-for-european-bank-ma-top-5-trends>

<sup>2</sup> <https://www.bankingsupervision.europa.eu/press/pr/date/2021/html/ssm.pr210112~920b511a1c.en.html>

Europe, composed of banks with different business models and legal structures and of different sizes;

21. Notes the problems and challenges related to home/host issues; notes that strengthening cross-border integration and allowing more flexibility in capital flow across banking groups, while respecting the risk profiles of subsidiaries, requires credible and efficient safeguards for host Member States, notably to ensure that significant subsidiaries are supported in difficult situations; underlines that the completion of the Banking Union is of the utmost importance in solving home/host concerns; stresses the need for improvements in the cross-border provision of services in order to create a truly EU-wide banking sector and improve its competitiveness;
22. Stress the need for 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;
23. Stresses the need for effective anti-money laundering supervision, since the existing framework still suffers from several shortcomings; regrets that not all Member States have yet fully transposed Anti-Money Laundering Directive V<sup>1</sup> and recalls the need for better coordination of financial intelligence units (FIUs) across Europe; underlines that banks act as gatekeepers in the fight against money laundering and therefore must have in place robust risk management frameworks and be supervised effectively, and points to the need for cooperation and coordination between prudential supervisors, anti-money laundering supervisors and FIUs; notes the ECB's efforts over the past two years to enhance the exchange of information between the SSM and AML/CFT supervisors; welcomes the Commission's adoption of the AML package, and calls for a swift agreement on all proposals; welcomes, in particular, the proposal for a new Anti-Money Laundering Authority (AMLA) which will directly supervise certain banks and coordinate the enforcement of AML/CFT rules by Member States' authorities; stresses that for the AMLA to be truly effective, it must be resourced sufficiently; stresses the importance of a strong AML framework in the context of the Russian aggression against Ukraine and to ensure the effectiveness of sanctions;
24. Welcomes increased transparency standards in banking supervision, for instance in the outcomes of the supervisory review and evaluation process, which can reinforce trust in capital and financial markets and ensure consistent treatment across Member States; deplores the fact that the requirements for the fit and proper assessment of members of the management body of credit institutions are not implemented uniformly across Member States;
25. Underlines that the ultimate beneficiaries of the Banking Union should be consumers and businesses in the real economy; stress the importance of strengthening consumer and investor protection from abuse, harmful practices and harmful products; calls for consumer access to cross-border retail financial services to be ensured; notes that

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<sup>1</sup> Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU (OJ L 156, 19.6.2018, p. 43).

despite strong EU consumer protection rules, national rules implementing EU consumer protection requirements vary across the Banking Union, and further harmonisation is therefore required;

### ***Resolution***

26. Welcomes the activities of the SRB in 2021; welcomes the fact that banks within the SRB's remit have overall delivered good progress towards resolvability and in building up loss-absorbing capacity; takes note of the SRB's work programme for the coming years, which includes making the effective resolution of all banks under the SRB possible by 2023;
27. Recalls the important role of the SRM in providing stability and clarity for the banking sector, investors and consumers and protecting taxpayers; welcomes 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 resolution in the Banking Union; stresses the importance of the SRF in strengthening the crisis management framework and as an important step towards completing the Banking Union;
28. Welcomes the actions taken by the SRB with respect to Sberbank; underlines the need for a swift and adequate response in the event of a significant risk to the EU banking sector and financial stability caused by the consequences of Russia's aggression against Ukraine;
29. Supports the review and clarification of the public interest assessment criteria so that the SRM is applied in a more consistent and predictable manner and relies on objective thresholds; calls for a study on the need for the alignment of specific aspects of insolvency law, also with a view to the determination of the insolvency counterfactual in resolution, for the purpose of aligning incentives and ensuring a level playing field; notes the importance of the SRB taking a proportionate approach for banks to build their minimum requirement for own funds and eligible liabilities (MREL); points out that for resolution plans to be fully compliant with the legal requirements, the SRB needs to provide a comprehensive assessment of each bank's resolvability;
30. Supports the idea of considering the role of group recovery and resolution plans in the crisis management framework, such that the calibration of MREL and 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;
31. Acknowledges that alternative measures under deposit guarantee schemes (DGSs) to fund deposit book transfers may have an important role to play in insolvency cases, in particular for small and medium-sized banks, as long as they are subject to the same conditionalities as for deposit book transfers in resolution and not detrimental to depositor protection, and as long as 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; stresses, however, that in these cases, the State aid rules may need to be revised to preserve a coherent framework;

32. Supports the revisiting of State aid rules, including a review of the Commission's Banking Communication of 30 July 2013<sup>1</sup>, in order to ensure their consistency with the SRM framework and to reduce discrepancies between the rules on State aid in the area of liquidation aid and the resolution regime under the Bank Recovery and Resolution Directive<sup>2</sup> (BRRD); emphasises that one of the goals of such an update should be to enable quick and effective interventions under the SRM or under the alternative liquidation regime and to reduce incentives to avoid either resolution or liquidation, while maintaining competition and the integrity of the Banking Union;
33. Welcomes the provisional agreement reached by the Council and Parliament on the 'Daisy Chain' proposal as a means to improve the resolution framework and create a supervisory level playing field for the different resolution strategies;

### ***Deposit insurance***

34. Recalls that the SSM and the SRM operate in the Banking Union, while DGSs are currently run and financed at national level; points out that the implementation of the DGSD, guaranteeing up to EUR 100 000 in banking deposits, provides a minimum baseline of protection for depositors; stresses the importance of depositors across the Banking Union enjoying the same level of effective protection for their savings irrespective of their bank's location; stresses that an EDIS would improve protection for depositors in the EU and their trust in the banking sector and help to strengthen the Banking Union by reducing the link between sovereigns and banks; welcomes the inclusion of the proposal for a regulation establishing an EDIS in the EU institutions' Joint Declaration identifying key legislative priorities for 2022;
35. Recalls that Parliament is a co-legislator for the EDIS legislation and that Parliament's position on this matter should be taken into account; welcomes the renewed efforts of the Eurogroup in making progress on the Banking Union in order to reach an agreement on the different work streams and files, including the EDIS; reiterates Parliament's commitment to working towards an agreement on the EDIS, and to continuing to support the necessary risk-reduction efforts;
36. Takes note of the statement agreed by the Eurogroup at its meeting of 16 December 2021, which recalls its full political commitment to the Banking Union, and calls for a time-bound work plan for the completion of the Banking Union; 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; regrets that the Member States continue to act outside the EU framework, undermining Parliament's role as a co-legislator for the EDIS legislation;

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

<sup>2</sup> 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 (OJ L 173, 12.6.2014, p. 190).

37. 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 the 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;
38. Points out that any further harmonisation of deposit insurance schemes should strengthen the financial stability of the EU banking system and take into account clear rules for the participation or non-participation of non-euro area Member States;
39. Supports updating the crisis management framework; highlights that the envisaged targeted adjustments to the crisis management regime should make it more coherent, credible and effective;
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40. Instructs its President to forward this resolution to the Council, the Commission, the European Central Bank, all member banks of the European System of Central Banks, the European Banking Authority and the Single Resolution Board.