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REPORT

on Banking Union – annual report 2022
(2022/2061(INI))

Committee on Economic and Monetary Affairs

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PR_INI

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on Banking Union – annual report 2022
(2022/2061(INI))

The European Parliament,

– having regard to its resolution of 5 July 2022 entitled ‘Banking Union – annual Report 2021’[1],

– having regard to the Commission’s follow-up to Parliament’s resolution of 5 July 2022 entitled ‘Banking Union – annual report 2021’,

– having regard to the document by the European Central Bank (ECB) of 28 October 2022 entitled ‘Feedback on the input provided by the European Parliament as part of its “Resolution on Banking Union – Annual Report 2021”’,

– having regard to the ECB’s 2021 Annual Report on supervisory activities of March 2022,

– having regard to the response of the Single Resolution Board (SRB) of 28 November 2022 to Parliament’s resolution of 5 July 2022 entitled ‘Banking Union – annual report 2021’,

– having regard to the Eurogroup statement of 16 June 2022 on the future of the Banking Union,

– 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 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 Council press release of 8 November 2022 entitled ‘Banking sector: Council agrees its position on the implementation of Basel III reforms’,

– having regard to the Council press release of 7 December 2022 entitled ’Anti-money laundering: Council agrees its position on a strengthened rulebook’,

– having regard to the Commission report of 23 May 2022 on the operation of the European Supervisory Authorities (ESAs) (COM(2022)0228),

– 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 Banking Authority (EBA) thematic review of

[1] OJ C 47, 7.2.2023, p. 75.

14 December 2022 on the transparency and level of fees and charges for retail banking products in the EU,

– having regard to the outcome of the EBA 2022 EU-wide transparency exercise, published on 9 December 2022,

– having regard to the ECB report on its supervisory priorities for the period 2023-2025, published on 12 December 2022,

– having regard to the outcomes of the SRB and ECB joint conference entitled ‘The test of time: Banking Union a decade on’, which took place on 23 and 24 June 2022,

– having regard to the statement of the ECB’s Governing Council of 27 June 2022 on the treatment of the European banking union in the assessment methodology for global systemically important banks,

– having regard to the ECB document of November 2022 entitled ‘Financial Stability Review’,

– having regard to ECB Recommendation ECB/2020/62 of 15 December 2020 on dividend distributions during the COVID-19 pandemic and repealing Recommendation ECB/2020/35,

– having regard to Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011 (Digital Operational Resilience Act)[2],

– having regard to the statements of Andrea Enria, Chair of the Supervisory Board of the ECB, at the hearings of Parliament’s Committee on Economic and Monetary Affairs on 30 June 2022 and on 1 December 2022,

– having regard to the Financial Stability Board’s document of 21 November 2022 entitled ‘2022 List of Global Systemically Important Banks (G-SIBs)’,

– having regard to the statements of SRB Chair Elke König at the Committee on Economic and Monetary Affairs on 13 July 2022 and 30 November 2022,

– having regard to the statements at the public hearings of the Committee on Economic and Monetary Affairs with the candidates proposed by the Commission for the Chair of and one other permanent position on the SRB on 24 October 2022,

– having regard to the SRB document of 13 July 2022 entitled ‘Resolvability of Banking Union banks: 2021’,

– having regard to the warning of the European Systemic Risk Board (ESRB) of 22 September 2022 on vulnerabilities in the Union financial system[3],

[2] OJ L 333, 27.12.2022, p. 1.
[3] OJ C 423, 7.11.2022, p. 1.

– having regarding to the results of the ECB thematic review entitled ‘Walking the talk: Banks gearing up to manage risks from climate change and environmental degradation’, published on 2 November 2022,

– having regard to the ESRB document of 21 November 2022 entitled ‘Fiscal support and macroprudential policy – Lessons from the COVID-19 pandemic’,

– having regard to the ESRB report of 1 July 2022 entitled ‘Monitoring systemic risks in the EU securitisation market’,

– having regard to the document of the ECB/ESRB Climate Risk Monitoring Team of July 2021 entitled ‘Climate-related risk and financial stability’,

– 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’,

– having regard to the standards of the Basel Committee on Banking Supervision of 16 December 2022 on the prudential treatment of crypto-asset exposures,

– having regard to the document of the Basel Committee on Banking Supervision of 15 June 2022 entitled ‘Principles for the effective management and supervision of climate-related financial risks’,

– having regard to the report of the European Court of Auditors of 30 November 2022 entitled ‘Report on any contingent liabilities arising as a result of the performance by the Single Resolution Board, the Council or the Commission of their tasks under this Regulation for the 2021 financial year’,

– having regard to the ESAs’ Joint Committee Report entitled ‘Risks and Vulnerabilities in the EU Financial System – March 2022’ (JC 2022 09), published on 13 April 2022,

– having regard to the working paper of the EU Tax Observatory of December 2022 entitled ‘Tax Planning by European Banks’,

– having regard to the joint statement by the ECB Banking Supervision, the EBA and the SRB of 20 March 2023 on the announcement on 19 March 2023 by Swiss authorities,

– having regard to the declaration signed by the Chair of Parliament’s Committee on Economic and Monetary Affairs and agreed on by the coordinators for six Parliament political groups (PPE, S&D, Renew, Verts/ALE, ECR and The Left) of 7 December 2022 on the European deposit insurance scheme,

– having regard to its resolution of 14 March 2019 on gender balance in EU economic and monetary affairs nominations[4],

– having regard to its resolution of 25 March 2021 on strengthening the international role

[4] OJ C 23, 21.1.2021, p. 105.

of the euro[5],

– having regard to Rule 54 of its Rules of Procedure,

– having regard to the report of the Committee on Economic and Monetary Affairs (A9-0177/2023),

A. whereas the Banking Union (BU) currently consists of the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM), with the single rulebook as its foundation, which ensures full alignment between supervision and management of banking crises and is an integral part of the EU's financial stability; whereas although the Deposit Guarantee Schemes Directive[6] sets out high minimum standards in the area of deposit protection, the BU remains unfinished for as long as it lacks the establishment of its third pillar – the European deposit insurance scheme (EDIS);

B. whereas despite best efforts, agreement on an EDIS has not yet been reached; whereas MEPs have called for an ambitious review of the crisis management and deposit insurance (CMDI) framework, which may help to overcome hurdles to the establishment of an EDIS; whereas however, this framework should not be considered a replacement for an EDIS; whereas establishing an EDIS remains a priority;

C. whereas an agreement was reached on creating a backstop for the Single Resolution Fund (SRF), but whereas the backstop has still not been implemented;

D. whereas a completed BU would constitute a positive development for citizens and the EU economy, by providing the basis for a more stable banking system, reduced systemic risk, enhanced and fairer competition, improved consumer choice, increased opportunities for cross-border banking and access to retail financial services, greater economic investment, better access to funding for households and businesses and reduced costs for banking customers;

E. whereas the BU is open to all EU Member States;

F. whereas a stable, resilient, dynamic and competitive banking sector is vital for economic growth, innovation and investment, as well as for financing the green transition and supporting small and medium-sized enterprises (SMEs);

G. whereas the Russian aggression against Ukraine and its economic and social consequences are having a direct and indirect impact on the EU banking sector; whereas these impacts need to be addressed through appropriate measures to ensure the sector's financial stability; whereas EU banks play a pivotal role in ensuring the ongoing implementation of and compliance with the sanctions against Russia imposed by the EU in response to the invasion;

H. whereas the banking sector has so far shown resilience to the crisis triggered by the

[5] OJ C 494, 8.12.2021, p. 118.

[6] 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).

COVID-19 pandemic with the help of extraordinary public-policy relief measures and a resilient EU regulatory framework; whereas as the EU banking sector continues to emerge from the pandemic, the EU must continue to uphold high standards, particularly when it comes to capital requirements and risk-management practices, to ensure the future resilience of the sector;

I. whereas despite the challenges caused by the pandemic and the war in Ukraine, the aggregate non-performing loans (NPL) ratio fell further to 2.29 % in the third quarter of 2022; whereas this was supported by credit moratoria and the renegotiation of credit with customers; whereas potential asset quality deterioration and increases in NPL ratios may materialise following the complete phasing-out of the temporary support measures introduced during the COVID-19 crisis;

J. whereas the issues of being ‘too big to fail’ and ‘too interconnected to fail’ have still not been sufficiently addressed, despite the commitment made in the aftermath of the great financial crisis and the significant work that has been and continues to be done;

K. whereas the non-bank financial intermediary sector continues to grow, creating further risks to financial stability; whereas overall banks’ exposures to non-bank financial intermediaries remain high, due to their financial interconnectedness;

L. whereas the role of the banking sector is crucial to the economic recovery after the COVID-19 crisis and the energy crisis, especially for SMEs, as well as to the transition to a sustainable economy; whereas the sector plays a key role in channelling savings into productive investments; whereas the banking sector should therefore refrain from excessive exposure to speculative activities;

M. whereas the main goals in designing economic policies for the banking sector should be to minimise: (1) the likelihood of bank failures, (2) the economic impact of failing banks and (3) the risk of systemic banking crises;

N. whereas sustainability risks affect banks in various ways, including through credit or reputational risk;

O. whereas the digitalisation of finance has brought about significant technological advances in the EU banking sector, resulting in increased efficiency in the provision of banking services, and provides extensive opportunities for the banking sector, but also poses challenges, including with regard to cyber risks – as banks are relying increasingly on the use of information and communications technology – data privacy, reputational risks, anti-money laundering (AML) risks, consumer protection concerns and social exclusion; whereas the Digital Operational Resilience Act, which will enter into force in 2025, will provide a robust framework for banks to prepare and deal with cyber threats;

P. whereas given the remaining loopholes in the EU AML framework, there is a need for strengthened, harmonised and effective AML supervision and enforcement, as this is necessary to protect the integrity of the EU’s financial system and to protect it against threats from high-risk third countries; whereas major differences still exist in the approaches that EU national authorities take on AML supervision and supervision on combating the financing of terrorism, as well as in the application of EU AML legislation; whereas finalising the AML package should strengthen AML rules and ensure a consistent and effective implementation of these rules, including by establishing an EU AML supervisory authority, which would strengthen the EU banking system;

Q. whereas work is continuing on the EU banking package, which will provide an appropriate framework for bank capital adequacy, stress testing and liquidity requirements;

R. whereas ensuring equal access to financial services and high-level protection of all investors and depositors is at the core of the BU and the Capital Markets Union (CMU); whereas consumers, investors and depositors should be kept well informed of any decisions that impact them;

S. whereas the European banking sector largely remains the main provider of financing to companies, leading to significant dependence on the sector, in contrast with other jurisdictions, in which capital markets account for a considerable share of financing to companies;

T. whereas the effects of the ECB's decision to raise interest rates in order to reduce inflation were immediately reflected in the interest paid by households and companies to banks, thus increasing banks' profits and savers' returns, while negatively affecting borrowers' ability to pay back their loans; whereas the surge in interest rates also generates risks for banks, in particular the potential devaluation of some assets on their balance sheets;

U. whereas the development of a CMU requires establishing common rules and effective tools to reduce fragmentation in the single market, facilitate access to alternative financing means and prevent capital flight and tax avoidance schemes;

V. whereas completing the BU would strongly contribute to breaking the sovereign-bank doom loop, including by reducing the concentration of banks' exposures to their own sovereign, which would preserve the resilience of the EU banking sector, prevent the use of public money to save banks at risk of bankruptcy and enhance the trust of businesses, investors and citizens in the EU financial system;

W. whereas according to analysis of the SSM, 'the implementation of EDIS should not be linked to further risk reduction benchmarks'[7];

X. whereas crisis management remains fragmented across the EU and the BU, resulting in an unlevel playing field between banks and jurisdictions; whereas the CMDI framework should ensure that all banks apply a consistent and efficient approach and should also contribute to preserving financial stability, minimising the use of taxpayers' money and ensuring a level playing field across the EU;

Y. whereas a more stable, competitive and convergent Economic and Monetary Union requires that the BU be completed with its third pillar of a fully fledged EDIS and also

[7] ECB, 'Feedback on the input provided by the European Parliament as part of its "Resolution on Banking Union – Annual Report 2020"', 2021, p. 11.

requires a deep and fully functional CMU and a euro area safe asset;

Z. 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; whereas the Commission will extend its temporary permit allowing EU banks and fund managers to use UK clearing houses; whereas a promised EU-UK memorandum of understanding on regulatory cooperation has not yet been signed;

General considerations

1. Condemns in the strongest possible terms the Russian aggression against Ukraine and its devastating impact on the Ukrainian people; notes that the Russian invasion has also had social, economic and financial consequences for the EU, including exacerbating inflation trends; notes that banks' direct exposures to Russia and Ukraine are limited, but that the banking sector might be affected by indirect impacts; calls on the ECB, the EBA and national competent authorities to monitor developments related to the war in Ukraine, in particular their ramifications on EU financial institutions, such as any potential deterioration in asset quality; highlights therefore the importance of prudent risk management and appropriate provisioning; notes that, according to the ECB Supervisory Board Chair[8], banks' exposures to energy-intensive corporates and energy derivatives have increased following the spike in energy prices; stresses that banks have faced increased counterparty risk exposures owing to increased margin calls for banks acting as clearing members for their clients; highlights that banks should strengthen their resilience to macroeconomic and financial shocks; calls on the ECB and the national competent authorities to adopt appropriate supervisory measures to prevent the energy crisis from leading to a financial crisis;

2. Is monitoring the ongoing developments in the financial markets following the failure of Silicon Valley Bank and two other mid-sized US banks, as well as the takeover of Credit Suisse by UBS; welcomes the joint statement from the EBA, the SRB and the ECB Banking Supervision of 20 March 2023 on the announcement on 19 March 2023 by Swiss authorities;

3. Stresses that deepening the CMU and completing the BU 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 the transition to a sustainable economy;

4. Recalls that the BU is an essential complement to the Economic and Monetary Union and the single market that aligns responsibility for supervision, resolution and funding at EU level, meaning that banks across the euro area abide by the same rule book; welcomes the significant progress made since the 2008 financial crisis through the establishment of the single rulebook, the SSM and the SRM; highlights that Europe's banks are in a stronger position to withstand financial shocks and that resolution

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[8] Statement of the Chair of the Supervisory Board of the ECB at the hearing of Parliament's Committee on Economic and Monetary Affairs on 1 December 2022.

mechanisms are in place to handle bank failure without the use of taxpayers' money;

5. Notes that public support measures coupled with the ECB's monetary policy decisions and regulatory adjustments enabled the banking sector to act as a shock absorber for the economic crisis triggered by the COVID-19 pandemic; acknowledges that strengthening the prudential requirements implemented after 2008 has improved the EU banking sector's resilience; is concerned, however, that the share of NPLs may increase now that the COVID-19 pandemic public support measures have been phased out; is concerned about the negative impacts on financial stability of an increasing risk of credit default and the potential rise in NPL levels; notes that the temporary suspension of dividend distribution and share buy-backs was effective in safeguarding banks' resilience during the COVID-19 crisis; notes that this tool has not been consistently applied by other financial institutions, despite similar recommendations made by other sectoral supervisors; calls for the introduction of a risk-adjusted limitation on dividends and buy-backs to be considered in times of crisis;

6. Stresses that the EU should fairly and comprehensively implement the Basel III reform in a timely and appropriate manner; considers that EU banks' specificities should be taken into account where there is sufficient and robust evidence that the international framework does not capture these specificities in order to ensure the competitiveness of EU banks and an international level playing field, as stressed in Parliament's resolution of 23 November 2016[9]; notes that the EBA and the ECB issued a joint statement calling for the EU to stick to its international commitments;

7. Is concerned by the high level of inflation, standing at 8.4 % for 2022; notes that, in reaction to this inflation surge, the ECB decided to raise its main interest rates from 0 % to 3 % for the main refinancing operation rate; emphasises that the current bout of inflation is mainly a supply-side phenomenon largely owing to external factors, most notably the Russian war against Ukraine and the disruption of supply chains resulting from the COVID-19 crisis, making monetary policy tools less effective at driving down inflation; recalls that the primary goal of the ECB is to guarantee price stability, which is defined by 2 % inflation over the medium term; recognises that high inflation and higher interest rates have social and economic downsides, including on the ability of households and companies to pay back their loans and make the necessary investments to transform the EU into a carbon-neutral economy by 2050;

8. Highlights that the interest rates offered to households and SMEs across the Member States are highly disparate; urges the EU institutions and bodies to consider measures to ease the burden on mortgage holders and SMEs in Member States with higher lending rates to ensure that all citizens and businesses can access much-needed capital at fair and competitive rates;

9. Highlights the role of the banking system in supporting the transition to a carbon-neutral economy; considers that the new geopolitical environment increases the urgency of this transition, most notably the need to invest in renewable energies; underlines the utmost importance of making a socially just transition; recalls that the costs of this transition

[9] European Parliament resolution of 23 November 2016 on the finalisation of Basel III (OJ C 224, 27.6.2018, p. 45).

will be lower than the cost of inaction, as acknowledged by the ECB;

10. Welcomes the climate stress test conducted by the SSM in 2022 and takes note of the targets set for 2024; welcomes the follow-up actions that the SSM has already taken, including the issuance of good practices, which contribute to information sharing and disseminating knowledge across the banking sector; recalls that the SSM may set pillar 2 requirements for banks that do not comply with the recommendation issued as part of the stress test; reiterates its concern about financial exposures stemming from climate risks;

11. Welcomes the adoption of the EBA binding standards and common templates for banks' disclosures on environmental, social and governance (ESG) risks; considers that these disclosures should enhance stakeholders' information regarding institutions' exposures to ESG risks and their strategies to address them and therefore contribute to closing the data gap on ESG risks;

12. Notes that the adoption of the Corporate Sustainability Reporting Directive[10] will ensure the consistency, comparability and reliability of sustainability information across the financial and non-financial sectors;

13. Is following the ongoing work by the Commission and the ECB on the digital euro with interest; looks forward to the Commission's legislative proposal and the ECB Governing Council's decision on the digital euro; recalls that this decision should be based on a comprehensive assessment of the risks and benefits of a central bank digital currency; points out that the digital euro must prioritise a high level of privacy, data protection, confidentiality of payment data, cyber resilience and security;

14. Welcomes the fact that Croatia is now the 20th Member State to join the euro area; invites the EU Member States who are not yet part of the BU to take steps towards joining it; recalls that any accession of new Member States to the euro area is conditional on the presence of a robust and effective AML framework in the Member State concerned;

15. Encourages banks to take advantage of the opportunities offered by digitalisation, including by investing in IT systems and research and development and by fully implementing the requirements under the Digital Operational Resilience Act, while maintaining a high level of consumer and investor protection, especially for vulnerable groups with low digital- or financial-literacy levels; welcomes the progress made on the digital finance package; considers that consumer protection must be strengthened in a digital context and that financial inclusion should be prioritised, particularly by improving digital and financial literacy;

16. Stresses that a well-functioning single market is necessary for retail financial services; notes that the level and array of charges and fees collected by financial institutions vary greatly across both the EU and financial institutions within the same Member State, hampering comparability between providers and damaging consumer interests; calls for

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[10] Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (OJ L 322, 16.12.2022, p. 15).

the customer protection framework to be improved, including in the upcoming retail investors strategy; notes the consolidation of retail-banking services in certain Member States and the ensuing reduction in consumer choice for retail-banking customers; takes notes of the banking supervision challenges posed by large, systemically important institutions; stresses the benefits of a diversified and competitive banking sector in Europe; calls on the Commission to assess the obstacles and barriers that consumers face when availing of retail banking, and to propose solutions to ensure that consumers can benefit from retail financial services across borders;

17. Welcomes the creation of NextGenerationEU and emphasises its important role in the economic recovery after the COVID-19 crisis and in preserving macroeconomic stability; considers that it must serve as an opportunity to enhance public and private investments and support the modernisation of the economy; stresses that the creation of an EU safe asset could help to mitigate the negative feedback loops between sovereigns and domestic-banking sectors; considers that NextGenerationEU provides high-quality, low-risk European assets, allowing for a rebalancing of sovereign bonds on banks' balance sheets;

18. Regrets the failure to ensure full gender balance across EU financial institutions and bodies; regrets 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; welcomes the recent approval of the Directive on improving the gender balance among directors of companies listed on stock exchanges and related measures[11], following several years without progress; calls on financial institutions to regularly update their diversity and inclusion policies and to help foster healthy working cultures that prioritise inclusivity; calls on supervisory authorities to make use of their supervisory powers in relation to diversity and gender balance in the management bodies of financial institutions;

19. Deeply deplores the fact that the ECB Governing Council, the Supervisory Board of the ECB and the SRB Board all lack gender balance; calls for the EU institutions and bodies to prioritise achieving 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 2019, which aimed to secure gender balance in the ensuing lists of candidates for EU economic and monetary affairs nominations; reiterates its commitment not to take into account lists of candidates that do not respect the gender-balance principle;

Supervision

20. Notes that, since the beginning of 2022, the Common Equity Tier 1 ratio of SSM banks has decreased to 14.74 % and the liquidity coverage ratio has also decreased to 162.03 %[12]; welcomes the fact that the stock of NPLs on banks' balance sheets has

[11] Directive (EU) 2022/2381 of the European Parliament and of the Council of 23 November 2022 on improving the gender balance among directors of listed companies and related measures (OJ L 315, 7.12.2022, p. 44).
[12] ECB, 'Publication of supervisory data', accessed 28 April 2022.

continued to decrease, although by various degrees and despite different levels across Member States; is concerned, however, by asset quality deterioration resulting from higher interest rates; notes that stage 2 loans have increased to 9.5 % of banks' total loans, the highest level since 2018, and that this increase is heavily concentrated in some Member States; stresses that vulnerabilities are accumulating in some market segments, including in the real-estate sector; underlines that banks should keep sufficient capital and liquid assets on hand to cope with the economic repercussions of the Russian war;

21. Notes that reducing risks on banks' balance sheets would contribute to a more stable, strong and economic growth–oriented BU; considers that monitoring the reduction in NPLs should remain one of the supervisory priorities, in a balanced way that considers decapitalisation risks and consequences for debtors; calls for the co-legislators to continue developing an adequate framework to address this priority;

22. Notes the ECB review of its supervisory priorities for the next three years, which are (1) strengthening resilience to immediate macro-financial and geopolitical shocks, (2) addressing digitalisation challenges and strengthening management bodies' steering capabilities and (3) stepping up efforts to address climate change;

23. Notes that the banking sector's profitability has increased over the past year, reaching its highest level in 14 years, which attests to the improved competitiveness of EU banks; recognises the importance of using profits to build buffers, safeguard the stability of the financial system, as well as to finance the European economy;

24. Stresses that, on average, the top-five banks in the EU Member States hold 68 % of all banking assets in the market, exceeding 80 % in some cases, and that the EU's 37 largest banks account for 71.4 % of domestic banking total assets;

25. Believes that a well-diversified banking sector, including also small and local banks, as well as public and cooperative ones, offers a good solution for companies and households; underlines the systemic risks resulting from interconnections and complexity, underpinning the 'too big to fail problem' that motivated the significant work that EU institutions have done in this regard and calls for its continuation;

26. Notes that some banks' exposures to domestic sovereign debt remain high in conjunction with unprecedented public-financing needs since the COVID-19 crisis; recalls that one of the main objectives of the BU is to break the link between bank and sovereign risks, along with preserving financial stability and protecting taxpayers' money; takes note of the Basel Committee on Banking Supervision's work on sovereign risk; considers that a solution for the EU should be consistent with international standards;

27. Highlights that banks have a crucial role to play in the transition towards a sustainable economy and in ensuring that the EU is able to fulfil its environmental commitments; notes that such a transition requires significant investments; notes that SMEs should also be enabled to contribute to this transition; calls for consideration to be given to setting specific prudential requirements for activities associated with high ESG risks; notes that financial institutions continue to finance fossil fuel–related activities, despite the recognition that climate change poses a major threat to financial stability;

28. Recalls that, as part of its ‘strategy for financing the transition to a sustainable economy’, the Commission pledged to ‘take action to ensure the inclusion of relevant ESG factors in credit ratings’, and is following the upcoming legislative proposal on this with interest;

29. Stresses the link between AML and prudential risks; urges prudential supervisors to fully take into account AML risks in their supervisory activities and to coordinate with AML authorities and authorities countering the financing of terrorism; calls for the co-legislators to swiftly agree on the AML package, including the creation of a new AML authority, which must be properly resourced; highlights that the establishment of an AML authority is an unique opportunity to improve and simplify the coordination and exchange of information between prudential supervisors and AML authorities; considers that the procedure to establish the EU list of high-risk third countries should be enhanced, including by considering the involvement of the AML authority in the process, to protect the integrity of the EU financial sector; stresses that banks act as gatekeepers in the fight against money laundering and that they must therefore have robust risk-management frameworks in place and be supervised effectively;

30. Calls on the Commission to ensure that all existing AML rules are applied; takes note of the opening of infringement procedures against Member States that are not correctly applying AMLD V[13];

31. Reiterates that bank-like systemic risks can occur when credit intermediation takes place in an environment in which regulatory standards and supervisory oversight are looser than for regular banks; stresses the risks stemming from banks’ exposures to the shadow-banking sector; stresses the need to enhance the resilience of non-bank financial intermediaries, including by developing specific regulatory and supervisory tools to prevent a liquidity crisis; calls on the Commission to put forward relevant legislative proposals where appropriate;

32. Highlights the need for continued supervisory convergence between national competent authorities in order to ensure a level playing field among EU jurisdictions and within the single market, as this will ultimately help support financial stability at EU and national level;

33. Notes that crypto-assets create new challenges and opportunities within the financial system; welcomes therefore the adoption of the regulation on markets in crypto-assets and the regulation on the regulation on information accompanying transfers of funds and certain crypto-assets; highlights that recent market events underline the need to continue working on areas such as decentralised finance, crypto-lending activities, crypto conglomerates and non-fungible tokens; calls on the Commission to consider new legislative proposals as appropriate; welcomes the standard on prudential treatment of banks’ exposures to crypto-assets adopted by the Basel Committee on Banking Supervision on 16 December 2022 and calls for the co-legislators to consider addressing

[13] 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).

it as part of the current review of the Capital Requirements Regulation[14];

34. Points out the necessity of ensuring conformity between horizontal measures and financial market regulation, particularly with regard to cybersecurity and digital policies, to avoid duplication and bureaucratic burden;

35. Stresses that financial institutions that benefit from direct State aid measures should be subject to significant limitations on dividend distribution, share buy-backs and variable remuneration payments;

36. Notes the issues and challenges associated with the home-host issue; points out that greater market integration requires credible safeguards for host countries at EU level;

Resolution

37. Welcomes the activities of the SRB in 2022, including its management of the Sberbank collapse in the aftermath of the Russian war in Ukraine; welcomes the fact that banks under the SRB's remit have overall made good progress on resolvability and on building up their loss-absorption capacity;

38. Points out that, for resolution plans to be fully compliant with the legal requirements, they must include a comprehensive assessment of each bank's resolvability, including whether substantive impediments to resolvability exist and how those impediments can be removed; welcomes the publication of the resolvability heat map; calls on the SRB to further improve the transparency of its decisions;

39. Recalls that banks need to continue to meet their obligations and perform their key functions after the implementation of a resolution decision; is concerned by the liquidity challenge that a sizeable bank might face in the event of a resolution; calls for the EU institutions to agree on a solution that provides confidence and enhances predictability;

40. Takes note of the SRB's work programme for 2023; emphasises that the SRF should be fully filled up and that all banks should be fully resolvable by the end of 2023, including as a result of binding targets on minimum requirement for own funds and eligible liabilities; notes that further progress is needed by all banks;

41. Welcomes the Eurogroup agreement to introduce a backstop to the SRF in the form of a revolving credit line from the European Stability Mechanism (ESM); regrets that the agreement was not implemented in 2022 owing to delays in the ratification of the ESM Treaty; highlights the SRF's crucial role in preventing bank bailouts by taxpayers; stresses its importance in strengthening the crisis management framework; stresses that the SRF is a significant step towards completing the BU; calls for the full ratification of the Amending Agreement to the ESM Treaty by all Member States, including the establishment of a common backstop to the SRF;

42. Points out the need to address the loopholes identified in the crisis management

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[14] 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).

framework; asks that the public interest assessment be further specified and harmonised in a way that ensures a consistent and predictable application of resolution strategies; calls for greater harmonisation of the treatment of small and medium-size banks and emphasises that resolution tools available to the SRB must be accompanied by access to appropriate financial resources, excluding taxpayers' money; calls for a level playing field among different banking group structures and for the most appropriate resolution strategy, which ensures effective implementation of the chosen resolution strategy; stresses that the resolution framework and State aid rules should be consistent; stresses that the review of the Banking Communication[15] is long overdue, as it was issued before the entry into force of the Bank Recovery and Resolution Directive[16]; urges the Commission to revise the Banking Communication and align it with the outcome of the CMDI review to ensure consistency between both frameworks;

43. Regrets that the Commission failed to propose the legislative initiative on the CMDI framework within the timeframe it committed itself to in the 2021 Commission Work Programme; takes note of the Commission's proposal reviewing the CMDI framework; underlines the need for an ambitious and comprehensive review of the CMDI framework to make it more consistent, credible and effective; recalls that protecting taxpayers' money is one of the main objectives of the crisis management framework, that losses should primarily be borne by shareholders and creditors and that wherever external financing is still needed to implement resolution strategies effectively, such financing should come from industry-funded safety nets; stresses that a credible and well-functioning resolution system is of paramount importance to ensure financial stability in an uncertain macroeconomic context; considers that the CMDI review is a necessary step that may help to overcome hurdles to the establishment of an EDIS, in view of completing the BU;

44. Takes note of the appointment of a new SRB Chair and of a new Board member; points out the lack of gender balance across the SRB's management positions; urges the SRB to address this issue and ensure a more balanced representation of genders in its management positions;

45. Encourages the SRB to move towards further using transfer strategies in resolutions, building on existing best practices;

Deposit insurance

46. Regrets that the BU is still incomplete owing to the absence of an EDIS; notes that, thanks to the implementation of the Deposit Guarantee Schemes Directive, depositors' protection has been improved and harmonised; recognises that the EDIS would improve protection for depositors in the EU, wherever their bank is located; considers that the EDIS would provide an additional safeguard to host Member States and, along with the

[15] Communication from the Commission on the application, from 1 August 2013, of State aid rules to support measures in favour of banks in the context of the financial crisis (OJ C 216, 30.7.2013, p. 1).

[16] 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).

CMDI review, would therefore contribute to addressing home/host issues; recalls that Parliament has a mandate to negotiate on the EDIS and is ready to resume its work to complete it as soon as possible;

47. Highlights that, despite the implications of the COVID-19 pandemic and the war in Ukraine, the NPL ratio has decreased to 2.29 %; acknowledges the significant progress made on reducing risks in the banking sector; notes, on the other hand, the limited progress on risk sharing; calls for a fair risk-sharing mechanism through an EDIS, while continuing the risk reduction trend in all EU countries; emphasises the importance of continued risk reduction for the success of the BU;

48. Stresses the importance of risk proportionality for contributions to deposit guarantee schemes and to a future EDIS; calls for consideration to be given to the specificities of institutional protection schemes; warns that the absence of an incentive-compatible and risk-based approach may create risks of moral hazard, leading to the subsidisation of speculative business models by conservative ones;

49. Points out that any EDIS should take into account clear rules for the participation of non–euro area Member States;

50. Regrets that Member States continue to act outside the Community framework, undermining Parliament's role as co-legislator; asks to be kept informed about the ongoing discussions at the level of the Eurogroup and the High-Level Working Group on the EDIS;

51. Takes note of the Eurogroup statement of 16 June 2022 on the future of the BU; supports the calls by MEPs negotiating the EDIS proposal in their statement of 7 December 2022 for an ambitious review of the CMDI framework, which may help to overcome hurdles to the establishment of an EDIS, while recognising that the framework should not be considered a replacement for an EDIS and that the 2015 EDIS proposal should not be withdrawn; reiterates its urgent call on the Council to end the stalemate and to work constructively with Parliament to reach an agreement on an EDIS;

52. Acknowledges the different concepts for an EDIS; considers, nonetheless, that any short-term solution should not prevent the establishment of a fully fledged EDIS that enables loss sharing based on concrete criteria;

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53. Instructs its President to forward this resolution to the Council, the Commission, the European Central Bank, the European Banking Authority and the Single Resolution Board.

INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE

Date adopted	25.4.2023
Result of final vote	+: 38 –: 9 0: 1
Members present for the final vote	Anna-Michelle Asimakopoulou, Marek Belka, Stefan Berger, Gilles Boyer, Jonás Fernández, Frances Fitzgerald, Claude Gruffat, José Gusmão, Enikő Győri, Eero Heinäluoma, Michiel Hoogeveen, Danuta Maria Hübner, Stasys Jakeliūnas, France Jamet, Othmar Karas, Billy Kelleher, Ondřej Kovařík, Georgios Kyrtsos, Aurore Lalucq, Aušra Maldeikienė, Costas Mavrides, Csaba Molnár, Siegfried Mureşan, Caroline Nagtegaal, Dimitrios Papadimoulis, Evelyn Regner, Antonio Maria Rinaldi, Dorien Rookmaker, Alfred Sant, Joachim Schuster, Ralf Seekatz, Pedro Silva Pereira, Paul Tang, Ernest Urtasun, Inese Vaidere, Johan Van Overtveldt, Marco Zanni
Substitutes present for the final vote	Bas Eickhout, Eugen Jurzyca, Chris MacManus, Tonino Picula, Dragoş Pîslaru, Jessica Polfjärd, Erik Poulsen, René Repasi
Substitutes under Rule 209(7) present for the final vote	Margrete Auken, Maria Walsh, Juan Ignacio Zoido Álvarez

FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE

38	+
NI	Enikő Győri
PPE	Anna-Michelle Asimakopoulou, Stefan Berger, Frances Fitzgerald, Danuta Maria Hübner, Othmar Karas, Aušra Maldeikienė, Siegfried Mureşan, Jessica Polfjärd, Ralf Seekatz, Inese Vaidere, Maria Walsh, Juan Ignacio Zoido Álvarez
Renew	Gilles Boyer, Billy Kelleher, Ondřej Kovařík, Georgios Kyrtsos, Caroline Nagtegaal, Dragoş Pîslaru, Erik Poulsen
S&D	Marek Belka, Jonás Fernández, Eero Heinäluoma, Aurore Lalucq, Costas Mavrides, Csaba Molnár, Tonino Picula, Evelyn Regner, René Repasi, Alfred Sant, Joachim Schuster, Pedro Silva Pereira, Paul Tang
Verts/ALE	Margrete Auken, Bas Eickhout, Claude Gruffat, Stasys Jakeliūnas, Ernest Urtasun

9	-
ECR	Michiel Hoogeveen, Eugen Jurzyca, Dorien Rookmaker, Johan Van Overtveldt
ID	France Jamet, Antonio Maria Rinaldi, Marco Zanni
The Left	José Gusmão, Chris MacManus

1	0
The Left	Dimitrios Papadimoulis

Key to symbols:
+ : in favour
- : against
0 : abstention