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Europski parlament Parlamento europeo Eiropas Parlaments Europos Parlamentas Európai Parlament
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BANKING UNION

The Banking Union is based on a proposal that the European Commission presented in 2012, a few years after the severe financial crisis had started to unfold in the EU. The key innovation was to transfer responsibility for the day-to-day supervision of the largest banks in the euro area from national to European level. From then on, the European Central Bank (ECB) was put in charge of both monetary policy and supervisory tasks, even though it needed to keep them strictly separate. Another institution – the Single Resolution Board (SRB) – was set up at European level to deal with the failure of large banks. A third element, a European deposit insurance scheme, has often been called for, including by the European Parliament, but has so far not been put in place.

LEGAL BASIS

Articles 114 and 127(6) of the Treaty on the Functioning of the European Union (TFEU).

OBJECTIVES

The Banking Union (BU) is an essential complement to the Economic and Monetary Union (EMU) and the internal market. It aligns responsibility for supervision and crisis management at EU level. This adds unified enforcement in the euro area of the single rulebook that applies to EU banks. In particular, the Banking Union seeks to ensure that banks take measured risks and that failing banks can be resolved in an orderly manner, with as little impact as possible on the real economy and public finances of the participating EU countries.

ACHIEVEMENTS

A. Roadmap for Banking Union

In December 2012, the President of the European Council, in close collaboration with the Presidents of the European Commission, the European Central Bank (ECB) and the Eurogroup, drew up a specific and time-bound roadmap for the achievement of a genuine EMU. One of the vital parts of this roadmap was the creation of a more integrated financial framework, i.e. the BU.

B. Agreement on the SSM

In March 2013, Parliament and the Council reached a political agreement to establish the first pillar of the BU, the Single Supervisory Mechanism (SSM), covering all banks in the euro area. Non-euro area Member States may opt in to the SSM. Operational



since November 2014, the SSM has been placed within the ECB and is responsible for the direct supervision of the largest and most significant banking groups, while national supervisors continue to supervise all other banks, under the coordination and ultimate responsibility of the ECB. The criteria for determining whether banks are considered significant – and therefore fall under the ECB's direct supervision – are set out in the SSM Regulation and the SSM Framework Regulation, and relate to a bank's size, economic importance, cross-border activities and need for direct public support. In line with the development of these criteria, the actual number of banks directly supervised by the ECB changes over time; the ECB can moreover decide at any time to classify a bank as significant if that is necessary to ensure that high supervisory standards are consistently applied.

In order to avoid a potential conflict of interests, clear rules govern the organisational and operational separation of the ECB's roles in the areas of supervision and of monetary policy.

C. Comprehensive Assessment

Prior to assuming its supervisory responsibilities, the ECB conducted a 'financial health check' called the Comprehensive Assessment, which consisted of an asset quality review and a stress test. The aim of that exercise was to achieve greater transparency in the banks' balance sheets in order to ensure a reliable starting point. The results, published in October 2014, showed that 25 out of 130 participating banks had capital shortfalls.

All banks subsequently underwent a similar kind of 'financial health check' when they first came under direct supervision; following Bulgaria's request to establish close cooperation between the ECB and the Bulgarian National Bank, for example, the ECB carried out a comprehensive assessment of six Bulgarian banks, with the results published in July 2019.

From 2014 until 2022, the comprehensive assessment's two parts (asset quality review and stress test) were carried out in tandem. The results were then combined and published at the same time. In 2022, however, the ECB decided to split the comprehensive assessment and to henceforth conduct the two parts as independent exercises and to publish the results independently.

D. SRB/SRM

In March 2014, Parliament and the Council reached a political agreement to establish the second pillar of the Banking Union, the Single Resolution Mechanism (SRM). The main objective of the SRM is to ensure that bank failures in the Banking Union are managed efficiently, with minimal costs to taxpayers and the real economy. When action is needed, a central authority – the Single Resolution Board (SRB) – will take charge of the decision to initiate the resolution of a bank, while from an operational point of view, the decision will be implemented in cooperation with national resolution authorities. The SRB started its work as an independent EU agency in January 2015, and became fully operational in January 2016.

In June 2017, the SRB adopted its first resolution decision in the case of Banco Popular. The SRB, however, decided not to take resolution action in June 2017 as regards Banca



Popolare di Vicenza and Veneto Banca, in February 2018 as regards ABLV Bank AS and its subsidiary ABLV Bank Luxembourg S.A., and in August 2019 as regards AS PNB Banka.

These banks became subject to national insolvency proceedings instead. In March 2022, the SRB took several decisions concerning the failure of the Sberbank Europe AG, a banking group whose parts were later partially liquidated and partially taken over by other banks (further information [here](#)).

E. CRD/CRR

Minimum capital requirements define how much capital a bank must hold to be considered safe to operate and able to deal with operational losses on its own. The financial crisis demonstrated that previous regulatory minimum capital requirements were actually too low in a major crisis. It was therefore agreed at international level to increase the respective minimum thresholds (Basel III standards). In April 2013, Parliament and the Council adopted two legal acts that transpose the prudential capital requirements for banks into European law, the [fourth Capital Requirements Directive \(CRD\)](#) and the [Capital Requirements Regulation \(CRR\)](#). The CRD and CRR entered into force in January 2014.

The level playing field inside the single market is strengthened by a Single Rule Book applicable to all banks in the EU, as the bulk of technical rules that banks have to fulfil take the form of directly applicable regulations, avoiding the frictions that can result from the implementation of directives in national laws. Moreover, in the legal acts that were adopted by Parliament and the Council, some technical details still needed to be finalised. The Commission was therefore empowered to draft complementing legislative acts (so-called level-2 measures) that specify the missing technical details.

In November 2016, the Commission presented a comprehensive package of reforms to amend the rules set out in the CRD and the CRR. Within Parliament, the two legislative proposals amending the CRD and CRR were negotiated in parallel. Parliament's Committee on Economic and Monetary Affairs adopted its full report on the amending proposals in June 2018. In June 2019, the amended Capital Requirements Directive (CRD V) and Capital Requirements Regulation (CRR II) were published in the Official Journal of the European Union.

F. EDIS

In November 2015, the Commission presented a [legislative proposal](#) that aimed to add another element to the Banking Union, namely the European Deposit Insurance Scheme (EDIS). The Commission's initial proposal built on existing national deposit guarantee schemes and recommended a gradual introduction of EDIS. It conceived the proposal as cost-neutral overall for the banking sector (though riskier banks were meant to pay higher contributions than safer banks), and suggested complementary safeguards and measures to reduce banking risks.

The European Parliament's rapporteur published her [draft report](#) on EDIS in November 2016. Subsequent discussions in Parliament and the Council revealed divergent positions as regards the design of the system at its final stage. In order to facilitate progress, the Commission published an [additional communication](#) in



October 2017, proposing some options for the design of EDIS. In December 2020, the three EU institutions agreed on the legislative priorities for 2021, including EDIS, in the related [working document](#).

Despite repeated attempts, the issue of the diverging positions on the file have not been resolved, which means that the legislative process remains at a standstill.

G. CMDI reform

While many would agree that the transfer of the responsibility for the day-to-day supervision of the largest banks in the euro area from national to European level has worked well overall, the jury is still out on the suitability of the current bank resolution framework.

In view of the experience that the failure of some medium-sized and smaller banks have been dealt with outside the resolution framework, sometimes involving taxpayers' money instead of the resources intended for that purpose (banks' internal resources or industry-funded safety nets such as the Single Resolution Fund), the European Commission proposed several changes to the legal framework, subsumed under the label crisis management and deposit insurance reform (CMDI) (more information [here](#)). At the time of writing, this legislative package is being discussed by the European Parliament and the Council.

ROLE OF THE EUROPEAN PARLIAMENT

As a response to the roadmap on a genuine EMU, Parliament adopted a resolution entitled 'Towards a genuine Economic and Monetary Union' on 20 November 2012, with recommendations to the Commission to establish a real Banking Union. By adopting and introducing important amendments to the legislative acts on the SSM, SRM, DGS, BRRD and CRD IV in 2013 and 2014, Parliament contributed significantly to establishing a real Banking Union.

These legislative acts give Parliament a role in the scrutiny of the newly established institutions. The ECB is, in its supervisory role (i.e. in the SSM), accountable to Parliament and to the Council. Details of its accountability towards Parliament are laid down in an [Interinstitutional Agreement \(IIA\)](#) between Parliament and the ECB.

So far, 26 [public hearings of the Chair of the SSM](#) have taken place in the Committee on Economic and Monetary Affairs, i.e. in [March 2014](#), [November 2014](#), [March 2015](#), [October 2015](#), [March 2016](#), [June 2016](#), [November 2016](#), [March 2017](#), [June 2017](#), [November 2017](#), [March 2018](#), [June 2018](#), [November 2018](#), [March 2019](#), [September 2019](#), [December 2019](#), [May 2020](#), [October 2020](#), [March 2021](#), [July 2021](#), [October 2021](#), [March 2022](#), [June 2022](#), [December 2022](#), [March 2023](#) and [June 2023](#).

The same procedure applies to the Single Resolution Board, whose Chair participates at least once every calendar year in a hearing of the competent committee of Parliament on the execution of the resolution tasks by the Board. So far, 23 [public hearings of the SRB](#) have taken place in the Committee on Economic and Monetary Affairs, i.e. in [June 2015](#), [January 2016](#), [July 2016](#), [December 2016](#), [March 2017](#), [July 2017](#), [December 2017](#), [March 2018](#), [July 2018](#), [December 2018](#), [April 2019](#), [July 2019](#),



[December 2019](#), [May 2020](#), [October 2020](#), [March 2021](#), [July 2021](#), [December 2021](#), [March 2022](#), [July 2022](#), [November 2022](#), [March 2023](#) and [July 2023](#).

Details of the SRB's accountability towards Parliament and related practical modalities are laid down in an [Interinstitutional Agreement](#) between Parliament and the SRB that was published on 24 December 2015.

For more information on this topic, please see the website of the Committee on Economic and Monetary Affairs ([here](#)).

Marcel Magnus
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