



TEXTS ADOPTED

P9_TA(2024)0012

Banking Union - annual report 2023

European Parliament resolution of 16 January 2024 on Banking Union - annual report 2023 (2023/2078(INI))

The European Parliament,

- having regard to its resolution of 11 July 2023 entitled ‘Banking Union - annual report 2022’¹,
- having regard to the Commission’s follow-up to Parliament’s resolution of 11 July 2023 entitled ‘Banking Union - annual report 2022’,
- having regard to the European Central Bank’s ‘Feedback on the input provided by the European Parliament as part of its resolution on Banking Union 2022’ published on 20 October 2023,
- having regard to the 2022 Annual Report by the European Central Bank (ECB) on supervisory activities of 21 March 2023,
- having regard to the 2022 Annual Report by the Single Resolution Board (SRB) of 30 June 2023,
- 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 Commission’s proposal of 14 March 2018 for a Directive of the European Parliament and of the Council on credit servicers, credit purchasers and the recovery of collateral (AECE) (COM(2018)0135),
- having regard to the Council’s press release of 7 December 2022 entitled ‘Anti-money laundering: Council agrees its position on a strengthened rulebook’,

¹ Texts adopted, P9_TA(2023)0270.

- having regard to the Council's press release of 27 June 2023 entitled 'Banking sector: Provisional agreement reached on the implementation of Basel III reforms',
- having regard to the Commission's proposal of 18 April 2023 for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 806/2014 as regards early intervention measures, conditions for resolution and funding of resolution action (COM(2023)0226),
- having regard to the Commission's proposal of 18 April 2023 for a Directive of the European Parliament and of the Council amending Directive 2014/59/EU as regards early intervention measures, conditions for resolution and financing of resolution action (COM(2023)0227),
- having regard to the Commission's proposal of 18 April 2023 for a Directive of the European Parliament and of the Council amending Directive 2014/49/EU as regards the scope of deposit protection, use of deposit guarantee schemes funds, cross-border cooperation, and transparency (COM(2023)0228),
- having regard to the Five Presidents' Report of 22 June 2015 entitled 'Completing Europe's Economic and Monetary Union',
- having regard to the Eurogroup statement of 16 June 2022 on the future of the Banking Union,
- having regard to the standards of the Basel Committee on Banking Supervision on the prudential treatment of cryptoasset exposures, published on 16 December 2022,
- having regard to the Commission's 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 ECB recommendation of 15 December 2020 on dividend distributions during the COVID-19 pandemic,
- having regard to the ECB Occasional Paper Series 'The Road to Paris: stress testing the transition towards a net-zero economy',
- having regard to the outcome of the 2023 EU-wide transparency exercise of the European Banking Authority (EBA), published on 28 July 2023,
- having regard to the EBA report on the role of environmental and social risks in the prudential framework,
- having regard to the ECB document of May 2023 entitled 'Financial Stability Review',

- having regard to the ECB's report of 12 December 2022 on its supervisory priorities for 2023-25,
- having regard to the report of the European Court of Auditors of 12 May 2023 entitled 'Special report 12/2023: EU supervision of banks' credit risk – The ECB stepped up its efforts but more is needed to increase assurance that credit risk is properly managed and covered',
- having regard to the statements by Andrea Enria, Chair of the Supervisory Board of the ECB, at the hearings of Parliament's Committee on Economic and Monetary Affairs on 21 March 2023 and on 28 June 2023,
- having regard to the statements at the public hearing of the Committee on Economic and Monetary Affairs with the candidate proposed for the Chair of the Supervisory Board of the ECB on 20 September 2023,
- having regard to the statements of Dominique Laboureix, Chair of the SRB, at the hearings of Parliament's Committee on Economic and Monetary Affairs on 1 March 2023 and on 18 July 2023,
- having regard to the SRB Bi-annual reporting note to the Eurogroup of 15 May 2023,
- 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 Memorandum of Understanding dated 27 June 2023 establishing a framework for financial services regulatory cooperation between the European Union and the United Kingdom of Great Britain and Northern Ireland,
- having regard to the declaration of 7 December 2022 signed by the Chair of Parliament's Committee on Economic and Monetary Affairs and agreed on by the coordinators for six Parliament political groups (European People's Party, Progressive Alliance of Socialists and Democrats, Renew Europe, Greens/European Free Alliance, European Conservatives and Reformists and The Left) on the European deposit insurance scheme,
- having regard to its resolution of 25 March 2021 on strengthening the international role of the euro¹,

¹ OJ C 494, 8.12.2021, p. 118.

- having regard to its resolution of 14 March 2019 on gender balance in EU economic and monetary affairs nominations¹,
 - having regard to Rule 54 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs (A9-0431/2023),
- A. whereas the Banking Union (BU), which currently encompasses the Single Supervisory Mechanism, the Single Resolution Mechanism, and a single rule book as its foundation, is an integral part of the Union's financial stability, and guarantees a high minimum standard in the area of deposit protection in the absence of a European deposit insurance scheme (EDIS);
 - B. whereas addressing the risks arising from the problem of the overly concentrated sovereign-bank nexus would offer crucial additional stability and security for the European banking system and the customers that use it;
 - C. whereas a fully developed BU would be a positive development for citizens and the EU economy, providing the basis for a more stable banking system, reduction of systemic risk, enhanced competition, improved consumer choice and protection, increased opportunities for cross-border banking and access to retail financial services, greater economic investment, better access to funding for households and businesses, and lower costs for banks' customers, while ensuring that public funds are not used to bail out the banking sector;
 - D. whereas EU banks have withstood the impact of Russian aggression; whereas they play a pivotal role in ensuring the ongoing implementation of and compliance with the sanctions imposed by the EU against Russia in response to the invasion; whereas further coordination is needed to avoid circumvention of sanctions;
 - E. whereas climate change, environmental degradation and the transition to a low-carbon economy are factors to be taken into account when assessing the sustainability of banks' balance sheets, as a source of risk potentially impacting investments across regions and sectors;
 - F. whereas agreement on an EDIS has not yet been achieved; whereas, following calls from Parliament, the Commission proposed a reform of the crisis management and deposit insurance (CMDI) framework, while recognising that this framework should not be considered as a replacement for an EDIS;

¹ OJ C 23, 21.1.2021, p. 105.

- G. whereas although a political agreement was reached in 2020 on the creation of a backstop to the Single Resolution Fund (SRF), that backstop is still missing; whereas, according to the latest available data, 16 of 36 deposit guarantee schemes in the EU were below their required (minimum) funding level;
- H. whereas the lack of cross-border consolidation of the EU banking sector is affecting its global competitiveness and consumer banking in some Member States is still dominated by a small number of banks; whereas the profitability gap between EU and US banks has widened during the last decade and EU banks' return on equity is 5 points lower than that of US banks¹;
- I. whereas the EU banking sector has shown rising profitability, partly due to higher interest rates and as a result of increased ECB deposits; whereas the rise in interest rates has also led to a deterioration of the balance sheet of certain banks due to unrealised capital losses;
- J. whereas a strong, stable, resilient, dynamic and competitive banking sector is vital for delivering economic growth, for financing small and medium-sized enterprises (SMEs) and start-ups, for increasing the possibility of homeownership, and for the urgent transition to a green and digital economy;
- K. whereas the banking sector faces risks following the pandemic and the invasion, particularly in relation to asset quality deterioration; whereas although the non-performing loan (NPL) ratio decreased to 2,24 % in the first quarter of 2023, and has steadily declined since the end of the Great Recession, further reduction is needed;
- L. whereas EU legislators negotiated rules to implement Basel III standards in a way that preserves banks' competitiveness and takes into account the specificities of the EU banking sector;
- M. whereas the digitalisation of finance provides important opportunities for the banking sector and 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 it also poses challenges, including with regard to data protection, reputational risks, anti-money laundering (AML), and consumer protection concerns;
- N. whereas financial institutions rely increasingly on the use of information and communications technology (ICT); whereas the EU

¹ De Vito, L. et al., [*Understanding the profitability gap between euro area and US global systemically important banks*](#), ECB Occasional Paper Series 327, 2023.

banking sector must increase its cyber resilience to ensure that ICT systems can withstand various types of cyber security threats;

- O. whereas the level of sovereign exposure has been growing in a number of banks; whereas the risks arising from the problem of the overly concentrated sovereign-bank nexus need to be addressed;
- P. whereas the Banking Union should help to address the bank-sovereign nexus or doom loop, 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;
- Q. whereas interest rate hikes have had a negative impact on the borrowing capacity of households and the capacity of borrowers to repay debt and make EU banks vulnerable to potential losses in the future; whereas risks stemming from interest rate hikes have been so far properly addressed;
- R. whereas the completion of the Capital Markets Union (CMU) requires the establishment of common rules and effective tools to reduce internal market fragmentation and facilitate access to alternative financing;
- S. whereas the EU and the UK have signed a Memorandum of Understanding on Financial Services Regulatory Cooperation, and this cooperative approach should underpin long-term EU-UK relations particularly in the area of banking; whereas the Commission has again extended its temporary permit allowing EU banks and fund managers to use UK clearing houses;

General considerations

1. Condemns the Russian aggression against Ukraine and its impact on the Ukrainian people, on the EU and elsewhere; calls on banks to continue adapting their strategic decisions to the new European and international context resulting from this circumstance, to address systemic risk, and to continue implementing and complying with the financial sanctions adopted in response to Russia's invasion of Ukraine;
2. Recalls that, while Member States are responsible for identifying breaches of EU sanctions, the banking sector plays a key role in the implementation of sanctions and in monitoring compliance; calls on the Commission to create a database at EU level to foster coordination among banks, close loopholes in Member States' implementation of sanctions and assess how EU banks implement sanctions; takes note of Parliament's position on the anti-money laundering authority regulation (AMLA) proposal, which tasks the new Authority with supporting a consistent application of the EU targeted financial sanctions;

3. Notes that total direct banking sector exposures to Russia and Ukraine are limited as banks are currently reducing their exposures, and calls on supervisory institutions and the ECB Banking Supervision to help the remaining EU banks operating in Russia to make an orderly exit from the Russian market;
4. Highlights that the Banking Union remains an essential complement to the Economic and Monetary Union (EMU) and therefore the internal market; recalls that key goals of the Banking Union are the security of the banking system, depositor protection and the prevention of bank bailouts by taxpayers; acknowledges the progress made over the last 15 years through the establishment of the Single Supervisory Mechanism (SSM) and Single Resolution Mechanism (SRM), and that EU banks are now in a better position to withstand financial shocks; calls for the completion of the Banking Union, and notes that its third pillar, EDIS, is still pending;
5. Asks the Commission to retain the completion of the Banking Union and the Capital Markets Union as key priorities for the remainder of its current mandate and for its next mandate; highlights that both projects:
 - offer households and SMEs, which are still largely reliant on bank credit, broader access to funding,
 - foster investments and job creation,
 - support the European economy,
 - increase financial stability,
 - reduce the impact of economic downturns,
 - fund the digital transition and the transition to a sustainable economy, and
 - unlock the EU's growth potential;
6. Takes note of the EBA's statement of 13 July 2023 stating that the EU/EEA banking sector shows rising profitability, but asset quality and profitability related risks are looming; takes note of recent short-term increases in the profitability of EU banks (annualised return on equity rose to 10,04 % in the second quarter of 2023, while in the same period of 2022 it was 7,59 %, reaching its highest level in 14 years¹), but warns that these need to be sustainable to ensure long-term competitiveness;

¹ ECB, [*Supervisory Banking Statistics for significant institutions. Second quarter 2023*](#). October 2023.

7. Encourages the use of profits to build buffers, thus safeguarding the stability of the financial system, and to finance the European economy; notes that the temporary suspension of dividend distribution and share buy-backs was effective in safeguarding banks' resilience during the COVID-19 crisis;
8. Notes that the Q2 Euro Area Bank Lending Survey of 2023 showed that banks further tightened their credit standards for loans to firms and households for house purchases due to higher risk perceptions, lower risk tolerance and increased funding costs, and that banks also tightened lending conditions amid higher levels of concern about non-performing loans¹; recalls the key role of the EU banking sector in financing the recovery of the EU economy and considers that the recovery will also depend on banks having sufficient capital to provide credit, particularly as public support measures in Member States are gradually removed;
9. Calls on the Commission to assess impediments to cross-border mergers as well as potential incentives for ring fencing; takes note that, according to a public statement by Andrea Enria, Chair of the ECB Supervisory Board, the banking sector is still, by and large, a collection of national banking sectors; notes that a more integrated EU banking sector could enhance banks' ability to undertake strategic investments and foster the development of EU capital markets, while acknowledging that the diversity of banking business models in the euro area enhances the resilience of the financial system; notes the risks that 'too big to fail' institutions could entail, and notes that financial stability could be increased by a reform of EU G-SIBs that addresses moral hazard risks highlights that cross-border consolidation without excessive concentration could increase the profitability of the EU banking sector, and potentially improve the current situation of reduced services offered and increased costs for citizens in many Member States;
10. Notes that retail banking services in certain Member States remain dominated by a small number of banks and the consequential reduction of consumer choice for retail banking customers; considers that an integrated Banking Union must be contingent on a well-functioning single market for retail financial services; regrets the remaining barriers to cross-border retail banking services and calls on the Commission to assess the obstacles and barriers that arise for consumers when availing themselves of retail banking products; emphasises the potential for an integrated Banking Union to improve competition and consumer choice in the area of retail banking, including through improved opportunities for the provision of cross-border retail banking services; stresses the benefits of a diversified and competitive banking sector in the EU;

¹ ECB, [Euro area bank lending survey](#).

11. 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 improve consumer choice and competition and 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;
12. Highlights the role of the banking sector in supporting the transition to a digitalised and carbon neutral economy, in channelling funds to renewable energy sources and in supporting the achievement of the objectives of the EU Green Deal and the EU Climate Law¹; takes note of EU banks continuing to reduce their exposure to energy intensive and fossil fuel corporates, and takes note of the various factors impacting financial stability, including fossil fuel asset values; awaits the publication of the EBA reports on the crucial issues of the riskiness of institutions' exposures to ESG assets and the potential effects of an adjusted prudential treatment of these exposures, to be published by the end of 2024 and 2025;
13. Regrets the failure of financial institutions to ensure gender-balance, especially in their management bodies; 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; calls on supervisory authorities to make use of their supervisory powers to address the lack of diversity and gender-balance in the management bodies of financial institutions;
14. Regrets the lack of gender balance in the ECB Governing Council, its Supervisory Board and the SRB Board; calls on actors to ensure that future appointments close the gap; recalls Parliament's resolution of 14 March 2019 aiming to secure gender balance in the forthcoming list of candidates for EU economic and monetary affairs nominations and reiterates its commitment not to take into account lists of candidates where the gender balance principle has not been respected;
15. Regrets that, as part of the selection procedure for the Chair of the ECB Supervisory Board, the ECB disregarded the feedback from Parliament; urges the ECB to duly take into account Parliament's opinion in the upcoming selection procedures;
16. Notes that banks' exposures to domestic sovereign debt remain high in the Banking Union; recalls that one of the main objectives of the

¹ Regulation (EU) 2021/1119 of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 (OJ L 243, 9.7.2021, p. 1).

Banking Union is to break the link between bank and sovereign risks; emphasises that the issue of regulatory treatment of sovereign exposures requires an in-depth examination within international forums and should be consistent with international standards, and calls on the Commission to take that into account when addressing this issue in any future proposals; shares the EBA's concern that sovereign exposures are material for EU banks and could become a source of potential vulnerability¹;

17. 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;

Supervision

18. Notes that the Common Equity Tier 1 ratio increased in the second quarter of 2023 to 15,72 % (up from 14,96 % in the second quarter of 2022); regrets that the liquidity coverage ratio fell to 158,00 % in the second quarter of 2023 (down from 164,36 % in the second quarter of 2022)²;
19. Notes that the NPL ratio decreased further, and calls for a further reduction; recalls that risk reduction in the banking sector would contribute to a more stable, stronger and economic-growth-oriented Banking Union; calls on supervisors to also monitor the development of stage 2 loans; notes the lack of progress on the AECE Directive proposal, which intends to provide banks, under certain conditions, with a mechanism to accelerate the value recovery from secured loans via extrajudicial enforcement of procedures, in order to further develop secondary markets for NPLs; highlights that the Directive on credit servicers and credit purchasers³ has made the secondary market for NPLs more efficient, while establishing high safeguards for debtors; underlines that the sale of an NPL represents a second best solution compared to returning the credit to performing status;
20. Takes note of a deteriorating macroeconomic situation; points out that EU banks should prepare for a potential deterioration in asset quality; therefore highlights the importance of prudent risk management and appropriate provisioning; invites the Commission

¹ EBA, [Risk Assessment of the European Banking System](#), December 2022.

² ECB, [Supervisory Banking Statistics for significant institutions. Second quarter 2023](#), October 2023.

³ Directive (EU) 2021/2167 of 24 November 2021 on credit servicers and credit purchasers and amending Directives 2008/48/EC and 2014/17/EU (OJ L 438, 8.12.2021, p. 1).

as well as national and EU supervisory authorities to prepare for a potential deterioration in asset quality;

21. Notes that the latest round of bank failures in the US and Switzerland has shown the vulnerabilities of the financial system, particularly in those countries; highlights that, against this backdrop, the capital and liquidity situation of EU banks has continued to remain solid, thereby demonstrating the resilience of the EU banking sector; underlines that EU and national supervisors addressed those risks and welcomes the results of the 2023 EU-wide stress test and the fact that EU banks could withstand an economic downturn;
22. Calls on supervisors to continue assessing banks' exposures to interest rate risks stemming from further changes in interest rate levels; notes that the exposure of banks to interest rate risk depends on their asset structure and business model, and awaits the Commission's assessment of the regulatory framework for banks; is concerned about the significant level of sovereign debt on the balance sheets of banks in the Banking Union; emphasises that the issue of regulatory treatment of sovereign exposures requires an in-depth examination within international forums and should be consistent with international standards; recalls that one of the main objectives of the Banking Union is to break the link between bank and sovereign risks;
23. Recalls that the ECB's 'Financial Stability Review 2023' emphasises the importance of taking into account the deterioration of bank balance sheets associated with rising interest rates and emphasises that macro-prudential authorities will need to gradually strengthen capital and/or borrower-related measures;
24. Calls for further harmonisation of the EU regulatory framework, where appropriate, promoting convergence between national authorities and using the supervisory dialogue to assess the evolution of threats to the banking sector;
25. Welcomes the agreement reached at interinstitutional level to implement Basel III standards in the EU; underlines that the framework will deliver different levels of increase in prudential requirements depending on banks' reliance on the use of internal models to calculate their risk-weights; highlights that the new rules have strengthened and better specified proportionality in banking supervision and will continue to increase financial stability in the EU; underlines the importance of a level playing field between jurisdictions;

26. Takes note of the views expressed by the EBA and the ECB regarding the deviations from the international agreement introduced in the Capital Requirements Regulation¹;
27. Stresses that crypto-assets create new opportunities and challenges for banks; notes that the implementation of the Basel standards for crypto-assets is still pending; welcomes the transitional regime already included in the current review of the Capital Requirements Directive² and the Capital Requirements Regulation; awaits the Commission's legislative proposal by 30 June 2025 to introduce dedicated prudential treatment for exposures to crypto assets, taking into account the Basel standards;
28. Notes that the non-bank financial intermediary sector is continuing to grow; stresses the need to enhance the resilience of non-bank financial intermediaries and establish a level playing field with the banking sector, including by designing specific regulatory and supervisory tools to prevent a liquidity crisis; welcomes the IMF's World Financial Stability Report, published in April 2023, which identifies possible sources of risk to the financial sector: warns that the interconnection of non-bank financial institutions (NBFI) with banks increases the risk of transferring difficulties from one to the other;
29. Highlights the importance of combining further integration with adequate safeguards addressing the home-host issue in a proportionate and credible manner;
30. Takes note of the inclusion of climate-and nature-related financial risks in the ECB's supervisory priorities for the coming years; welcomes, among other things, the ECB's second economy-wide climate stress test in September 2023; takes note of the conclusions of the ECB's Occasional Paper Series No. 328 on 'The Road to Paris: stress testing the transition towards a net-zero economy' as it claims that the best way to achieve a net-zero economy for firms, households and banks in the euro area is to accelerate the green transition to a rate that is faster than under current policies; notes that the ECB takes into account climate- and nature-related financial risks in its supervisory practices and monitors growing physical and transition risks closely;

¹ Regulation (EU) No 575/2013 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).

² Directive 2013/36/EU of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

31. Takes note of the Commission's proposal on transparency, comparability and quality of ESG ratings; notes that the EBA recommends that external credit assessments integrate environmental and/or social factors as drivers of credit risk whenever relevant;

Resolution

32. Welcomes the SRB's approaches to deepening resolvability assessments by developing quality control measures for resolution plans and assessing whether these plans can be implemented at short notice; 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, including changes to a bank's structure and organisation if necessary;
33. Welcomes that overall banks under the SRB's remit have delivered good progress towards resolvability and in building up loss-absorbing capacity; expects this positive trend to continue recalls that achieving resolvability for all institutions should not be a 'moving target' and that all banks should be fully resolvable by the end of 2023; notes that further progress is needed for all banks;
34. Welcomes the new SRB Chair's decision to undertake a comprehensive strategic review and deliver a new action plan; calls on the SRB to further improve the transparency of its decisions;
35. Underlines the importance of protecting creditor hierarchy in bank resolution and insolvency procedures; welcomes the statement by the ECB banking supervision, SRB and EBA underlining that in the EU, common equity instruments shall absorb losses and Additional Tier 1 could only be written down if the former have been fully used; recalls the need, as expressed by the SRB Chair, to fully and entirely respect the write-down hierarchy in the event of bank failure;
36. Notes that fossil fuels are the main contributor to accelerating climate change, and that many fossil fuel assets will need to be abandoned before the end of their economic life, losing all of their value and becoming stranded assets;
37. Notes the proposal to reform the CMDI framework following calls by Parliament; calls for the scope of resolution to be expanded, for the public interest assessment to be clarified, for taxpayers to be insulated from the cost of bank failures and for the scope of State aid to be limited, as well as for the mitigation of any measures which could create excessive moral hazard; calls for a rapid and effective adoption of the CMDI review;

38. Notes that a failing bank is only sent into resolution when it cannot go through normal insolvency proceedings without harming the public interest or causing financial instability; notes also that proposals for future reform include giving small and medium-size banks with a positive public interest assessment access to the EU-level resolution framework provided that they comply with the conditions for accessing the Single Resolution Fund;
39. Highlights the role of the SRB and industry-funded safety nets in protecting taxpayers from paying for bailouts; believes that contributions to industry-funded safety nets must always be calculated in proportion to the risk that the institution represents; regrets that despite the political agreement in November 2020 on an early introduction, the backstop to the Single Resolution Fund (SRF), consisting of a credit line from the European Stability Mechanism (ESM), has not entered into application yet due to the delays in the ratification process of the Amending Agreement to the ESM Treaty; stresses the importance of the SRF for ensuring a robust and credible crisis management framework; 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;
40. Recalls that banks need to continue to meet their obligations and perform their key functions after the implementation of a resolution decision; is concerned that banks might face liquidity stress in resolution immediately after regaining market access; calls for the EU institutions to agree on a solution that provides confidence and enhances predictability;

Deposit insurance

41. Supports calls by the European Parliament EDIS negotiating team, together with the coordinators and the Chair of the ECON Committee in the statement of 7 December 2022 for an ambitious review of the CMDI framework which may help to overcome hurdles to the establishment of EDIS and for negotiations on EDIS to be resumed; concurs with the ECB's call for the resumption of work to establish EDIS;
42. Welcomes the legislative work at parliamentary level on the EDIS proposal that has taken place since the December 2022 statement of the Parliament's EDIS negotiating team; reiterates Parliament's commitment to working towards an agreement on an EDIS; calls for the co-legislators to work towards the establishment of an EDIS that is realistic, credible, and solid;
43. Welcomes the Commission's efforts to clarify the scope of depositor protection and enhance convergence through a reform of Directive 2014/49/EU on deposit guarantee schemes as part of the CMDI

review¹; underlines that although the CMDI review cannot be considered a replacement for EDIS, a more harmonised framework may help to overcome hurdles to the establishment of EDIS; stresses the importance of the risk proportionality of contributions to deposit guarantee schemes;

44. Underlines the need for a fully fledged EDIS with risk-based contributions that enables loss sharing; calls for a targeted assessment of bank asset quality; recommends starting by pooling liquidity and gradually building up an EU fund;
45. Calls for institutional protection schemes to be taken into account under any EDIS, in particular their risk-mitigating effect, while preserving the level playing field within the Single Market;
46. Recalls that one of the main objectives of the Banking Union is to break the link between bank and sovereign risks; notes that banks' exposures to domestic sovereign debt remain high in the Banking Union; shares the EBA's concern that sovereign exposures are material for EU banks and could become a source of potential vulnerability; emphasises that the issue of regulatory treatment of sovereign exposures must be consistent with international standards, and calls on the Commission to take this into account when addressing in any future proposals on this issue;
47. Welcomes the significant progress in risk reduction that has been made since 2015; notes, on the other hand, the limited progress on risk sharing; notes, however, that appropriate and effective risk reduction is necessary for the success of the Banking Union;

◦

◦ ◦

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

¹ OJ L 173, 12.6.2014, p. 149.