European Commission

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Banking Union: Making our financial system even stronger

May 2019

TOWARDS A MORE UNITED, STRONGER AND MORE DEMOCRATIC UNION

'A continuing priority is to finish fixing the problems of our banking sector and to boost private investment. I have been a strong supporter of the development of stricter controls on banks through a Single Supervisory Mechanism and a Single Resolution Mechanism with a Single Resolution Fund that will be built up progressively. My Commission will be active and vigilant in ensuring that we implement the new supervisory and resolution rules fully, making European banks more robust so that they can get back to lending to the real economy.'

Then Candidate for European Commission President, Jean-Claude Juncker, Political Guidelines for the next Commission, **15 July 2014**

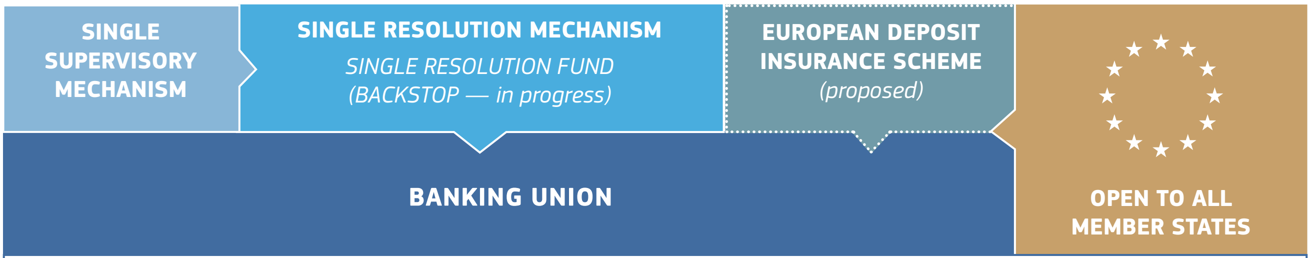
The global financial crisis that hit us 10 years ago taught us that when many banks get into trouble at the same time, this can put the entire financial system and economy in danger. Since the financial crisis, making banks stronger has been one of the Commission's main goals: it has put forward over 50 proposals to increase the resilience of the financial sector and help protect the economy.

The Juncker Commission has from the start worked to put the EU banking sector on an even sounder footing for future generations, with solid banks that perform their indispensable role in financing the economy and support growth. As the European Union and its economy are visibly regaining strength, the EU must continue to seize the momentum to reinforce its Economic and Monetary Union (EMU). Within the context of the roadmap set out by the Commission on 6 December 2017 for the deepening of Europe's Economic and Monetary Union, and in line with the Leaders' Agenda, one of the most immediate priorities is to complete the Banking Union and put in place all building blocks for a Capital Markets Union. This also means ensuring that taxpayers are not the first in line to bail out failing banks and EU citizens' money is kept safe. Both the European Parliament and Council have reaffirmed the importance of the Banking Union with a view to its completion.

Since 2014, banks directly supervised by the European Central Bank have increased their capital by **€234 billion**, and are also now much more resilient to liquidity shocks, with an increase of **€813 billion** in additional liquid assets.

STRONGER BANKS: THE STORY SO FAR

We have established a new regulatory framework and institutional set-up to effectively address remaining vulnerabilities in the Banking Union. These measures have delivered a strong improvement in banks' capital and liquidity positions, ensured better monitoring of banks' health and a more efficient process of dealing with banks in difficulties.



A SINGLE RULEBOOK APPLIES TO BANKS IN ALL EU MEMBER STATES

All EU Member States have fully implemented the Bank Recovery and Resolution Directive and the new Deposit Guarantee Scheme Directive into national law

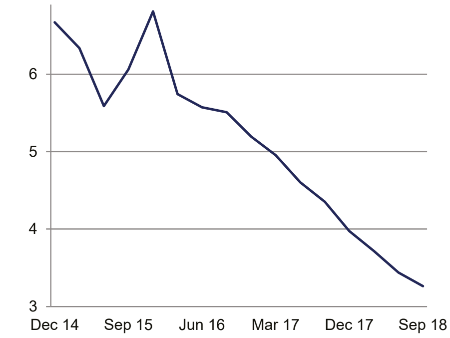
EU ACHIEVEMENTS IN TACKLING RESIDUAL RISKS

The Juncker Commission is focused on tackling residual risks, such as **continuing the reduction of non-performing loans** on EU banks' balance sheets.

	Non-performing loans as a % of total loans in selected countries		
	Q3 2017	Q3 2018	% change
Cyprus	32.1	21.8	-32.02%
Spain	4.7	4.0	-15.09%
Greece	46.7	43.5	-6.7%
Ireland	11.2	7.8	-30.21%
Italy	12.1	9.5	-21.54%
Portugal	14.6	11.3	-22.42%
Slovenia	10.8	6.9	-35.92%

Source: European Central Bank.

EU total gross non-performing loans and advances, in % of total gross loans and advances, end-of-quarter values



Source: European Central Bank

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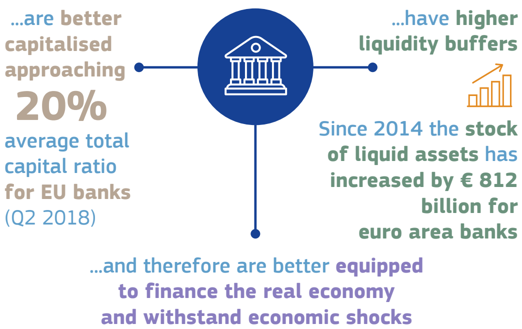
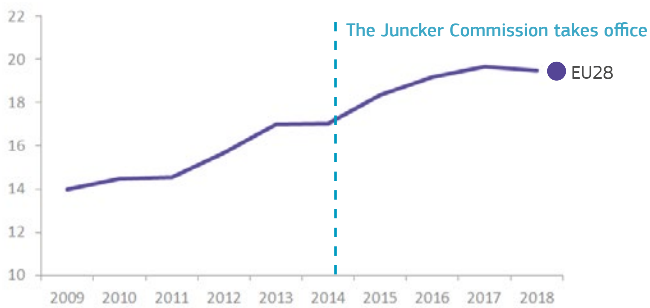
Over a decade on from the financial crisis, European banks are stronger, safer and more secure.

EUROPEAN BANKS



Banks' total capital ratio, in %



Source: European Commission

DELIVERING ON THE ROADMAP TO COMPLETE THE BANKING UNION

MEASURE	DESCRIPTION	European Parliament	Council of the European Union
Single Supervisory Mechanism (SSM)	*The SSM supervises all banks in the Banking Union. In place **since November 2014**.*	**Adopted**	**Adopted**
Single Resolution Mechanism (SRM)	*The SRM can restructure banks that are failing or likely to fail in the Banking Union. In place **since January 2016**.*	**Adopted**	**Adopted**
Single Resolution Fund (SRF)	*The SRF, made up of banks' contributions, can support the smooth resolution of a bank.*	**Adopted**	**Adopted**
European Deposit Insurance Scheme (EDIS)	*The Commission's EDIS proposal would strengthen the protection of bank depositors across the Banking Union. The co-legislators have so far not been able to agree on this proposal. The Commission suggested a way forward in **October 2017**.*	**Not agreed**	**Not agreed**
November 2016 Banking Package	*The Commission proposed reinforcing the banking Single Rulebook with further risk-reducing measures. Political agreement between the European Parliament and the Council of the European Union was agreed on **4 December 2018**.*	**Agreed**	**Agreed**
Legislative proposal on **business insolvency and restructuring**	*The Commission presented a legislative proposal on preventive restructuring and second chance in **November 2016**.*	**Agreed**	**Agreed**
A backstop for the Banking Union	*The creation of a backstop for the Single Resolution Fund was agreed by Member States in 2013.* *On **6 December 2017,** the Commission proposed to make the agreed backstop for the Single Resolution Fund a part of the European Stability Mechanism.*	**Agreed**	**Agreed**
Prudential measures **to further address non-performing loans**	*The Council agreed an Action Plan to further reduce nonperforming loans in July 2017. A political agreement was found between the co-legislators **in December 2018.***	**Agreed**	**Agreed**
Secondary market for nonperforming loans	*The Commission proposed a set of measures to address non-performing loans in the EU banking sector.* *That package followed up on the Action Plan on reducing non-performing loans **in March 2018.***	**Not agreed**	**Partially agreed**

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