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Banking Union: state of play

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From what has been said so far it is clear that the Banking Union is still a work in progress. When looking forward, it is also useful to remember that we launched it with a view to break the link between banks and sovereigns, so that banking crises do not turn into public debt crises or the other way round, and also to address cross-border externalities and coordination failures concerning both supervision of large cross-border banks in the European Union and their resolution, with the closely linked issue of loss sharing.

In their introductory remarks, both Mme Nouy and Mrs König have made it clear: a lot has been done. We have put in place a new system for supervision and resolution and we need now to work on the establishment of a European Deposit Insurance Scheme, which will most likely be a gradual process. We are moving away from a bail-out to a bail-in era, which we need to communicate better on, and we need to make that change understood by the actors concerned. We need to work further on the single rulebook, harmonising the way bank legislation is implemented, with the reduction and, in the longer term, elimination of national options and discretions.

But as usual, the further you integrate within a group of core countries, the stronger the challenge of two-speed Europe and of the divergences between those which are in and the "outs". The Banking Union keeps the door open for the countries outside the euro area to enter into close cooperation agreements with the SSM. This will automatically place them within the remit of the SRM.

It so happens that, so far, no country outside the euro area has joined the Banking Union, even though last year the Danish government recognised it would be the interest of its financial sector. Of the 9 non-euro countries, two, the UK and Sweden, have indicated their unwillingness to join. The wait and see approach has merits, but, ultimately, it is in the interest of the non-euro countries to join in.

Banking Union is the furthest-reaching European project in terms of deepening European integration in these difficult times. It is an open project: everyone can be in. Staying out entails a risk of being marginalised.

It is also true that often countries which are out of the euro area appear to be precisely these which need an EU-wide solution to supervision and resolution the most.

In central and eastern Europe, the banking sector is characterised by a large share of assets held by foreign banks and by the significant presence of large cross border groups, that is, precisely the types of institutions, complex to supervise and resolve because of their international nature, for which the Banking Union was designed.

Moreover, it so happens that the assets held by foreign banks are not held by third country banks but mostly by banks headquartered in the Banking Union area: for instance, in Czech Republic, it is estimated that 88% of assets are held cross-border and, of those held by subsidiaries of foreign banks, almost all are held by banks coming from the Banking Union area. In Bulgaria, 77% of assets are held cross border and over three quarters of those held by subsidiaries of foreign banks are actually held by subsidiaries of banks from the Banking Union area.

There is a lot of sense in having at least the pre-ins, future euro area members, joining in the banking union.