



EUROPEAN CENTRAL BANK
EUROSYSTEM

Banking union

State of play and next steps

The views expressed in this presentation are those of the author and do not necessarily represent those of the ECB or the Eurosystem.

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Why banking union?

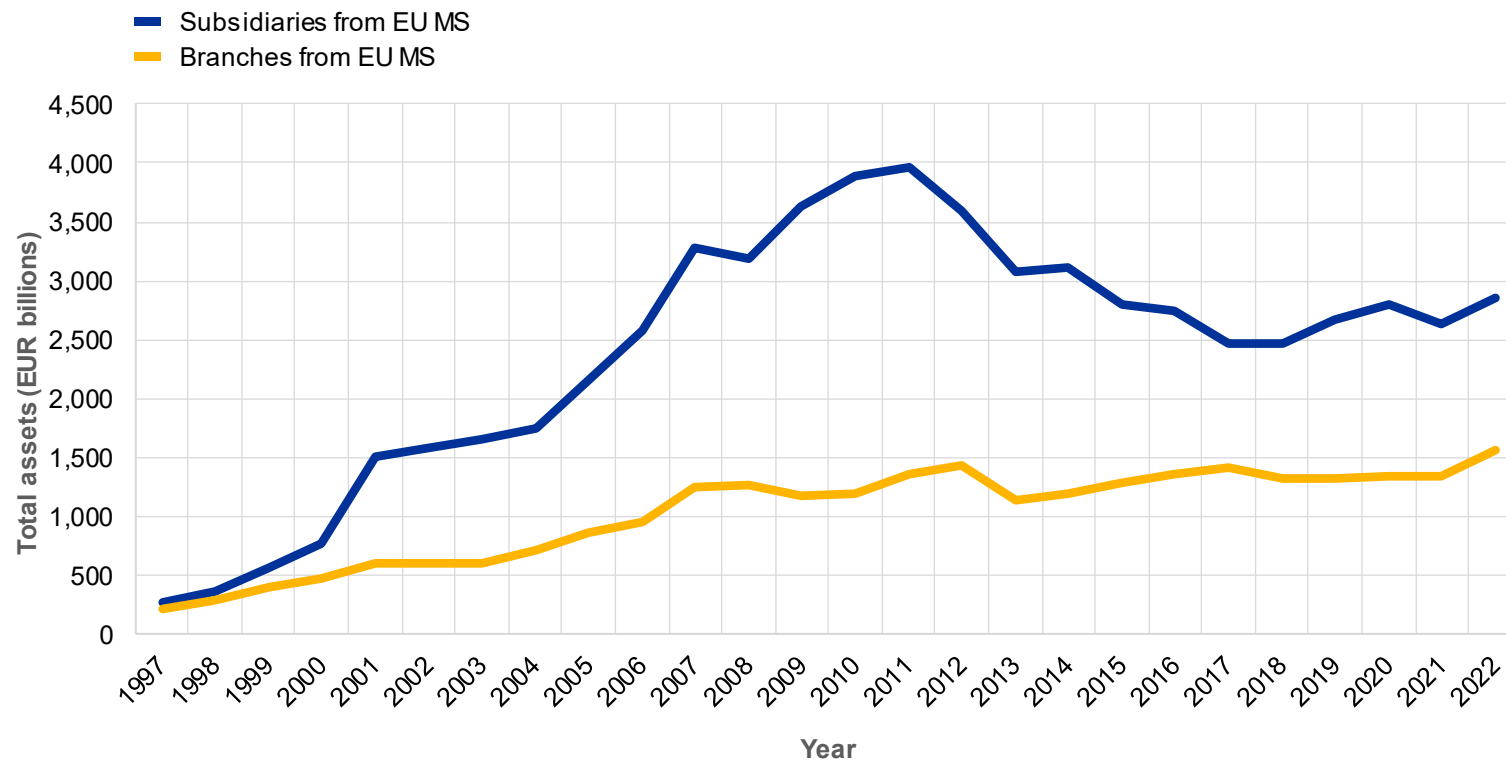
- Make the European banking system **crisis-proof**
- **Cushions impact** of national banking crises
- **Protect taxpayers** from banking crises
- **Break the “doom loop”** between **banks and sovereigns**
- **Strengthen financial integration** in the euro area
- **BU is a trailblazer for CMU**

What have we achieved?



But... little progress in cross-border integration

Total EU cross-border assets in the euro area



Source: ECB Structural Financial Indicators

Discussions on banking union workplan (concluded in June 2022)

European Deposit Insurance Scheme ✘

- Ensures depositor confidence and resilience of the banking sector
- Creates a level playing field across Member States

Risk reduction in the banking sector, including sovereign exposures ✘

- Diversify bank balance sheets to further weaken the bank-sovereign nexus

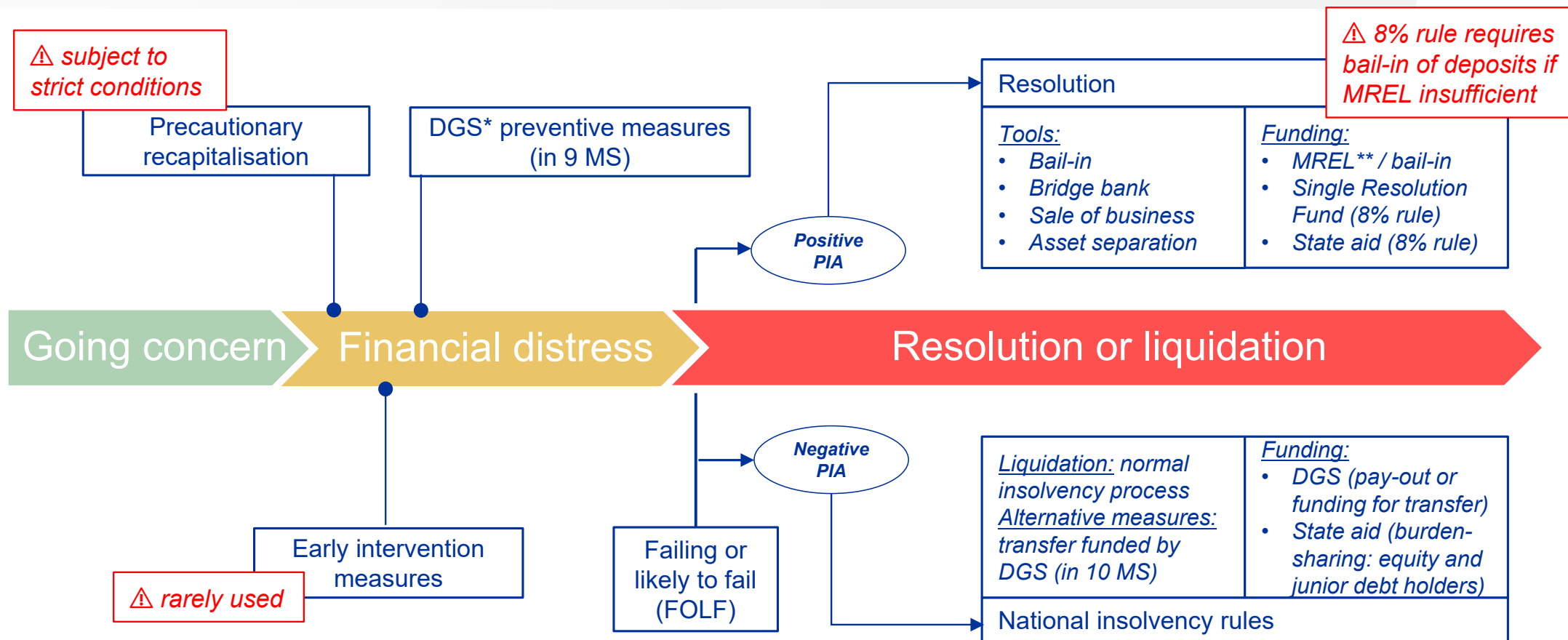
Crisis management framework for banks ✓ but no LiR, no SRF backstop

- Especially for smaller and mid-sized banks

Single market for banking ✘

- Facilitate cross-border operations within the banking union

The EU crisis management framework



*Deposit guarantee scheme

** Minimum requirement for own funds and eligible liabilities

Review of the crisis management and deposit insurance framework (CMDI): key elements



Scope of resolution expanded to midsize banks via broader public interest assessment



Single-tier depositor preference to facilitate the use of DGS funds / transfer tools



DGS contribution in resolution will count towards 8% to access the Single Resolution Fund (SRF), subject to several safeguards



DGS preventive / alternative measures remain national option but single-tier depositor preference would make them more available, with harmonised safeguards including the least-cost test

CMDI review: timeline



Further steps to complete banking union



- **ESM backstop to the SRF:** important to finalise ratification swiftly
 - **esp. important for G-SIBs*:** for average EA G-SIB, max SRF contribution (5% TLOF) is €63 bn v. SRF size of €80 bn
- **Liquidity in resolution:** need for a European solution
 - **esp. important for G-SIBs:** potentially large liquidity gaps cannot be solved with ELA / SRF
- **Roadmap towards EDIS:** discussions must restart during next institutional cycle
 - **European Deposit Insurance Scheme** with harmonised DGS framework



- **Need to deal with home-host issue:** capital and liquidity waivers for groups, branchification, mergers
- **Need to reduce options and national discretions:** from directives to regulation
- **As for CMU, harmonise insolvency law:** harmonised administrative liquidation framework

* Globally systemically important banks



Background