

# Completing the Banking Union: Commission welcomes political agreement to further reduce risks in the EU banking sector

The Commission welcomes the provisional political agreement, which marks an important milestone in reducing risk in the Union banking sector and reinforcing the resilience of banks. Together with the [encouraging data on risk reduction](#) presented by the Commission last week, this prepares the path for further progress on the common backstop to the Single Resolution Fund and on the completion of the Banking Union at the December Euro Summit in inclusive format. This package contributes significantly to further reducing risks in EU banks and it is an essential element for the completion of Banking Union. It builds on existing banking rules, implements international standards, and aims to complete the post-crisis regulatory agenda, making sure that outstanding challenges to financial stability are addressed. At the same time it increases the ability of banks to finance the real economy.

Commission Vice-President Valdis **Dombrovskis**, responsible for Financial Stability, Financial Services and Capital Markets Union, said: *“I am delighted that the European Parliament and the Council found a political agreement on the banking package, after months of very complex and technical discussions. This very important risk-reducing package complements the progress that has already been achieved over the past years, and lays the basis for further progress on strengthening the Banking Union.”*

The November 2016 banking package is part of Commission’s ongoing work to reduce risk in the banking sector, as set out in the Communication [“Towards the Completion of the Banking Union”](#).

The measures agreed will increase the resilience of EU institutions and enhance financial stability, and improve banks’ lending capacity to support the EU economy. They amend the following pieces of legislation:

## **Next Steps**

The political agreement will be followed by further technical talks to finalise the text. The final agreement should be given by the Permanent Representatives Committee (COREPER) of the Council of Ministers and the European Parliament.

## **Background**

In November 2016 the European Commission adopted a comprehensive package of reforms (‘EU banking reform package’) to further strengthen the resilience of EU banks reforms ([IP/16/3731](#) and [MEMO/16/3840](#)). The solution agreed by the European Parliament and the Council retains the key elements of the

Commission's proposal.

### **Measures to increase the resilience of EU institutions and enhancing financial stability**

The rules agreed incorporate the remaining elements of the regulatory framework agreed recently within the Basel Committee on Banking Supervision (BCBS) and the Financial Stability Board (FSB). They include:

- More risk-sensitive capital requirements, in particular in the areas of market risk, counterparty credit risk, and for exposures to central counterparties (CCPs);
- Implementing methodologies that are able to reflect more accurately the actual risks to which banks are exposed;
- A binding Leverage Ratio (LR) to prevent institutions from excessive leverage;
- A binding Net Stable Funding Ratio (NSFR) to address the excessive reliance on short-term wholesale funding and to reduce long-term funding risk.
- A requirement for Global Systemically Important Institutions (G-SIIs) to hold minimum levels of capital and other instruments which bear losses in resolution. This requirement, known as 'Total Loss-Absorbing Capacity' or TLAC), will be integrated into the existing MREL (Minimum Requirement for own funds and Eligible Liabilities) system, which is applicable to all banks, and will strengthen the EU's ability to resolve failing G-SIIs while protecting financial stability and minimising risks for taxpayers.

### **Measures to improve banks' lending capacity to support the EU economy**

In particular, specific measures are proposed to:

- Enhance the capacity of banks to lend to SMEs and to fund infrastructure projects;
- Make CRD/CRR rules more proportionate and less burdensome for smaller and less complex institutions where some of the current disclosure, reporting and complex trading book-related requirements appear not to be justified by prudential considerations.
- For non-complex, small banks, reduce the administrative burden linked to some rules in the area of remuneration (namely those on deferral and remuneration using instruments, such as shares), which appear disproportionate for these banks;

The agreement complements [previously-agreed risk-reduction measures](#), such as:

- the bank creditor hierarchy, which ensures a harmonised subordination – or ranking – for loss absorbing instruments;
- the Regulation on IFRS9 and large exposures which mitigates the impact of the introduction of IFRS9 on banks' capital. It also gives banks with large holdings of government bonds denominated in a domestic currency of

another Member State time to adjust to new large exposures limits.

## **For More Information**

[IP MEMO AND FACTSHEET FROM NOV 2016](#)

[CRR/CRD IV](#)

[BRRD](#)

[SRMR](#)

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# **Remarks by Vice-President Valdis Dombrovskis at the ECOFIN press conference**

Thank you Hartwig. Good afternoon.

First of all, I would like to thank Hartwig Löger and his team for all the hard work during the Austrian Presidency. And it has been a very successful Presidency, delivering many important deals, as the Minister just outlined. Let me now just give the latest example.

Today ministers confirmed the key political elements for the deal on the banking package.

On this basis, after this press conference, the Minister and I will attend the final trilogue to seal the agreement on the banking package.

This is a flagship legislative package. By implementing internationally agreed standards into EU law, the package contains important risk reduction measures. And it will make the European banking system stronger and safer.

From a political point of view, this agreement is also crucial for the upcoming leaders' debate on further risk sharing measures.

So congratulations to the Presidency on their exceptional leadership on this very complex file!

We also welcome the Council's conclusions on an Anti-Money Laundering Action Plan.

We welcome Member States' call to transpose the 5<sup>th</sup> Anti-Money Laundering Directive ahead of the 2020 deadline. We share this objective.

Work is ongoing on our recent proposal from 12 September, which aims to strengthen anti-money laundering supervision for a stable banking and financial sector.

Europe has the strongest anti-money laundering rules in place.

But recent cases in the banking sector showed that they are not always supervised and enforced with the same high quality standards across the EU.

So we need to enable the European Banking Authority to make sure that different national supervisors cooperate and exchange information.

And that the anti-money laundering rules should be enforced effectively across EU countries.

Today ministers also requested the Commission to propose longer term actions to bring further improvements in the prudential and anti-money laundering frameworks.

And we will present this assessment to the Council at latest in the third quarter of next year.

Today we also presented the 2019 European Semester package. Ministers broadly shared our analysis that our strategy based on investment, structural reforms and fiscal responsibility is working.

But the situation differs from country to country. In some countries important reforms are still outstanding and public debt level remains high, reducing the room for manoeuvre in case of future shocks.

We are now in good economic times, but we cannot ignore the rising risks and global uncertainty. So the time to act is now.

At the national level, we need reforms to increase productivity growth and to ensure that growth is inclusive.

Member States must use the good times to reduce debt where it is high and to rebuild fiscal buffers.

At the EU level, it is time to decide on further strengthening of our Economic and Monetary Union. In that sense decisions taken last night in the Eurogroup are very timely.

Ministers also adopted the Commission's recommendations for the next steps under the Significant Deviation Procedure for Hungary and Romania. Both countries are recommended to do additional efforts to put their budget trajectories back on track.

The Council also discussed the proposed Digital Services Tax, including the compromise text by the Austrian Presidency and the Franco-German declaration.

On this basis, we hope that Member States can forge a compromise as soon as possible in 2019 under the Romanian Presidency. And the Commission stands

ready to assist with technical work where necessary.

From the point of view of the Commission, it continues to be unacceptable that digital companies continue to pay less than their brick and mortar equivalents.

This is why we will continue to look for long term solutions to ensure fair taxation of the digital economy at EU level and at global level. To that end, we are working hand-in-hand with the OECD and G20.

I also presented ministers with the progress made in reducing the Non-Performing Loans in European banks. And as you know, overall results are encouraging as the European average stood at 3.4% in June 2018, down from 4.6% a year earlier.

Furthermore, I am glad to announce that the ice has started moving on the Capital Markets Union, also thanks to the perseverance of the Austrian Presidency and to committed rapporteurs at the European Parliament where we had some important votes yesterday.

And I would like to thank the Austrian Presidency for balanced compromises reached on covered bonds and supervision of Central Counterparties, among other files, which the Minister already mentioned. Because many proposals are still pending.

So we invite the European Parliament and Member States to accelerate their work to lay the building blocks of the Capital Markets Union by the end of the current mandate.

Deep and liquid capital markets are crucial for strengthening the international role of the euro. So is a strong Economic and Monetary Union. The European Commission will present tomorrow our communication and accompanying documents on the international role of euro.

Once again I would like to thank the Austrian Presidency for the excellent work, which has been done so far. As we discussed at the ECOFIN, actually the Austrian Presidency is not over yet. So we expect further progress on legislative files during the Austrian Presidency. Thank you.

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## **Remarks by Commissioner Avramopoulos on progress made under the European Agenda on Migration**

Dear all,

I have been in this pressroom many times to update you on the migratory situation, the progress made and the challenges ahead of us.

Today may seem no different, but it *is* different.

For one, it is different because we are no longer facing disproportionate uncontrolled migration arrivals to our shores.

The comprehensive approach established by the EU and its Member States over the past four years has delivered tangible results.

We have deepened cooperation with partners outside the EU, saved almost 700,000 lives in the Mediterranean, and better protected our external borders.

As a result, arrivals are below those in 2014, and we will continue our work so that they go down even further.

But today is also different because we are no longer in a “business as usual mode”. Over the past years, we have reacted swiftly to the most pressing urgencies and emergencies. Being in “crisis mode” was our “business as usual” in fact.

While our joint actions such as the relocation scheme or the creation of the hotspots or the saving of desperate people at sea were indeed effective, these were primarily immediate reactions to the most pressing issues.

Of course, we *must* and we *will* remain vigilant, but we cannot just keep using patches or stopgaps to repair the house. We need structural and strong foundations.

We have learnt from the past few years that all our actions are interconnected and that all the pieces have to fit together.

This is why there are three key areas – the three key bricks of our house – where crucial and decisive progress has to be made in the coming weeks.

In our external action, we need to now expand and apply the integrated “whole route” approach we have been using along the Central and Eastern Mediterranean Routes to the Western Mediterranean route, the only place where arrivals are on the rise.

We need to improve the implementation of our 17 readmission agreements and 6 operational arrangements that we already have so far, and we want to go beyond.

We want to conclude ongoing negotiations and develop new arrangements with partners in Sub-Saharan Africa and Asia.

Member States and the European Parliament should also swiftly agree to adopt the revised return rules to allow for quicker and more effective return procedures.

Finally, Member States should continue enhancing legal pathways, both for those who need protection through resettlement as well as for talent from abroad, through an improved Blue Card and the launch of pilot projects for labour migration.

A second key building blocks are our external borders. We published a new survey today that shows that nearly 80% of our citizens think the EU should be more involved in helping Member States to secure the EU's external borders.

Over the last years, we experienced consistent gaps in equipment and human resources for the operationalisation of the European Border and Coast Guard.

We now need to work towards a standing corps of 10,000 borders guards, to be ready and fully capable to address the current and future needs.

In addition, following all the efforts and actions undertaken to better protect our external borders and to ensure security, we believe the time has come to take steps to lift the temporary reintroduction of internal border controls and fully restore Schengen.

Almost 70% of our citizens believe that the Schengen area is one of the EU's main achievements – we cannot ignore the Europeans' opinion.

Thirdly and finally, we come to the key element our migration policy at home, the load-bearing wall of our house: our common European asylum system.

We need to advance on all components, even if we cannot do this at the same speed for all.

Our asylum reform includes Dublin, but this reform is not only about Dublin.

It is time to be realistic and pragmatic.

We call on the European Parliament and the Council to adopt the five out of our seven original proposals, where political agreements is within reach, before the European Parliamentary elections.

Because while all of our proposals are linked, each of these instruments will have an important impact on its own.

New rules on who qualifies for asylum will take away the incentive for people to go asylum shopping, because you'll have the same chances of getting asylum in every Member State. New rules on our EURODAC database will allow Member States to store and search facial images as well as fingerprints and make sure that data doesn't get erased after 18 months but is stored for five full years.

And new rules on reception conditions will create new reporting obligations for asylum seekers to help prevent secondary movements.

These are just a few examples of how each reform has a real added value on its own.

At the same time, the Commission is committed to continue to support the European Parliament and the Council to work towards a political agreement on the Asylum Procedure Regulation and Dublin Regulation.

Dublin should bring genuine added value, and should embody the direct assurance of relief to Member States under pressure, balanced with the effective exercise of responsibility.

We consider that Member States should contribute to all components of the comprehensive approach to relieve Member States under pressure: the external dimension, the external borders and the internal dimension.

Member States would be expected to pledge on a voluntary basis.

For times of particular pressure, a safety net must be built into the system, ensuring that in the absence of sufficient voluntary pledges, real support can be guaranteed to the Member State concerned.

Whilst the changes to the Dublin Regulation continue to be finalised, we could put in place temporary arrangements.

They would serve as a bridge until the new Dublin Regulation becomes applicable.

In view of the home affairs ministerial meeting in two days, and the European Council next week, we have two messages concerning the establishment of a future-proof and sustainable migration house:

- This is in everyone's collective interest;
- And there is absolutely no time to waste.

Thank you.

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## **Indicative programme – Justice and Home Affairs Council, 6-7 December 2018**

**Place:**

Europa building, Brussels

**Chair(s):**

Herbert Kickl, Federal Minister of the Interior of Austria

Josef Moser, Federal Minister of Constitutional Affairs, Reforms,  
Deregulation and Justice of Austria

*All times are approximate and subject to change*

## **Home Affairs – Thursday, 6 December**

+/- 08.00

Arrivals – Home affairs ([live streaming](#))

+/- 09.00

Doorstep by Minister Kickl

+/- 09.30

### **Meeting of Mixed committee (roundtable)**

Adoption of the agenda

- Regulation amending the European Border and Coast Guard Regulation
- Return Directive
- Any other business
  - Current legislative proposals

+/- 11.10

### **Meeting of Home affairs ministers**

Adoption of the agenda

Approval of non-legislative A items

Approval of legislative A items ([public session](#))

+/- 11.30

Regulation amending the European Border and Coast Guard ([public session](#))

+/- 11.35

Return Directive ([public session](#))

+/- 11.40

Regulation on preventing the dissemination of terrorist content online  
([public session](#))

+/- 12.40

Reform of the Common European Asylum System and Resettlement ([public session](#))

+/- 12.55

Any other business

Current legislative proposals ([public session](#))

+/- 13.15

Working lunch on comprehensive approach on migration

+/- 15.00

### **Meeting of Home affairs ministers (resumes)**

- Fight against people smuggling networks
- JHA priorities for the next MFF
- Any other business

+/- 18.00

Press conference ([live streaming](#))

## Justice – Friday, 7 December

+/- 08.30

Arrivals

+/- 08.45

Doorstep by Minister Moser

+/- 09.30

**Meeting of Justice ministers** (roundtable)

Contract Law – Directive on Contracts for the sales of goods (DSG) ([public session](#))

+/- 10.30

Brussels IIa Regulation: recast ([public session](#))

+/- 11.30

Regulation on the assignments of claims ([public session](#))

+/- 12.00

Regulation on European Production and Preservation Orders for e-evidence ([public session](#))

+/- 13.00

Any other business

Current legislative proposals ([public session](#))

+/- 13.15

Working lunch on fight against antisemitism

+/- 15.15

**Meeting of Justice ministers** (resumes)

– Negotiating mandate for the 2nd Additional Protocol to the Budapest Convention

– Negotiating mandate for an EU/US agreement facilitating the access to e-evidence

– EPP0 Regulation: Implementation

– Data Retention: Retention of electronic communication data

– Mutual recognition in criminal matters – Council Conclusions

– EU Accession to ECHR

– Any other business

+/- 18.15

Press conference ([live streaming](#))

[Download as pdf](#)

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