

# 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 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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## [Over 1 500 money mules identified in worldwide money laundering sting](#)

4 December 2018

 **Eurojust–Europol–European Banking Federation (EBF) joint press release**

- 168 arrested, 1 504 money mules and 140 money mule organisers identified as a result of the fourth European Money Mule Action 'EMMA 4', a global law enforcement action week tackling the issue of money muling.
- The action took place over the course of three months (September–November 2018).
- 30 States took part in EMMA 4, alongside Europol, Eurojust and the European Banking Federation, supported by more than 300 banks.
- The joint money muling campaign #DontBeAMule kicks off today to alert the public to this crime.

Working together with **Europol**, **Eurojust** and the **European Banking Federation (EBF)**, police forces from over 20 States arrested 168 people (so far) as part of a coordinated money laundering crackdown, the **European Money Mule Action (EMMA)**. This international swoop, the fourth of its kind, was intended to tackle the issue of 'money mules', who help criminals launder millions of euros worth of dirty money.

Held over the course of the past three months (September–November 2018), this year's version of EMMA saw the participation of judicial and law enforcement authorities from Austria, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Greece, Germany, Hungary, Ireland, Italy, Latvia, Lithuania, Malta, Netherlands, Poland, Portugal, Romania, Slovenia, Spain, Sweden, Australia, Moldova, Norway, Switzerland, the UK and the USA.

Across Europe and beyond, 1 504 money mules were identified, leading to the arrest of 168, and the arrest of 140 money mule organisers. 837 criminal investigations were opened; many of them are still ongoing. More than 300 banks, 20 bank associations and other financial institutions helped to report 26 376 fraudulent money mule transactions, preventing a total loss of EUR 36.1 million. The wider community of global and European banks provided

support where needed during the three months of action and committed to raising awareness in their countries. Once again, this action highlights the importance of a quick and coordinated response by judicial and law enforcement authorities and the banking sector.

### **Why do people help criminals launder money?**

Money mules are individuals who, often unwittingly, have been recruited by criminal organisations as money laundering agents to hide the origin of ill-gotten money. Tricked by the promise of easy money, mules transfer stolen funds between accounts, often in different States, on behalf of others, and are usually offered a share of the funds that pass through their own accounts.

Newcomers to a State, the unemployed, and people in economic distress often feature among the most susceptible to this crime. This year, cases involving young people selected by money mule recruiters are on the rise, with criminals increasingly targeting financially-distressed students to gain access to their bank accounts.

While mules are being recruited via numerous routes, criminals are more often turning to social media to recruit new accomplices, through the advertisement of fake jobs or get-rich-quick schemes.

Although this may sound like quick and easy money – all it takes is a click to transfer money from an account to another – permitting a criminal group to use your bank account can have severe legal consequences. Mules may face lengthy prison terms and acquire a criminal record that could seriously affect the rest of their lives, such as never being able to secure a mortgage or open another bank account.

### **#DontBeAMule**

To raise awareness of this type of fraud, the [money muling awareness campaign #DontBeAMule](#) kicks off today across Europe. With awareness-raising material, available for download in 25 languages, the campaign will inform the public about how these criminals operate, how they can protect themselves and what to do if they become a victim.

As of next week, international partners from judicial and law enforcement authorities, together with financial institutions, will be supporting the campaign at national level.

Do you think you might be used as a mule? Act now before it is too late: stop transferring money and notify your bank and your national police immediately.

Follow the EMMA prevention campaign here:

- @Eurojust
- @Europol
- @EC3Europol
- @EBFeu
- @Europol (Facebook)
- #DontbeaMule

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**[ESMA is seeking experts in financial](#)**

## innovation for its consultative group

ESMA has established the CWG to benefit from the expertise of stakeholders who are involved in the topics related to financial innovation under ESMA's remit (securities markets, market infrastructures, institutional and retail investors) and with a view to support ESMA's objectives of investor protection, market integrity and financial stability. FISC looks to this group to provide expert advice regarding ESMA's work on Financial Innovation.

□Interested stakeholders can apply by 15 January, by submitting the [application form](#) and their CV.