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[Statement by Vice-President for Energy Union Maroš Šefčovic following the high-level meeting on battery development and production in Europe](#)

Today I heard the EU industry and the Member States' determination to work together and pull in the same direction. They strongly supported the establishment of a full value chain of batteries in Europe, with large-scale battery cells production, and the circular economy, at the core.

*Batteries are at the heart of the ongoing industrial revolution. They represent a key enabling technology in the context of the Energy Union. Their development and production play a strategic role in the ongoing transition to clean mobility and clean energy systems. Batteries embody our ambition, as set out in President **Juncker**'s State of the Union, to help our industries remain or become world leaders in innovation, digitisation and decarbonisation.*

As was recalled by the actors in our meeting, we are at a critical juncture.

The lack of a domestic, European cell manufacturing base jeopardises the position of EU industrial customers because of the security of the supply chain, increased costs due to transportation, time delays, weaker quality control or limitations on the design.

So, we need to act fast – and collectively – to overcome this competitive disadvantage and capitalise on our leadership in many sectors of the battery value chain, from materials to system integration and recycling.

Due to the level and urgency of investment needed, this cannot be done in a fragmented manner. It needs a Europe-wide approach.

Members of the EU industry and innovation community will drive this process, working in close partnership with the European Commission, the European Investment Bank and interested Member States, to establish a competitive manufacturing chain, capture sizeable markets and boost jobs, growth and investment across Europe.

Since time is running out, we concluded that we will join our efforts to come up with a strategic plan early next year. This could take the form of a comprehensive roadmap for an EU Battery Alliance, to be presented in February 2018, at the Clean Energy Industrial Forum, as part of the EU Industry Days.

The work starts immediately. Following today's high-level meeting, we will organise a number of working groups, including on the supply chain, investment financing and engineering, trade issues, research and innovation, and others. Industrial participants will take the lead, express interest to participate in or even be rapporteur for each work strand.

The process launched today is of an inclusive nature.

Read-out of the College meeting and press conference by Vice-President Valdis DOMBROVSKIS on the Commission's Communication on the Completion of the Banking Union

Good afternoon and welcome to today's readout of the College meeting.

Let me run you through the main points on the agenda.

The main business today was Banking Union.

We are presenting some elements today to help reach an agreement by the end of this mandate to complete the Banking Union.

As President Juncker said in his state of the Union Speech: "democracy is about compromise".

The euro area countries benefit today from the two pillars of Banking Union that are already up and running. These are the single supervisor and the Single Resolution Mechanism.

Together, they make our banking sector safer.

And they help ensure that taxpayers are not first in line to pay for banking crises.

But as long as financial ties between banks and their sovereigns remain as close as they are today, there is still unfinished business.

In his speech, President Juncker emphasised the need to strengthen the single currency in the face of unforeseen circumstances and challenges.

Completing the Banking Union is essential for reaching that goal:

It will lead to an Economic and Monetary Union that can better withstand and absorb any future crises.

And it will promote deeper financial integration, which further reduces the links between banks and sovereigns. Thanks to more risk-sharing via private markets, taxpayers will be better protected from having to shoulder the burden of bank failures.

More integration is also helping to give consumers cheaper and more diverse options for financial services.

And to make these tangible benefits more accessible, we are working on a proposal to reduce charges on cross-border banking transactions in all EU currencies.

Both the Council and the European Parliament reaffirmed last year the importance of completing Banking Union, and important commitments have been taken to tackle legacy risks.

But progress is slow. We need clear engagement from co-legislators to reach an agreement by the end of the legislative term.

So today we are presenting pragmatic ideas to speed up the process by advancing in parallel on risk-reduction and risk-sharing measures.

First, we call on co-legislators to swiftly adopt the comprehensive risk-reduction measures already presented in our November 2016 Banking Package. These measures will strengthen and adjust the existing rules to complete the post-crisis regulatory agenda for banks.

Second, we need to further reduce the high levels of non-performing loans in certain parts of the banking sector. Bad loans hinder banks from providing new credit to the real economy, and limit economic growth.

The Commission has for years been working alongside Member States, supervisors, and banks to reduce the share of non-performing loans in the EU.

And we are making progress.

Since mid-2014, this share has been reduced from 6.7% to 4.5%. But we need to accelerate this trend and prevent the stock from building up again.

We are currently working to implement the Council's July Action Plan on non-performing loans. And early next year, we will present a package of measures on this basis.

Third, we need to reach consensus on a European Deposit Insurance Scheme, or EDIS. As you know, the Commission proposed EDIS as a Europe-wide system building on the existing Deposit Guarantee Scheme directive.

EDIS would collect funds from banks – and only banks – to build up a strong Europe-wide deposit guarantee of €100 000 per depositor. This would help break the bank-sovereign link by making deposit protection independent of a bank's location.

Our 2015 proposal is based on a gradual phase-in with clear safeguards to avoid moral hazard, and this proposal stays on the table.

But in two years it has not really advanced. The positions of the Council and the European Parliament are far apart.

So today the Commission is putting forward some ideas to unblock discussions, by introducing EDIS in a more gradual manner:

- One suggestion would be to limit EDIS in its first phase to providing loans to depleted national schemes. These loans would later have to be fully paid back. In other words, EDIS would not cover losses. It would focus on providing liquidity, to ensure that depositors maintain quick access to their savings.
- Another idea would be to make the second phase of EDIS conditional on an asset quality review. In other words, a health-check of our banks to confirm that legacy issues from the crisis have been dealt with. Here, our European level strategy to reduce non-performing loans would play an important role.

These elements might allow co-legislators to further reduce moral hazard while still fulfilling the ambition of the original proposal.

Fourth, we are calling for a common backstop to the Banking Union to become operational as quickly as possible.

This was agreed nearly 4 years ago to guarantee the credibility of the Single Resolution Mechanism.

As a last-resort tool, this backstop would only intervene after private creditors have borne losses.

And it would be fiscally neutral, with all disbursements required to be fully reimbursed by contributions from banks.

We saw support emerging in Monday's Eurogroup that the European Stability Mechanism could provide that backstop for the single resolution fund.

The Commission will follow this up in our December package on deepening Europe's Economic and Monetary Union.

Fifth, we are exploring pragmatic solutions for helping banks diversify their holdings of sovereign bonds. This would further weaken the bank-sovereign link.

In this context, we are closely following the work of the European Systemic Risk Board on Sovereign Bond Backed Securities.

This would be a product created by market participants, which banks could choose to hold.

Finally, the Commission issued today a report on the Single Supervisory Mechanism.

It gives an overall positive assessment of the application of the SSM Regulation, and the first years of the ECB acting in its supervisory capacity.

At the current juncture, the Commission does not consider it necessary to amend the SSM Regulation.

Taken together, these measures form an ambitious but realistic path to completing Banking Union.

We hope that today's proposals will serve as food for thought for the co-legislators.

Reaching a comprehensive deal on the Banking Union is essential for the future of the Economic and Monetary Union.

And for a strong financial system that fully supports jobs and growth and reduces risks for taxpayers.

Now on the other items on the Commission's agenda,

Commissioner Vestager informed the College regarding the State aid decision on Novo Banco in Portugal, approving the sale of the bank.

Commission calls for the completion of all parts of the Banking Union by 2018

The Banking Union must be completed if it is to deliver its full potential in making the Economic and Monetary Union (EMU) more stable and resilient to shocks, while limiting the need for public risk sharing. This is beneficial for the entire Single Market. Building on the significant progress already achieved, the Commission is today publishing a Communication that sets out an ambitious yet realistic path to ensure agreement on all the outstanding elements of the Banking Union, based on existing commitments by the Council. This comes ahead of the December Euro Summit, in an inclusive format, where completion of the Banking Union will be part of discussions on further deepening the EMU. Together with the Capital Markets Union (CMU), a complete Banking Union will promote a stable and integrated financial system in the EU.

In his [State of the Union address](#), President **Juncker** reiterated that the Banking Union can only function if risk reduction and risk sharing go hand in hand. The Commission has already proposed measures to further reduce risk and improve risk management in banks. Last November, the Commission already presented a comprehensive risk-reduction package with changes to the banking legislation. The Commission now urges the European Parliament and the Member States to progress quickly. While recognising the current trend of declining levels of non-performing loans (NPLs), the Commission is suggesting new measures to reduce non-performing loans and to help banks diversify their investments in sovereign bonds. On the risk-sharing side, the Commission is setting out some suggestions to facilitate progress in the European Parliament and the Council on steps towards a European Deposit Insurance Scheme (EDIS), guaranteeing citizens' deposits in the Banking Union at a central level, a vital missing element of the Banking Union. The Communication also maps out rapid steps towards a last resort common fiscal backstop, committed to by Member States already in 2013, ensuring the solidity of the system and making sure that the Single Resolution Fund (SRF) has sufficient resources even in case of several simultaneous major bank resolutions.

Valdis **Dombrovskis**, Vice-President for Financial Stability, Financial Services and Capital Markets Union said: *"A complete Banking Union is essential for the future of the Economic and Monetary Union and for a financial system that supports jobs and growth. We want a banking sector that absorbs crises and shares risks via private channels, thus ensuring that taxpayers are not first in line to pay. Today we are presenting pragmatic ideas to move forward with risk sharing and risk reduction in parallel. We hope that these will be useful food for thought for EU co-legislators to reach consensus on the remaining measures by 2018."*

Key features of the Communication

Quick agreement on the Banking Package

The Commission is today calling on the European Parliament and the Member States to adopt as quickly as possible its proposals to reduce risks and strengthen the resilience of EU banks. The Commission presented this [comprehensive package of reforms in November 2016](#). The proposals incorporate the remaining elements of the rules agreed within the Basel Committee on Banking Supervision (BCBS) and the Financial Stability Board (FSB). They aim to complete the post-crisis regulatory agenda by making sure the rules address remaining challenges to financial stability. At the same time, the reform will enable banks to continue to fund the real economy.

Progress on the European Deposit Insurance Scheme

All depositors within the Banking Union should enjoy the same level of protection, independent of their geographical location. To facilitate the creation of a single European Deposit Insurance Scheme (EDIS) and encourage progress in the ongoing negotiations, the Commission is now suggesting some possible steps with regard to the phases and the timeline of EDIS. The proposed ideas try to address diverging views and concerns raised in the European Parliament and the Council. In particular, today's Communication is suggesting for discussion the introduction of EDIS more gradually compared with the [original proposal of November 2015](#). There would be only two phases: a more limited reinsurance phase and then coinsurance. However moving to this second phase would be conditional on progress achieved in reducing risks. In the reinsurance phase, EDIS would only provide liquidity coverage to national Deposit Guarantee Schemes (DGS). This means that it would temporarily provide the means to ensure full payouts in case a bank is in crisis, while national DGSs would need to pay back this support, ensuring that any losses would continue to be covered at national level. In the coinsurance phase EDIS would also progressively cover losses.

A fiscal backstop to the Banking Union

When the Single Resolution Mechanism (SRM) was set up, Member States agreed on the importance of a common backstop for the Single Resolution Fund (SRF) to protect financial stability. This is to ensure that, if needed, after private investors have borne losses via bail-in, if needed the fund has sufficient resources to deal with a major bank resolution, or several bank resolutions occurring in rapid succession. Any costs will be recouped from the banking sector so that fiscal neutrality in the medium term is ensured. The [Commission's Reflection Paper on Deepening the Economic and Monetary Union](#) identified a credit line from the European Stability Mechanism (ESM) as the most effective option. This work stream will need to be articulated with the Commission's forthcoming package of proposals for the deepening of Europe's EMU, which will include a proposal to transform the ESM into a European Monetary Fund, within the framework of Union law. In this context, it will also be important to ensure an efficient decision-making process that will allow for a swift deployment of the backstop, in last-resort situations.

Reducing non-performing loans

The Commission is already working on a comprehensive package of measures to reduce the level of existing NPLs and prevent the build-up of NPLs in the

future, as agreed in [the Council of 11 July 2017](#). The package, which is due to be adopted in the spring 2018, will include:

- a blueprint for national asset management companies;
- legislative measures to further develop secondary markets for NPLs and enhance the ability of creditors to recover value from secured loans;
- a report exploring the possibility of a legislative proposal introducing statutory prudential backstops against under-provisioning of new NPLs; and
- a way forward to foster the transparency on NPLs in Europe.

Moreover, in the [review report of the SSM](#) also published today, which makes an overall positive assessment of the first years of operation of the SSM, the Commission is clarifying the powers of supervisors to adjust banks' provisioning levels with regard to non-performing loans (NPLs) for supervisory purposes.

Possible measures for Sovereign Bond-Backed Securities

In order to find pragmatic solutions to reduce the bank-sovereign loop, the Commission recalls the ongoing work of the European Systemic Risk Board on sovereign bond-backed securities (SBBS). The Commission will consider the outcome of this work with a view to putting forward in 2018 a proposal to enable the development of SBBS. SBBS could help banks diversify their holdings of sovereign bonds. They could also be a new source of high-quality collateral for use in cross-border financial transactions.

Continuing to ensure high quality supervision

As mentioned in the Capital Markets Union Mid-term Review, the Commission will also propose in December 2017 that large investment firms carrying out bank-like activities be considered credit institutions and be subject to bank supervision. In the Banking Union they would be supervised in the framework of the Single Supervisory Mechanism (SSM), including by the European Central Bank. This will ensure that prudential rules are applied consistently and that both large investment firms and credit institutions are subject to the same high level standards of supervision.

Background

In 2012 the Commission proposed a [Banking Union](#) that would place the banking sector on a sounder footing and restore confidence in the euro. The Banking Union is based on stronger prudential requirements for banks. It consists of bank supervision, rules for managing failing banks as well as improved protection for depositors. The first two pillars were achieved with the

establishment of the Single Supervisory Mechanism (SSM) and of the Single Resolution Mechanism (SRM). However, a common system for deposit protection has not yet been established. The Commission put forward a proposal for a European Deposit Insurance Scheme (EDIS) in November 2015.

The Banking Union can only deliver its full potential and provide all the tools needed to deal with future crises if all its elements are fully in place. The [2015 Five Presidents Report](#) and the [Reflection paper on the deepening of the Economic and Monetary Union \(EMU\)](#) already called for the completion of the Banking Union before the end of 2019. The Letter of Intent that followed President Juncker's State of the Union Address calls for the completion of all aspects of the Banking Union by 2018.

For More Information

[Q&A on today's Communication](#)

[Factsheet](#)

[Communication on Completing the Banking Union](#)

[Banking union website](#)