



# PATH TOWARDS BANKING UNION

PANEL DISCUSSION

EFDI Annual Conference, 3 September 2015, Dubrovnik, Croatia



# Background Banking Union

- Euro area sovereign debt crisis
- Distressed banking sector

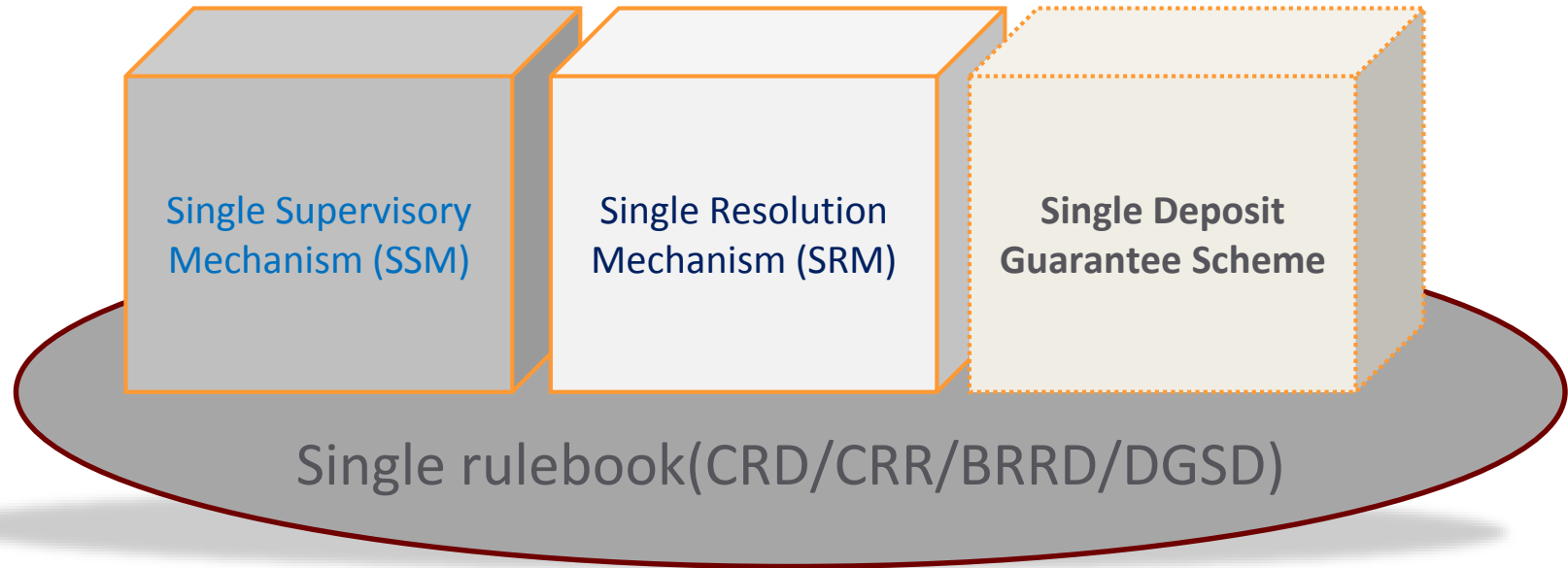


→ Need to restore growth and financial stability in Euro area

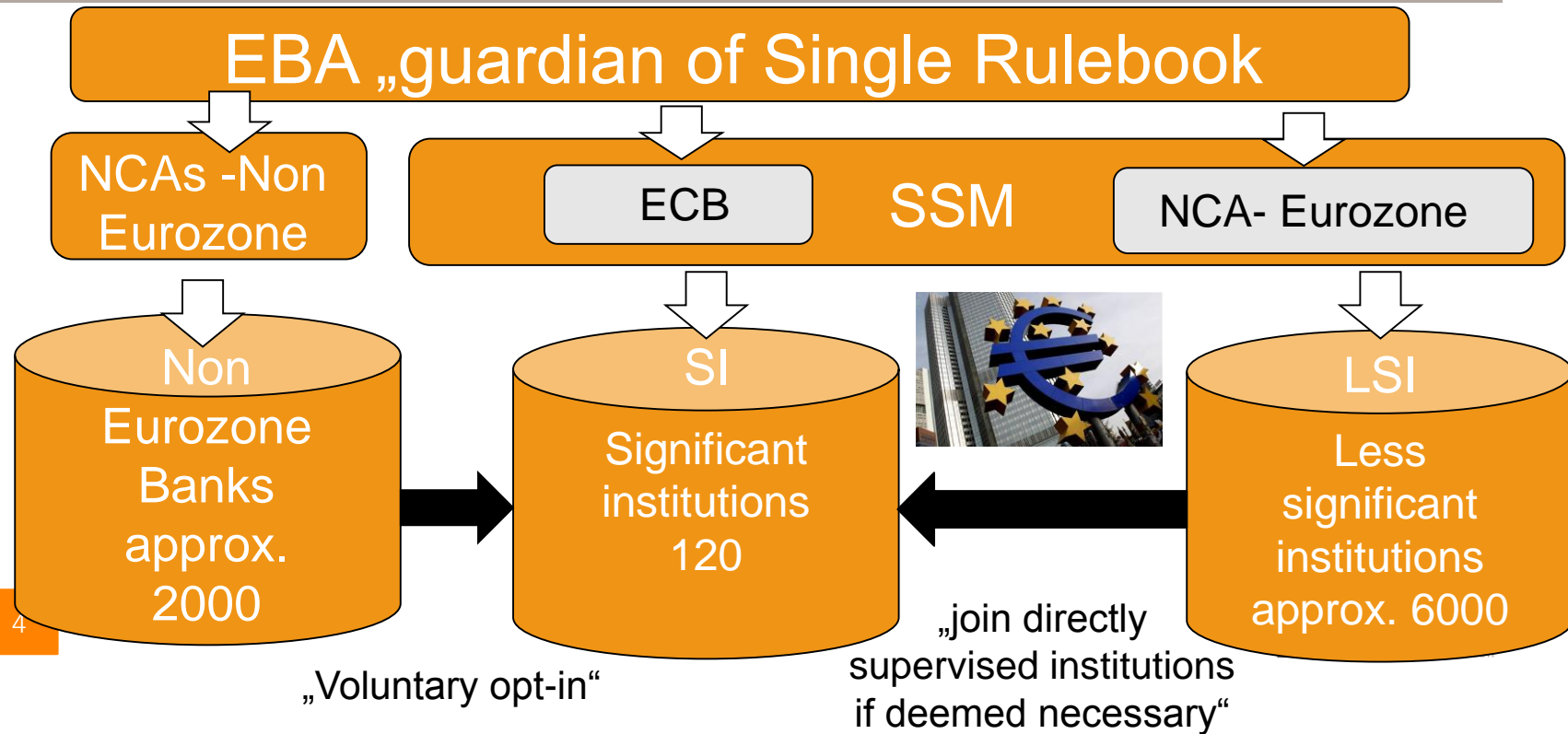
→ 2012 Proposed Remedies by Council:

- I. Integrated financial framework aka Banking Union
- II. Integrated budgetary framework
- III. Integrated economic policy framework
- IV. Strengthened democratic legitimacy and accountability

# The original conception of the Banking Union



# Structure European Banking Supervision



# Recovery and Resolution in Europe - Three pillars



## Bank Recovery and Resolution Directive

- Set of harmonised tools for bank recovery and resolution.
- Avoids bail-out of banks by taxpayers and fragmentation of the single market.

## European Stability Mechanism

- Provides loans to Member States for recapitalisation of financial institutions.

European Stability Mechanism

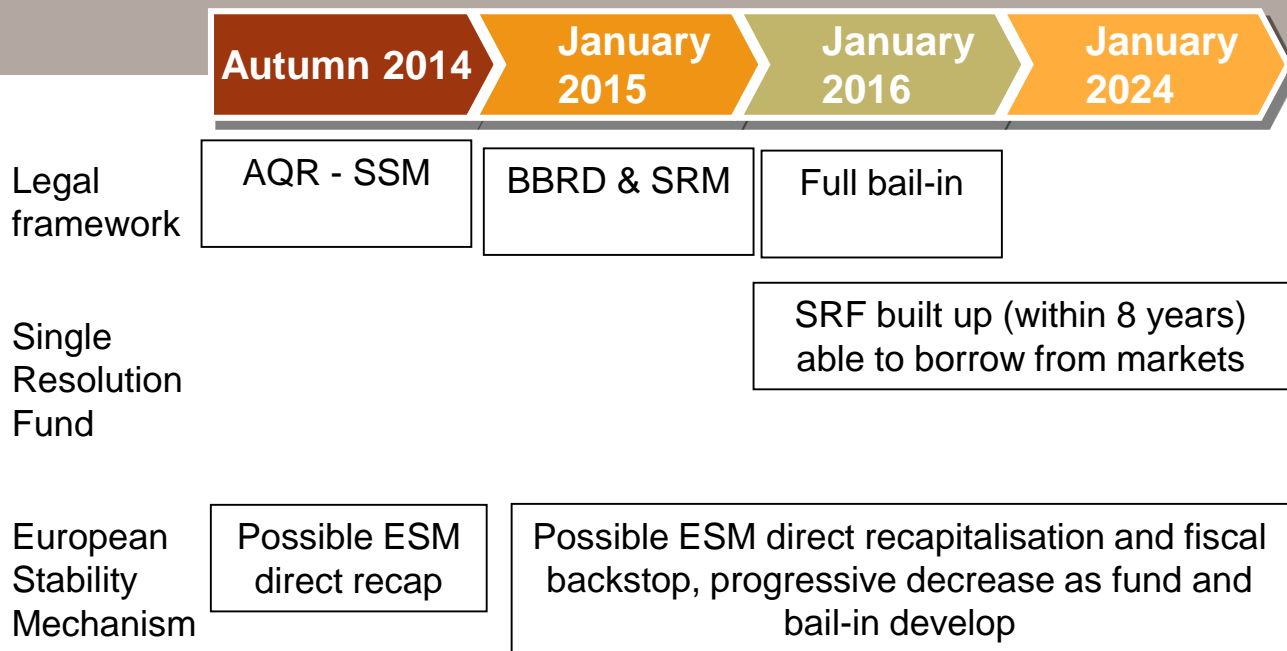


## Single Resolution Mechanism

- Eliminates tensions between single supervisor (ECB) and national resolution authorities
- Provides for strong central decision-making on resolution decisions
- Breaks the link between sovereigns and banks



# Timeline



# What is missing to complete the Banking Union?

- The Third Pillar: European Deposit Insurance Scheme (EDIS)?
- Complimentary Fiscal and Economic Integration?
- Capital Markets Union (CMU) as an additional circuit breaker for financial stress and source of financing?
- A European source of Backstop financing / Lender of Last Resort?

# For more information

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