



COMPLETING EUROPE'S ECONOMIC AND MONETARY UNION

The Commission's Contribution to the Leaders' Agenda

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COMPLETING THE FINANCIAL UNION



"If we want banks to operate under the same rules and under the same supervision across our continent, then we should encourage all Member States to join the Banking Union. We need to reduce the remaining risks in the banking systems of some of our Member States. Banking Union can only function if risk-reduction and risk-sharing go hand in hand."

European Commission President Jean-Claude Juncker, State of the Union Address, 13 September 2017

FINANCIAL UNION

An integrated and well-functioning Financial Union is essential for the smooth functioning of the euro area and the EU as a whole. This requires completing the **Banking Union** and making progress on **reducing and sharing risks in the banking sector**, with measures to make European banks even more resilient. Delivering on the **Capital Markets Union** is also essential to provide more diverse and innovative financing for the real economy, create channels of private risk-sharing and improve the capacity of the EU financial sector to absorb shocks.

COMPLETING THE FINANCIAL UNION

COMPLETING THE BANKING UNION

RISK-REDUCTION

RISK-SHARING

DELIVERING ON THE CAPITAL MARKETS UNION

MORE INTEGRATED AND
BETTER SUPERVISED
CAPITAL MARKETS

DELIVERING ON THE CAPITAL MARKETS UNION

What is the Capital Markets Union?

The Capital Markets Union aims to strengthen capital markets and investment in the EU.



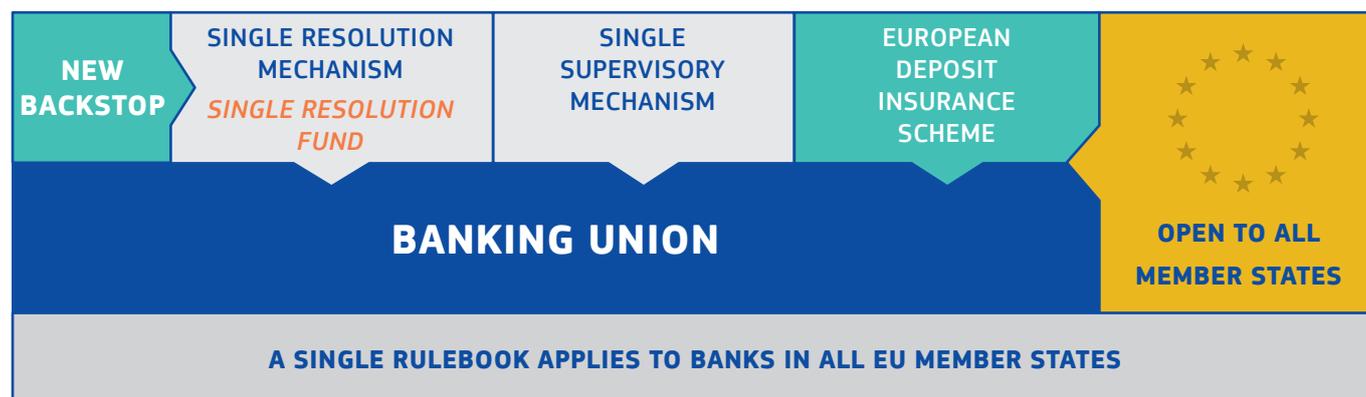
Progress and next steps:

MEASURE	DESCRIPTION	 European Commission	 European Parliament	 Council of the European Union
Rules for simple, transparent and standardised securitisation	<i>New rules that will broaden investment opportunities and boost lending to Europe's households and businesses. Adopted by the co-legislators in 2017.</i>	●	●	●
Review of Prospectus Directive	<i>New rules that will facilitate access to financial markets for companies, particularly small and medium-sized enterprises. Adopted by the co-legislators in 2017.</i>	●	●	●
Review of European Venture Capital Fund Regulation (EuVECA) and European Social Entrepreneurship Funds Regulation (EuSEF)	<i>New rules to stimulate venture capital and social investments in the EU. Adopted by the co-legislators in 2017.</i>	●	●	●
Solvency II adjustments	<i>Rules to foster insurers' investments in infrastructure projects and corporate projects. Amendments on infrastructure investment entered into force in 2016. Amendments on infrastructure corporates entered into force in 2017.</i>	●	●	●
Commission proposal for a Pan-European Personal Pension Product (PEPP)	<i>New rules will provide pension providers with the tools to offer a simple and innovative pan-European personal pension product. Commission presented the proposal in June 2017.</i>	●	●	●
Commission proposal for a review of the European Supervisory Authorities	<i>Reform of the EU's supervisory architecture for stronger and more integrated financial markets. Commission presented the proposal in September 2017.</i>	●	●	●
Commission Action Plan on sustainable finance	<i>EU strategy to encourage green and sustainable investments with regulatory measures. Upcoming in Q1 2018.</i>	●	-	-
Commission Action plan on financial technology (FinTech) and a legislative proposal for an EU framework on crowdfunding and peer to peer lending	<i>EU strategy to promote financial innovation and competition while protecting consumers and investors. New EU rules to increase the scale and facilitate cross-border activity in the crowdfunding sector. Upcoming in Q1 2018.</i>	●	-	-
EU rules for covered bonds	<i>Legislative initiative to promote covered bond markets as a source of funding for banks, building on the strengths and specificities of existing national frameworks. Upcoming in Q1 2018.</i>	●	-	-

● Presented/agreed ● Agreement possible in 2018 if strong political commitment from all EU institutions ● To be presented by the Commission

COMPLETING THE BANKING UNION

The first pillar of the Banking Union is the Single Supervisory Mechanism for all banks in the euro area and in non-euro EU countries that choose to join the Banking Union. The Single Resolution Mechanism, backed up by a Single Resolution Fund, is the second pillar of the Banking Union. The Single Resolution Fund is gradually filled by contributions from banks and will amount to about €55 billion in 2024. The creation of a backstop for the Single Resolution Fund was agreed by Member States in 2013. Such a backstop would be used as a last resort and it would be fiscally-neutral, as the banking industry would repay any potential disbursements. President Juncker's 2017 State of the Union address emphasised the need for such a backstop to be made operational as a matter of priority. This will be an important step towards completing the Banking Union.



Progress and next steps:

MEASURE	DESCRIPTION	 European Commission	 European Parliament	 Council of the European Union
Single Supervisory Mechanism	<i>The Single Supervisory Mechanism at the European Central Bank supervises all banks in the euro area and in non-euro EU countries that choose to join the Banking Union. It has been in place since November 2014.</i>	●	●	●
Single Resolution Mechanism	<i>The Single Resolution Mechanism can restructure banks that are failing or likely to fail in an orderly fashion and without causing financial instability. It covers all banks covered by the Single Supervisory Mechanism. It has been in place since January 2016.</i>	●	●	●
Single Resolution Fund	<i>The Single Resolution Fund can support the smooth resolution of a bank. It is gradually filled by contributions from banks and will amount to about €55 billion in 2024.</i>	●	●	●
European Deposit Insurance Scheme	<i>The Commission's proposal for a European Deposit Insurance Scheme of November 2015 would strengthen the protection of bank depositors across the Banking Union. The co-legislators have so far not been able to agree on this proposal. The Commission suggested a way forward in October 2017.</i>	●	●	●
November 2016 Banking Package	<i>The Commission proposed reinforcing the banking Single Rulebook with further risk-reducing measures. Political agreement was reached on first key measures (creditors' hierarchy and IFRS 9) in October 2017.</i>	●	●	●
New EU prudential rules for investment firms	<i>The Commission will present a legislative proposal for a more targeted regime to reduce risks in investment firms' activities. Upcoming in Q4 2017.</i>	●	-	-

Further reduction of non-performing loans on EU banks' balance sheets	<i>The Council agreed an action plan on non-performing loans in July 2017. The Commission will table several initiatives to follow up. Upcoming in Q1 2018.</i>	●	-	-
Sovereign Bond-Backed Securities for the euro area	<i>Such instruments could enhance cross-border risk sharing by spreading risks more widely across investors and across borders in the Economic and Monetary Union. The Commission will present a legislative proposal on an enabling framework. Upcoming in Q1 2018.</i>	●	-	-

● Presented/agreed ● Agreement possible in 2018 if strong political commitment from all EU institutions ● To be presented by the Commission

ROADMAP ON COMPLETING THE BANKING UNION BY 2018



2017

- ✓ Agreement by co-legislators on first items included in the 2016 November banking package (International Financial Reporting Standard N.9 - IFRS9, creditor hierarchy and large exposure for foreign denominated debt) and significant progress on the rest of the package.
- ✓ Clarification by the Commission of existing supervisory powers to address risks related to Non-Performing Loans in the framework of the Single Supervisory Mechanism Review Report.
- ✓ Commission legislative proposal regarding the investment firms review.



2018

- ✓ Achievement of a European Parliament position and a Council general approach (**Q4 2017/Q1 2018**) and adoption by co-legislators (**Q2 2018**) of the 2016 November Banking Package.
- ✓ Achievement of a European Parliament position and a Council general approach (**Q2 2018**) and adoption by co-legislators (**Q4 2018**) of the European Deposit Insurance Scheme proposal.
- ✓ Agreement on a common backstop (**2018**)
- ✓ Commission proposals on measures addressing issues linked to non-performing loans (**Spring 2018** – to be adopted by co-legislators by **early 2019** at the latest).
- ✓ An enabling framework for the development of Sovereign Bond-Backed Securities (early 2018).

Spring 2019

- ✓ All foreseen risk-reduction and risk-sharing measures should be in place and the implementation phase should start.