PARLIAMENT OF ROMANIA
CHAMBER OF DEPUTIES

DECISION
adopting the opinion on the communication 'Towards the completion of the Banking Union' from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions COM (2015) 587

Under Articles 67 and 148 of the Romanian Constitution, republished, Law No 373/2013 on cooperation between Parliament and the Government in the area of European affairs, and Articles 160-185 of the Rules of Procedure of the Chamber of Deputies, republished,

The Chamber of Deputies has adopted this Decision:

Sole Article – Having regard to Opinion No 4c-19/203 adopted by the Committee for European Affairs at its sitting of 23 March 2016, the Chamber of Deputies:

1. **Appreciates** the European Commission's objective of addressing systemic risk due to size, complexity and interconnectedness while reinforcing depositor confidence and incentivising proper risk management via rules on governance, but is concerned about the connection between this and the real economy, in the context of globalisation and the entry into force of the TTIP agreement.

2. **Supports** the European Commission's intention to reconsider the adequacy of the prudential treatment of banks' exposures to sovereign risk, including the introduction of limits on banks' exposures to individual sovereigns, and awaits the proposals the Commission has planned on the prudential treatment of sovereigns.

3. **Recalls** that under the macro-prudential approach, systemic risk is caused by the collective inability of several financial institutions to provide an appropriate response in stressed conditions as a result of certain risk factors (including exogenous risk factors) to which they are jointly exposed, which would justify the inclusion of a number of banks in a preventive system at EU level, and not only those which are identified and declared as having systemic importance; under this approach, the scale of an event would be relevant, not only the size of individual banks.

4. **Recalls** that in the context of globalisation, technological progress, the expansion of on-line trade and other such processes, the link between the banking system and other, non-banking, financial actors is a consideration, including in terms of reinforcing the EU's financial market and the impact on the soundness of the Banking Union.

5. **Expresses its concern** about the feasibility and effectiveness of the proposed mechanisms, given that Member States may have divergent interests with regard to banking entities with significant activities in several Member States (as proved to be the case during the crisis), which could cause major problems in the functioning of the Banking Union and the application of joint resolution and deposit guarantee mechanisms, and **recommends** that a reinforced Banking Union consultation and cooperation mechanism be set up to represent Member States, either through the establishment of rules or institutionalisation, or through the creation of a structured dialogue which would also include non-euro area Member States.

6. **Recalls** the objective of diversifying the EU financial market and attracting financial resources and actors to this market, such as investment funds, through securitisation and

other instruments, and **expresses its concern** about the influence that this expected development could have on measures to increase the soundness of the European banking system.

7. **Considers** that the measures designed to ensure the efficient functioning of the MUR mechanism through the implementation of the minimum requirement for 'own funds' and eligible liabilities (MREL)/total loss absorbing capacity (TLAC) should be considered urgent, in view of the need to operationalise the bail-in instrument.

8. **Highlights** that the current differences between the national deposit guarantee systems, particularly as regards discrepancies in the level of funding, require that the proposed harmonisation measures take account of the specificities of the guarantee systems of each Member State.

9. **Considers** that in order to ensure the effectiveness of the bail-in instrument, the availability of adequate 'bailinable' liabilities through the proper implementation of MREL is crucial.

10. **Recommends** that reducing the risk of inconsistent application of State aid and Single Resolution Fund (SRF) aid rules be considered a priority for the functioning of the single market because it can prevent distortions which could cause an uneven distribution of costs.

11. **Considers** that a risk assessment mechanism must be set up before the EDIS system is implemented, to ensure that EDIS reflects reality as accurately as possible and is applied in a consistent manner in all national banking systems.

12. **Recommends** that measures that have a significant impact on the relationship between the economy and the financial system be implemented on the basis of a quantitative assessment and impact assessment, in view of the possible spillover and second-round effects on the real economy.

13. **Recommends** carrying out a detailed impact assessment to back up legislative reform to regulate treatment of sovereign exposures, since any policy option chosen other than the current prudential treatment could radically change the rules of the financial market.

14. **Recalls** that an increase in country risk could affect the financial sector (not only the banking sector), which could have potential systemic implications; analysis of the potential systemic risks related to the treatment of sovereign exposures should therefore be extended to all segments of the financial sector.

15. **Recommends** that European policies also take small markets outside the euro area into account, as they have different characteristics, and it is important that the relevant issues regarding the sovereign debt exposure of EU Member States with less developed financial markets, particularly non-euro area Member States, also be discussed and analysed, with an emphasis on:
– the pros and cons of large sovereign exposure holdings - national government bonds versus bonds of other states;
– the possible channels and spillover effects for the real economy arising from sovereign risk;
– concentration risk versus liquidity risk;
– portfolio diversification and the potential risks arising from banks' foreign currency holdings (for example, foreign exchange, liquidity and interest rate risks);
– possible second-round effects (for example, the effects on household income) and their impact on economic stability;

– haircuts and limits on sovereign exposures - potential methodology, with a case-by-case approach by the level of banking system, calibrated according to the size and depth;
– financial markets in an environment in which risk cannot be excluded.

16. **Highlights** that in view of the measures taken to strengthen the resilience of the banking system and reduce the risk arising from the link between the banking system and government, a common fiscal backstop should only be used as a last resort; in the extreme event that a common fiscal backstop must be activated and used, its effects must be neutral in the medium term.

17. **Highlights** that the single deposit guarantee scheme which forms the third pillar of the Banking Union is aimed at those Member States which have adopted the euro and is optional for other EU Member States, including Romania, and **insists** that it remains optional.

This Decision was adopted by the Chamber of Deputies at its sitting of 6 April 2016, in compliance with Article 76(2) of the Romanian Constitution, republished.

For the PRESIDENT OF THE CHAMBER OF DEPUTIES

Florin Iordache

Bucharest, 6 April 2016

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