Parlamentul României
Senat

Bucharest, the 7th of March 2016

Courtesy translation

OPINION

of the ROMANIAN SENATE, on the COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN CENTRAL BANK, THE ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

"Towards the completion of the Banking Union"

COM (2015) 587 final

The Senate of Romania has examined the **Communication 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 – "Towards the completion of the Banking Union – COM (2015) 587 final**

Taking into account the Report no.128/XLII/23.02.2016 of our permanent Committee on European Affairs, **the Plenum of the Senate**, decided as follows:

Art. 1.

(1) considers:

a) the efforts of the European Commission in the implementation of the plan to strengthen economic and monetary union (EMU), the completion of the Banking Union represents an indispensable element of that plan.

b) setting unique mechanism of supervision (MUS) and a unique mechanism of resolution (MUR) - the first two pillars of Banking Union, which should result in significantly reducing the likelihood of entry in need of some banks should ensure the non-involvement of taxpayers to bear the costs of any bank resolutions. A further protection has to be provided by the wide range of prudential measures that were taken on banks to: strengthen the supervision and the crisis management, the improvement of the quantity and quality of capital, the reduction of the concentration risk exposure, the encouragement of the the growth of leverage, the limitation of the pro-cyclical behavior of banks in lending, the improvement of the access to liquidity, the countering the systemic risks related to the size, complexity and interconnections, the reassurement of the depositors and the encouragement concerning the proper management of risks, using the rules of governance.

c) formulation Commission's legislative proposal on the EDIS establishment – COM (2015) 586 final - which settles a common deposit guarantee , which is supposed to ensure an increased resilience of the Banking Union in the event of financial crises, by reducing the vulnerability of national systems of guarantee for the local deposits against the major shocks and by reducing further the link between banks and sovereign entities at national level. In these circumstances, EDIS can help the increasement of confidence of depositors throughout the EU banking and preserve the financial stability, thereby reducing the risk posed by heavy deposit withdrawals. This would allow also to improve the cooperation between the national deposit guarantee schemes to deal with banks in difficulty coming across borders.

2) notes that:

a) in Romania, the resources of the Deposit Guarantee Fund in the Banking System - FGDB (which includes restructuring fund resources) covers on September 30, 2015 approximately 3.78% of covered deposits, very good level compared with other Member States (eg. Spain, Italy, Greece) or the minimum level of 0.8% proposed by the European Commission to be achieved in 2024. For the Member States which have strengthened guarantee schemes, as Romania, to share the level risk EDIS will not be an advantage, up to the compliance by other guarantee schemes DGSD with the target level of their resources;

b) given the fragmentation of European markets at the bank level and the discrepancies registered in the European Union and Monetary resilience in terms of national guarantee schemes, is necessary to highlight the need exhaustive review of the methodology of risk-based contributions;

c) it is necessary to clarify how the contributions will be calculated according to the proposal for a regulation EDIS. Regarding the calculation of the risk based contributions, a credit institution which has a higher risk weighting in the Member State to which it belongs could have a risk weight lower than reported in Europe. Therefore, during the coinsurance stage of EDIS, when much of the risks still remain at the national SGD, the bank's risk profile should be calculated by reference to the national banking system;

d) reducing the national options and discretions will improve the comparability and will provide the framework for a wider action, but it is necessary to identify those situations and conditions which require to ensure a balance between the need for standardization and the implementation of EU rules in the national context.

3) **recommends**:

a) given the major differences between the levels of risk presented of national banking systems and the impossibility to implement the desire unify them in a reasonable period of time (term operational EDIS), it is appropriate explicit regulation in the EU Regulation a mechanism to protect the building EDIS; to ensure that national banking systems stable with SGD funded and functional, will not be adversely affected;

b) to perform a careful analysis of the implications of the rights and obligations imposed on participating credit institutions, national websites and national DGS-designated authorities. We need to clarify the issues relating to provisions governing the situation in which a close cooperation of a Member State outside the euro area is suspended or terminated (art. 4), in which the right to redeem the DGS national resources contributed by the EDIS institutions participating credit is limited to the amount that would be required by the DGS national to achieve two thirds of the target level set by DGSD (so, for Romania if Guarantee Fund Bank Deposit remains funded above the minimum required by DGSD and Regulation in question might reach including where it would not recover any contribution). In addition, under the same provisions are introduced other limitations sensitive pertaining to available resources EDIS - where out of the mechanism of close cooperation, available resources of EDIS has diminished, it can lead to a situation not recovering the amounts due, even if the Member State has not received any amount from EDIS during participation;

c) the pooling of contributions from SGD national would be fair only after reaching a uniform minimum level of resources accumulated by SGD national, given that, at present, at SGD national there are major discrepancies on the accumulated resources in the context of transition to the new European requirements in this area;

d) to have a study of the quantitative impact at European level, taking into account certain scenarios of a stress test or simulation of financial crisis on the banking systems less solid to determine the ability of EDIS, including through the target level of resources proposed , to maintain financial stability in the European Monetary Unit and the lack of influence on the banking systems involved. There is a risk that due to the complex interactions of European banking systems in case of a severe financial crisis in a Member State, pooling risks through EDIS lead to undesired effects and at other banking systems in Europe by contagion.

4) points out:

The European Banking Union is designed to mutualise the risks within the Eurozone banks and reduce, at least in long term, the intervention of public budgets to overcome the crisis. The additional banking integration systems of these Member States diminishes the negative effects of the construction of the European monetary system based on a common currency, but not on a single currency.

However, we note that in the EU there are countries which are not yet members of the Eurozone and other countries that joined with opt-out clause in the monetary system. The current rules establish a multi-speed Union, which is not desirable as a general principle.

Romania is expressely concern about the economic effects of these regulations and the reaction of its own banking system due to some specific features. The banking system is stable, with general indicators over rules introduced in the current regulations, but it works in the context of a high "euroisation" of the economy and a high share of capital in the ownership structure of the euro area banking sector. These features make it extremely reactive to any adverse event occurred in the Eurozone banking systems without the benefit of solidarity created through unique mechanisms of European Banking Union.

p. President of the Senate

Ioan CHELARU