

National options and discretions in a Banking Union – a contradiction?

ECB Workshop – Challenges for banks in a changing regulatory environment

27 January 2016

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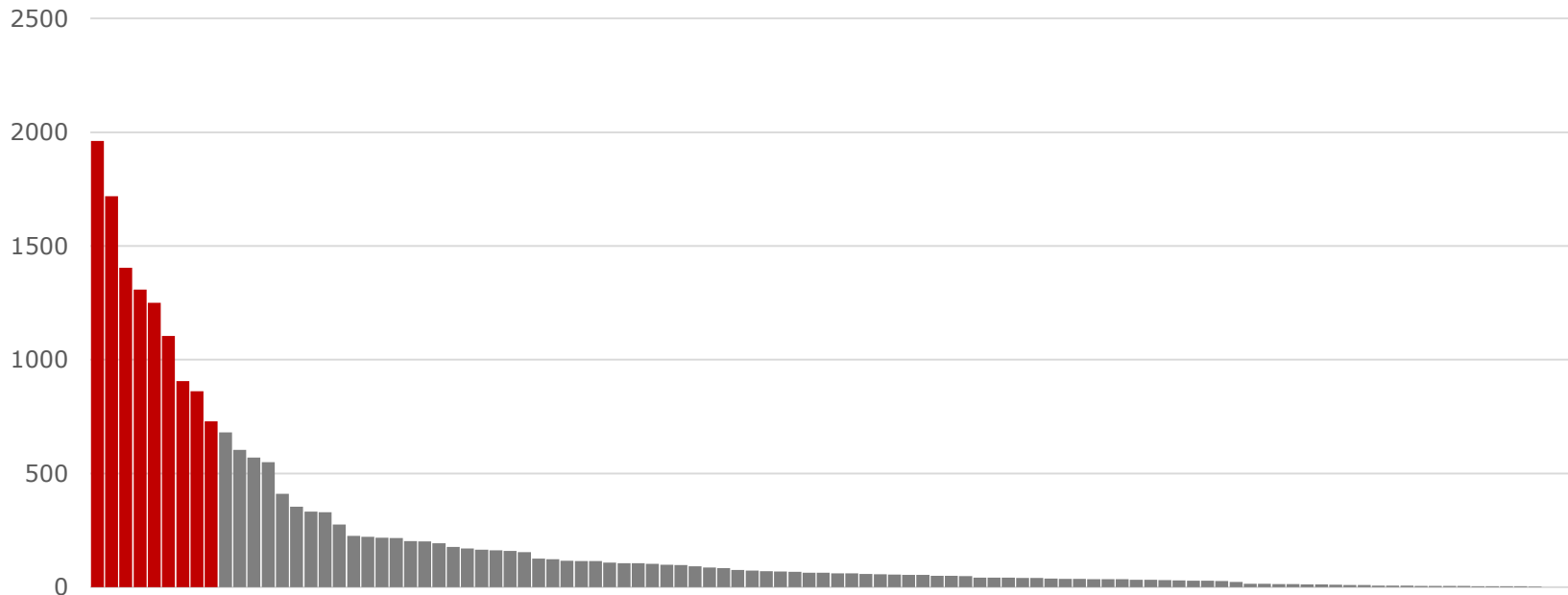
DeNederlandscheBank

Topics

- **Banking union – setting**
- **Banks operate on the single European market**
 - Rules and requirements should be equal for equal cases
- **European banks are diverse – size, business model, efficiency**
- **National landscapes are different – financial systems, legal regimes**
- **Discretion broader than strict prudential regulation**

Banking union – setting

Size of the SSM Significant Institutions (Assets in EUR bn)



About 130 significant institutions in Euro area
Of which 9 G-SIBs (the red pillars)
Estimate total balance sheet of EUR 21 trillion

Banks operate on the single European market

European passport:

cross border operations

establishment of entities in the whole EU

Banks face competition on the large European single market

Competition should be fair and on a level playing field and banks should be subject to the same rules

→ Prudential regulation to be equal for equal cases

Equal rules – harmonized application of O&Ds

Options and discretions included in prudential regulation (CRDIV/CRR)

Option – alternative ways to apply a provision

Discretion – possibility to apply or not to apply a provision

Categories of O&Ds:

- exercised by the supervisor ~120
- exercised by designated authorities
- exercised by the Member States

SSM as single supervisor: choose for harmonised application

→ Impact study among banks

→ Proposals for the 120 O&Ds

→ Public consultation among stakeholders in Nov/Dec 2015

Publication in OJ foreseen in early 2016

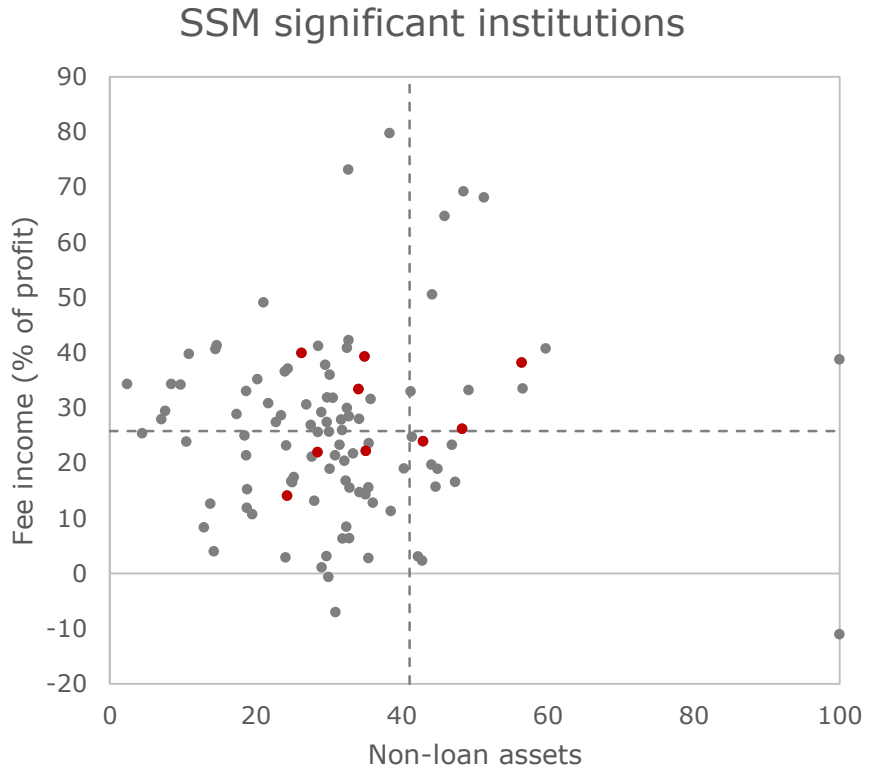
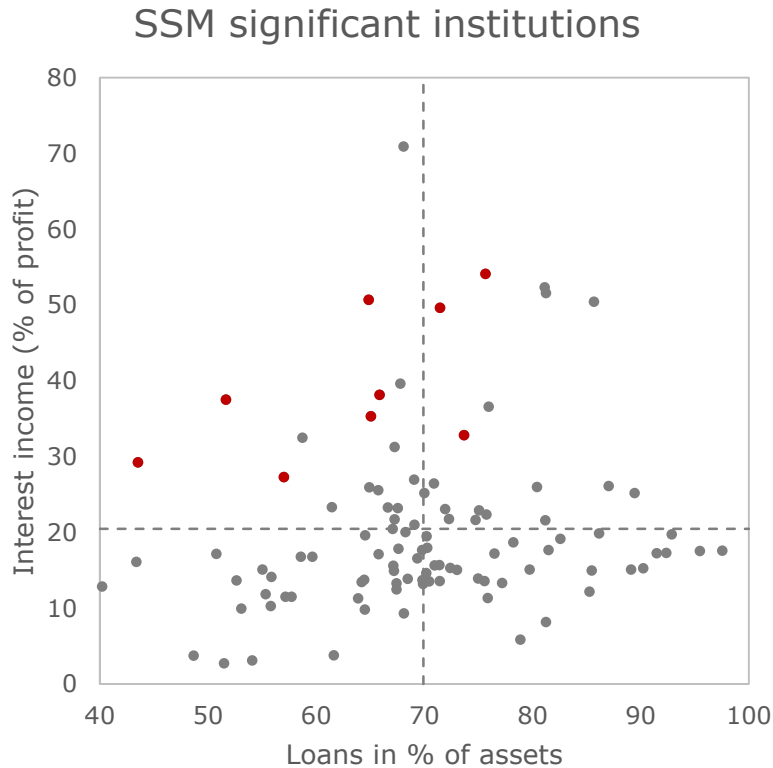
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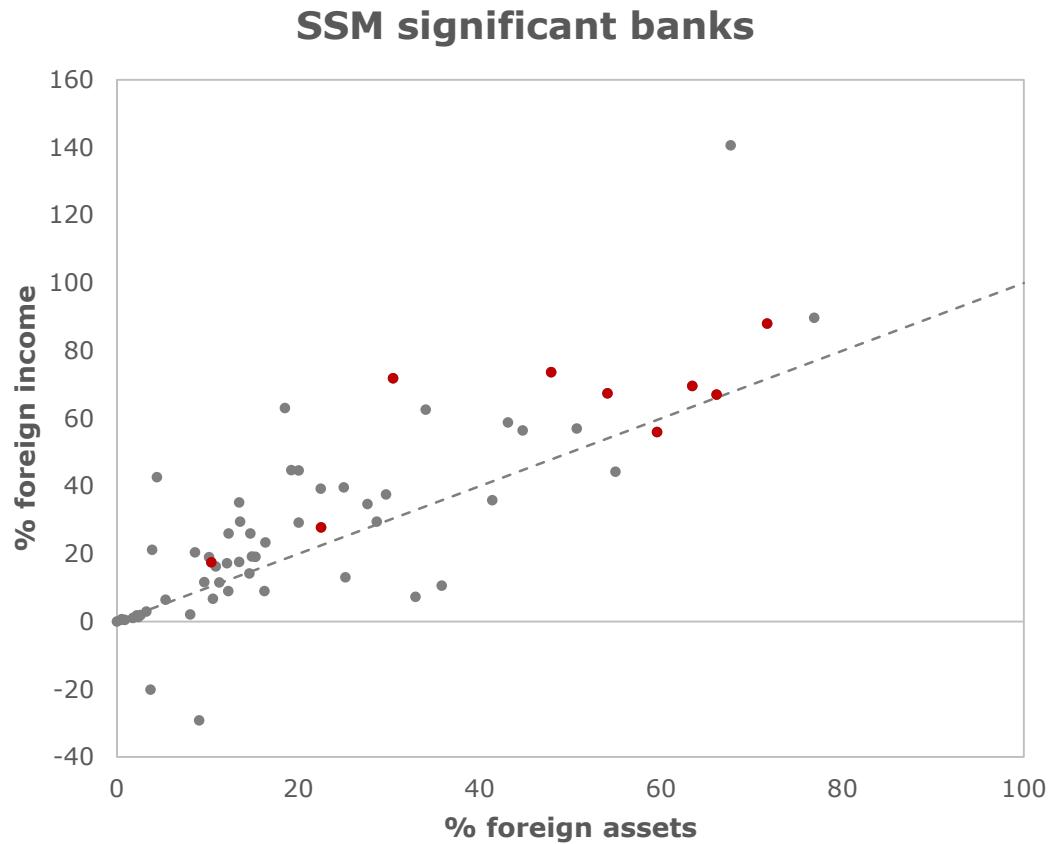
European banks are diverse –business model

Lending activity – interest income

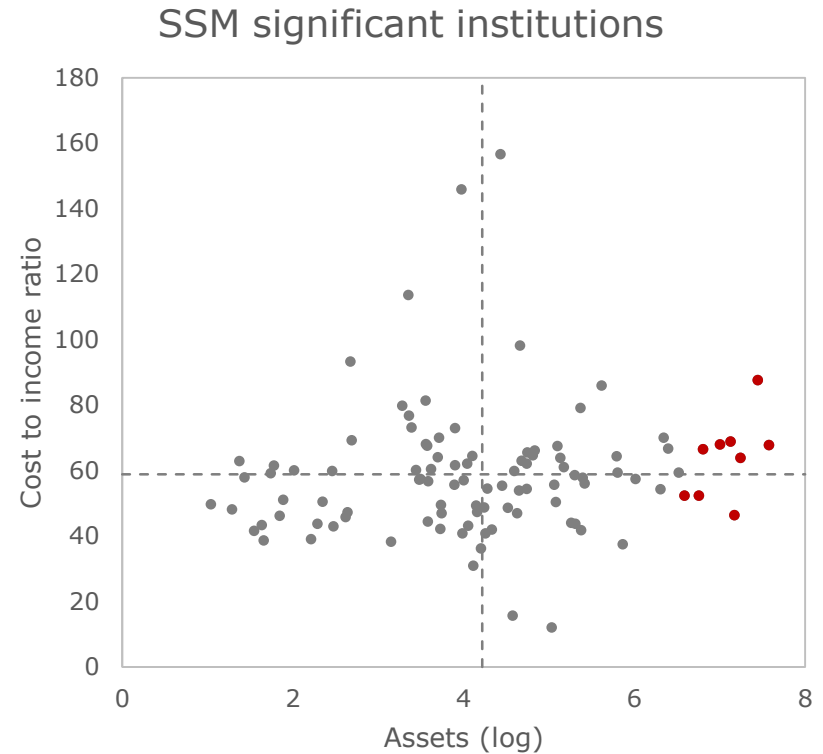
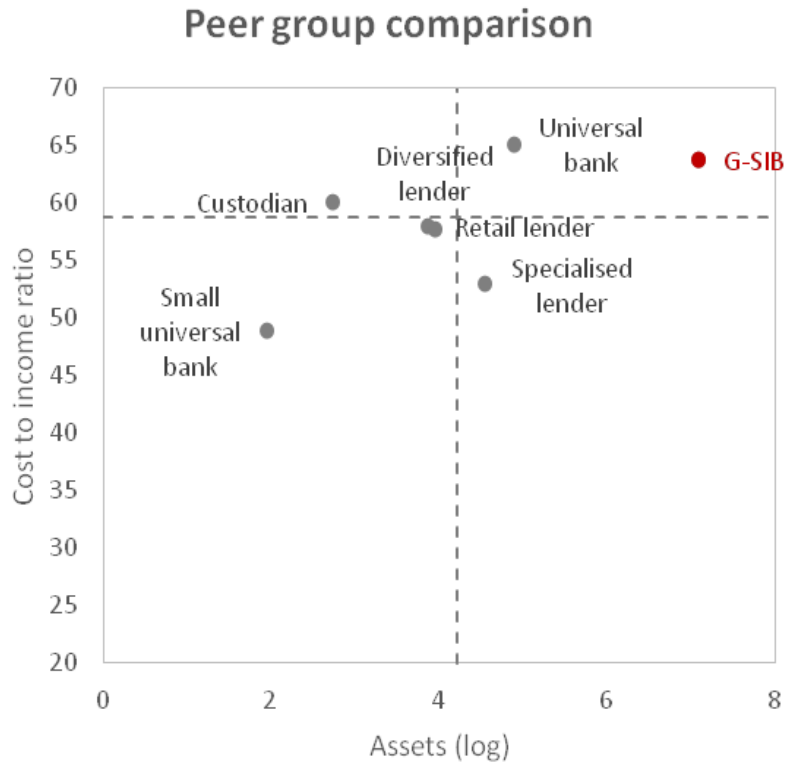
Other activity – fee income



European banks are diverse – internationalisation



European banks are diverse - efficiency



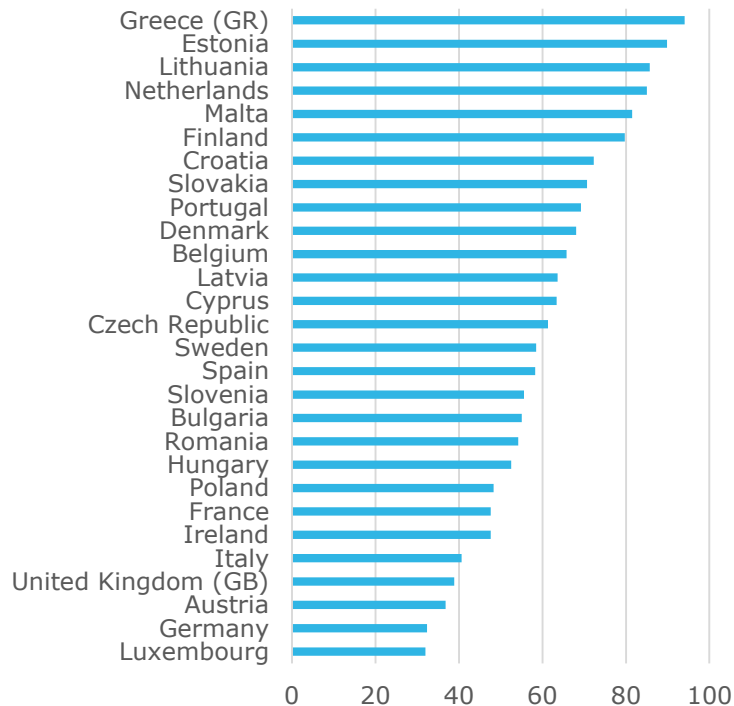
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National landscapes are different – financial systems

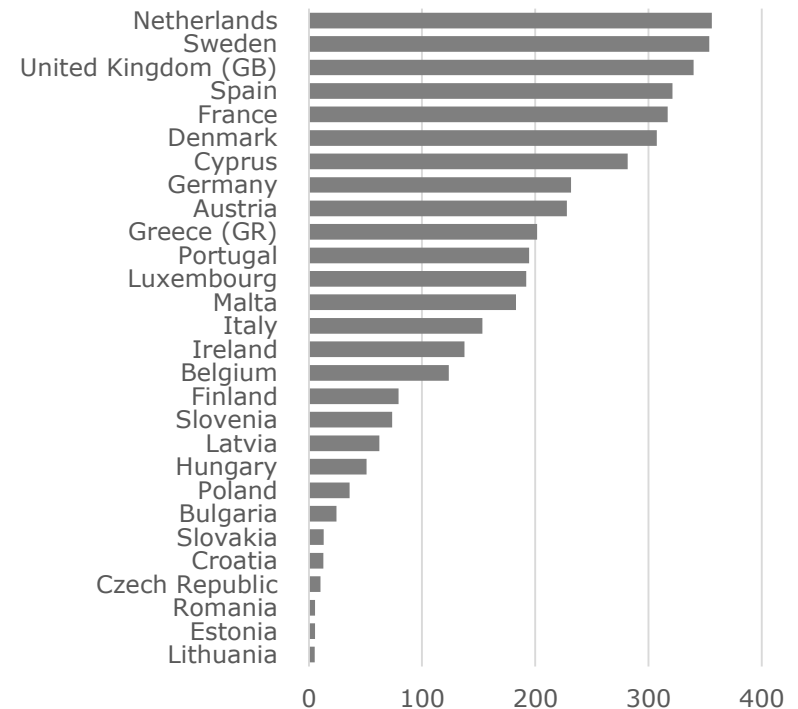
Concentration

(5 biggest banks % of total sector)

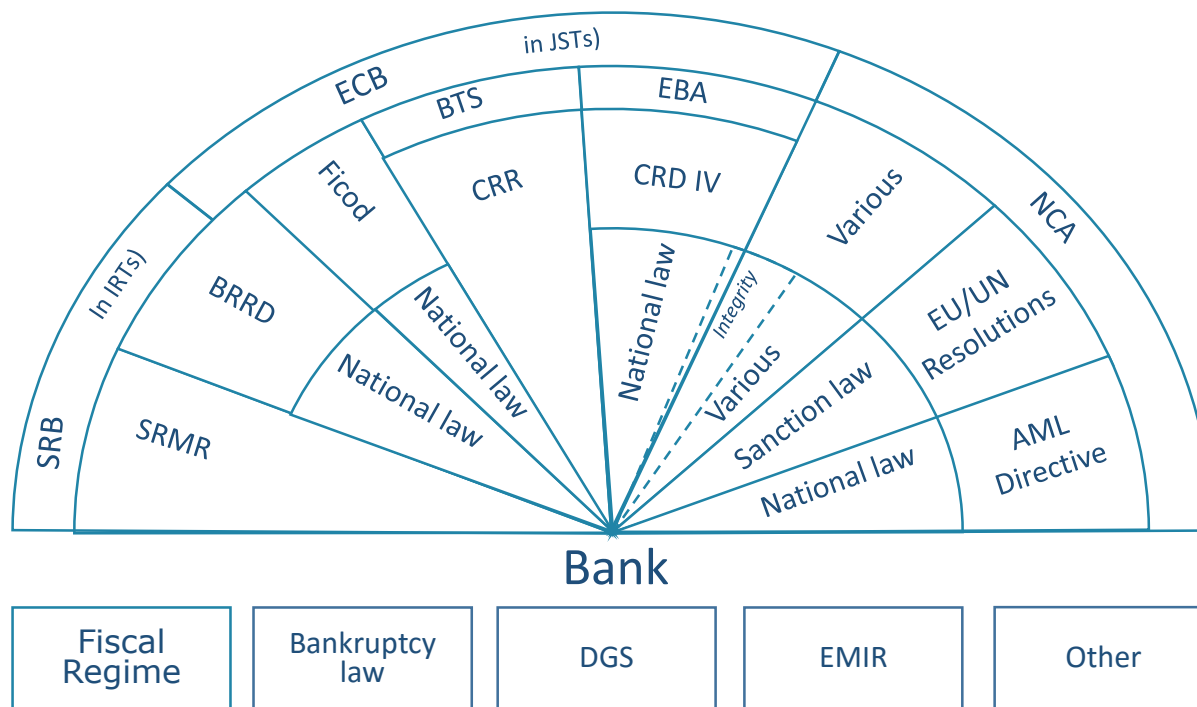


Size compared to economy

(domestic banking sector in % national gdp)



National landscapes are different – legal regimes



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Harmonisation, but..... does one size fit all?

