



# **Prospects for Reform of European Banking Regulation and Supervision: from the Bank Reform Package to the White Paper and Beyond**

**Mario Nava**

**Director, Financial System Surveillance and Crisis Management  
Directorate-General for Financial Stability, Financial Services and Capital  
Markets Union  
European Commission**

**European Banking Institute and Malta Financial Services  
Authority – 9<sup>th</sup> June 2017**



# Prospects for Reform of European Banking Regulation and Supervision

- The Bank Reform Package and the White Paper
- What has been achieved so far
- Completing the Banking Union
  - TLAC/MREL
  - EDIS
- Dealing with NPLs



# The White Paper on the Future of Europe

# The White Paper's five scenarios



Carrying on



Nothing but the  
single market



Those who want  
more do more



Doing less  
more efficiently

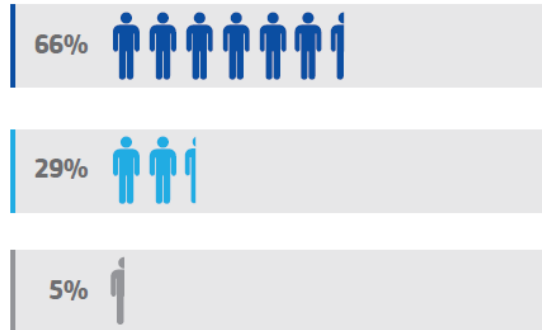


Doing much  
more together

# How do Europeans see the EU?

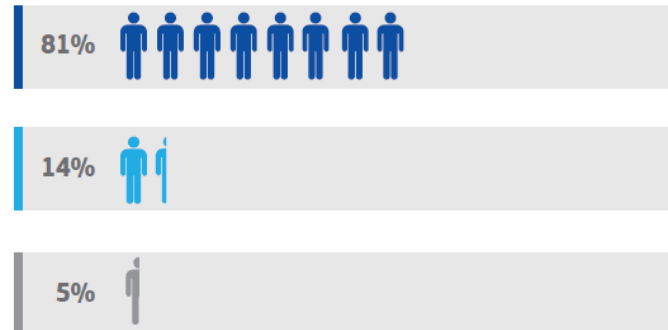
## EU as a place of stability

■ Total 'Agree'    ■ Don't know  
■ Total 'Disagree'



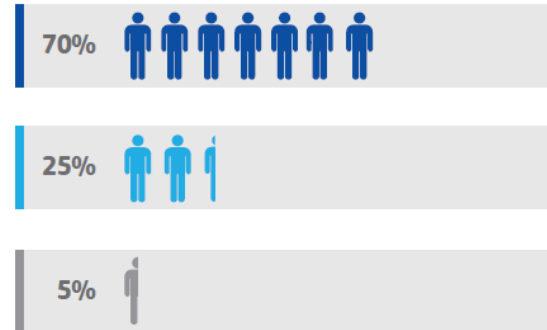
## Support for the EU four freedoms

■ For    ■ Don't know  
■ Against



## Support for the euro

■ For (euro area)    ■ Don't know  
■ Against (euro area)



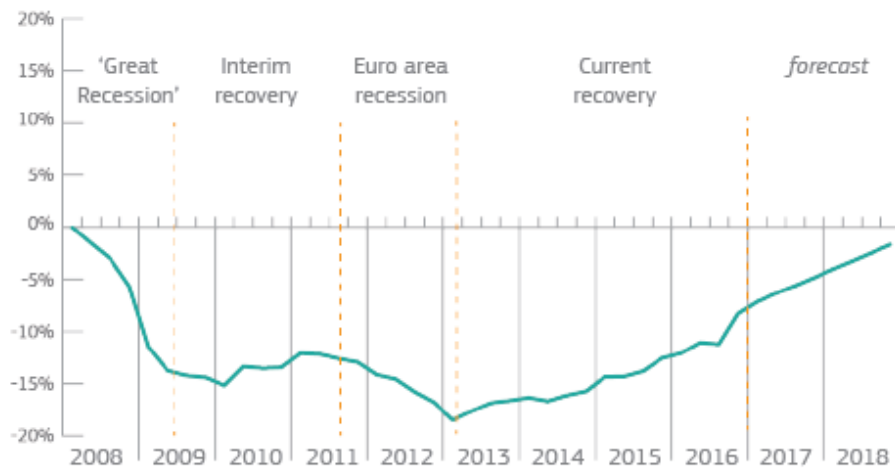
Source: Eurobarometer, October and November 2016, EU28



# Europe's economic recovery

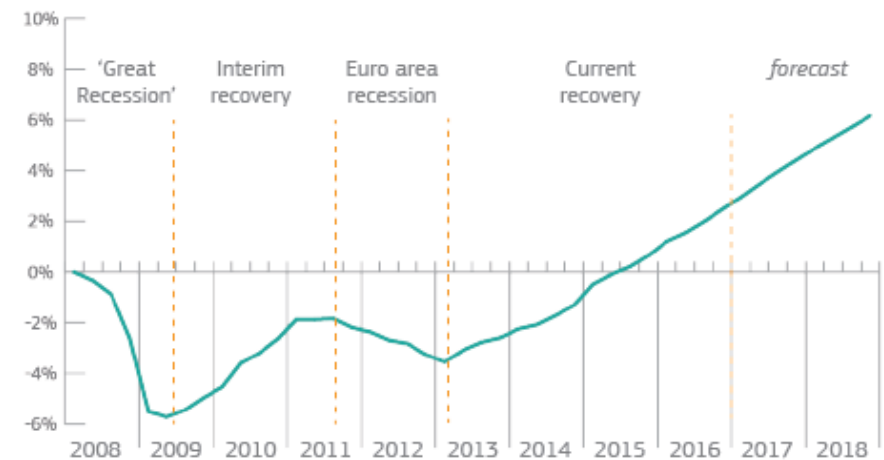
# Europe's steady recovery is continuing

% change in the level of investment in the euro area compared to 2008



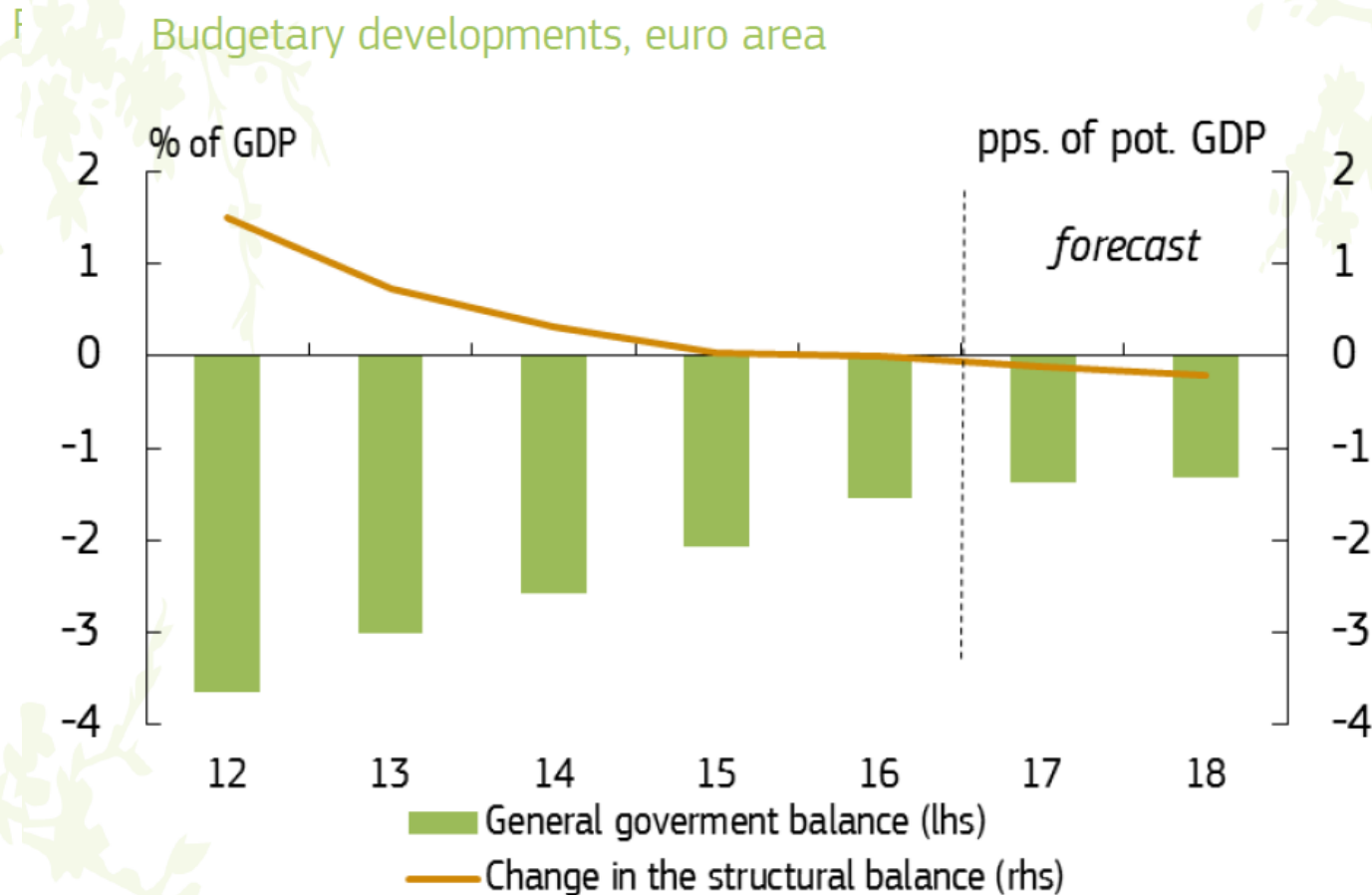
Source: European Commission

% change in the level of real GDP of the euro area compared to 2008



Source: European Commission

# Public finances are improving

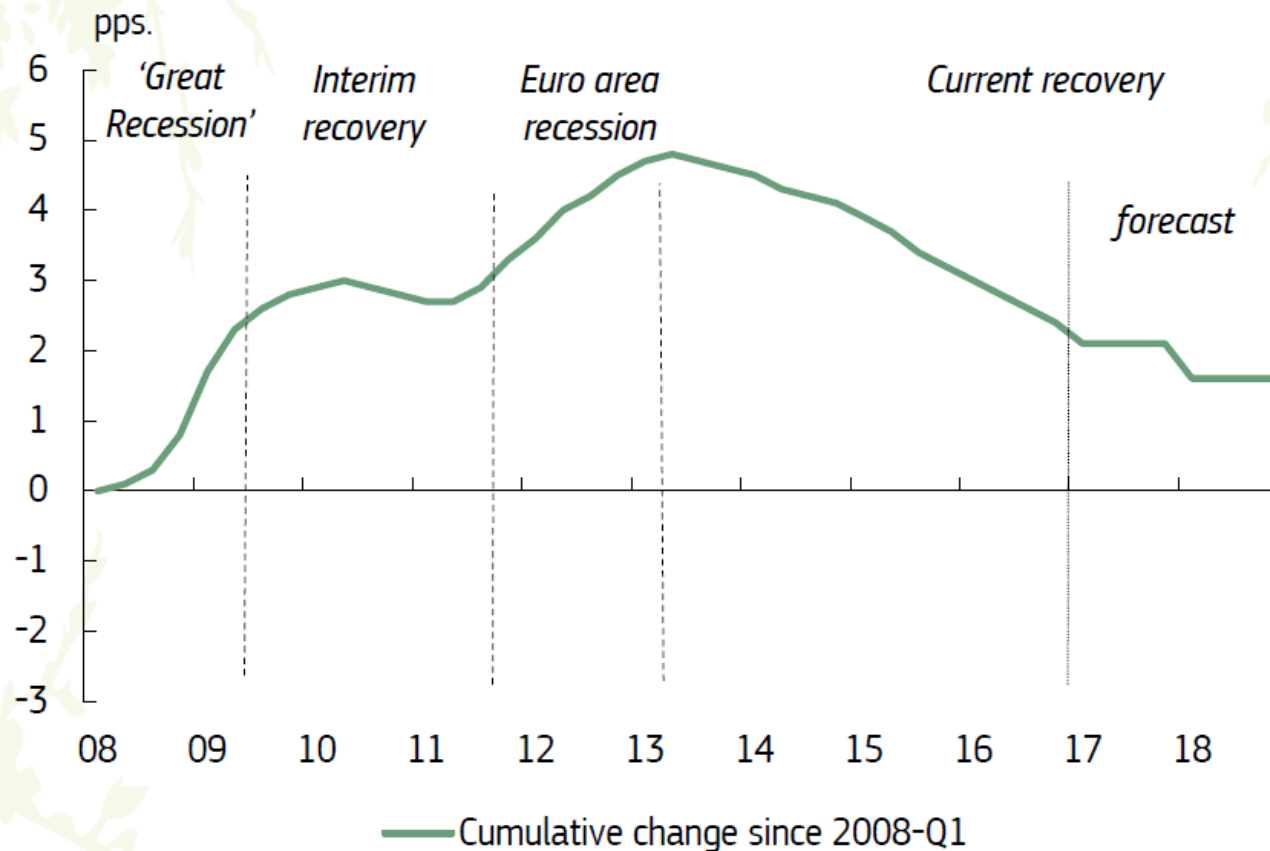


Source: European Commission (Spring Forecast 2017)



# Unemployment continues to fall

Unemployment rate, euro area

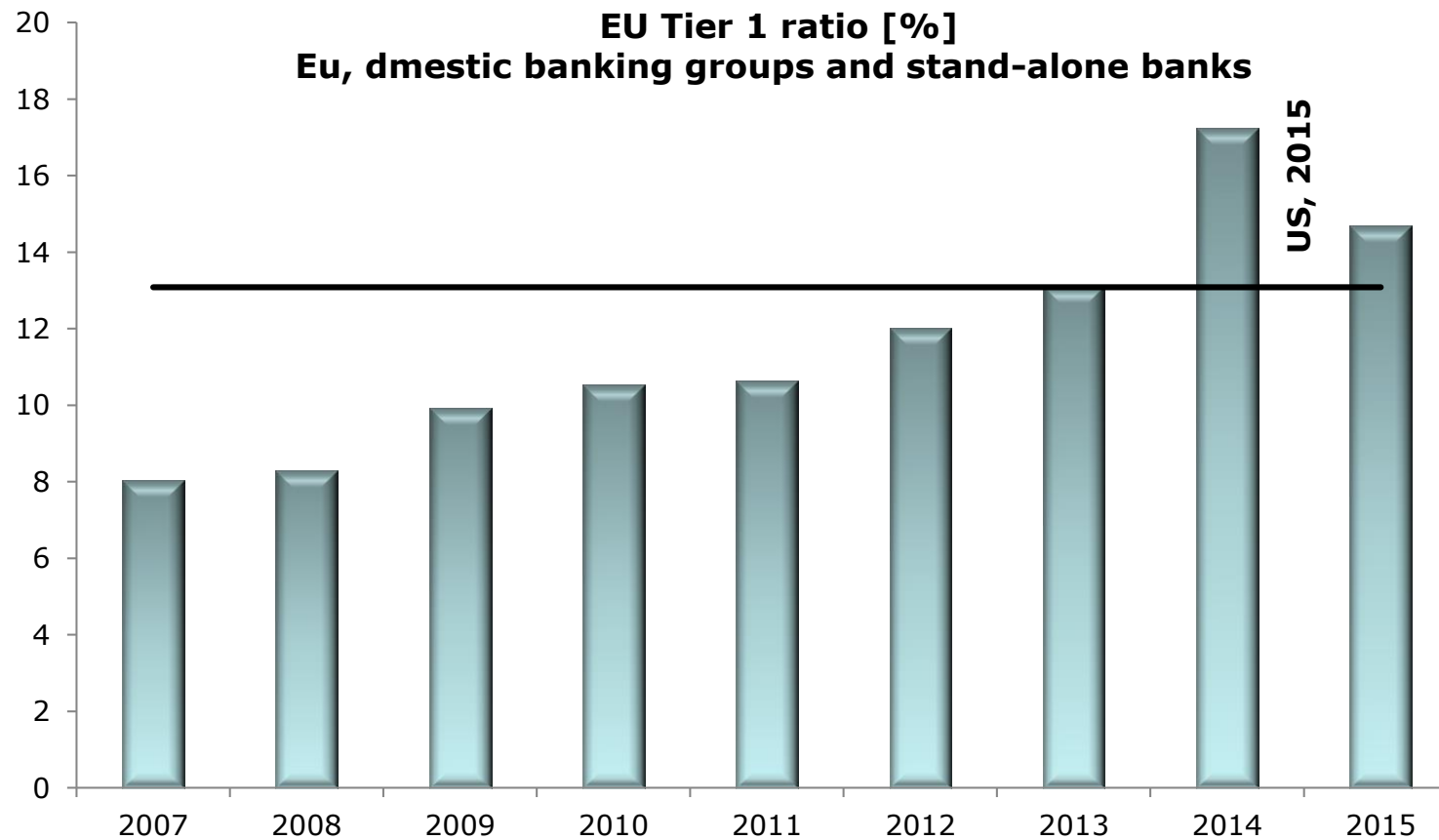


Source: European Commission (Spring Forecast 2017)



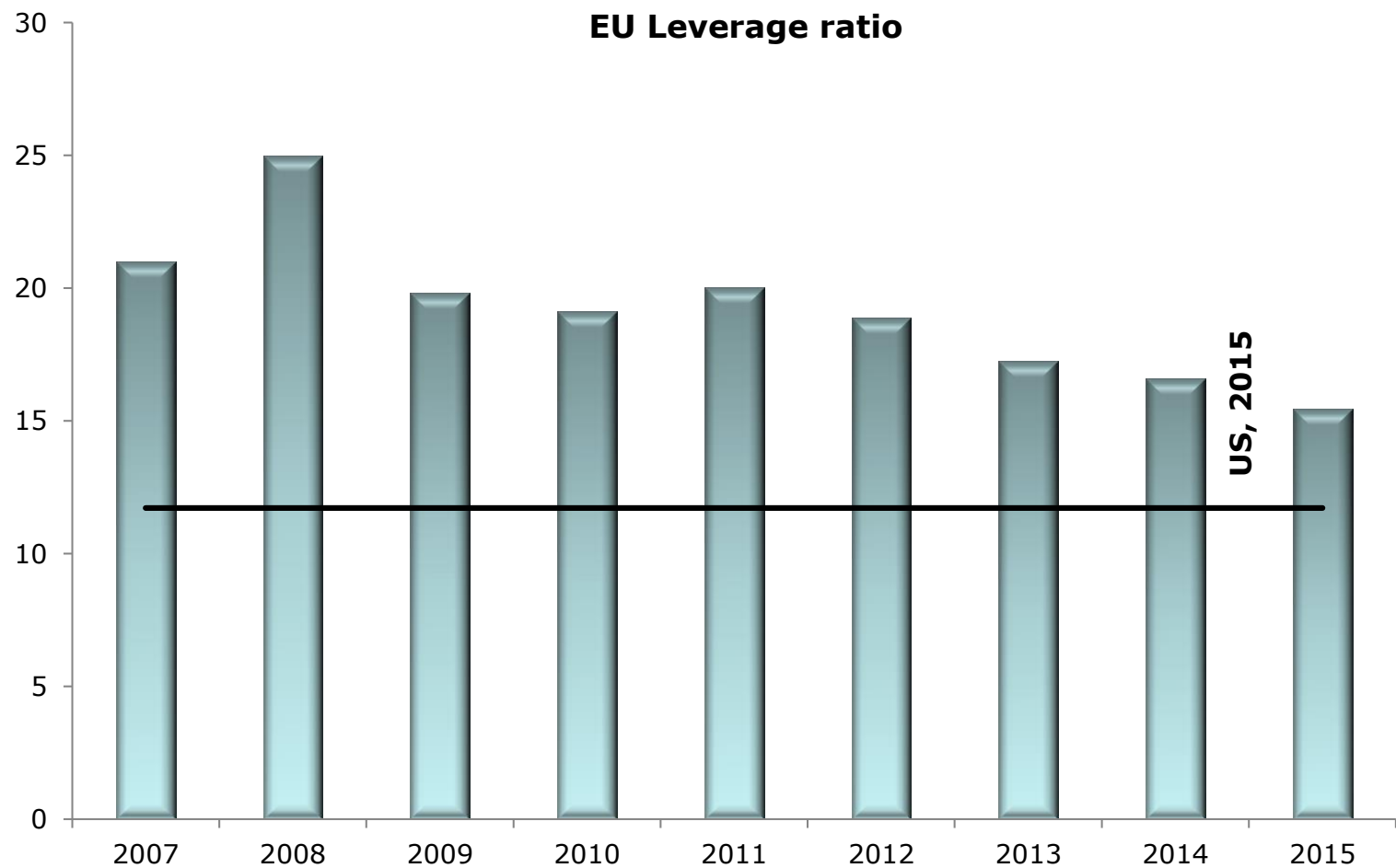
# What has been achieved so far

# European banks' capital levels



Source: ECB, IMF (for US)

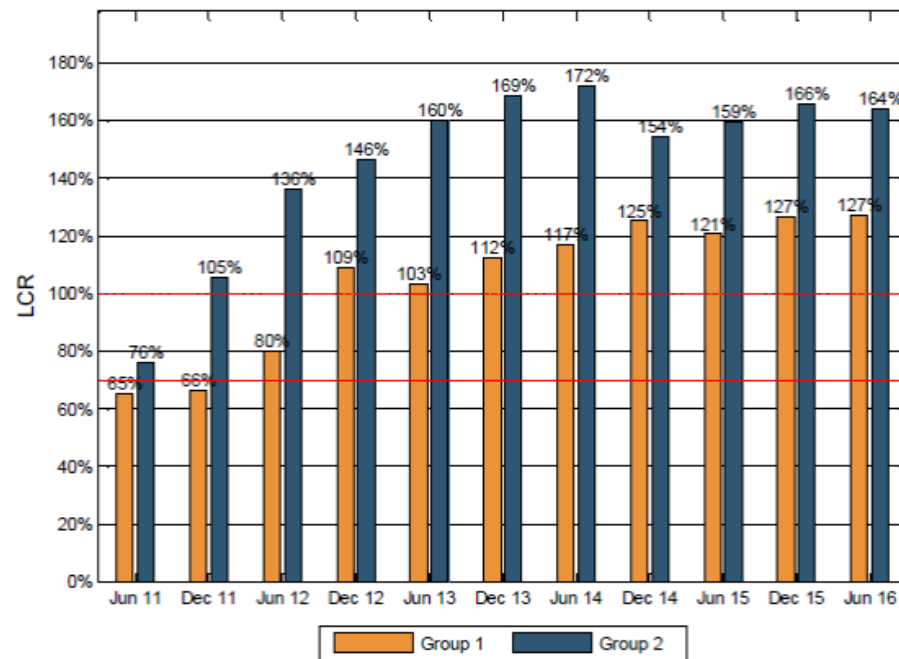
# European banks' leverage ratio



Source: ECB, IMF (for US)

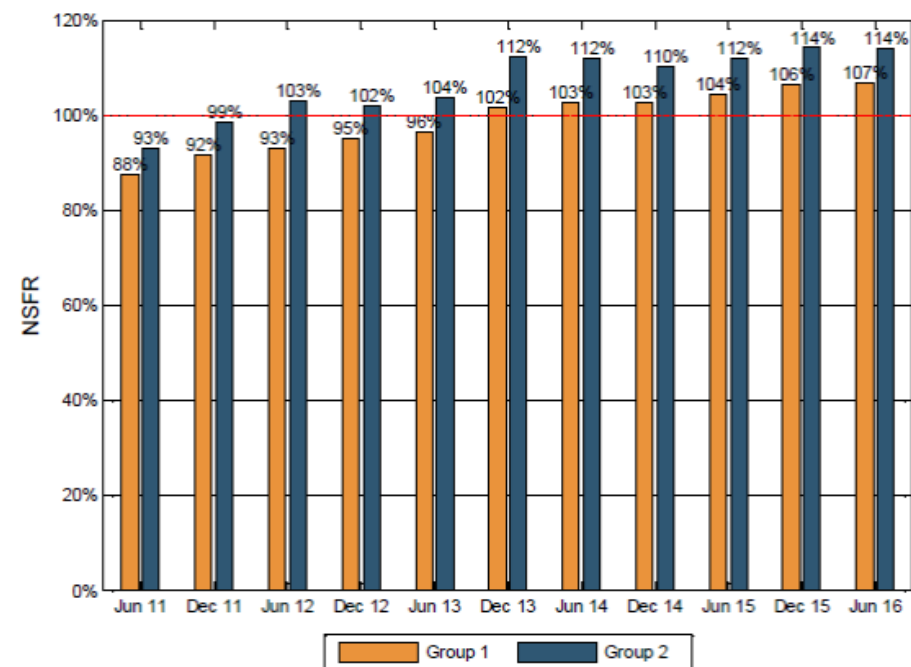
# European banks' funding: more stable

## Liquidity Coverage Ratio



Source: EBA QIS data (June 2016)

## Net Stable Funding Ratio



Source: EBA QIS data (June 2016)

<sup>5</sup> Group 1 banks are banks with Tier 1 capital in excess of EUR 3 billion and which are internationally active. All other banks are categorised as Group 2 banks. This report has classified Group 2 banks into sub-groups: large Group 2 banks

Source: EBA

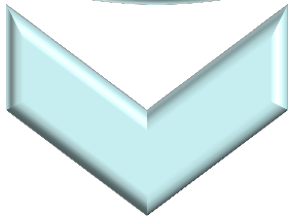


# Completing the Banking Union

# Roadmap for completing Banking Union

## Risk Reduction

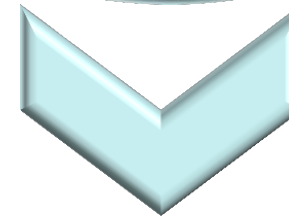
**CRR/CRD  
IV, BRRD,  
DGSD,  
SSM, SRM**



**COM  
Banking  
Package**

## Risk Sharing

**SRF**



**EDIS  
SRF  
Backstop**



# Completing the Banking Union

## TLAC/MREL





## TLAC/MREL

- MREL already introduced by EU under BRRD on a firm-specific basis
- TLAC agreed at G20 level for G-SIBs, will come into force in 2019
- Commission proposes to integrate TLAC minimum requirement into existing MREL rules
- Minimum TLAC requirement (Pillar 1) through amendments to CRR
- Firm-specific add-ons for G-SIBs/non-G-SIBs through targeted amendment to BRRD



# Completing the Banking Union

## EDIS

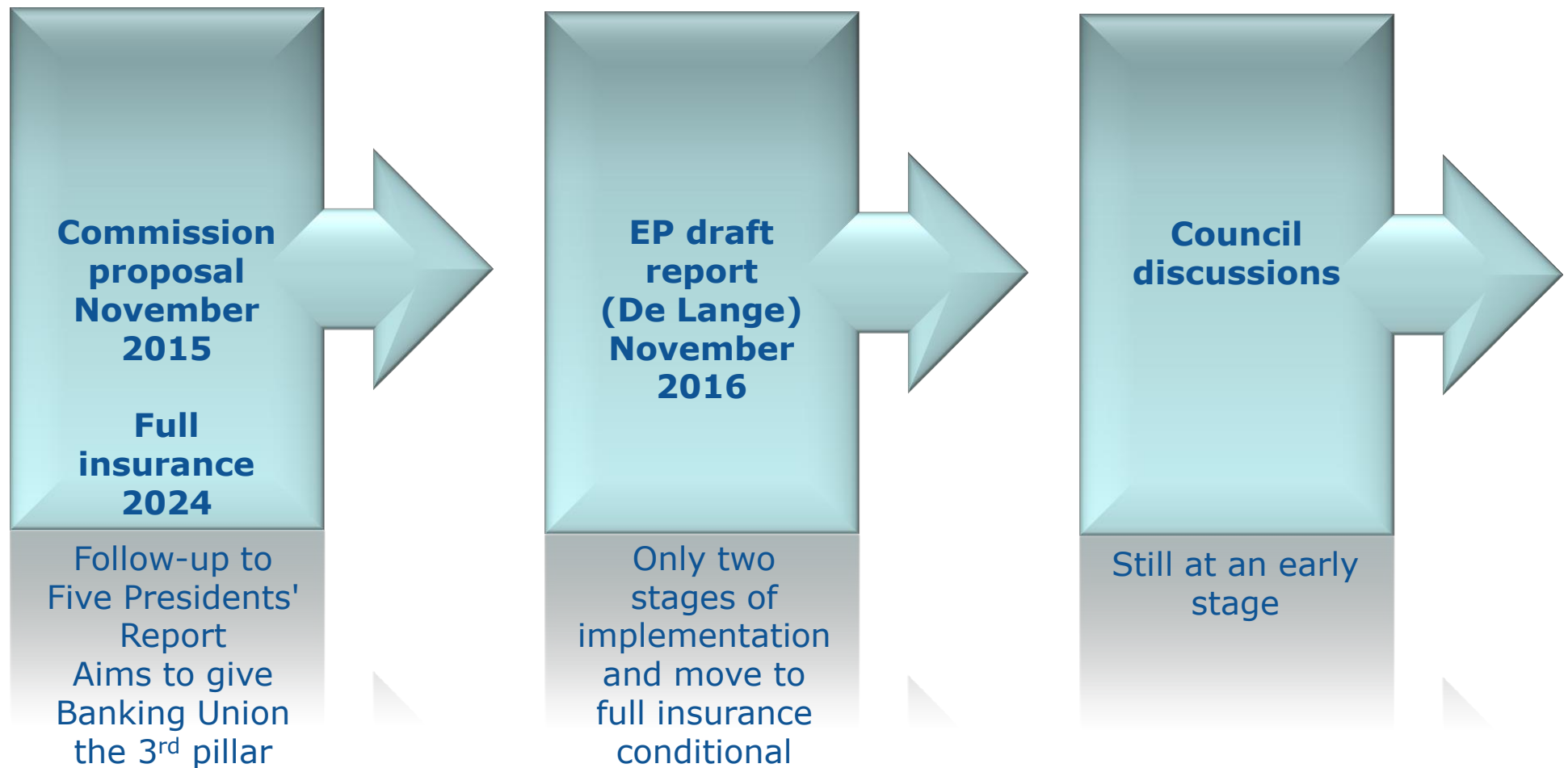


## Why we need EDIS

National deposit guarantee schemes remain vulnerable to large, national shocks. By contrast, EDIS will

- Enhance resilience against future crises
- Align incentives across all pillars of the Banking Union
- Reinforce depositor confidence and promote financial stability
- Enhance free movement of capital – due to equal treatment of deposits across countries
- Reduce moral hazard by adding European dimension

## EDIS: the roadmap





## Conclusions

- We are much better off than we were before
- But we still need to work on remaining challenges:
  - *system-wide*: complete the Banking Union
  - *idiosyncratic* (bank-by-bank): deal with NPLs