



Convegno di studio

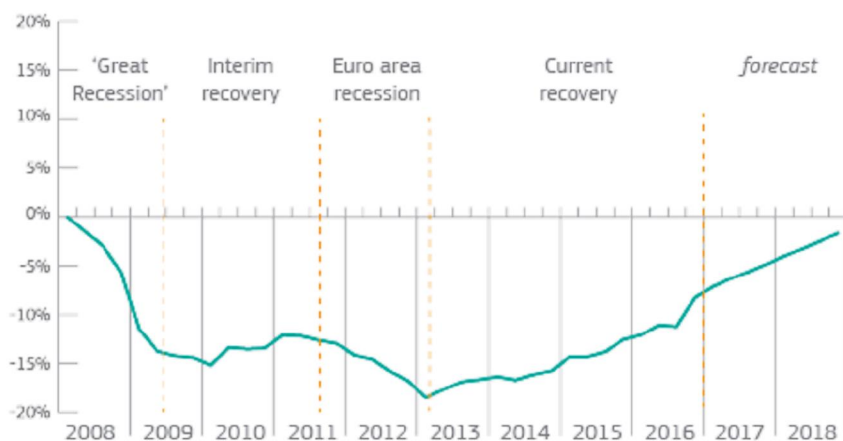
"La banca nel nuovo ordinamento europeo: luci ed ombre"

Massimo Marchesi
DG FISMA
European Commission

Courmayeur
22nd September 2017

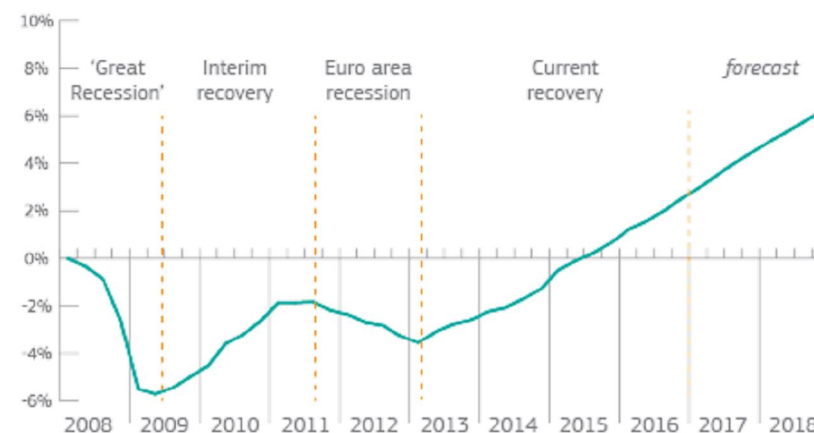
Europe's steady recovery is continuing

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



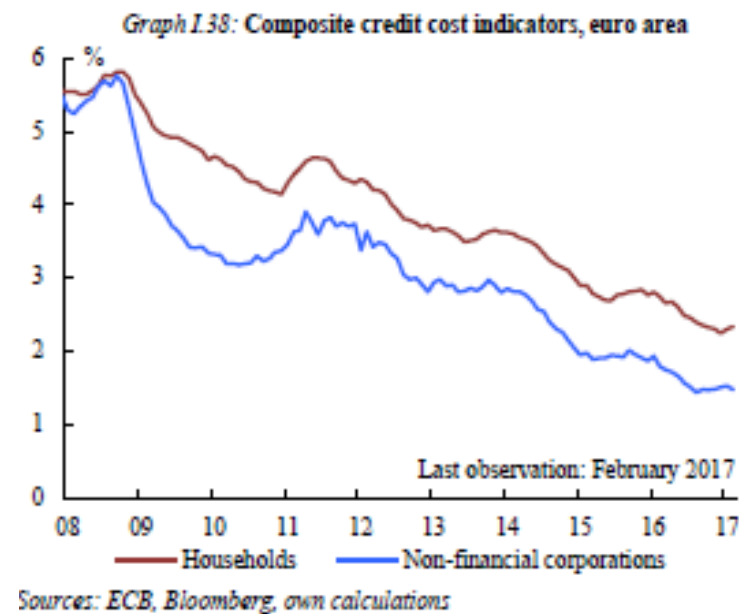
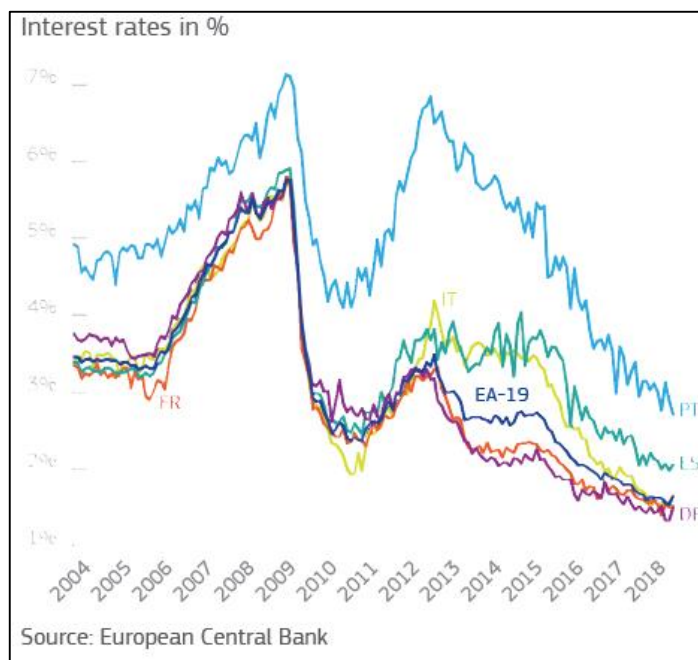
Source: European Commission

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



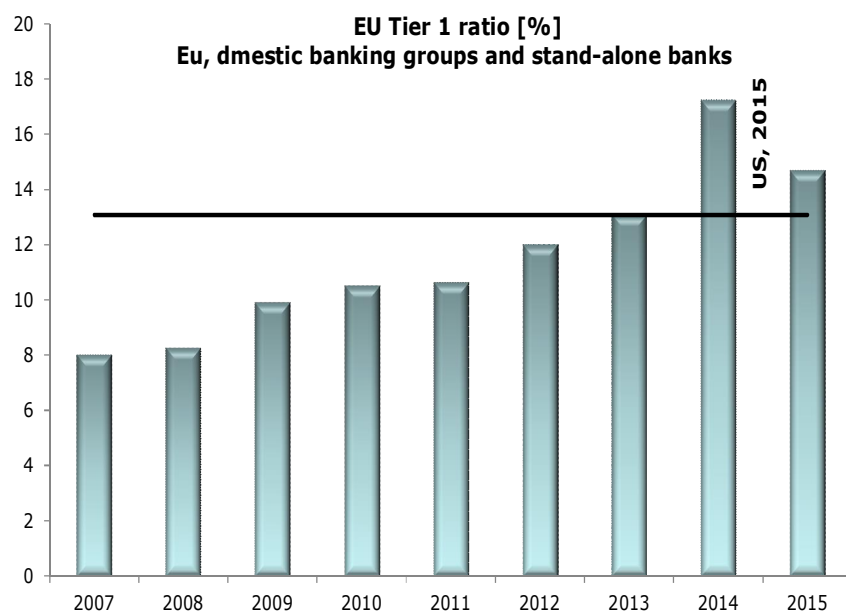
Source: European Commission

Success Factor : Monetary Policy



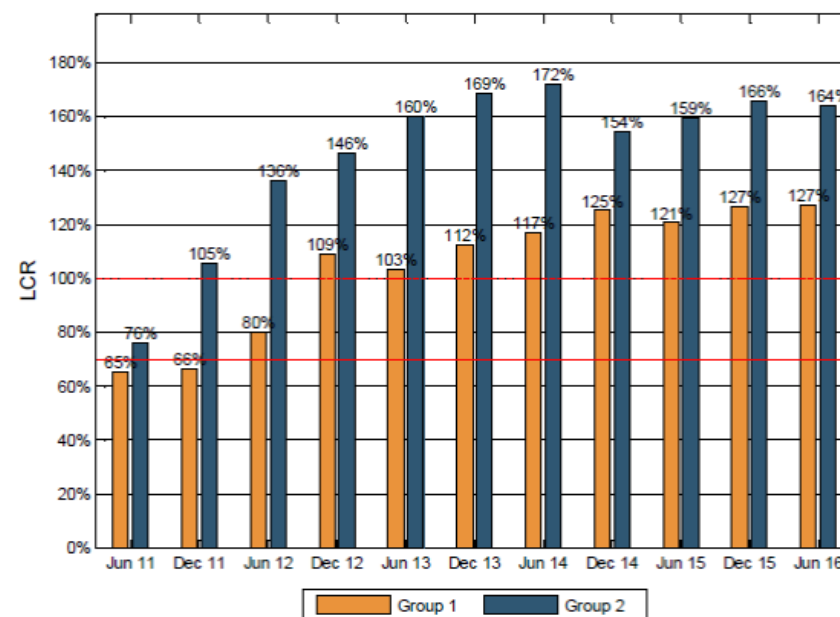
Success Factor : Banking regulation

Coverage Ratio



Liquidity Coverage Ratio

Figure 11: Evolution of LCR by bank group (%)



Source: EBA QIS data (June 2016)

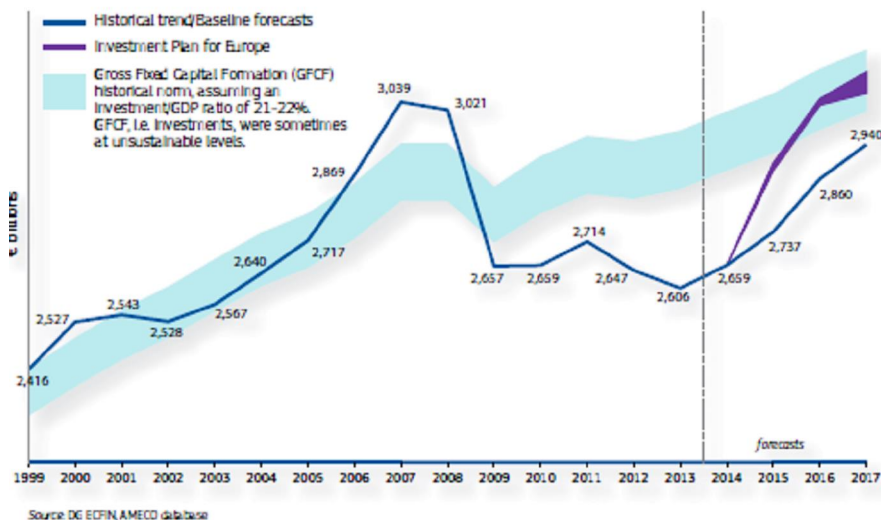


European Commission

Success Factor: Investments

Real gross fixed capital formation

Baseline trend vs. historical nom vs. Investment Plan EU-28, in 2013 prices (in billions of euros)



Of which
EUR 24.2bn
signed

EIB Group figures

As of 16/05/2017

Approved EFSI financing*

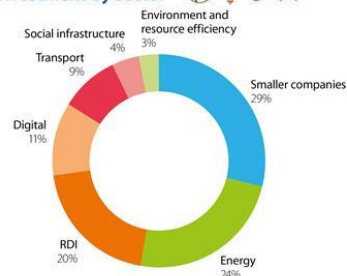
EUR 36.9bn

* EIB approved: EUR 27.9bn
EIF approved: EUR 9bn

Total investment related to EFSI approvals

EUR 194bn

EFSI investment by sector**



EIB + EIF
62%
EUR 315bn

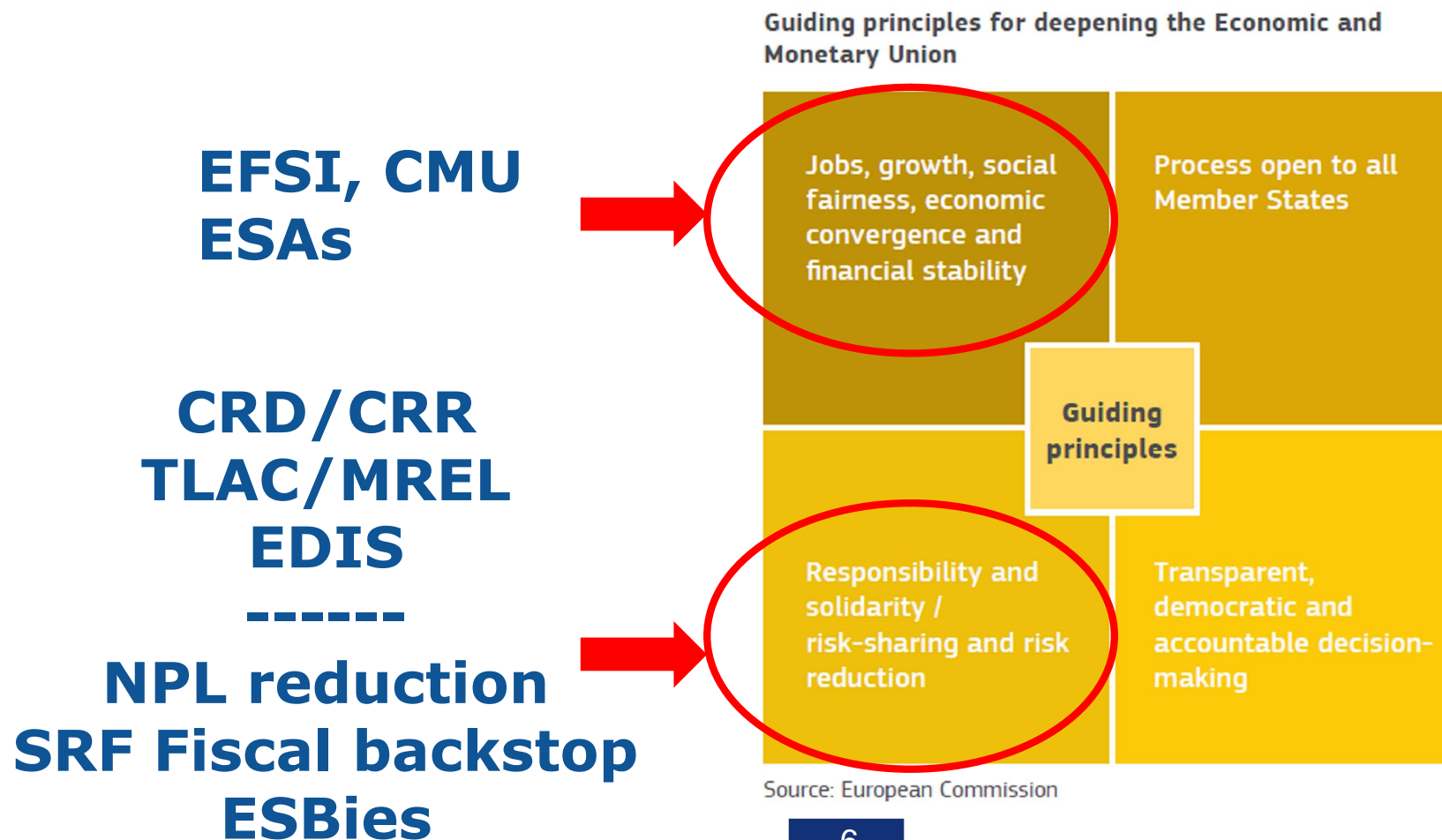
EFSI investment relative to GDP**

Darker colours signify higher investment



**Based on approved operations

What still needs to be done?





European
Commission





Targeting Growth and Financial Stability: the Capital Markets Union

Delivering on the Capital Markets Union

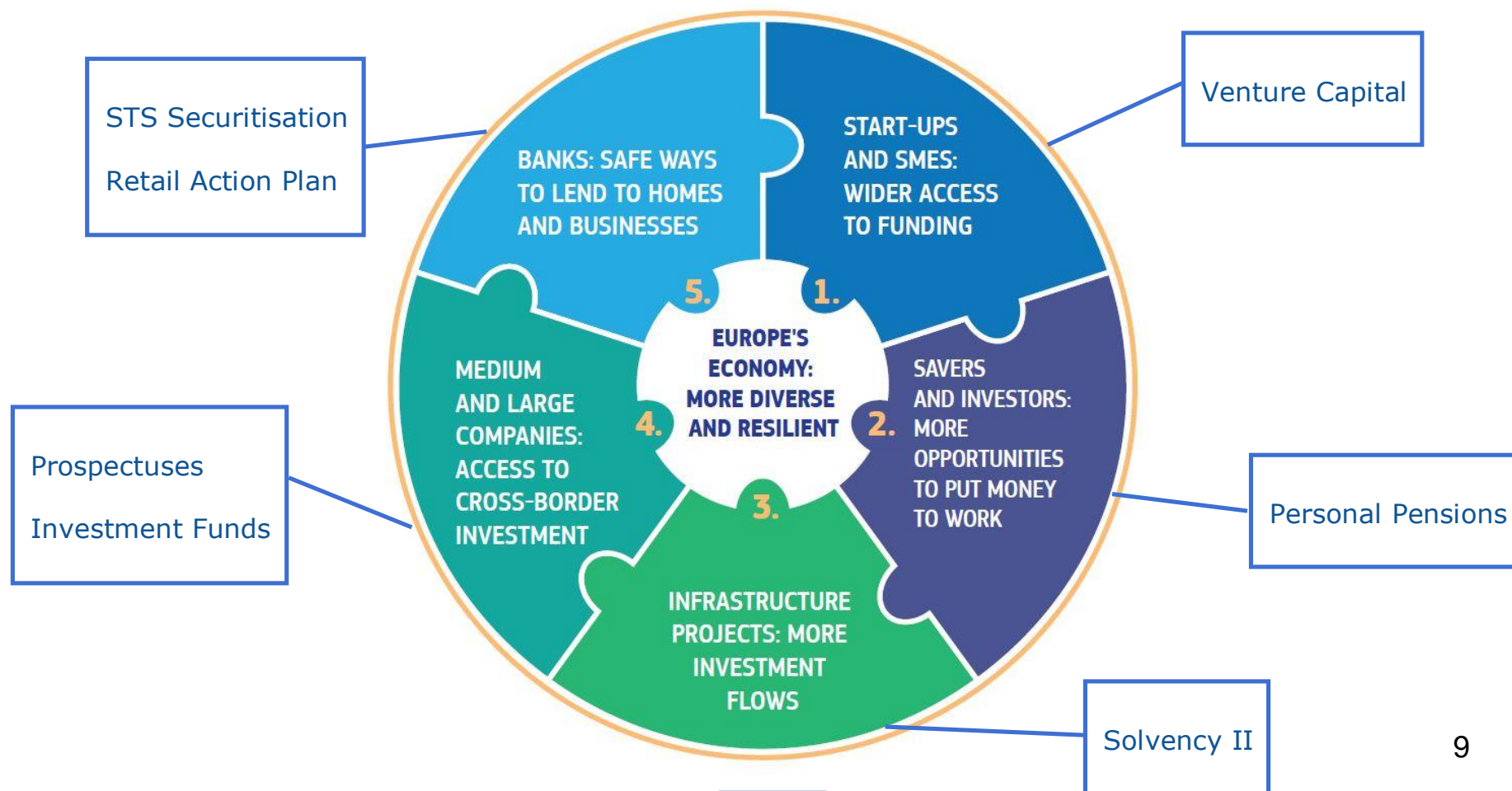
Implementation and **mid-term review of Action Plan** to promote capital markets integration and establish a full Capital Markets Union by 2019

▶ *ongoing*

Review of European Supervisory Authorities – first steps towards a single European capital markets supervisor

▶ *ongoing*

CMU objectives and actions



Risk Reduction

Reducing risks and making banks more resilient

November 2016 Banking Package

Reinforcing the banking Single Rulebook with further risk-reducing measures



in place



*under negotiation in the European Parliament/
Council*

Developing a **non-performing loans strategy** along four key policy areas: (i) Supervision, (ii) Secondary markets, (iii) Structural issues (including insolvency), (iv) Restructuring of the banking system



*commitment to agree on a strategy at the ECOFIN
Council of June 2017*

Risk Sharing

(i.e. completing the Banking Union)

Completing the three pillars of the Banking Union

Single Supervisory Mechanism

✓ *fully operational*

Single Resolution Mechanism

Single Resolution Board +
Single Resolution Fund to be fully mutualised in 2025




✓ *Single Resolution Board up and running*
▶ *Fiscal backstop to the Single Resolution Fund to be put in place*

European Deposit Insurance Scheme

▶ *currently under negotiation in the European Parliament/Council*



European
Commission

POLICY	DESCRIPTION	 European Commission	 European Parliament	 Council of the European Union
7	European Deposit Insurance Scheme A key part of completing the European Banking Union, this proposal was tabled by the Commission in November 2015. Although technical work has advanced, it has so far proved difficult for either co-legislator to reach an internal consensus on the main political provisions. The Parliament aims to be ready with a negotiating mandate in the autumn, while the timing of an equivalent step on the Council side remains difficult to predict.	●	●	●
8	Capital requirements Regulation reform This proposal from November 2016 has now been split, to allow for more rapid consideration of key elements – the adaptation of EU accounting rules to International Financial Reporting Standard 9 and to deal with large financial exposures. The Council is now ready to begin negotiations on this issue and the Parliament should be ready in September. There should be a reasonable prospect of reaching agreement this year.	●	●	●
12	Supervision of credit institutions and investment firms: Exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures The current state of play makes it highly unlikely that agreement on this proposal from November 2016 will be possible in 2017. The Parliament has scheduled to agree a negotiating mandate by December while the Council has not yet fixed a target date.	●	●	●

PRESENTED AND AGREED ●

AGREEMENT POSSIBLE IN 2017 ●

AGREEMENT POSSIBLE IN 2018 IF STRONG POLITICAL COMMITMENT FROM ALL EU INSTITUTIONS ●



European
Commission

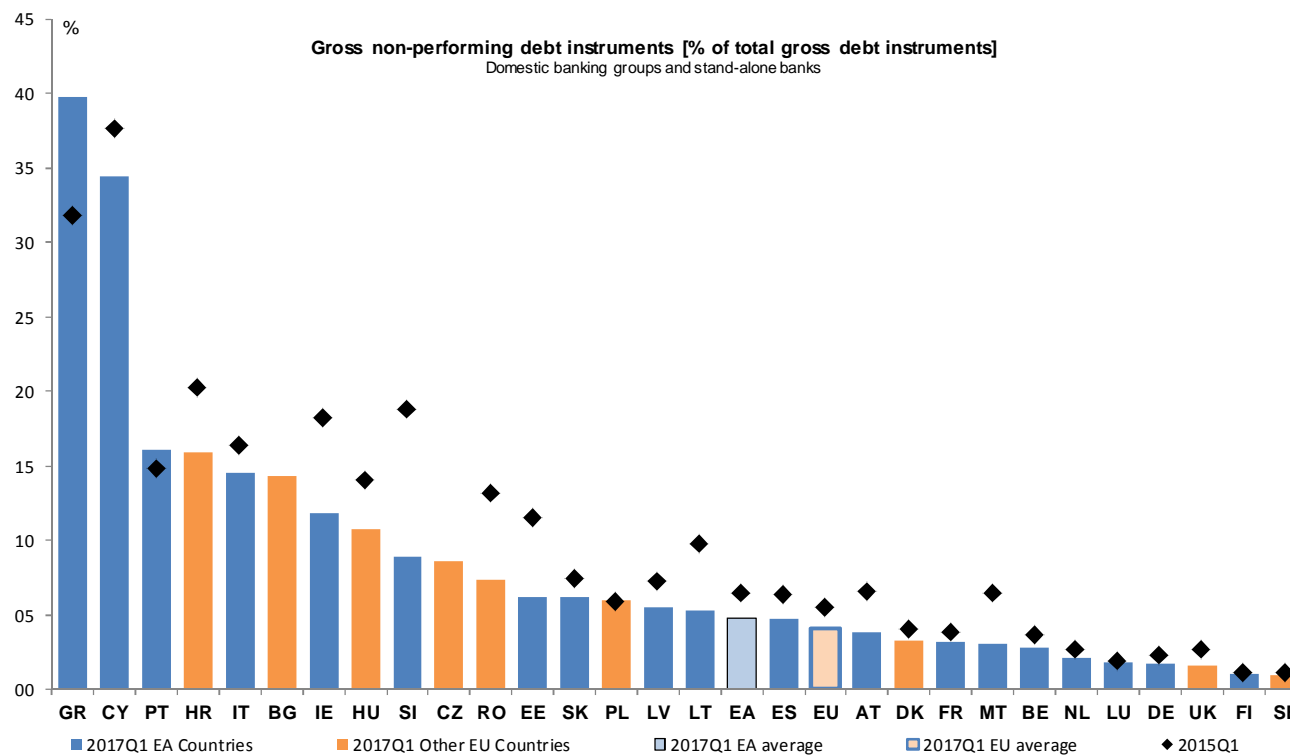
	POLICY	DESCRIPTION	 European Commission	 European Parliament	 Council of the European Union
9	Loss-absorbing and recapitalisation capacity – Regulation	The current state of play in the consideration by the co-legislators of these linked proposals from November 2016 makes it unlikely that agreement will be possible in 2017. The Parliament has scheduled to agree a negotiating mandate by December and the Council has not yet fixed a target date.			
10	Loss-absorbing and recapitalisation capacity – Directive	The current state of play in the consideration by the co-legislators of these linked proposals from November 2016 makes it unlikely that agreement will be possible in 2017. The Parliament has scheduled to agree a negotiating mandate by December and the Council has not yet fixed a target date.			
11	Ranking of unsecured debt instruments in insolvency hierarchy	This proposal, from November 2016, has seen the Council agree a negotiating mandate in June 2017 and the Parliament accelerate its considerations with a view to reaching a mandate in September. There should be a reasonable prospect of reaching agreement this year.			

PRESENTED AND AGREED 

AGREEMENT POSSIBLE IN 2017 

AGREEMENT POSSIBLE IN 2018 IF STRONG POLITICAL COMMITMENT FROM ALL EU INSTITUTIONS 

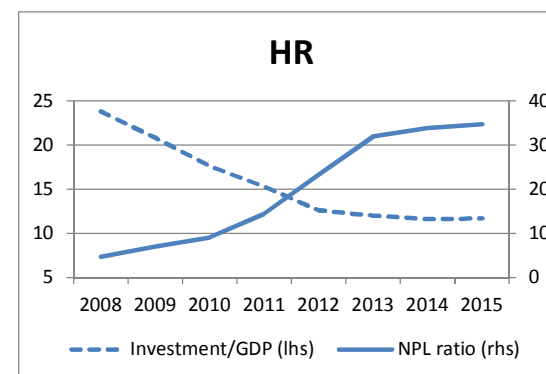
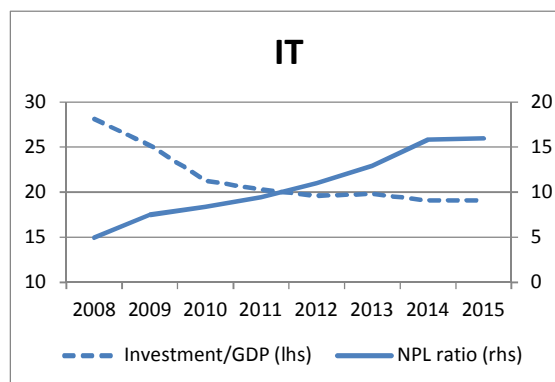
NPL ratio by Member State



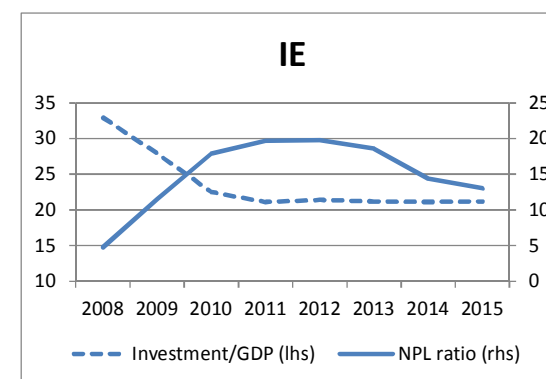
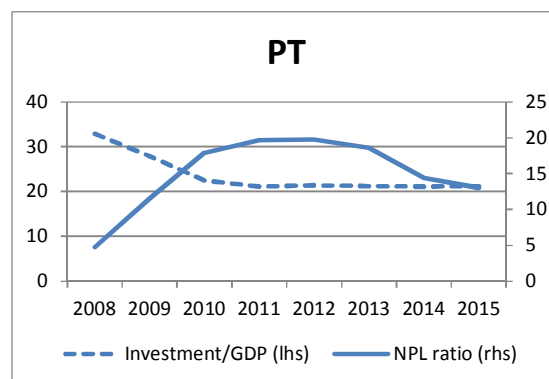
d Banking data

NFC NPLs and investment

NPL build-up



NPL work-out





NPLs

- “ End 2017: clarification on Supervisory powers (provisioning, own funds deductions, etc.)**
- “ End 2017 : AMC Blueprint**
- “ End 2017 : NPL infrastructures (standardised data and trading platforms)**
- “ Mid 2018 : Approach to foster secondary markets**
- “ End 2018 : ESRB will develop macroprudential approaches**
- “ From 2017 : Focus on insolvency issues in the EU Semester**
- “ From 2017 : updates to Council every 6 months**

SRF Fiscal Backstop (in a wider context)

Dec



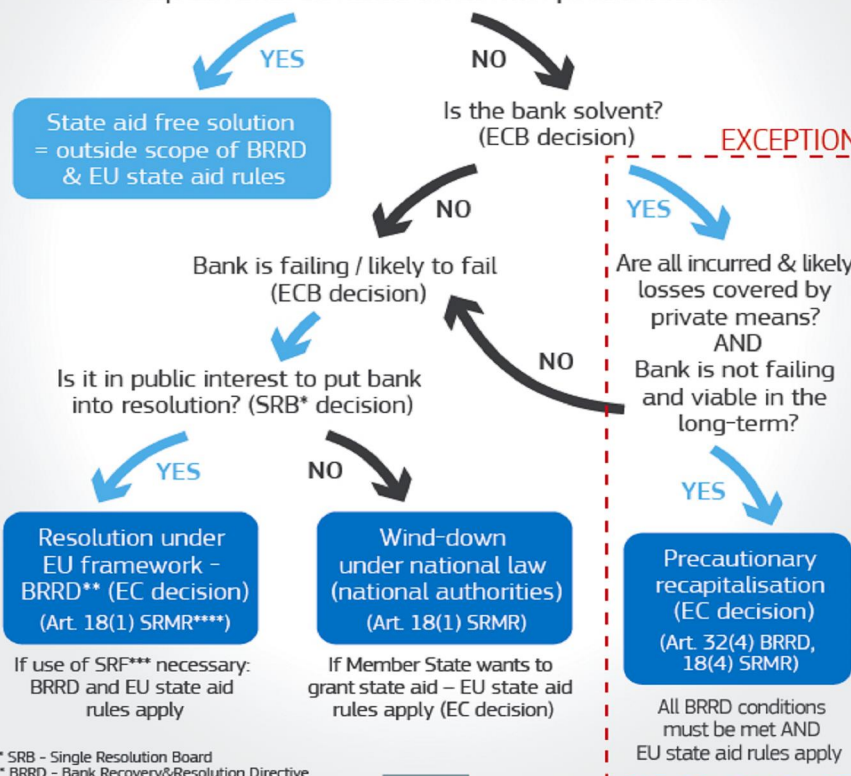
6/12 **Economic and Monetary Union package of proposals**

- Transformation of the European Stability Mechanism into a European Monetary Fund
- Creation of a dedicated euro area budget line within the EU budget providing for four functions: (1) structural reform assistance, (2) a stabilisation function, (3) a backstop for the Banking Union, and (4) a convergence instrument to give pre-accession assistance to non-euro area Member States
- Creation of a double-hatted European Minister of Economy and Finance



If a bank has a capital shortfall in the Banking Union

Can capital needs be raised in full from private sources?



* SRB - Single Resolution Board
 ** BRRD - Bank Recovery & Resolution Directive
 *** SRF - Single Resolution Fund
 **** SRMR - Single Resolution Mechanism Regulation

Competition

ESBies Framework

Beyond Banking Union and Capital Markets Union

Fostering diversification of bank balance sheets, for example through **sovereign bond-backed securities**

▶ *under assessment*

Assets	Liabilities
Diversified portfolio of sovereign bonds	Senior Bonds (ESBies)
	Junior Bonds (EJBies)