SRB-GREEN

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Ms Aurore Lalucq
Chair of the Committee on Economic and Monetary Affairs
European Parliament
60, rue Wiertz
B-1047 Brussels

SRB response to the European Parliament's Banking Union Annual Report 2024

Honourable Chair, dear Ms Lalucq,

In addition to the regular formal exchanges during the hearings in the EP's Committee on Economic and Monetary Affairs (ECON), I am pleased to transmit to you further explanations to the Committee's expectations, observations and recommendations expressed in the European Parliament's Annual Report on Banking Union for 2024. These reactions focus on steps toward the completion of the Banking Union and improvements to the Single Resolution Mechanism. We will publish this reply on our website as well.

I look forward to maintaining the excellent relationship built with the ECON Committee and stay at your disposal for future exchanges.

Yours sincerely,

Qualified electronic signature by: DOMINIQUE

MARCEL JEAN LABOUREIX

Date 2025-09-02 18:35:18 UTC

Dominique Laboureix
Chair

Explanations and reactions to the European Parliament resolution on Banking Union – Annual Report 2024 (2024/2055(INI))

On 8 May 2025, in its Plenary Session, the European Parliament adopted its annual stock take on the Banking Union ("the Report"), highlighting its observations, expectations and recommendations on essential issues that are also at the heart of the SRB's mandate, such as improvements to the EU bank crisis management framework, the resolution regime and the completion of the Banking Union.

The SRB wants to thank the ECON committee for the excellent cooperation over the past year, in particular by supporting an ambitious position in the negotiations leading up to a political agreement on the Crisis Management and Deposit insurance Framework review. In the spirit of our continued cooperation and accountability towards the European Parliament, the SRB would like to provide various comments and responses to some of the observations in the Report.

<u>Review of the Crisis Management and Deposit Insurance (CMDI)</u>

Since the Report was adopted in May 2025, the ongoing CMDI review has seen significant progress. The SRB welcomes the political agreement reached between the European Parliament and Council on this file.

The political agreement is a step forward to unlocking the pending reforms for the completion of the Banking Union, which is essential to strengthen Europe's resilience and competitiveness. This reform has the potential to enhance the current framework by providing more options for dealing with smaller and mid-sized banks in crisis. In addition, it improves several technical aspects of our framework, based on lessons learnt in the first 10 years of the Single Resolution Mechanism (SRM). The level of ambition of the agreement, however, remains limited compared to the Commission's proposal.

The SRB stands ready to support the Parliament and co-legislators in the last technical trilogues. We will prepare to apply the new rules to enhance banks' resolvability and our crisis preparedness.

<u>Completing the Banking Union: EDIS</u>

The SRB fully shares the European Parliament's view that **a European Deposit Insurance Scheme (EDIS) is still the missing piece to complete the Banking Union (BU) (paragraph 1)**. In our view, EDIS is indispensable to enhance financial stability, overcome the sovereign-bank doom-loop and avoid financial fragmentation. EDIS would significantly increase the firepower to deal with failing banks in a consistent and efficient manner and facilitate greater integration.

In April 2024, the ECON Committee adopted its position on EDIS, which varied from the original 2015 Commission proposal (paragraph 45). The SRB welcomes that the ECON Committee signalled its support to advance on EDIS. Even if the SRB has a preference for the original Commission proposal, an EDIS with a primary focus on liquidity, followed by the integration of mechanisms for loss-sharing in a next step, would provide a push towards completing the Banking Union. This reform could incentivise greater cross-border integration at the BU, thereby enhancing its competitiveness and resilience.

Resolvability

The SRB, together with the National Resolution Authorities (NRAs), updates the resolution plans for banking groups under its remit on an annual basis, and carries out an assessment of their resolvability based on their progress against the SRB Expectations for Banks (EfB). The SRB, in line with the priorities set out in its 2025 work programme and in the SRM vision 2028, is highly committed to making banks resolvable and is streamlining the annual resolution planning cycle with a greater focus on testing banks' resolvability and operationalisation, which is welcomed by the report (paragraph 41). The SRB undertakes continuous efforts to help banks further to evaluate and increase its resolvability and to report this assessment, which resulted in the recent publication of the "Operational Guidance for banks on resolvability self-assessment"[1].

The recent experience with the Credit Suisse failure underscored the importance of a sufficient legal certainty and predictability in the application of resolution tools—particularly when liabilities are held by cross-border investors. The challenges encountered in the recognition and enforcement of bail-in actions outside the EU highlighted the operational risks associated with the location and governing law of instruments eligible for loss absorption. In line with the European Parliament's 2024 Banking Union Report (paragraph 35), which rightly stresses the need for enforceability of write down or conversion powers vis-à-vis non-EU investors, the SRB is intensifying its engagement with banks to assess legal and structural risks on a case-by-case basis. At the same time, we are actively contributing to multilateral discussions, including under the FSB umbrella, to promote broader alignment on recognition regimes and ensure the effectiveness of resolution strategies in a cross-border context.

Regarding MREL, **the SRB agrees with the Report's statement that sufficient minimum requirement for own funds and eligible liabilities (MREL) is a necessity in achieving efficient resolution (paragraph 34). The SRB also notes that all banks across the Banking Union have made good progress in terms of resolvability and have reached their final MREL targets at the end of 2024, with an exception of just three banks for which a longer deadline was applicable,** thus providing evidence of good and continuous work in order to safeguard stability (the latest MREL dashboard published on 10 June 2025 is available here).

The Report calls for the publication of an anonymised list of identified impediments to resolvability, as well as the actions taken to address these, at the end of each resolution planning cycle (paragraph 39). The SRB analyses any obstacles to resolvability internally at great detail, whilst at the same time being bound by the existing legal framework, which sets clear limitations for disclosing individual bank-specific information under SRMR Article 88. Even if anonymised, a list of impediments would risk disclosing such data. Having said that, the regular publication of the heatmap on resolvability and its further refinement continues to be a prime example of the SRB commitment to transparency under the current legal framework. Taking into account the comments of the Report, we will consider in the future how further information can be included in the heatmap on resolvability, while respecting legal obligations.

[1] https://www.srb.europa.eu/system/files/media/document/2025-08-07_Operational-Guidance-for-Banks-on-Resolvability-Self-Assessment.pdf

Single Resolution Fund (SRF) and common backstop

The SRF has successfully reached its target level, as mentioned in the report (paragraph 42). **The SRF continues to play a key role in protecting taxpayers by ensuring a robust and credible crisis management framework.** This achievement highlights the BU's commitment to financial stability and underscores its ability to swiftly address potential banking crises, bolstering confidence in the region's financial system. Since 2024, ex-ante contributions will only be raised if needed to continue meeting the SRF's moving target of 1% covered deposits in the Banking Union. Furthermore, **the SRB agrees with the Report's call for the ratification of the Amending Agreement to the ESM Treaty and the establishment of a common backstop to the SRF** (paragraph 42), **and stands ready to implement it, once the ratification process is completed.**

The report highlights the need to clarify the ECB's role as a liquidity provider in resolution (paragraph 38). Indeed, as the SRB has always maintained, it is important that liquidity is ensured during resolution. The recent IMF 2025 Financial Sector Assessment Program for the Euro Area (FSAP) published on 23 July 2025[2], pushes for strengthened liquidity provision arrangements in resolution. The recommended set of actions include putting arrangements in place for the SRF to provide guarantees to support central bank liquidity to banks in resolution, as well as possibly an EU fiscal backstop. Additionally, the FSAP report mirrors the calls for the ESM backstop to be ratified, a point under which we are all in agreement. The backing by the SRF would achieve the shared objective stated in paragraph 26: any reliance on taxpayer money for the resolution of banks, including for liquidity support, should be avoided.

Simplification and strategic review 2028

The report maintains that the Commission should focus on aspects such as simplification and streamlining (paragraph 14). The SRB too prioritises simplification, as shown through the SRM Vision. Streamlining the Resolution Planning Cycle (RPC) has been a first step, expected to ease the workload for resolution experts and for banks without compromising on resolvability. For instance, banks will no longer have to update continuously deliverables such as playbooks, communication plans and reports once these are stable and mature. We will continue down this road so as to focus on resolvability and crisis preparedness. At the same time, the SRM is reinforcing its commitment to transparency and predictability - for example, every year the SRB publishes an overview of public consultations and regular requests and deliverables banks should expect in the 12 following months, so they can better allocate resources and anticipate their workload. Separately, the SRB, in close cooperation with the EBA and other stakeholders, is working to enhance efficiency and ensure coherence across reporting frameworks. We stand ready to work with our stakeholders, and the European Parliament in particular, to find further ways to cut unnecessary complexity. The CMDI reform is a good example of this, with the proposed review the so-called "impracticability framework" under Article 55 of the BRRD.

[2] https://www.imf.org/en/Publications/fssa.