



# Banking Union

Dansk Selskab for Europaret, 30. september 2014

01/09/2014

*Returns with responsibility*

# Banking Union

- EU institutioner
- SSM
- Omfattede banker
- Tilsyn
- Afvikling
- Regler
- Dansk deltagelse

## BANKING UNION



### SINGLE SUPERVISION

The Single Supervisory Mechanism (SSM) places the European Central Bank (ECB) as the central prudential supervisor of financial institutions in the euro area (including approximately 6000 banks) and in those non-euro EU countries that choose to join the SSM. As of November 2014, the European Central Bank will directly supervise the largest banks, while the national supervisors will continue to monitor the remaining banks. The main task of the ECB and the national supervisors, working closely together within an integrated system, will be to check that banks comply with the EU banking rules and to tackle problems early on.

→ [Read more](#)



### SINGLE RESOLUTION

The Single Resolution Mechanism (SRM) will apply to banks covered by the SSM. In the cases when banks fail despite stronger supervision, the mechanism will allow bank resolution to be managed effectively through a Single Resolution Board and a Single Resolution Fund, financed by the banking sector.

Its purpose is to ensure an orderly resolution of failing banks with minimal costs for taxpayers and to the real economy.

→ [Read more](#)



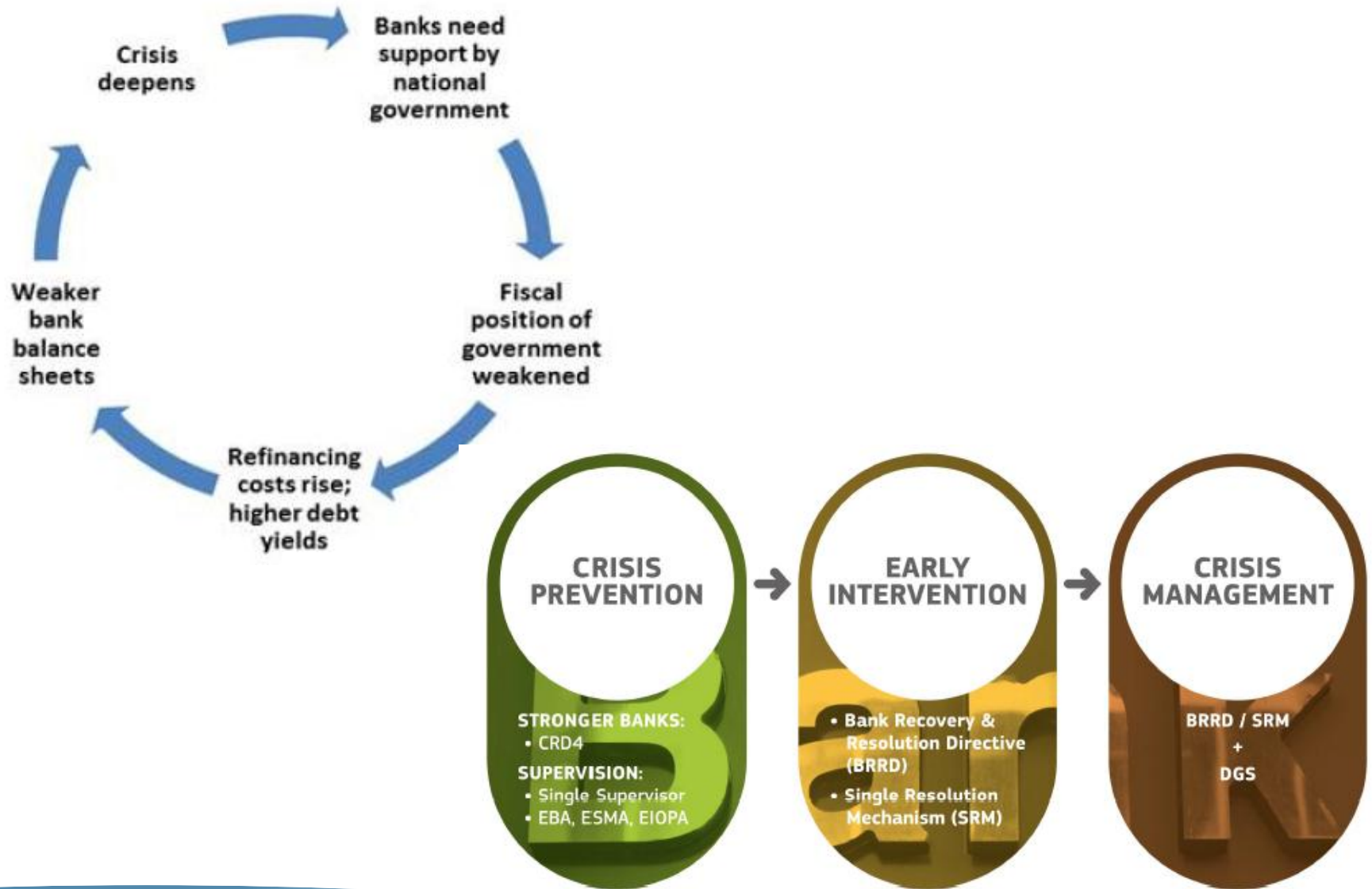
### SINGLE RULEBOOK

The single rulebook is the foundation of the banking union. It consists of a set of legislative texts that all financial institutions (including approximately 8300 banks) in the EU must comply with. These rules, among other things, lay down capital requirements for banks, ensure better protection for depositors, and regulate the prevention and management of bank failures.

#### Read more:

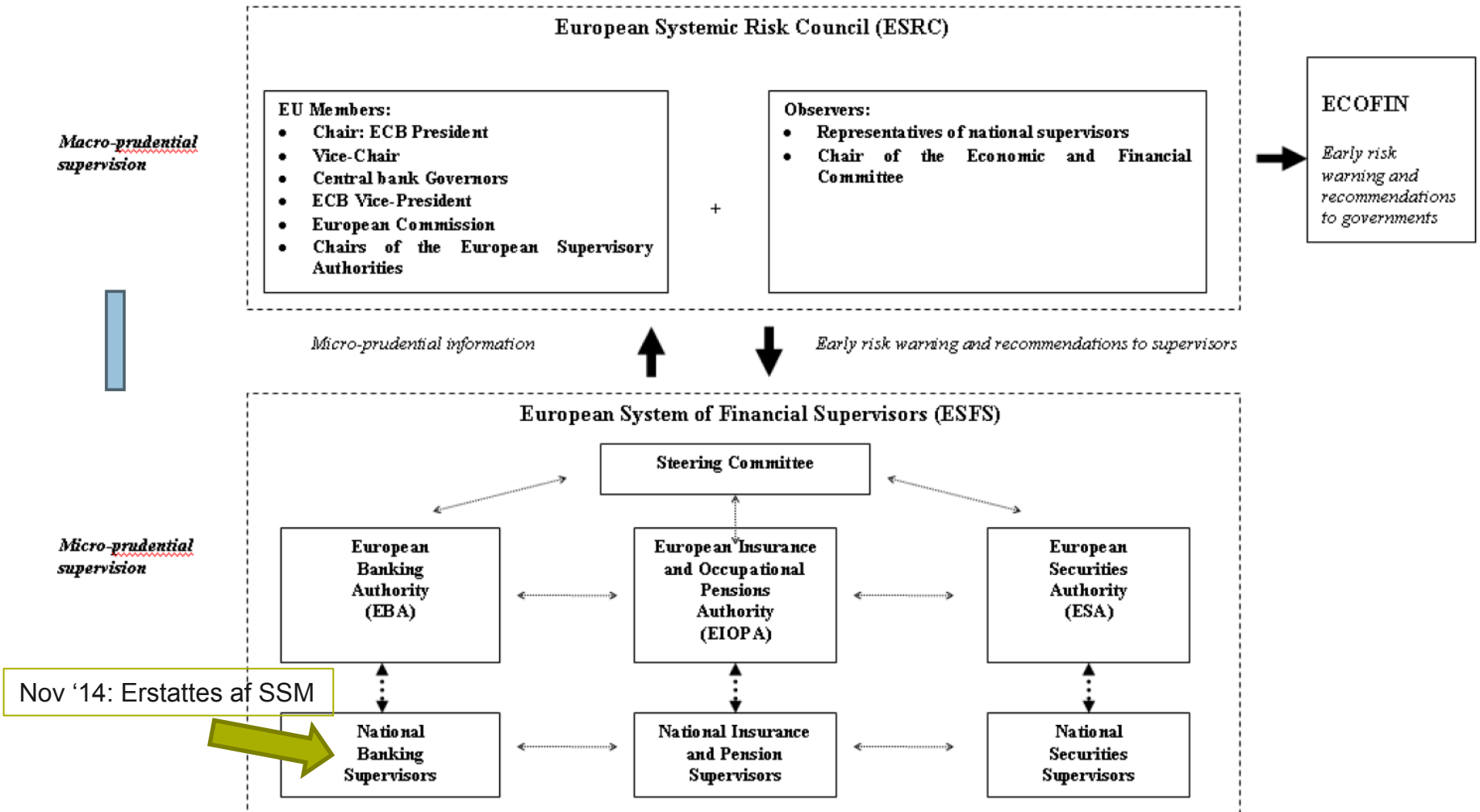
- Capital requirements
- Deposit Guarantee Schemes
- Bank recovery and resolution

# Hvorfor?



# European System of Financial Supervision, 2010 – nov 2014

A new European Framework for Safeguarding Financial Stability



# Vejen til bankunionen

- Comprehensive assessment af ECB og EBA
  - Asset Quality Review på grundlag af ECB guidelines (stemmer kassen?)
  - EBA stresstest (Er der tilstrækkelige midler i kassen?)

The goals of the comprehensive assessment are threefold:

- **transparency** – enhancing the quality of information available on the condition of banks;
- **repair** – identifying and implementing any necessary corrective actions;
- **confidence building** – assuring all stakeholders that banks are fundamentally sound and trustworthy.

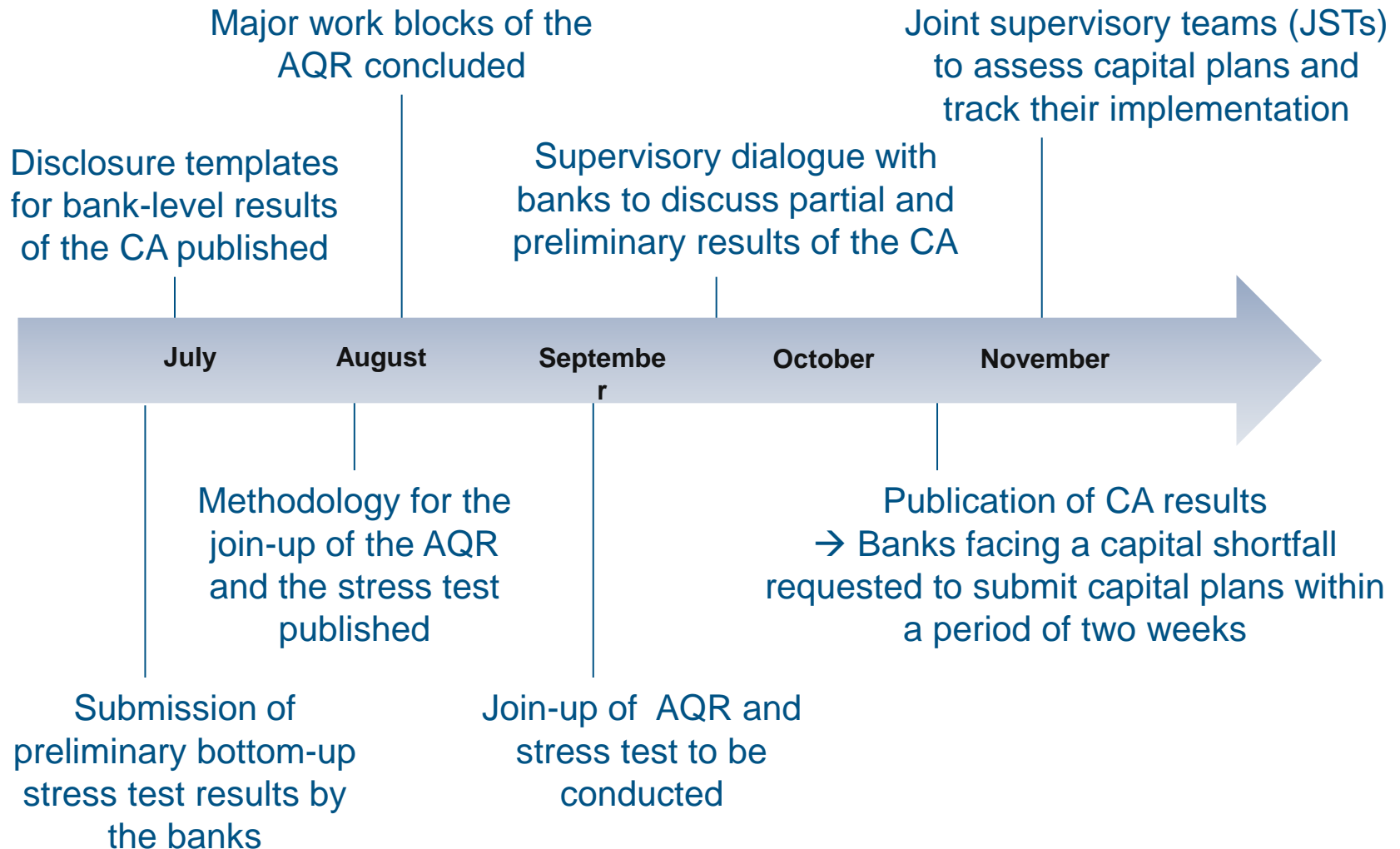
DeNederlandscheBank

EUROSYSTEM

## Costs of banking union implementation

The latest estimate of the additional costs that DNB will need to incur to screen the large banks' balance sheets ranges between EUR 34.5 and EUR 61.7 million. The top end of the range includes an amount to cover uncertainty and the use of DNB's own staff. This estimate is based on the results of phase 1 of the AQR, which includes the ECB's selection and approval of the final portfolios.

# Overview of the state of play and key steps ahead



# Banks facing a capital shortfall will be required to submit capital plans within 2 weeks after publication

## Determination of shortfalls and capital measures eligible for coverage

- **Overall amount of capital** to be raised = maximum of shortfalls from AQR, ST baseline, ST adverse, **whenever it appears over the three-year horizon**
- **Shortfalls from AQR and ST baseline** to be covered mainly by new CET1 issuances; **limited use of AT1** to cover shortfalls from ST adverse<sup>1</sup>
- **Asset sales** only eligible if clearly distinguished from normal business operations
- **RWA reductions** due to changes in models/pillar 1 approaches not eligible unless approved by NCA before end of the CA
- **Retained earnings** generally eligible, taking ~~into account projections in ST scenarios~~

## Assessment, implementation and monitoring of capital plans

- Submission of capital plans will be based on a **specific template** developed by the ECB
- **JSTs** will assess planned capital measures with regard to feasibility, viability and credibility → in case of deficiencies, possible supervisory measures as part of **2014 SREP decision**
- After submission of the 2014 SREP decision to the banks, JSTs start **monitoring the implementation** of capital plans
- Part of the monitoring process: tracking incorporation of **AQR findings** in banks' **accounts** in line with applicable accounting rules

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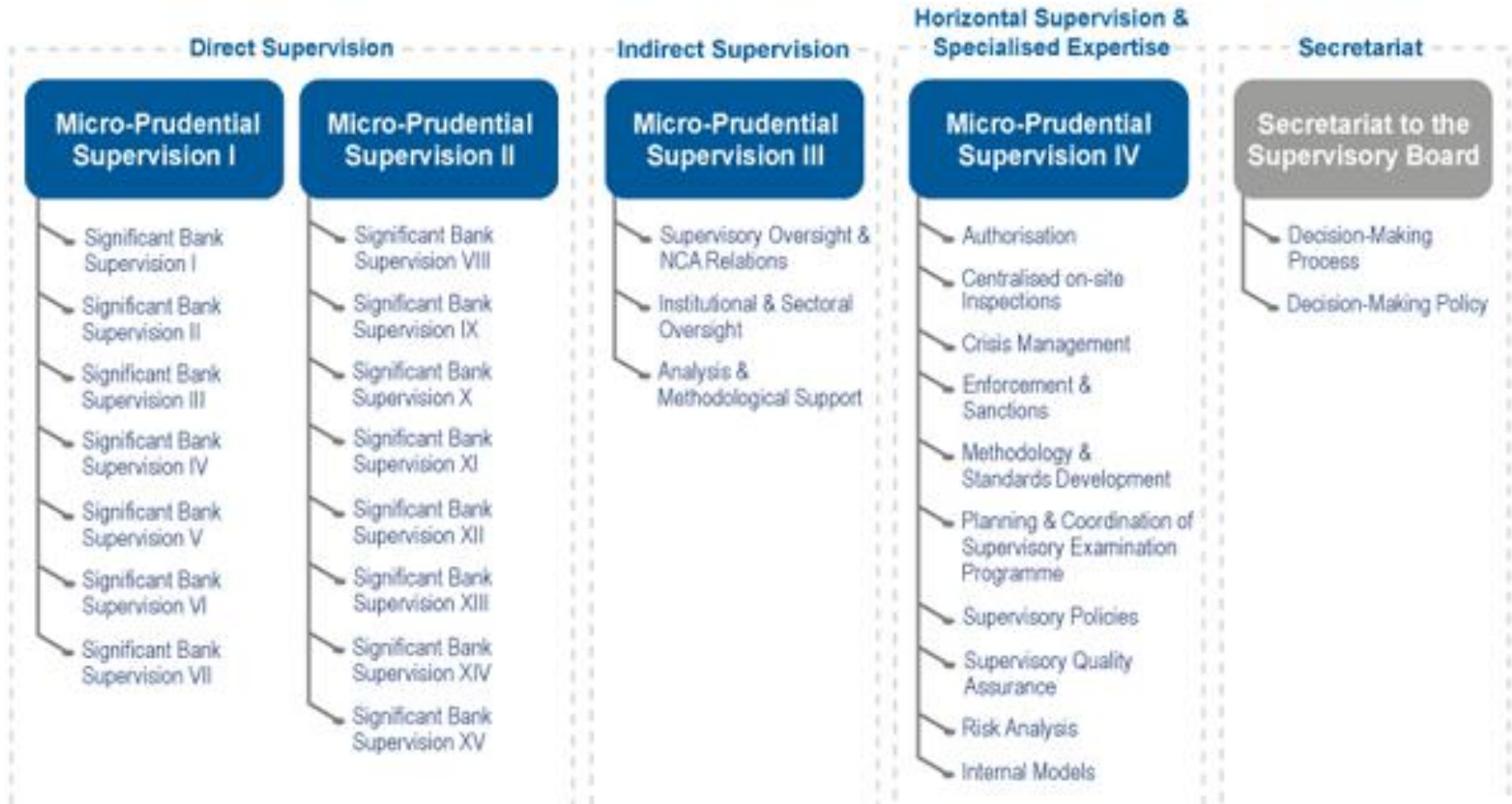
The rules outlined in the Terms of Reference on shortfalls and burden-sharing following the comprehensive assessment published by the Ecofin and the Eurogroup on 9 July will apply.

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<sup>1</sup> See ECB communication from 29 April.

# ECB: SSM - Organisation

## Organisation of the micro-prudential function\*





# SSM; Arbejdsdeling

- *DGs Micro-Prudential Supervision I and II* will deal with **direct day-to-day supervision of “significant” banks**. They will be organised according to a risk-based approach to supervision.
- *DG Micro-Prudential Supervision III* will host the **indirect supervision** of less-significant banks. The direct supervision of the less-significant banks will be carried out on a day-to-day basis by the relevant national competent authority, with regular reporting to the ECB.
- *DG Micro-Prudential Supervision IV* will handle **horizontal and specialised services**, including authorisation, crisis management, centralised on-site inspections, enforcement and sanctions, internal models, methodology and standard development, planning and coordination of supervisory examination programme, risk analysis, supervisory quality assurance and supervisory policies.

## Finland

	Country of establishment of the group entities	Grounds for significance
Danske Bank Plc		Among the three largest credit institutions in the Member State
Nordea Bank Finland Plc		Size (total assets EUR 300 – 500 bn)
Nordea Finance Finland Ltd	Finland	
OP-Pohjola osk		Size (total assets EUR 75 – 100 bn)

# SSMs beføjelser og muligheder

## *Article 1*

### **Subject matter and scope**

This Regulation confers on the ECB specific tasks concerning policies relating to the prudential supervision of credit institutions, with a view to contributing to the safety and soundness of credit institutions and the stability of the financial system within the Union and each Member State, with full regard and duty of care for the unity and integrity of the internal market based on equal treatment of credit institutions with a view to preventing regulatory arbitrage.

## *Article 12*

### **On-site inspections**

1. In order to carry out the tasks conferred on it by this Regulation, and subject to other conditions set out in relevant Union law, the ECB may in accordance with Article 13 and subject to prior notification to the national competent authority concerned conduct all necessary on-site inspections at the business premises of the legal persons referred to in Article 10(1) and any other undertaking included in supervision on a consolidated basis where the ECB is the consolidating supervisor in accordance with point (g) of Article 4(1). Where the proper conduct and efficiency of the inspection so require, the ECB may carry out the on-site inspection without prior announcement to those legal persons.

June 7, 2011 10:33 pm

## Danish bank raises spectre of senior haircuts

By Tracy Alloway

A small Danish bank is generating a large amount of interest among investors.

Amagerbanken announced on Sunday that it would transfer assets to Denmark's Finansiell Stabilitet, the state-owned company charged with winding down the country's insolvent banks, after failing to meet solvency requirements. Finansiell Stabilitet was created in October 2008 as part of a wide-ranging bank rescue package and has already taken over a number of bankrupt Danish financials.

## BRRD

- Fælles regler for afvikling af banker
  - Mål at reducere skatteyderes/staters finansiering af redninger
- Genopretningsplaner
- Bail-in
- Tilsynet myndighed i going concern/FS i gone concern

### Box 3: How will the bail-in mechanism work in practice?

Bail-in: Recapitalisation through the write-down of liabilities and/or their conversion to equity would allow the institution to continue as a going concern, would avoid the disruption to the financial system that would be caused by stopping or interrupting its critical services, and would give the authorities time to reorganise it or wind down parts of its business in an orderly manner.

In short: if a bank needs to resort to bail-in, authorities would first write down all shareholders and would then follow a pre-determined order in bailing in other liabilities. Shareholders and other holders of instruments such as convertible bonds and junior bonds would bear losses first.

Deposits under € 100 000 would never be touched: they are entirely protected at all times.

To the furthest extent possible, the responsibility of covering bank losses is placed on private investors in banks and the banking sector as a whole; not taxpayers.

# SRM & SingleResolutionFund

- SRM etableret ved forordning
  - Et Board træffer beslutninger
- SRF etableret ved IGA (InterGovernmentalAgreement)
  - 26 lande deltager – UK og Sverige udenfor
  - Målet er at sikre medium-term funding til drift af banker, mens de restruktureres
- SRF har målniveau på 55 mia €
  - Opbygges over 8 år begyndende i 2016
  - Kan låne i markedet hvis behov
  - 40% er "mutualized" fra 2016, resten begynder i nationale compartments
  - Indsamling og overførsel gennem nationale resolution authorities

## The Single Resolution Board

The Single Resolution Board is the central decision-making body of the Single Resolution Mechanism. Its mission is to ensure that credit institutions and other entities under its remit, which face serious difficulties, are resolved effectively with minimal costs to taxpayers and the real economy. The Board will also be responsible for managing the Single Resolution Fund which is established by the Single Resolution Mechanism. The Single Resolution Board is a self-financed agency of the European Union. It will be operational as of 1<sup>st</sup> January 2015.

- [More information](#)

## Resolution procedure in the banking union



# Dansk deltagelse?

- Analyse pågår
- Juridisk – suverænitetsafgivelse?
  - ECB kan gå på tilsyn i DK
  - ECB kan træffe afgørelser overfor danske fysiske og juridiske personer
- Økonomisk –
  - Har SRM vilje til at håndtere stor dansk bank?
  - Har Danmark evne til at håndtere stor dansk bank?

## Topprofessor: Bankunion sender enorm magt ud af Danmark

MORGENAVISEN Jyllands-Posten Af Claus Iversen, Christian Sehested og Maria Kehlet Offentliggjort 19.09.14 kl. 07:19

Er det i Danmark eller fra Bruxelles og Frankfurt, man skal bestemme, om f.eks. en kriseram Dansk Bank skal leve eller dø? EU's bankunion rummer faldgruber, mener professor Jesper Rangvid.



bag professorens melding.

Danmark står over for den største suverænitetsafgivelse siden beslutningen om deltagelse i euroen, vurderer manden bag Rangvid-rapporten, professor Jesper Rangvid. Det er spørgsmålet om, hvorvidt Danmark skal tilmelde sig den europæiske bankunion, der ligger

RSS Print A<sup>A</sup>

Del artiklen  
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Relaterede artikler  
Professor opfordrer til én gang  
Bankunions-afstemning fortøner sig

Seneste Pengeinstitutter  
Långivere i Torm fremle  
forslag til gældsaftale

## Ny rapport lægger gift for dansk deltagelse i bankunionen

## Bankunions-afstemning fortøner sig

MORGENAVISEN Jyllands-Posten Af Christian Sehested, Claus Iversen og Maria Kehlet Offentliggjort 19.09.14 kl. 07:26

Danskerne er langt fra sikre på at blive hørt om EU's bankunion trods advarsel om potentielt voldsomme økonomiske konsekvenser, vurderer EU-ekspert.

RSS Print

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# EU REGULATORY OUTLOOK

