Proposal for a regulation amending Regulation (EU) 806/2014 in order to establish a European Deposit Insurance Scheme (COM (2015) 586 final)
Communication "Towards the completion of the Banking Union" (COM (2015) 587 final)

FINAL DOCUMENT APPROVED BY THE COMMITTEE

The Committee on Finance of Italy's Chamber of Deputies,

Having examined the Proposal for a regulation amending Regulation (EU)806/2014 in order to set up a European Deposit Insurance Scheme (COM (2015) 586 final) and the Communication "Towards the completion of the Banking Union" (COM (2015) 587 final);

Having regard to the opinion of the Legal Service of the Council of 12 April 2016 and the opinion of the European Central Bank of 20 April 2016;

Whereas:

- The economic and financial crisis that erupted in 2008 and the consequent increase in business insolvencies caused a spike in the number of non-performing loans, which have had significantly negative repercussions for bank balance sheets;
- In order to minimise the risk of systemic banking crises liable to jeopardise overall financial stability, European law has incorporated provisions for the implementation of the Basel III Agreement on capital requirements for banks;
- The same motivations were behind the launch of the project for Banking Union, which the European institutions intend as a second pillar to stand beside the first pillar of rules of economic and financial governance for the stability of the euro. To date, the first two pillars of the Banking Union have been erected:

1) The Single Supervisory Mechanism (SSM), which gives the European Central Bank (ECB) responsibilities for the direct prudential supervision of "systemic" banks and, through national oversight bodies, also the indirect supervision of all banks;

2) The Single Resolution Mechanism (SRM) for dealing with banking crises, which aims to limit the impact of bank rescues on the public purse;

- The purpose of the Proposal for a regulation and the Communication under examination is to set up a common system of bank deposit insurance known as the European Deposit Insurance Scheme (EDIS), which will be the third pillar of the Banking Union;
- A system is already in place to harmonise both the levels of protection afforded by national deposit guarantees schemes (DGSs) and the actions that national authorities may take in the event of a banking crisis;
- The legal basis for the proposed regulation (COM (2015) 586 final) is Article 114 of the Treaty on the Functioning of the European Union (TFEU), which allows the adoption of measures for the approximation of national provisions aiming at the establishment and functioning of the internal market. In response to objections raised by some Member States, the Legal Service of the Council issued an opinion on 12 April 2016 in which it reasserted the soundness of the legal basis;
- EDIS would apply to all the officially recognised DGSs of participating Member States and to all credit institutions affiliated to the schemes;
- the Proposal for a regulation (COM (2015) 586 final) envisages the progressive phasing-in of EDIS until it supplants national deposit guarantee schemes;
- EDIS serves to protect against potential financial instability caused by the vulnerability of national guarantee schemes to large-scale local shocks, and, by treating all bank depositors in the same way regardless of the country of incorporation of the bank, is intended to weaken the link between the solidity of the national sovereign and the solvency of its banks;
- Communication (2015) 587 final draws up risk-reduction measures that include curbing the options and discretionality of individual countries in the application of prudential rules and, especially, initiatives based on the work of the Economic and Financial Committee and of the Basel

Committee on the prudential treatment of banks' exposures to sovereign risk;

- In the opinion published on 20 April 2016, the European Central Bank advises that the EDIS "is the third necessary pillar to complete the Banking Union", and that its introduction should not be delayed merely because of a failure to make progress in the area of risk-reduction, which must in any case “be precisely defined ex-ante, objectively verifiable, [and] realistically achievable”;
- The negotiations are likely to be very complex since some Member States (including Germany) have demanded that the approval of a common system of deposit insurance be conditional on the prior harmonisation of other relevant national regulations, such as bankruptcy laws, rules on deposit guarantees, some aspects of tax treatment and, above all, the introduction of prudential requirements for government securities held by banks;
- In any event, risk-reduction efforts should perhaps focus less on sovereign exposure than on the excessive leverage in banks’ balance sheets as well as on the valuation of complex derivatives, which are illiquid and do not have a market price;
- Italy has already contributed to the consolidation of the banking systems of other European countries, notably Spain and Cyprus, through the actions it took to facilitate the effectiveness of the European Stability Mechanism (ESM: the sovereign bail-out fund), to whose financing Italy contributed a significant amount;
- As the negotiations proceed, it is to be hoped that all parties will conduct themselves with the utmost responsibility and that, conscious of the delicacy of the question, they will avoid specious argument or the tabling of proposals that might cast doubt on the trustworthiness of partner countries, because to do so would fuel speculation and ultimately undermine the stability of the entire euro area;

Noting that the present document, along with the opinion of the Committee on European Union Policies, must be forwarded to the European Parliament, the Council and the European Commission as part of the informal political dialogue,

Expresses a

FAVOURABLE OPINION

With the following remarks:

a) We call on the Government to take action in the relevant negotiating fora to facilitate the prompt adoption of the Regulation for the establishment of EDIS, on the basis of the undertaking given to complete the Banking Union project, a fundamental pillar of stability for the euro area, without interpolating any further or more restrictive risk-reduction measures;

b) As the ECOFIN meeting of 17 June 2016 quite properly resolved, the question of the treatment of government securities must be addressed by the Basel Committee, which is to say it must be addressed from a global perspective so as to prevent more stringent criteria and constraints being applied to euro area countries only, which carries the risk of penalising them in particular. Until the Basel Committee reaches a new agreement on the matter, the current arrangements should be kept in place.