Read-out of the College meeting and press conference by Vice-President Valdis DOMBROVSKIS on the Commission's Communication on the Completion of the Banking Union

Good afternoon and welcome to today's readout of the College meeting.

Let me run you through the main points on the agenda.

The main business today was Banking Union.

We are presenting some elements today to help reach an agreement by the end of this mandate to complete the Banking Union.

As President Juncker said in his state of the Union Speech: *"democracy is about compromise".*

The euro area countries benefit today from the two pillars of Banking Union that are already up and running. These are the single supervisor and the Single Resolution Mechanism.

Together, they make our banking sector safer.

And they help ensure that taxpayers are not first in line to pay for banking crises.

But as long as financial ties between banks and their sovereigns remain as close as they are today, there is still unfinished business.

In his speech, President Juncker emphasised the need to strengthen the single currency in the face of unforeseen circumstances and challenges.

Completing the Banking Union is essential for reaching that goal:

It will lead to an Economic and Monetary Union that can better withstand and absorb any future crises.

And it will promote deeper financial integration, which further reduces the links between banks and sovereigns. Thanks to more risk-sharing via private markets, taxpayers will be better protected from having to shoulder the burden of bank failures.

More integration is also helping to give consumers cheaper and more diverse options for financial services.

And to make these tangible benefits more accessible, we are working on a proposal to reduce charges on cross-border banking transactions in all EU currencies.

Both the Council and the European Parliament reaffirmed last year the importance of completing Banking Union, and important commitments have been taken to tackle legacy risks.

But progress is slow. We need clear engagement from co-legislators to reach an agreement by the end of the legislative term.

So today we are presenting pragmatic ideas to speed up the process by advancing in parallel on risk-reduction and risk-sharing measures.

First,we call on co-legislators to swiftly adopt the comprehensive risk-reduction measures already presented in our November 2016 Banking Package. These measures will strengthen and adjust the existing rules to complete the post-crisis regulatory agenda for banks.

Second, we need to further reduce the high levels of non–performing loans in certain parts of the banking sector. Bad loans hinder banks from providing new credit to the real economy, and limit economic growth.

The Commission has for years been working alongside Member States, supervisors, and banks to reduce the share of non–performing loans in the EU.

And we are making progress.

Since mid-2014, this share has been reduced from 6.7% to 4.5%. But we need to accelerate this trend and prevent the stock from building up again.

We are currently working to implement the Council's July Action Plan on non-performing loans. And early next year, we will present a package of measures on this basis.

Third, we need to reach consensus on a European Deposit Insurance Scheme, or EDIS. As you know, the Commission proposed EDIS as a Europe-wide system building on the existing Deposit Guarantee Scheme directive.

EDIS would collect funds from banks – and only banks – to build up a strong Europe-wide deposit guarantee of €100 000 per depositor. This would help break the bank-sovereign link by making deposit protection independent of a bank's location.

Our 2015 proposal is based on a gradual phase-in with clear safeguards to avoid moral hazard, and this proposal stays on the table.

But in two years it has not really advanced. The positions of the Council and the European Parliament are far apart.

So today the Commission is putting forward some ideas to unblock discussions, by introducing EDIS in a more gradual manner:

- One suggestion would be to limit EDIS in its first phase to providing loans to depleted national schemes. These loans would later have to be fully paid back. In other words, EDIS would not cover losses. It would focus on providing liquidity, to ensure that depositors maintain quick access to their savings.

- Another idea would be to make the second phase of EDISconditional on an asset quality review. In other words, a health-check of our banks to confirm that legacy issues from the crisis have been dealt with. Here, our European level strategy to reduce non-performing loanswould play an important role.

These elements might allow co-legislators to further reduce moral hazard while still fulfilling the ambition of the original proposal.

Fourth, we are calling for a common backstop to the Banking Union to become operational as quickly as possible.

This was agreed nearly 4 years ago to guarantee the credibility of the Single Resolution Mechanism.

As a last-resort tool, this backstop would only intervene after private creditors have born losses.

And it would be fiscally neutral, with all disbursements required to be fully reimbursed by contributions from banks.

We saw support emerging in Monday’s Eurogroup that the European Stability Mechanism could provide that backstop for the single resolution fund.

The Commission will follow this up in our December package on deepening Europe’s Economic and Monetary Union.

Fifth, we are exploring pragmatic solutions for helping banks diversify their holdings of sovereign bonds. This would further weaken the bank-sovereign link.

In this context, we are closely following the work of the European Systemic Risk Board on Sovereign Bond Backed Securities.

This would be a product created by market participants, which banks could choose to hold.

Finally, the Commission issued today a report on the Single Supervisory Mechanism.

It gives an overall positive assessment of the application of the SSM Regulation, and the first years of the ECB acting in its supervisory capacity.

At the current juncture, the Commission does not consider it necessary to amend the SSM Regulation.

Taken together, these measures form an ambitious but realistic path to completing Banking Union.

We hope that today’s proposals will serve as food for thought for the co-legislators.

Reaching a comprehensive deal on the Banking Union is essential for the future of the Economic and Monetary Union.

And for a strong financial system that fully supports jobs and growth and reduces risks for taxpayers.

Now on the other items on the Commission’s agenda,

Commissioner Vestager informed the College regarding the State aid decision on Novo Banco in Portugal, approving the sale of the bank.