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## We need to make the full use of the Banking Union as a single jurisdiction

The Banking Union (BU) is a great achievement but remains incomplete and below its potential to achieve a well-integrated Eurozone banking sector. Even within the BU, national interests still cement fragmentation along national lines and discourage cross-border banking groups. For example, not even liquidity is allowed to move freely within banking groups, not to mention capital. Considering that from a supervision perspective the BU is a single jurisdiction, such obstacles are not justifiable. This underlying flaw of the BU's first Pillar also undermines the functioning of the second Pillar, the ability to resolve significant banks and liquidate less significant banks in a way that preserves value, Shields taxpayers and protects depositors. But as long as achieving Banking Union as a single jurisdiction is not encouraged, most solutions (i.e. sale of business) have to be found at a national level. This holds back future sector integration but also risks amplifying issues in national banking sectors.

These dynamics in Pillar 1 and 2 also undermine the acceptability of any EDIS-like structure as a Pillar 3 where six years after the original proposal we are still in the dark on the direction of travel. Therefore the first part of our response is clear: Improve the conditions for using the existing BRRD tools in the current legislation making the full use of the Banking Union as a single jurisdiction.

The second part of our response is to step back and consider the problem at hand objectively: According to the Commission's consultation there are two dimensions to the problem. First, medium-sized banks that do not pass the PIA may be too difficult to handle for national insolvency proceedings. Second medium sized banks, especially when deposit financed, tend to struggle raising MREL. The first concern can be addressed by either harmonising key elements of national insolvency proceedings for the financial sector and, if this is too complex, the alternative is to better frame the Public Interest Assessment in a transparent manner which would allow for these banks to be resolved via SRB action. The second concern cannot be taken at face value. We have not seen any evidence that raising MREL is a problem other than suggesting that an inability to issue may not be the bank's primary problem. Conversely, if some healthy mid-sized banks truly struggle in meeting their MREL requirement the solution would be to move forward with the Capital Markets Union.

On this basis, this is not the time to introduce another layer of special treatment into an complex framework just to solve issues that may or may not be incurred by a hazily defined group of banks. This means that the establishment of an ad hoc resolution mechanism for medium-sized banks with maintenance of their access to the Single Resolution Fund under very favourable conditions, i.e. without having to bail-in at least 8% of the Total Liabilities and Own Funds should be radically refused. It is inconsistent with the principle «same activity, same risk, same rules» and would mean that taxpayers and DGSs indirectly subsidize these banks with insufficient MREL. The challenges we are faced with are real enough, we should not exert ourselves in adding new difficulties at national and European level.