BREAKING THE BANKING UNION DEADLOCK

OLIVER SCHÜTZ
Managing Director, Resolution, Legal & Enforcement – Austrian Financial Market Authority (FMA)

From achievements to next steps: completing the vision of the Banking Union

Over a decade since its creation, Europe's Banking Union remains a cornerstone of its financial architecture, increasing in stature amid geopolitical uncertainty. Rising systemic risks and global competition reinforce the need for further European financial consolidation and integration. Completing the Banking Union and progress on the Savings and Investment Union are essential to enhance sustainable growth and resilience across Europe. Instead of celebrating past achievements, attention must shift to reaching our original destination: a fully integrated banking market.

The Banking Union was conceived to break the vicious circle between sovereign and banking risk, and creating a more integrated and resilient financial system. Two of its three pillars are operational. SSM and SRM heralded an unprecedented transfer of authority from national to European institutions. The SSM provides consistent, risk-based supervision of significant institutions, while the SRM enables the orderly resolution of large, cross-border banking groups. A central ambition was to allow pan-European banking groups to emerge, while reducing the link between national fiscal positions and domestic banking sectors.

The Banking Union has yet to realise its full potential. Cross-border integration could bring further efficiency gains. Freer capital and liquidity movement within banking groups would allow resources to flow where needed most and enhance competitiveness and resilience. Existing rules already permit cross-border capital and liquidity flows, but broader application of such waivers remains politically sensitive. National authorities still prioritise domestic considerations, driven by concerns about crisis management responsibilities and the lack of a fully mutualised safety net. Nevertheless, the SRM has strengthened confidence in effective, consistent and appropriate resolution of European cross-border banks, irrespective of national self-interests. The broad consensus is that the European banking system is sounder than before the Banking Union: supervisory standards are more consistent, resolution planning has matured, and market confidence in systemic resilience has improved.

Continued commitment to a common goal brings the EU closer to completing the Banking Union.

Despite direct ECB supervision of significant institutions and the SRB's responsibility for resolution in the Banking Union, substantial obstacles, which increase in times of crisis, remain over the free flow of capital and liquidity. Is this due to the existing regulatory framework, or a lack of mutual trust? If so, the core issue is one of confidence rather than of regulation: the Banking Union provides a robust basis for a greater mutual trust among member states and authorities. Its institutional framework boasts many tools required for deeper integration. Strengthening mutual trust among member states through open, transparent and cooperative discussions in college settings remains a challenge. Trust must be established in normal times to ensure cooperation, timely decision-making, and a truly European approach as crises emerge.

Full integration remains a work in progress. The missing third pillar, EDIS, will be decisive in transitioning from national fragmentation to a real European banking market and completing the Banking Union. The recent CMDI reform highlighted deposit insurance, especially EDIS, as political stumbling blocks: the Commission's proposal was a significant step forward, while the final political agreement was substantially more modest. National deposit guarantee schemes and resolution tools are more closely aligned, albeit with numerous safeguards and complex conditions. Progress has been incremental, rather than the transformative leap envisaged.

EDIS' continuing absence fuels national concerns about cross-border institutions converting subsidiaries into branches. "Branchification" shifts responsibility for guaranteeing eligible deposits from the host country's national deposit guarantee scheme to that of the home country, albeit without fully transferring contributions previously paid into the host's DGS. This reflects the gap between the ambition of a unified banking market and the reality of national constraints. A fully operational EDIS would help address these concerns by distributing burdens and responsibilities more evenly.

The Banking Union has undeniably strengthened financial stability, supervision, and crisis management in Europe. However, stability alone is no longer sufficient in a more fragmented geopolitical environment amid rising global competition. A seamlessly integrated banking landscape, with free intra-group capital and liquidity movement, consistent supervision, and a joint European deposit insurance framework, remains a vision. Continued political commitment, combined with pragmatic progress, will move the EU closer to that goal. But ultimately, only decisive political steps toward completing the Banking Union will unlock its full potential, strengthen stability, enhance competitiveness, and enable a truly integrated European banking market.

DOMINIQUE LABOUREIX
Chair – Single Resolution Board (SRB)

Competitiveness, Simplification and the Next Step for the Banking Union

The European Commission's Communication on the competitiveness of the EU banking sector provides a solid analysis of the challenges faced by European banks while setting out a sensible agenda to address them, from simplification and reducing unnecessary burdens to deepening integration and completing the Banking Union.

The Single Resolution Board strongly supports these objectives. In fact, within our remit, we continue to simplify our processes while preserving resilience and strengthening cooperation within the Single Resolution Mechanism and other stakeholders. For example, we have streamlined procedures for approving early redemptions of MREL instruments and simplified resolution planning to help authorities and banks focus on what matters most.

As policymakers consider the next phase of reforms, four principles should guide the debate.

First, simplification that does not come at the expense of resilience requires a holistic approach. Financial regulation is an ecosystem in which every element is interconnected.

Take MREL. Some argue that requirements should be reduced to lower costs for banks. Yet MREL exists for a fundamental reason. It ensures that resolution can be financed using investors' money and, where necessary, the Single Resolution Fund. It also enables a bank emerging from resolution to meet its prudential requirements from day one. Reviewing MREL in isolation from capital requirements, supervisory expectations and the broader micro and macro-prudential framework would therefore be counterproductive. If Europe wants meaningful simplification, these elements need to be considered together.

The same logic applies to liquidity. Banks would be more competitive if liquidity could move more freely across subsidiaries within the Banking Union. However, subsidiary-level liquidity requirements reflect that Europe still lacks the common safeguards needed for such integration. Completing the Banking Union therefore remains essential. A more integrated deposit insurance scheme would ensure that, in the extremely unlikely scenario that a subsidiary of a bank in resolution is unexpectedly left behind despite the single point of entry strategy, the cost of protecting depositors is ultimately shared through a common European framework rather than falling solely on the local Deposit Guarantee Scheme. Likewise, a robust Liquidity in Resolution framework would provide confidence that liquidity support can be mobilised for a banking group in resolution whenever needed, regardless of its size. Enhanced intra-group support arrangements could further strengthen trust through credible commitments to support subsidiaries in times of stress. Building that confidence is ultimately what will enable a more integrated and competitive Banking Union.

Simplification, integration and resilience must advance together.

Second, competitiveness should not come at the cost of an even more complex governance. Coordination between authorities can improve, but clear responsibilities remain essential for effective crisis management. The independence of the Single Resolution Mechanism should therefore be preserved. Simplification should reduce unnecessary complexity, not create additional layers of decision-making.

Third, while predictability is an important objective, resolution authorities must retain sufficient flexibility to respond to each crisis. Many features of today's framework reflected understandable caution when the Banking Union was created. After a decade of institution-building, extensive resolution planning and repeated testing, it is legitimate to ask whether all those constraints remain necessary. Simplification should therefore also mean giving authorities the flexibility to deploy the resolution toolkit effectively when it is needed most.

Fourth, Europe should not lose sight of the international dimension. Financial stability is inherently cross-border, and the credibility of the European resolution framework depends on an appropriate framework, recognized and understood by authorities around the world. As Europe embarks on this reform agenda, preserving the effectiveness and international credibility of its resolution framework should remain a guiding principle.

The Commission's report rightly recognises that competitiveness, simplification and integration are mutually reinforcing objectives. Europe should therefore resist the temptation to cherry-pick individual reforms. Simplifying MREL without considering the broader prudential framework, easing liquidity constraints without completing the Banking Union, or changing governance by blurring institutional responsibilities would deliver only partial—and potentially counterproductive—results. Let’s trust the framework we have collectively built. Lasting competitiveness requires a coherent reform package in which simplification, integration, resilience and ultimately Europe's global credibility advance together.

PETER PALUS
Member of the EFC/EWG & Head of Financial Unit – Permanent Representation of the Slovak Republic to the EU

Three-legged stool and the single market in banking

Negotiating the completion of the Banking Union requires a careful balancing act. The core challenge lies in fostering deeper cross-border market integration while ensuring that local bank subsidiaries can fully perform their vital and irreplaceable role in financing the domestic economy.

The **architecture of the Banking Union** relies on a magic triangle of mutually reinforcing pillars as a three-legged stool:

- **European safety net:** Building on the EU harmonised depositor protection framework and establishing a fully mutualised European deposit insurance mechanism, including a public European backstop.
- **Single Market in Banking:** A market for banking services that allows free cross-border provision of all banking services and capital and liquidity to flow efficiently and freely where they are needed.
- **Europeanisation of sovereign bond holdings:** Addressing the so-called home bias and overcoming the negative feedback loop between EU banks and public finances by diversifying banks' sovereign bond portfolios.

For host countries, a fully realized European common safety net is the only reliable way to break this deadlock. Without robust European deposit insurance, host countries are naturally demanding prudential requirements to be met also at the solo level to protect the resilience of their subsidiaries and mitigate negative impacts on the domestic economy. Deepening the single banking market cannot be achieved by merely deregulating the prudential requirements of subsidiaries that, compared to branches, are separate legal entities; it demands a collective mechanism that provides a fair balancing of responsibilities and builds genuine institutional trust.

> **Progress in complex regulatory frameworks is rarely an "all or nothing" proposition.**

Clear diagnosis

The Savings and Investments Union does not suffer from a lack of analysis. The technical diagnosis regarding the complexity of the single regulatory framework is clear, evidenced by the broad alignments between the European Commission's recent Communication and the data-driven findings of the Oliver Wyman Report commissioned by the European Banking Federation. Both documents clearly illustrate that the status quo of regulatory burden stifles the profitability and global competitiveness of European banks. The immediate priority must be the fast-tracking of regulatory simplification and overcoming non-prudential fragmentation. Eliminating bureaucratic overlaps is a technical necessity that all parties support. The critical hurdle is ensuring that complex institutional debates do not unnecessarily stall this momentum. Ultimately, creating European banking champions cannot come at the expense of local financial stability. For host countries, the final metric of success for any banking reform is simple: it must protect the irreplaceable role of banks in financing local businesses, households, and infrastructure, regardless of whether they provide their services locally or on a cross-border basis.

The realism of a gradual approach with long transitional provisions

When a sweeping institutional reform proves politically or economically impossible, a gradual approach becomes the only viable path forward. Progress in complex regulatory frameworks is rarely an "all or nothing" proposition. Instead of waiting for a revolutionary legislative overhaul that may never find consensus, the EU could move forward in balanced and structured phases to continuously establish stable, new equilibriums. An example of this pragmatic step-by-step approach involves finding a middle ground on regulatory compromises:

- **Cross-border waivers:** Introduction of partial, phased implementation of cross-border capital and liquidity waivers and safeguards for host markets from sudden capital flight. Moreover, in line with the local responsibility for financial stability and its critical role for credit supply, systemically important subsidiaries should be excluded from such a regime.
- **Mutualisation:** Accepting a partial, phased mutualisation of deposit guarantee schemes into a common safety net, rather than demanding full pooling of resources.
- **Sovereign exposures:** Phased introduction of concentration limits or other regulatory incentives effectively diversifying sovereign bond holdings, thereby preventing possible volatility in EU sovereign debt markets.

Parallel progress with the work towards the European single capital market

The completion of the Banking Union is deeply interdependent with the current progress on capital markets integration. Market-based financing and traditional bank lending are the two engines of the European economy. The more successful and integrated the capital markets become, the more room it creates for the banking sector. Stronger capital markets alleviate localised pressures on banks, giving the stability required to advance further on the Banking Union. Ultimately, the Banking Union and the Capital Markets Union are not alternative paths; they are mutually reinforcing and complement each other for the benefit of the EU economy.

JOHANNEKE WEITJENS
Global Head of Supervision, Public & Regulatory Affairs – ING Group

Banking Union will make the EU economy more competitive

In its 17 July 2026 Communication on bank competitiveness and single market, the European Commission rightly identifies the lack of cross-border integration as a key obstacle to competitiveness of the banking sector. Some European banks are large in a national context, but all are small at European scale. A more integrated banking sector will be better placed to play its role in financing the EU's large investment needs, now estimated to be EUR 1.4 trillion annually. A recent report commissioned by the EBF estimates the need for bank lending will grow at 20% every year.

The main obstacles to banking sector integration are relatively clear. EU bank regulation creates specific barriers to integration that can be addressed by policy makers.

(Aspiring) cross-border banking groups are today not able to deploy their balance sheet on a pan European basis. In its communication, the EC observes that *"unlike in other jurisdictions, the EU regulatory framework requires cross-border banking groups to comply with capital and liquidity requirements at both consolidated level and at the level of subsidiaries."* This should be seen in a broader picture where, in the EU, all prudential measures are applied at each level of a banking group, including MREL, P2R, output floor, leverage ratio, large exposure limits and the plethora of macro-prudential measures imposed nationally. The potential gains in terms of simplification are substantial.

Changing this situation within the Banking Union, where the SSM and the SRB can ensure appropriate resource allocation within cross-border banking groups under their purview based on binding EU legislation, would constitute real progress. The idea of a specific, ad-hoc, regime for large cross-border banks could be explored in this regard.

On capital requirements, the current practice of forcing subsidiaries to hold capital locally can lead to "trapped capital" and numerous smaller locally held capital buffers (instead of central buffer) that cannot easily be redeployed elsewhere within the Banking Union or the EU. This may limit a bank's ability to absorb losses across entities, allocate capital towards growth opportunities and could potentially increase the amount of capital overall. A purely consolidated approach would allow banks to manage capital as a single pool, enabling banks to deploy capital where it's most needed to support lending growth or to absorb losses in stress.

EU bank regulation creates specific barriers to integration that can be addressed by policy makers.

On liquidity requirements, the mechanism is similar. To illustrate the potential financial impact, based on ING balance sheet dynamics over 2023-2025, we believe EUR 15bn could have been unlocked even if we assume that all Banking Union subsidiaries would have maintained a 100% domestic LCR level. The exact pricing impact of unlocking this liquidity will depend on the balance sheet dynamics of the different entities within a group and can vary over time and depend on specific circumstances.

In this hypothetical scenario, the unlocked funds could have be used by a bank to do one of, or a combination, of the following:

The freed-up liquidity could have been used to fund additional lending, roughly the equivalent amount of the liquidity that is unlocked.

Should credit demand have been weak, it could have been used to reduce the need to raise external funding, thereby also reducing lending costs.

So the free flow of funds within banking groups can have tangible benefits for the European economy. The effect of unlocking liquidity will be particularly strong in a situation of growing credit demand combined with more constrained liquidity in the system (e.g. due to slower deposit growth as Europeans invest more; monetary policy normalisation).

Our example illustrates that focusing even on excess liquidity alone, where subsidiaries maintain a 100% LCR, would already bring substantial benefits. Changing the regulatory paradigm to applying the prudential rules at consolidated level only as the starting point would unlock further economic benefits, regulatory simplification, and facilitate cross-border consolidation in the European banking sector.

Ultimately, the Banking Union cannot be completed without EDIS. Whether for all banks or a subset of banks (e.g. SSM-supervised), a definitive attempt should be made to create an EDIS. In-between options, such as liquidity support or reinsurance only, run the risk of a clear not being significant for EU banking sector integration to really take off.

Banking Union should not be considered in isolation. Whilst integration is an important catalyst, the normalisation of capital requirements in the European context would also help make EU banks more competitive. In particular, the EU urgently needs to provide a clear path forward on mitigating the foreseen impact of the output floor. The current trajectory of fully phasing-in the output floor by 2033 could trigger a significant price increase of loans for both corporates and households, which can put a break on European growth.

PIER MARIO SATTA

Head of Capital and Portfolio Management – UniCredit S.p.A.

Europe's banks are resilient. Now let them support Europe's ambitions

In a rapidly evolving and uncertain geopolitical environment, Europe's banks are well positioned to contribute to mobilize critical investments in defence, energy security, digital infrastructure and the green transition. Following post-crisis reforms, the sector is significantly more resilient, well capitalised, highly liquid and profitable. Nonetheless, Europe still lacks banking groups with the scale, flexibility and cross-border integration needed to support a more unified and competitive economy.

As highlighted by the Commission, Europe's banking system is not constrained by a lack of capital or liquidity. Rather, in a stress scenario, resources held at group level may not be available in a timely and enforceable manner to support local entities. Consequently, supervisors continue to favour ring-fencing measures that restrict the mobility of capital and liquidity across borders. The issue is less the quantity of available resources than the framework governing their use.

Capital and liquidity requirements are calibrated not only at consolidated but also at subsidiary level, thus reducing the ability of cross-border banking groups to deploy resources where they are most needed and imposing a significant cost.

The industry has long advocated for a framework that empowers the Single Supervisor to set prudential requirements for cross-border banking groups while extending harmonised exemptions for intragroup exposures and removing remaining national discretions.

The ECB has estimated that removing constraints on liquidity held in cross-border subsidiaries could release around EUR 230 billion of high-quality liquid assets. Industry estimates that more than EUR 225 billion of capital remains trapped within EU banking groups because of prudential fragmentation. Assuming CET1 requirements in the range of 12–13%, making this capital fully fungible could theoretically support between EUR 1.7 and 1.9 trillion of additional risk-weighted assets, significantly increasing banks' capacity to finance strategic investments across the EU.

The effects would go well beyond lending capacity. Cross-border groups are required to maintain duplicative liquidity buffers, governance structures, funding arrangements and operational infrastructures across multiple jurisdictions. These costs ultimately weigh on profitability, reduce returns on equity and limit the competitiveness of European banks relative to peers operating in more integrated markets.

Europe has built a resilient banking system - now it must ensure it can deliver for the real economy.

Large US banking groups operate under a single federal framework that allows capital and liquidity to move far more freely across states contributing to their greater scale, profitability and capacity to support large corporate clients.

The Commission rightly recognises that any move towards greater reliance on consolidated supervision can only succeed if the legitimate concerns of host authorities are addressed. Completing the Banking Union therefore requires a framework that allows supervisors to rely on group-wide resources with confidence. This includes strengthening the deposit guarantee framework, establishing credible parental support obligations and ensuring predictable liquidity provision in resolution.

In this context, the joint non-paper by Italy, France and Spain provides a concrete basis for discussion. A key element is the creation of a voluntary "28th regime" for cross-border banking groups i.e. complementing the existing 27 national banking frameworks with an optional EU-wide regime under which participating groups would be supervised and managed more consistently as integrated European banking groups. The proposal combines greater capital and liquidity mobility with legally enforceable intragroup support obligations, a progressive approach towards a common deposit insurance framework and stronger arrangements for liquidity-in-resolution replacing national fragmentation with credible European safeguards.

As the Commission prepares its 2027 legislative proposals, the forthcoming legislative review provides an opportunity to address the drivers of fragmentation more directly. Completing the Banking Union is not the only determinant of competitiveness. Macroeconomic conditions, capital market development, scale, business models and regulatory simplification also matter. A more coherent interaction between micro-, macroprudential and resolution frameworks would make a significant contribution to improving efficiency and competitiveness of the sector.

Nevertheless, Banking Union is the only reform which can deliver the same degree of cross-border capital and liquidity mobility within the European banking system.

EU banks have the capital, liquidity and expertise to support the Union's long-term priorities. Does the institutional framework allow those resources to be deployed efficiently across the Single Market? As Europe's financing needs increase, maintaining national barriers within a system built around common supervision and resolution is becoming increasingly difficult to justify.

KAROLIN SCHRIEVER

Executive Member of the Board – Deutscher Sparkassen- und Giroverband (DSGV)

A competitive European banking sector builds on diversity

The debate on the Banking Union has entered a new phase. Over the past decade, Europe has strengthened the resilience of its banking sector through common supervision, a common resolution framework and a harmonised framework for deposit guarantee schemes. Its robustness has been demonstrated not only by supervisory stress tests but also by real-world crises. The challenge is no longer to maximise resilience, but to ensure that European banks can finance the investment needed for innovation, decarbonisation, digitalisation and defence. As the Commission's Communication on the competitiveness of the EU banking sector highlights, competitiveness matters because banks finance businesses, support households and enable municipalities to invest. A Banking Union should therefore be judged by how well it enables this. Ahead of the announced Banking Package 2027, the recent Communication rightly places competitiveness at the center of the Banking Union debate.

Greater mobility of capital and liquidity and stronger cross-border banking groups can generate economic benefits. But market integration is a means, not an end in itself. The objective is a banking system that meets the diverse financing needs of Europe's economy. This requires both internationally active banking groups providing cross-border financing, investment banking and access to capital markets, and regional savings banks, cooperative institutions and other domestic retail banks financing households, SMEs and municipalities through relationship banking. Europe's strength lies not in uniformity, but in the complementarity of these different business models.

This is particularly relevant for the debate on potential improvements to deposit insurance, where EDIS is frequently presented as the missing element that would finally unlock the Banking Union. However, it is neither the only nor a sufficient solution. Deposit insurance remains one of the most politically sensitive elements because it mutualises risks shaped by different legal frameworks, insolvency regimes and banking structures across Member States.

A Banking Union that enables the best financing solutions across Europe's economy.

As a general principle, Europe should avoid making progress on Banking Union, banking competitiveness and much-needed regulatory simplification conditional upon agreement on a project that has remained politically divisive for more than a decade. Therefore, the DSGV welcomes the Commission's announcement that it intends to replace the 2015 EDIS proposal. That proposal failed to recognise the specific role of Institutional Protection Schemes and treated full mutualisation as the only acceptable model. Both assumptions were misguided. The objectives now outlined by the European Commission leave scope for different approaches to the design of deposit protection arrangements in Europe, which should be subject to a substantive discussion. In this context, the role of Institutional Protection Schemes must be fully recognised, and any duplication of financial burdens on their member institutions must be avoided. The DSGV therefore continues to advocate a structural exemption (carve-out) for Institutional Protection Schemes that are recognised as deposit guarantee schemes – and for their affiliated institutions – from any potential mutualisation process.

A differentiated approach would also make a political agreement considerably more realistic. Institutions wishing to pursue deeper integration through a European deposit insurance should be able to do so. Successful national and sectoral protection schemes should remain fully respected. Europe has always been strongest when integration has respected different institutional models rather than replacing them.

The same logic should guide the broader Banking Union agenda. Banks with domestic business models should not bear the costs of integration that primarily benefit internationally active groups. Banking Union progress must therefore go hand in hand with genuine proportionality. As the Commission recognizes, competitiveness also requires simpler and more proportionate rules that reflect different sizes, risk profiles and business models. This means introducing meaningful simplifications for low-risk; non-complex and regionally focussed institutions, streamlining supervisory expectations, reducing reporting requirements, applying proportionate resolution planning and preserving institutional protection schemes. This would strengthen competitiveness without compromising Europe's banking sector resilience.

Europe should build on the diversity of its banking landscape rather than seek to homogenise it. As the Commission prepares its Banking Package 2027, a balanced political compromise combining deeper integration with full respect for successful decentralised banking structures offers the most credible path forward. Such an agreement would not only overcome the longstanding deadlock in the Banking Union debate but also strengthen Europe's competitiveness, financial stability and capacity to finance its future.

RIMANTAS ŠADŽIUS
Former Minister of Finance of Lithuania, former Member of the European Court of Auditors

Banking Union benefits and constraints for host countries: some more aspects

The debate on completing the Banking Union entered a new stage with the important Commission Communication of July 2026, legislative proposals promised next year. It is now more diverse, not mere development of EDIS, general size and/or competitiveness of the EU banking compared to peers notably in the US. Indeed, the diversity of the EU banking landscape comprising institutions of different size, corporate structure and ownership, is our cultural heritage and, I dare say, our strength, given persistence of bank financing of our businesses. It needs to be preserved but refurbished.

Reducing fragmentation, a "natural sin" of our banking sector, supporting cross-boarder banking, combined with more proportional approach to "small and non-complex" institutions are now central issues. In this context home-host relations are often framed as a clash between integration-minded home countries and cautious host countries, but that is misleading.

Host countries recognise the well-known benefits of a more integrated European banking market: in particular, stronger competition, wider choice of financial services, new technology, improved digital services, more competitive prices. More efficient allocation of capital and liquidity within banking groups could also expand lending capacity, especially in smaller markets where domestic capital is limited, particularly in small countries for improving infrastructure and financing defence capacities. Their concern is not integration itself, but integration without a credible European safety net to replace actual national ring-fencing.

This is why host countries stress safeguards, be it in further strengthening BU regulatory and supervisory network, progress in common European deposit insurance, refining crisis management mechanisms, ensuring liquidity in case of resolution, proper treatment of mid-size or small institutions. This should not be dismissed as simple protectionism.

A few more aspects from the host-country position.

The risk environment has changed significantly. Europe now faces geopolitical confrontation, hybrid and cyber threats, foreign interference, climate-related shocks. Severe disruptions can no longer be treated as remote. The existing legal and supervisory framework for cross-border banking was largely designed for a different more "financial" risk environment, as the above was neglected or seen unlikely. We should reassess, whether we are still fully equipped to address today's more complex world. For instance, minimum offer of everyday banking, like payments, cash supply, should be ensured even in extreme events of power outage, forced evacuation, natural or man-made disasters – a very real concern for the eastern boarder EU member states.

Host countries: credible integration, shared responsibility, enforceable support, equal protection.

Another underexplored issue is the systemic importance (or relevance) of smaller banking institutions or divisions of large banks for financial and economic stability of a host member state. One quite practical example is an adequate retail and ATM network in rural areas that any government needs to preserve from disappearing with "branchification" or complete retirement of a foreign bank subsidy from the country.

Many more banks now operate across borders through subsidiaries or branches, and in some host countries they provide a major share of essential financial services. The solo approach is fit for a subsidiary, but a branch would pose trouble, especially if its parents come from outside the Eurozone, off ECB remit. Stress affecting systemically important branches can have consequences well beyond the host member state. If a crisis originates in the home jurisdiction, or affects several jurisdictions simultaneously, branches may struggle to access the liquidity, and potentially later the capital, needed to maintain critical functions in the host country.

Moreover, because branches lack operational and decision-making autonomy, they may be unable to respond rapidly and effectively to local liquidity pressures. The disruption could seriously undermine financial stability, trigger loss of confidence, and spread contagion across both domestic and EU financial systems.

These issues must be addressed in further Banking Union negotiations. In any case, parent institutions should face enforceable obligations, set in a European regulation, not an intra-group statute, to support host-country operations be it in normal or crisis conditions.

In conclusion, host countries are not asking Europe to choose between integration and stability, but for credible integration backed by shared responsibility, enforceable support and equal protection. The key is not whether capital and liquidity move more freely across borders, but under what conditions this can happen without weakening financial stability in countries that depend heavily on foreign-owned banks.

Important too: for the wide public, the reforms proposed should in no way create any impression of compromised customer protection or regulation strictness weakened for banks' benefit. This might lead to failure.