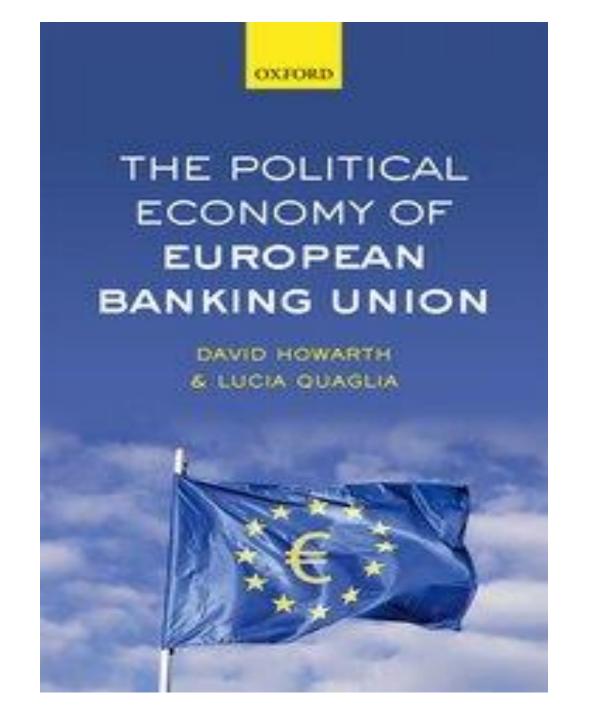
The politics of an asymmetric Banking Union

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Overview

Aim:

to take stock of the setting up and functioning of Banking Union – and its various 'components'

Key argument:

- Banking Union: incomplete with asymmetric effects
- •Mix of supranational, intergovernmental and national competences & powers
- •Two competing coalitions influenced the building up of Banking Union and seek to shape its completion (or lack thereof)

The making of an incomplete Banking Union (2012-14)

- SSM (2014): supranationalisation banking supervision
 - → ECB-centric: ECB directly supervises significant banks, ECB+NCAs less significant banks
- SRM (2015): hybrid supranational-intergovernmental-national
 - → SRB (EU agency) for banks directly supervised by ECB + cross-border banks, NCAs for other banks, SRF, convoluted decision-making
- EDIS: not set up
- Fiscal backstop: no progress

The functioning of an incomplete Banking Union (2014-)

- **SSM**: ECB directly supervises 120 banks, harmonisation of banking rulebook of significant banks, slower progress non-significant banks (6000)
 - ECB + EBA: comprehensive assessment, AQR, stress test
- SRM: SRB & SRF not used so far; 'Sinatra doctrine' in resolution
 - Austria (Heta)
 - Portugal (Novo Banco)
 - ES (Mare Nostrum, Bantierra)
 - Italy (small banks + Monte dei Paschi)

The asymmetric effects of Banking Union

- BU (temporarily) halted the sovereign debt crisis
- → BUT without breaking the 'doom loop' in the periphery
- **Disjunctures**: supervisory decisions taken at euro area level, with risk-sharing mechanisms at national level
- → BUT moral hazard & past legacies
- Political salience of bank resolution, national specificities & Sinatra doctrine
- → BUT danger for **levelled playing field & financial stability**
- Mix of competences & powers in Banking Union: supranational, intergovernmental and national

Competing coalitions in Banking Union

- ECB + COM: support for the construction of Banking Union + 'risk sharing mechanisms' to be developed
- France + euro periphery: support for the construction and completion of Banking Union
- **Germany** + Austria, Finland, Netherlands: keen to set in place control mechanisms but limiting risk sharing
- Long standing competing coalitions in EU economic governance
 - → incomplete & asymmetric EMU
- Banking Union to complete EMU, but Banking Union also incomplete!