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Banking Union – What is it?

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The Banking Union is the result of the work within the EU on improving regulation and supervision of the financial sector that began after the financial crisis. The purpose of the Banking Union is to create a structure for the joint supervision and management of banks in crisis, together with a joint system for deposit insurance. Large parts of the Banking Union are now in place, but some work remains to be done before the European Banking Union is fully up and running.

Over the last decade, intensive work has been conducted on improving the regulation and supervision of the financial sector, globally, regionally and nationally. This applies, not least, to the EU, where banking problems were both deeper and more persistent than in many other parts of the world. A series of regulatory initiatives have therefore been taken, the most comprehensive and detailed of which is the so-called Banking Union.

Put simply, the Banking Union involves the creation of a structure for the joint supervision and management of banks in crisis, together with a joint system for deposit guarantees. For non-euro countries, participation in the Banking Union is voluntary, but no non-euro countries have chosen to join yet. However, the Swedish Government has decided on an inquiry into the pros and cons of membership. The commission of inquiry will present its results in November 2019. Regardless of whether or not Sweden decides to join, the Banking Union will affect us in various ways.

This Economic Commentary therefore aims to clarify what the Banking Union is, its purpose, how it is intended to function and how much progress has been made in the work of finalising this union. As an illustration, we highlight Nordea's planned relocation of its headquarters to Finland from the perspective of the Banking Union.

Even if the Banking Union, in its finalised form, ought to contribute towards a more robust banking system with significant risk-sharing between participating countries, the review shows that a significant part of the responsibility for managing banks in distress remains national, even for members of the Banking Union.

The background and purpose of the Banking Union

In parts of the euro area, the global financial crisis of 2007–2008 developed into an economic crisis with heavy falls in output, weaker public finances and banking systems that, in certain cases, risked collapsing. In several countries, the whole crisis took on the character of a downward spiral centred around the interdependence of the banks and central government. The banks' large holdings of debt instruments issued by their central governments meant that failing confidence in public finances impacted confidence in the banks, which were already weakened by the financial crisis. At the same time, the banks' vulnerable position resulted in a lack of confidence in public finances, due to the risk that expensive rescue packages would become necessary.

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Before the end of the first years of the crisis, important steps had been taken through the decision to form the so-called European financial supervisory authorities and the European Systemic Risk Board. However, a consensus gradually emerged among the euro countries that further steps would have to be taken to harmonise supervision and break the link between governments and banks that had been harmful in this context. The idea of a banking union thus took hold. The idea was to make the banking system robust by placing the largest banks under joint supervision, based on a harmonised, EU-wide regulatory framework. Those banks nevertheless experiencing difficulties could be restructured or wound up in an orderly manner and at the smallest possible cost to the taxpayer through the establishment of a central function for the management of banks in crisis, so-called resolution. This, in turn, would be based on joint resolution regulations[2]. Finally, responsibility for protecting depositors' funds would be raised from the national to the joint level. These three elements, joint banking supervision, resolution and deposit guarantees, form the three pillars of the Banking Union[3], each of which is based on EU-wide regulations[4].

The political starting point for the construction of the Banking Union could be said to be the declaration[5] by the euro countries' heads of state and government of June 2012 in which they express support for joint banking supervision, which is to say the Banking Union's first pillar, with the ECB in a leading role. The European Commission presented a detailed legislative proposal[6] in September 2012 and, by October 2013, the regulation laying the groundwork for the Single Supervisory Mechanism (SSM)[7] could enter into force. Following intensive work, involving, among other things, the hiring of about 1,000 individuals with competence in banking supervision, the ECB was able to shoulder its role as supervisory authority for the largest banks in November 2014.

In July 2013, the Commission presented its proposal for the union's second pillar - the Single Resolution Mechanism (SRM). The proposal involves the creation of a Single Resolution Board (SRB) with responsibility for preparing and implementing resolution decisions concerning the largest banks on a central level. In addition to this, the creation of a Single Resolution Fund (SRF) was also proposed. The European Council of Ministers and the European Parliament agreed on the SRM proposal in June 2014 and, in January 2016, the Single Resolution Board started operations. The Single Resolution Fund is now also being set up.

The rapid progress being made towards the Single Supervisory Mechanism and the Single Resolution Mechanism illustrates the great political importance invested in putting these parts into place. However, progress has not been as substantial for the Banking Union's third pillar, the single deposit guarantee. The commission presented its proposal for this in November 2015, but negotiations have, so far, been limited to sorting out technical matters linked to the proposal – no political consensus has been reached yet on the importance of reaching an agreement.

The Single Supervisory Mechanism (SSM)

Allocation of responsibility between the ECB and the Member States

The SSM comprises a system for the supervision of all banks within the Banking Union. At present, these amount to about 4,700. Supervision is carried out in close collaboration between the ECB and the national supervisory authorities (NSAs) and is based on capital requirement rules that are common to the entire EU and a series of guidelines and policy documents that regulate supervision within the SSM. The ECB has overall responsibility for

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[2] However, the proposal for joint resolution regulations was presented before the negotiations for the Banking Union were launched.
[3] The Banking Union is often described in terms of these three parts. No fully accepted definition exists, however.
[4] Capital Requirements Regulation/Capital Requirements Directive IV (CRR/CRD-IV), Directive 2014/59/EU Bank Recovery and Resolution Directive (BRRD), and Directive 2014/49/EU Deposit Guarantee Schemes Directive (DGSD).
[5] See the European Council's conclusions of 29 June 2012, http://europa.eu/rapid/press-release_DOC-12-8_en.htm.
[6] See the European Commission's communication of 12 September 2012 "A Roadmap towards a Banking Union", http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52012DC0510&from=EN.
[7] Regulation (EU) No 1022/2013.

the system. However, responsibility for the supervision of individual banks has been divided up amongst the ECB and the NSAs. The ECB exercises direct supervision of the most important ("significant") banks, while the NSAs are responsible for the supervision of the remaining banks. The classification of banks as significant or non-significant is based on a number of criteria[8]. At present, this means that the ECB exercises direct supervision over about 120 banking groups, corresponding to about 85 per cent[9] of bank assets within the Banking Union.

The exercise by the ECB of direct supervision over the significant banks does not mean that supervision of these only takes place from Frankfurt. Within the SSM, so-called joint supervisory teams are used for the significant banks. These consist of representatives of both the NSAs and the ECB. One supervisory team, under the leadership of a person from the ECB, is created for each significant bank. To minimise the risk of special treatment, this person is most often from another country than that in which the bank is domiciled. The supervisory teams are responsible for the ongoing supervision of the banks and thus form the main point of contact between the bank in question and the SSM.

The Governing Council of the ECB takes supervisory decisions

The decision-making procedure within the SSM reflects how responsibility for centralised supervision lies with the ECB, whose highest decision-making body is the so-called Governing Council[10]. Consequently, in a formal sense, all supervisory decisions are taken by the Governing Council of the ECB. However, decisions by the Council are prepared by a so-called Supervisory Board[11], in which a representative of the relevant country's supervisory authority participates. The Supervisory Board, which partly bases this preparation on the opinions of the supervisory teams, presents a draft decision to the Governing Council, which then has a certain amount of time to make objections to the Supervisory Board's proposal. If the Governing Council has no objections, the decision enters into force. If the Governing Council does have an objection, the matter is referred back to the Supervisory Board for discussion and possible revision of the proposal.

If Nordea relocates, Finansinspektionen's responsibility will change

This decision-making procedure applies for significant banks with operations restricted to the Banking Union. For banks with operations within and outside of the Banking Union, there are also bank-specific so-called supervisory colleges[12], consisting of supervisory authorities from those countries in which a banking group has operations. The aim of the college is to ensure that supervisory decisions are based on a comprehensive analysis of each banking group's operations and take account of the interests of all affected Member States. Consequently, the colleges attempt to reach a consensus and agree on joint supervisory decisions for the bank in question[13]. The chairman of a supervisory college is the supervisory authority in the country where the banking group has its legal domicile. In Nordea's case, the Swedish financial supervisory authority is chairman of the supervisory college, but both the ECB and the Finnish supervisory authority participate as members[14]. However, if Nordea were to relocate its headquarters to Finland, the chairmanship of Nordea's supervisory college would not be taken over by the Finnish supervisory authority but by the ECB, as it has supervisory authority for the Banking Union's significant banking groups. The Swedish financial

[8] A bank is counted as significant if any of the following criteria are met: 1) the bank has total assets exceeding EUR 30 billion; 2) its total assets correspond to at least 20 per cent of the country's GDP (at least EUR 5 billion); 3) the country in question and the ECB are agreed that the bank is significant; 4) the bank has been subject to support from the support funds, the EFSF or the ESM. In addition, the ECB can also opt to exercise direct supervision over a bank that does not comply with these criteria.

[9] Guide to Banking Supervision, ECB, September 2014.

[10] The Governing Council of the ECB includes the governors of the central banks of the euro area and the Executive Board of the ECB.

[11] The SSB is composed of a full-time chair, a vice chair from the ECB's executive board, four representatives appointed by the ECB, and the director of the supervisory authority of the Member State in question.

[12] Supervisory colleges also exist for cross-border banks that are completely outside the Banking Union.

[13] Within the Banking Union, the joint supervisory laws can be said to fulfil this coordination function, but supervisory decisions are taken by the ECB.

[14] Both the ECB and the Finnish supervisory authority are members, but it is the latter that signs joint decisions. The reason for this is that they are responsible for a subsidiary, while the ECB is responsible for the Finnish branch of Nordea Sverige.

supervisory authority will remain a member of the college (with the right to sign joint decisions as supervisory authority for a number of Swedish subsidiaries[15], including Nordea Hypotek AB), at the same time as the Finnish financial supervisory authority would be an observer.

The ECB also has responsibility for macroprudential policy

The main task for the ECB as supervisory authority is to exercise the supervision of individual credit institutions, something that is normally called microprudential policy. However, the ECB also has a mandate to act if it identifies systemic risks, which is to say risks linked to factors that are common to several institutions, so that a shock could lead to problems for the entire banking system. This could involve many banks having similar exposures, for example towards a certain sector. This responsibility for so-called macroprudential policy is shared with national authorities. However, the ECB can only act if it sees a need to strengthen measures by national authorities and consequently cannot ease requirements in a Member State[16].

Special regulations for non-euro countries

As mentioned above, the Banking Union is open to participation from non-euro countries. If a country wishes to join, it may not choose which parts of the Banking Union's regulatory system it wishes to comply with, but must accept the regulatory system in its entirety. When a non-euro country participates in the Banking Union, it is said that that country has entered into so-called close cooperation. There are important differences in the legal relationship between the ECB and the country's banks, depending on whether the country is a member of the Banking Union as a euro country or whether it has entered into close cooperation. In addition, there are differences in the amount of formal influence over decision-making in the SSM.

The difference in the legal relationship is that the ECB does not take supervisory decisions with a direct effect on a bank (as is the case for euro countries). Instead, such decisions must be implemented by the national supervisory authority concerned. Consequently, to enter into close cooperation, the country in question must show that it has an arrangement in place that guarantees the supervisory authority will implement the ECB's decisions.

The difference in the formal influence over decision-making is connected with the fact that non-euro countries have no representation in the Governing Council of the ECB. A country entering into close cooperation thus does not have the same formal opportunities to affect SSM decisions as a euro country does. As a consequence of this, countries with close cooperation have the possibility of terminating this close cooperation if they are dissatisfied with the results. They can also choose not to comply with a decision. In this latter case, it is up to the Governing Council of the ECB to take a decision on whether the close cooperation should be terminated.

Single Resolution Mechanism (SRM)

One of the objectives of creating the SSM was to help make banks safer and hence increase financial stability. Completely avoiding bank failure will not be possible, however. The Banking Union's second pillar, a Single Resolution Mechanism (SRM) has therefore been created to ensure that a bank can fail without it having unnecessarily costly consequences for society and the taxpayer. In contrast to a bankruptcy, the resolution of a bank involves ensuring that the bank can continue to fulfil its important social functions. Resolution can, for example, involve the bank's operations being sold to another bank, creating a "bridge bank" and/or

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[15] The basic rule for the supervision of cross-border banks is that the supervisory authority in the country where the parent company has its domicile exercises supervision over the entire banking group. However, if a bank has a subsidiary in a country, that country's supervisory authority has the right to participate as a member of the college and take joint decisions. If it is a branch instead, the country's supervisory authority becomes an observer in the college.

[16] The European Systemic Risk Board (ESRB) also has responsibility for analysing systemic risks within the EU and can, when necessary, issue warnings or recommendations to various participants. However, the ESRB does not have a mandate to decide on measures, neither in individual countries nor in the EU as a whole.

recapitalising the bank by reducing its existing equity capital (possibly to zero SEK) in combination with writing down or converting debt into new equity capital, using what is known as the bail-in tool. The latter is important in order to minimise the costs to the taxpayer. This ensures that it is primarily owners and creditors who bear the losses and capitalise the bank.

All banks in the participating Member States are included in the Single Resolution Mechanism. Similar to the supervisory mechanism, the tasks are divided between central and national level, where the Single Resolution Board (SRB) is responsible for the banks over which the ECB exercises supervision and for cross-border banking groups. In July 2016, the number of banks under the Board's responsibility was 142.[17] National resolution authorities (NRAs) have the responsibility for other banks.[18] As is the case for the Single Supervisory Mechanism and the capital requirement rules, the Resolution Board's operations are based on EU-wide regulations.[19]

Resolution decision – an issue for the Resolution Board, the Commission and the Council

When the Resolution Board takes a decision on whether an individual bank shall be put into resolution or not, it meets in what is known as an executive session, which involves a chairperson, four full-time members and members from the resolution authorities in the Member States in which the affected bank operates. If the bank has operations in a non-banking-union country, the affected national resolution authority is invited to the discussion. If Nordea's plans to relocate its headquarters to Finland are realised, the responsibility for resolution decisions will move from the Swedish National Debt Office to the Single Resolution Board. The Swedish National Debt Office will be given the opportunity to participate in the discussions preceding any resolution decision with respect to Nordea, but will not have any formal right to vote.

In order to be able to initiate a resolution procedure, the Resolution Board shall adopt a "resolution scheme", that establishes how the resolution of the bank shall take place[20]. This step requires the executive session to assess whether three conditions have been fulfilled, namely [21]

1) that the ECB has assessed whether the bank is failing or is likely to fail[22]
2) that there is no reasonable prospect that any alternative private sector or supervisory action would prevent failure
3) that a resolution action is necessary with regard to the public interest[23].

If all three conditions have been fulfilled and the Resolution Board has adopted the resolution scheme, the Commission has 24 hours in which to object to the Board's resolution scheme. Within 12 hours, the Commission must also have decided whether it will propose to the Council of Ministers to object against the resolution scheme, on the grounds that it does not fulfil the criterion of public interest, or to modify the Resolution Board's proposal for use of the Single Resolution Fund (see below). If neither the Commission nor the Council has made any objections within 24 hours, the resolution scheme enters into force. If, on the other hand, the Council has approved the Commission's counter-proposal, or if the Commission has objected to the resolution scheme, the Resolution Board shall, within eight hours, modify the resolution scheme in accordance with the objection.

[17] See the Resolution Board's website, http://srb.europa.eu.
[18] The use of funds from the Single Resolution Fund requires the Resolution Board to have adopted the resolution scheme.
[19] Directive 2014/59, the EU Bank Recovery and Resolution Directive (BRRD).
[20] The Resolution Board establishes which resolution tools are to be used and whether the measures require the use of funds from the Single Resolution Fund.
[21] In the resolution plan, the Board shall also have assessed the extent to which the bank is resolvable.
[22] Established normally by the ECB, although the Board may decide this itself in exceptional cases. There are also rules to help assess failure.
[23] The public interest is linked to the resolution objectives. If any of these objectives cannot be fulfilled in the event of the bank entering national insolvency proceedings, a resolution action is considered necessary with regard to the public interest.

Gradually build-up of a Single Resolution Fund to cover resolution costs

When a bank is put into resolution, financial resources are often needed to, for example, finance the purchase of the affected bank's assets or to enable the resolution authority to make contributions to a bridge bank or to capitalisation of the bank in question. Within the framework of the Single Resolution Mechanism, a Resolution Fund is therefore being built up[24]. The aim is for the Fund to be equal to 1 per cent of guaranteed deposits by 2024, which is the equivalent of about EUR 55 billion. The Single Resolution Fund shall be built up gradually, with approximately the same percentage increase each year. The money comes from contributions made by the banks belonging to the Member States in the Banking Union. In other words, the banks themselves finance the Fund.

The funds that are available for the resolution of individual banks are so far relatively limited. On 30 June 2017, the Fund's total funds amounted to EUR 17.4 billion[25]. This can be compared to deposits in the Swedish resolution reserve that amounted to SEK 22.5 billion, about EUR 2.3 billion, at the end of 2016[26]. During the build-up phase, up until 2024, these funds are also divided up into national compartments. The funds available for the resolution of an individual bank are primarily made up of the own Member State's compartment of the Fund. If these funds are insufficient, a certain share of other assets in the Fund, i.e. the compartments of other Member States, can be used. During the Fund's first year, 100 per cent of each Member State's own compartment could have been use for resolution in that same Member State. If that had not been sufficient, 40 per cent of other Member States' compartments could have been utilised. During the Fund's build-up period, these percentages change each year[27] so that the own Member State's compartment needs to be utilised less and less and the opposite is true regarding the possibilities of utilising assets from the whole Fund. From 2024, the idea is for the national compartments to cease to exist and the entire Fund will therefore be available, regardless of the domicile of the affected bank in resolution.

To ensure that there are sufficient funds available for resolution during the build-up phase, all participating Member States have signed "Loan Facility Agreements" with the Single Resolution Board. In these, each Member State guarantees the financing of its own compartment in the Fund[28].

No final backstop in steady state

From 1 January 2024, the national compartments of the Fund will hence cease to exist. Member States' guarantee commitments to the Fund cease at the same time. If the Fund were to be confronted with unexpectedly large pay-outs, it might therefore have problems fulfilling its purpose. The European Council of Ministers has determined that a decision on a final backstop for the Fund must be in place no later than when the national compartments cease to exist. One proposal is for the European Stability Mechanism (ESM) to fulfil this function. No decision on this has yet to be taken, however.

Resolution Board already operational

Despite all the elements of the resolution mechanism not yet being in place, the Resolution Board is nevertheless operational. It began its operations on 1 January 2016 and has dealt with its first resolution case during the summer of 2017. In this first case, concerning the Spanish bank Banco Popular, the Board decided on resolution and the bank was taken over by Banco Santander. In the case of the two Italian banks, Popolare de Vicenza and Veneto

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[24] The Fund may, however, only be used for capitalisation of a bank if the bank's owners and creditors have already contributed to loss absorption or capitalisation equal to at least 8 per cent of the bank's total liabilities or (under certain conditions) 20 per cent of risk-weighted assets.

[25] Press release from the SRB, 19 July 2017.

[26] In Sweden, there is also a "stability fund" amounting to SEK 40.4 billion, but it may only be used for preventive purposes and not in a resolution context.

[27] In year two, 60 per cent of the individual Member State's compartment can be used and 60 per cent of all Member States' compartments. In year three, the equivalent percentages are 40 and 67 per cent respectively. Thereafter, the available proportion of the affected Member State's own compartment decreases by 7 percentage points per year, while the equivalent share of all the Member States' compartments increases by 7 percentage points.

[28] Press release from the SRB, 8 February 2017.

Banca, these were not deemed to be systemically important, however, and the Board therefore decided that they should be wound down in line with Italian insolvency regulations.

The taxpayer must be protected

It can be noted that the Single Resolution Fund will be relatively limited, even when it is fully developed. This is partly because the intention is that the costs for resolution of banks shall in future be primarily borne by owners and creditors through use of the bail-in tool. Any capital injection from the SRB may only be made after shareholders and creditors have contributed the equivalent of 8 per cent of the bank's total liabilities, or 20 per cent of the risk-weighted assets[29].

European Deposit Guarantee Scheme (EDIS)

A European Deposit Guarantee Scheme is proposed to be the third pillar of the Banking Union. Since 2014, deposit guarantee systems within the EU have been regulated by the Deposit Guarantee Directive.[30] This directive harmonises the regulatory frameworks for national systems, for example, regarding guarantee amounts and time limits for payouts. It is still a matter of national guarantee systems, however, for which the individual Member State is the final backstop. This means that an important link between banks (via their depositors) and the Member State still remains. If there were to be any doubt about the Member State's ability to fulfil its commitments in the deposit guarantee, it could lead to its banks finding it difficult to obtain funding, for example, as a result of depositors withdrawing their money in a "bank run".

EDIS – gradually increased mutualisation in the deposit guarantee

In November 2015, the Commission therefore presented a proposal for a European Deposit Insurance Scheme – EDIS)[31]. The proposal involves the national responsibility for compensating depositors in failing banks being transferred to central level in three phases. After a decision has been taken on EDIS, a joint fund will be built up with the help of fees paid by banks. During an initial three-year phase, national guarantee systems will receive limited support for compensation need that their own resources are unable to cover. Support from the joint fund is restricted during this initial phase to 20 per cent of the national guarantee fund's need, i.e. 20 per cent of the amount that the national fund cannot cover itself. Support consists both of liquidity support so that the national fund can pay in time, and of cost coverage. When calculating the need, the return flows received by the fund, as a result of it taking over the demands on the bankruptcy debtors from depositors, are taken into consideration.

Unlike during the first phrase, payments during the second phase will not be required to exceed the national fund's capacity before the national fund receives support from the joint fund. The share covered by the joint fund amounts to 20 per cent of the compensation need during year 1 (of the second phase). The fact that the national fund normally gets back some of the initial payouts is also taken into account here. The share covered by support from the joint fund then increases by 20 percentage points per year until it has reached 100 per cent. At that point, the third phase will have been completed and EDIS will cover all needs that national deposit guarantee systems may have.

Political opposition to EDIS

The Commission's proposal means that EDIS would be the clearest example of risk-sharing among the Banking Union's Member States. As such, and in light of a suspicion that the initial risks are not equally distributed among the Member States, the proposal has been met by significant political opposition from some of them. Negotiations under the auspices of the

[29] See Footnote 24 above.

[30] Directive 49/2014 EU.

[31] See the Commission's Proposal of 24 November 2015 for amending Regulation (EU) 806/2014 in order to establish a European Deposit Insurance Scheme.

Council of Ministers have hence focused so far on ironing out technical issues linked to the Commission proposal, rather than trying to reach political agreement. In order to make progress in the negotiations, the Commission has opened the door to certain modifications of its original proposal. These include waiting before allowing the Fund to help cover national funds' costs and instead only providing a loan to each national fund during the initial years. It may also be required of individual Member States that they make sufficient progress in their management of risks in their national banking system, for example their management of non-performing loans, before additional steps towards more joint financing are taken, i.e. before the start of phase two.

As progress on EDIS negotiations is so sluggish, it is difficult to say anything about the possible effects of Nordea's intended relocation. If the move takes place as planned, the present framework for deposit guarantee schemes will apply, which means that the Finnish deposit guarantee system will take over the responsibility from the Swedish system, including the responsibility for deposits in the Swedish branch. The Finnish deposit guarantee fund currently has funds equivalent to about EUR 1.1 billion at its disposal[32], while the Swedish deposit guarantee fund amounted to about SEK 38 billion, the equivalent of about EUR 4 billion, at the end of 2016[33].

Much has been achieved, but there is still work to be done

The Banking Union is the most ambitious initiative taken so far within the EU to strengthen the financial sector's resilience and break the damaging link between bank and state that exists in many countries. The idea is to create a robust banking system by placing the largest banks under joint supervision, based on a uniform regulatory framework. It shall be possible to restructure or wind down banks that nevertheless encounter problems in an orderly manner and at the smallest possible cost to the taxpayer, through the establishment of a central resolution function financed by fees paid by banks. Finally, responsibility for protecting depositors' funds shall be raised from the national to the joint level.

Fully developed, the Banking Union should contribute to a more robust banking system with significant risk-sharing among the participating Member States. Much of the Banking Union is also already in place. The ECB, for example, already took on its role as supervisory authority for the largest banks in November 2014 and the Single Resolution Board has already dealt with its first concrete resolution cases[34]. At the same time, there is considerable political disagreement on the elements of the Banking Union most clearly aimed at sharing the risks among the participating Member States. For example there is still no final backstop for the Single Resolution Fund, which means that it could encounter problems in the event of large payouts. The bail-in tool is also relatively untested as an instrument for protecting the taxpayer and the Single Resolution Fund. From a risk-sharing perspective, it can also be noted that an as yet relatively small part of the fund is available for joint financing. Neither has it been possible to reach agreement on a single European depositor guarantee system, which means that depositors are still dependent on their own Member State's ability to guarantee the system. Work therefore remains to be done and a substantial part of the responsibility for managing banking problems still lies with the individual Member State. The Commission also noted in its communication on 11 October this year as regards finalising the Banking Union:

"Despite significant progress made since the financial crisis, the Banking Union remains incomplete and does not therefore play its full role as a mechanism of shock absorption through private channels in a strong Economic and Monetary Union."

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[32] Finnish Financial Stability Authority website/deposit-guarantee-fund.
[33] Swedish National Debt Office website/deposit-guarantee-fund.
[34] The Spanish bank Banco Popular, and the Italian banks Popolare de Vicenza and Veneto Banca.