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Progress in regulatory and supervisory consistency in the EU

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Ladies and Gentlemen,

It is my honour to have this opportunity to address your distinguished guests today at the Institute of Law and Finance of the Goethe University. This Annual Conference of the Institute on the Banking Union must be a special one since this year is the 15th anniversary of the ILF at the University on which I would like to congratulate you. I also hope that my contribution and that of my colleagues during the day will lead to a very constructive discussion worthy of the occasion. My remarks will try to provide a stocktake of the progress made in regulatory and supervisory consistency in the EU.

Introduction and background

Following the default of Lehman Brothers in 2008, which served as the pivotal moment for Europe during the global financial crisis, and as a consequence of the subsequent Euro area debt crisis starting in 2010, the European financial system has shown evident signs of financial fragmentation. This could be observed through higher sovereign and corporate credit spreads, but even more pronounced via the fall in cross border lending within the European financial system, and even within the Euro area. Moreover, the retrenchment of banks within the borders of their home countries was exacerbated further by the pressure from many national supervisors

to ring-fence capital and liquidity, which greatly contributed to the fragmentation of the Single Market in banking. Earlier progress in EU financial integration, and associated benefits to economic growth, were set back within a short period of time in the immediate aftermath of the crisis.

In addition to restoring financial stability and confidence in the financial system, addressing fragmentation to build a well-functioning and integrated banking market within the wider financial system in the EU has been one of the key objectives of banking regulators and central banks in the post crisis policy response. This has been necessary if we were to achieve a more efficient allocation of capital and liquidity resources across the Single Market in support of economic growth, and also to reach stronger consistency in supervisory outcomes, which is a necessary condition for a level playing field with in the Single Market.

Following resolute policy actions on various fronts, financial integration has improved over the last years, albeit at a moderate pace and unevenly. On the regulatory side, the global regulatory reforms endorsed by the G20 Leaders strengthened the international prudential standards and established, for the first time, common criteria for crisis management and resolution, trying to successfully address the "too big to fail" issue. Tighter prudential criteria and clear *ex ante* arrangements for managing cross-border crisis are essential to re-establish trust amongst authorities in different jurisdictions and reverse ring fencing measures introduced in the heat of the crisis.

In the EU, the on-going implementation of global reforms has been representing a unique opportunity for developing the Single Rulebook and for enhancing supervisory consistency in the European banking sector. Truly common rules for EU banks, applied consistently across jurisdictions on a going-concern basis and providing for a collective response in the case of a crisis are preconditions for the smooth functioning of the Single Market in banking. The European System of Financial Supervision, and the EBA within that institutional architecture have played a key role in progressing towards these goals.

Moreover, the decision to deepen the financial integration further in the Euro area, which was followed immediately by the announcement of the establishment of the Banking Union in 2012, has put in place the basis for the supranational supervision and crisis management in a large part of the Single Market. The successful creation of the Single Supervisory Mechanism (SSM) as part of the ECB, and the establishment of the Single Resolution Mechanism (SRM) have provided the institutional underpinnings for the implementation of the two significant pillars of the Banking Union.

The progress in European regulatory policy developments, in building the appropriate institutional framework for regulation and supervision, and thereby in enhancing supervisory consistency could and should not be underestimated. However, there is a broad consensus that we are still a long way from an ideal or optimal state. Therefore, following a regular assessment of this progress, further efforts are needed to support recovery in bank lending and to continue to

address fragmentation with a view to restoring a well-functioning integrated financial system in the EU.

Therefore, in my remarks, I would like to focus on two important preconditions for such an integrated financial system: convergence and consistency in regulation and supervision. Let's first direct our attention to regulatory consistency:

Developing a Single Rulebook – harmonisation of regulation

As I already noted in the introduction and as we all know, the post crisis period has witnessed a major overhaul of the EU financial regulatory framework. The most important part of this overhaul has been the development of the Single Rulebook, a set of truly unified and directly applicable rules for all the banks operating in the Union. Now the time has come to take stock of what has been achieved in this respect and what could be improved to the benefit of a genuine Single Market in banking. Further analysis is needed with respect to the Banking Union where the need for consistency of the rules is even stronger.

The open question is not so much what should be in the Single Rulebook, but whether the Single Rulebook is 'single' enough and supports the objective of achieving financial integration. To answer this question, the focus should be placed less on the rules themselves, but rather on the potential threats to their consistent application across the EU. Central to the current debate is, therefore, the governance of the Single Rulebook and the allocation of the regulatory powers among EU institutions.

The analysis can be developed along two lines. First, the inconsistency between the goal of a centralised regulation at EU level and the room left to national authorities for exercising domestic options, discretions and practices. Second, the tension between the rigidity of the EU rule-making process and the flexibility required by banking regulators to keep abreast with changes in financial markets and innovative practices.

Why should the rulebook be single?

In early 2009, few months after the Lehman crisis, the de Larosière report stated that a single financial market in the EU cannot properly function if rules are significantly different from one country to another. The regulatory approach based on minimum harmonisation coupled with the home-host cooperation allowed national authorities to use the regulatory lever to favour national champions and attract business to national markets, thus weakening the overall regulatory framework and creating an uneven playing field.

In addition, compliance costs for cross-border groups remained high due to differences in national rules, preventing them from reaping the efficiency gains of the internal market. Last but not least, home-host cooperation collapsed when the crisis hit cross-border banks and national approaches prevailed, which included strong ring-fencing of domestic markets.

The Single Rulebook, a comprehensive set of common standards for banks was introduced to restore a legal framework consistent with such ultimate goal. In particular, the EBA (as well as its sister authorities in the areas of securities markets – ESMA – and insurance and occupational funds – EIOPA) was created to strengthen financial regulation and develop "regulatory technical standards" (RTS) and "implementing technical standards" (ITS), rules delegated by the primary (Level 1) legislation and endorsed by the Commission in the form of Regulations. Moreover, the EBA was also tasked to issue Guidelines (GL) or Recommendations, non-binding legal acts that national authorities have to make every effort to comply with ("comply or explain" mechanism).

The progress so far in the banking sector

This comprehensive body of secondary rules completes the primary (Level 1) Directives and Regulations, which form the common legal infrastructure for the supervision of institutions operating in the EU. To give you a few examples, we have specified the definition of bank capital, one of the weak points of the regulatory framework in the run up to the crisis; developed for the first time a common definition of non-performing and forborne loans, allowing to assess and compare banks' asset quality according to a common metric; specified the criteria to identify systemically important banks at both the global and domestic level; clarified the contents of recovery and resolution plans and the criteria for identifying banks that are failing or likely to fail; established a common supervisory reporting framework, setting out common templates, procedures and IT platforms; defined the methodology and processes for the supervisory review and evaluation process that underpins the joint decisions on additional capital and liquidity requirements for cross-border groups. The EBA also developed a "questions and answers" (Q&A) tool, which facilitates the relevant stakeholders, both industry and competent authorities, in the interpretation and application of the Rulebook. Although not legally binding, the answers are drafted and approved by the network of supervisory or resolution authorities and by the Commission (as to the questions on the Level 1 text), providing clear directions to the users of the Rulebook.

This process has made us well aware of the multi-tiered structure of legal sources, which may make it difficult to navigate EU banking regulation. In order to make consultation easier and to ensure that rules are accessible to all interested parties – a precondition for their correct application – we have developed the 'interactive Single Rulebook' on the EBA website, a user friendly tool bringing all the different legal sources (Directives, Regulations, RTS, ITS, GL and Q&A) together in an orderly manner to the benefit of the general public.

The development of the Single Rulebook is not completed yet, as we still have several mandates to fulfil in the coming months and possibly years, but the finishing line is now closer and a much more unified regulatory framework is finally emerging.

Weaknesses of the Single Rulebook and threats to its effectiveness

Producing EU regulation is a delicate legal and diplomatic exercise, which requires a balance between legal and policy considerations. The governance is not easy either.

A first challenge is due to the fact the EBA rule-making power is delegated by the co-legislators, with mandates and timelines seldom decided in prior consultation with the EBA. Mandates, in particular, are very often the outcome of political negotiations on the Level 1 text, which can lead – and has led – to unreasonably tight schedules and ambiguous wording.

Another contradiction is that, in some cases, our mandates to develop technical standards come from minimum harmonisation Directives. Implementing those Directives through immediately applicable Regulations is a source of complexity and is often used to refrain from full harmonisation.

Furthermore, the complex governance of the EBA required a careful and intensive preparation in order to get our rules approved on time. The EBA Board comprises 28 voting members – the Heads of banking supervision in all the Member States of the Union – and approves the standards and guidelines via qualified majority (which is computed according to the weights envisaged in the Lisbon Treaty) and double simple majority of Member States participating and non-participating in the Banking Union. Moreover, the EBA founding Regulation requires that we strive to achieve consensus.

Through time, we improved the dialogue with the Commission and the co-legislators and managed to develop positive dynamics in the Board's decision making, which allowed delivering products that achieved consensus or broad majorities, without compromising on the quality and clarity of the legal texts. Yet, the Single Rulebook is still a work in progress or, better, an intrinsically evolving work: first, maximum harmonisation has not yet been fully achieved and is threatened by the existence of too many national options and discretions; second, national practices can contribute to preserving a differentiated application of the common rules; finally, in order to ensure that regulation adapt over time to market developments, a legal infrastructure needs to be in place, which enables to swiftly adjust the Single Rulebook.

Options and national discretions: some way to go for maximum harmonisation

The CRDIV-CRR includes 80 options and national discretions left to Member States or competent authorities. The number goes up above 150 if we also consider the options and discretions that are applied by competent authorities on a case by case basis (i.e., to individual institutions). In some areas, the impact is significant. For instance, when conducting EU-wide stress test exercises both the EBA and, more recently, the ECB observed that the options and national discretions hamper the comparability of the outcomes of supervisory assessments.

It is worth noting that we are not arguing against the exercise of supervisory discretion, since this is obviously an intrinsic feature of banking supervision. I rather think that options and discretions should be limited in the regulatory field and governed at the EU level. Otherwise, they could undermine the uniformity of the Single Rulebook and be used for protectionist purposes or supervisory forbearance, eventually conducing to distortions of competition and threatening the integrity of the Single Market. This is why we are firmly convinced that we should iron out

national discretions from the Single Rulebook and avoid resorting to them again in future legislation.

If there are good reasons for tailoring the regulatory treatment to the specific features of certain business models and practices, this may well be done with common rules even if when the rules are designed such business models and practices are present only in one or few Member States. The issue is particularly relevant for small, local banks, which may find it unreasonably cumbersome to adjust to standards originally developed at the global level for internationally active banks. This is a legitimate concern. But the solution is a thorough application of the principle of proportionality *within* the Single Rulebook, as already envisaged in Level 1 legislation, rather than leaving the option for national legislators to substitute common European rules with national ones. The risk, otherwise, is to remain trapped in the contradiction of an EU system that claims to be uniform whilst being prisoner of several 'localisms', which ultimately affect the achievement of a true single market.

Differentiated national implementation and application of standards and guidelines

Differentiated national practices for the implementation and application of the common rules pose another threat to the uniformity of the Single Rulebook. Room for local discretion is often generated via additional quasi-rules embedded in administrative guidance, supervisory manuals and similar tools. This affects particularly the EBA Guidelines, which by nature need to be implemented at the national level and follow a "comply or explain" approach. The implementation of Guidelines into domestic supervisory practices is often very diverse across countries and may differ depending on the subject matter. Sometimes, Guidelines are transposed via primary legislation adopted by national parliaments, while in other cases they are embodied in administrative circulars issued by the competent authority or even in informal internal practices of the supervisor. Whilst the EBA has no say on the national implementation of the Guidelines – since this is a matter of national law – we would certainly favour a written implementation in an orderly hierarchical framework. The differences across Member States introduce a lack of clarity and transparency, which creates confusion among stakeholders as to the appropriate order of the different layers of legislations.

To a lower extent, the same issue may appear also in areas where EU Regulations are in place. For instance, international accounting standards (IFRS) are adopted at the EU level via Regulations, but additional administrative guidance is often issued at the national level, sometimes by prudential supervisors, which may adversely affect the uniform application of the standards.

Too many technical details in the legislation

The Single Rulebook has brought transparency, predictability and legal certainty into technical supervisory standards, which are now set out in binding written legal sources to be applied uniformly to all institutions in the Single Market. Against these advantages, the downside is the risk of an excessive rigidity due to the cumbersome process for amending our standards. There are two main open questions in my view: (i) whether the Level 1 legislation should be as detailed

as it is today; and (ii) whether very technical details should at all be included in technical standards.

Let us consider the Level 1 legislation to start with. The CRR is a huge five hundred articles piece of legislation, setting out prudential strategic choices as well as very technical details. The consequence of such detailed legislation is that it risks becoming too rigid and inadequate to keep up with market changes and financial innovations. Flexible interpretations of its provisions are often barred by the strict nature of regulatory provisions and the amendment of the Regulation is just too difficult both from a political as well as procedural point of view.

Technical standards – which are meant to be quicker to adopt and to amend than the Level 1 legislation – have to go through a long process, including the approval by the Board of the EBA, endorsement by the Commission, scrutiny by the European Parliament and the Council. This implies a rather lengthy path for changes that are sometimes trivial and down to very practical, technical details. In most national rule-making processes that the new institutional set-up has been replacing, technical authorities were delegated greater leeway in adjusting technical rules, subject to strict accountability criteria.

Supervisory regulation entails a high degree of technical expertise, which is the very reason of existence of the EBA, but requires also flexibility to adapt to evolving contexts. Excessively rigid legislative processes, whilst justified for the adoption of legislation entailing political choices, may not always be appropriate for supervisory tasks.

The EBA's implementing technical standards on supervisory reporting are a case in point. They contain the templates to be used by the institutions to communicate the relevant supervisory information to the competent authority. They also include instructions allowing a structured representation of the data, validation rules to check the quality and consistency of the data, and IT solutions. As a Regulation, the standard has been published in the Official Journal of the European Union (OJEU) in all official languages. It is the longest piece of legislation ever published in the OJEU.

Of course, as the first data were reported to supervisors, we realised that some technical adjustments had to be introduced, for instance in the validation rules. The Commission understood the need for quick fixes and allowed a speedy reaction, but the overall process for approval and amendment remains ill-suited to this type of regulatory products.

This would call for a more autonomous exercise of the prerogatives of the EBA in line with the case law of the Court of Justice, in particular for the possibility of full delegation of clearly defined, purely technical matters that do not entail the exercise of economic policies.

Supervisory regulation should be the outcome of the combination of three legislative layers. Level 1 legislation, approved in co-decision by the European Parliament and the Council, should contain the most relevant political choices, providing the general direction of banking legislation and the decisions that may have a significant effect on the role of the banking sector in financing the real economy. Level 2 delegated regulations should be organised in two layers: the first should include

quasi-legislation, such as technical standards setting out clarifications and specifications of the Level 1 text entailing political choices, and be developed by the EBA and endorsed by the Commission under the scrutiny of the European Parliament and the Council; the second should cover technical regulations governing purely technical aspects, to be fully and directly entrusted to the EBA with accelerated scrutiny from the EU Commission.

It is well understood that such allocation of independent regulatory competence to the EBA should go hand in hand with strong transparency and accountability in the rule-making process. The EBA should remain committed to the neutrality of its decisions and the respect of a procedure that entails appropriate public consultations and thorough impact assessments. Moreover, the framework designed in the EBA's founding Regulation, which envisages strong accountability of the EBA vis-à-vis the European Commission, Parliament and Council and other EU institutions, including the Court of Justice, should find thorough application.

The need for greater harmonisation after the establishment of the Banking Union

The Banking Union is injecting a sense of urgency in this debate on the appropriate level of harmonisation in the Union. The lack of a fully uniform body of rules is incompatible with the set-up of a common supranational authority operating in a multi-jurisdictional context. A supervisor cannot apply different requirements to two banks facing similar risks, just because they are headquartered in different parts of its jurisdiction. And indeed, the SSM has been very vocal in flagging the impact of options and national discretions on the results of last year's comprehensive assessment. The initiative of the SSM to move in the direction of exercising options and discretions in a consistent way for the euro area is an important step. There are, however, cases where a legislative change would be needed and the EBA has for long time advocated the need to intervene in this field.

The key point is that there can be no significant progress in financial integration without progress in the harmonisation of the rules. Full harmonisation is not a sufficient condition, but it certainly is a necessary one. The euro area and the Banking Union will need to move speedily in that direction, as this is an existential need for both the single currency and the single supervisor. A further upgrade of the Single Rulebook towards greater harmonisation would allow the SSM to achieve its objectives of further strengthening consistency while maintaining, and actually further promoting, the integrity of the Single Market.

Convergence of supervisory practices

So far I have been focusing on the EBA' s regulatory work aimed at developing a Single Rulebook for banking, which lies at the heart of the EBA's mandate and has immensely contributed to the level playing field in regulation. However, having a common set of rules is only part of the answer and based on our day-to-day experience and engagements with supervisors, it is not sufficient to have only harmonisation of rules to achieve the true level playing field across the EU.

The second pillar to achieve this level playing field is the convergence of supervisory practices, where the goal is to ensure comparable supervisory approaches/methodologies and consistent

supervisory outcomes across the EU. In practice, this means that with common rules and the necessary supervisory judgment, institutions running broadly similar business models and with broadly similar risk profiles should be subject to consistent supervisory responses, regardless of the jurisdiction in which they operate.

It is essential for us to focus on both consistency in regulation and convergence in supervision, as both elements come hand-in-hand, but allow room for the application of supervisory judgement – an important element in the risk based supervision. We can all agree that the regulatory framework should be as comprehensive and clear as possible, but it cannot include all possible technical details. Supervisory judgment and a case-by-case assessment are crucial to avoid a drift towards a 'one size fits all' models and methodologies, where supervision ends up being merely a 'tick box' compliance exercise. In addition, there are always emerging issues – new risks or innovative banks' practices – that are not covered by the rules and need to be dealt with by quickly adapting supervisory responses.

As I noted earlier, he EBA has already made significant progress in setting the common rules and developing the Single Rulebook, and now its focus is gradually shifting more towards the convergence of supervisory practices, where inconsistencies still persist, which create obstacles to the efficient functioning of the Single Market, especially when dealing with cross-border banking.

Over recent years, and in response to the financial crisis, we witnessed supervisory reactions to adverse market developments, which led to trapping capital and liquidity resources within jurisdictions, at the expense of their efficient allocation within a cross-border group and with a subsequent impact on pricing.

Convergence of supervisory practices is at the core of the EBA activities and its Founding Regulation, and significant progress have been achieved in 2014 with the publication of the EBA Guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP) that have set out a comprehensive framework for the ongoing supervisory assessments and decisions on the application of supervisory measures for the institutions operating across the EU. These guidelines have significantly contributed to a common understanding and more consistent application of Pillar 2 across the EU.

Banking Union

A major achievement, which positively affected convergence of supervisory practices was, of course, the establishment of the Banking Union, which is a powerful driver for change. In 19 Member States, supervision is now conducted according to completely integrated methodologies and fully centralised at the ECB for significant institutions. But it remains vital to keep the development of supervisory practices in the Banking Union well connected with the EU-wide convergence agenda, for two reasons: first, the ability of the Single Supervisory Mechanism (SSM) to follow completely unified processes and deliver fully consistent outcomes in its own jurisdiction is constrained by the level of harmonisation achieved with the Single Rulebook - if common EU rules leave room for discretion in national implementation, the SSM is obliged to

apply different rules to otherwise identical banks just because they are headquartered in different Member States. Secondly, if the harmonisation of practices were pursued only within the euro area, and different approaches were to prevail in Member States not participating in the Banking Union, we would risk crystallising a new segmentation within the Single Market, between the "ins" and the "outs".

With this in mind, the EBA has added another dimension to its work of promoting supervisory convergence: monitoring and assessing the actual degree of convergence of supervisory practices on an ongoing basis and focusing also on the way competent authorities across the EU are implementing our guidelines in actual supervisory practices.

Challenges in supervisory convergence

Based on our recent assessment, most authorities have established processes that – while catering for the specificities of local markets – are broadly in line with our guidance[1].

Pillar 2 and MDA

There are, however, areas where authorities still need to make progress and take additional steps to converge. The most important areas, where we can see convergence challenges are, for instance, processes and methodologies for setting institution-specific Pillar 2 capital requirements. Divergences in supervisory approaches towards the nature and level of capital requirements, as well as in the application of automatic restrictions on distributable amounts – partly due to the lack of clarity in the relevant regulation – generated uncertainty among institutions and investors and, in some cases, temporarily affected capital planning and investment decisions. In the first half of 2016 the market for additional Tier 1 instruments (AT1) came to an almost complete halt, following the widespread uncertainty on supervisory approaches adopted by different competent authorities for the automatic restrictions to distribution and AT1 payments, known as maximum distributable amount (MDA).

The lack of clarity on MDAs is in fact and important example to illustrate the need for a consistent approach both in regulatory and supervisory convergence. Whilst MDA is addressed in the legislation, it still remains subject to the interpretation at the national thus giving way to different supervisory practices. The AT1 market disturbance in 2016 also shows how differences in supervisory practices may have far-reaching effects, not only for banks subject to different supervisory treatments, but also for other stakeholders, including the investor community. Different supervisory practices may negatively affect allocation of capital within a banking group and in the system.

The EBA has reacted to the most imminent challenges of MDA already in 2016 with our opinion on MDA addressing some of most urgent concerns related to the stacking order of and the role of Pillar 2 capital requirements in the MDA framework. We have also urged the Commission to

[1] EBA (2016), Report on the convergence of supervisory practices.

clarify this point in the incoming revision of the CRD. The Commission's proposal, published last November, provides significant clarifications and has reduced the room for possible interpretations. In particular, the proposal clarifies the stacking order of capital requirements, the triggers for the application of MDA and the actual calculation, thus clearly signposting the role of the binding Pillar 2 capital requirements. Furthermore, the proposal also introduces the ranking of distribution restrictions that should support the AT1 market going forward.

From our side, we are also looking at further clarifying the practical implementation of the SREP framework, and although in the EBA's view, the SREP framework introduced in 2014 remains robust and serves well the purpose of ensuring convergence of supervisory practices, in the light of the recent developments in the EU and international fora, as well as based on the EBA's findings from its ongoing monitoring and assessment of convergence of supervisory practices, certain changes are needed to further reinforce the framework.

Recently, we have published our Pillar 2 Roadmap[2], where we have explained a multi-staged approach to the revision of the EU SREP framework in 2017-2018 and, in particular, covering the areas like supervision and assessment of interest rate risk arising from non-trading activities, supervisory stress testing, and the use of its outcomes for the assessment of banks' capital adequacy. The latter aspect is of particular importance as it also addresses some divergences identified in the process of setting institution-specific capital requirements I mentioned earlier.

As explained in our Pillar 2 Roadmap, one of the key areas to be reviewed in the SREP framework is the use of supervisory stress testing, where in addition to explaining various forms of supervisory stress testing that can be applied by the competent authorities, the EBA will aim at finding a consistent approach when incorporating outcomes of supervisory stress testing in the SREP framework, by means of introducing non-legally binding Pillar 2 capital guidance (P2G) sitting on top of the binding capital requirements.

Recovery and resolution planning

The challenges we face in the SREP process are being replicated in the assessment of recovery and of resolution planning, in resolvability assessments and in the setting of total loss absorbing capacity (TLAC) and minimum requirement of own funds and eligible liabilities (MREL) – all new areas where both regulatory and practical frameworks are in the process of being established.

A level playing field in recovery and resolution is as essential for the functioning of the Single Market as the level playing field in supervision. Uncoordinated national response and ring fencing measures may come as a natural response when authorities are concerned that a crisis at a branch or subsidiary of a foreign institution would impact the local safety net.

The EBA has contributed here with the parts of Single Rulebook covering recovery plans and their supervisory assessments, as well as with the ongoing debate on TLAC and MREL. Similarly to our

[2] EBA (2017), Pillar 2 Roadmap

supervisory convergence work, we look at the practical aspect of recovery and resolution planning in the practices of supervisory and resolution authorities.

Through our analysis and benchmarking of recovery plans and actively taking part in the work of supervisory colleges -one of the areas requiring further attention and having significant effect on the cross-border operations of banks - we have identified the coverage of group entities in the group recovery plans. Having consistent approaches and providing guidance for banks in this field is essential to better facilitate joint decisions on the assessment of group recovery plans in supervisory colleges. While for the joint agreements of supervisors on the capital and liquidity measures we have achieved a high degree of success since the introduction of such decision back in 2010, there are still challenges in the field of crisis preparedness. In the supervisory colleges monitored by the EBA there are still difficulties in reaching agreements on the group recovery plans and in some cases strong preference of host supervisors for individual plans for local subsidiaries.

A level-playing field in the approaches taken to crisis response and preparedness across the EU is, therefore, crucial. We need to continue finding institutional solutions, cooperation arrangements and practical mechanisms, which foster trust and mutual reliance between home and host authorities. We are also looking for technical solutions, and our draft Recommendation[3] is aimed to ensure harmonised practices and to provide additional details not addressed in the Single Rulebook.

As we are collectively gaining more experience with the supervisory assessment of the banks' recovery plans, the EBA will be also updating its Supervisory Handbook module focusing on the assessment of recovery plans, helping competent authorities and explaining the links between the recovery plans and other elements vital in the SREP framework, including the advances in supervisory stress testing and introduction of P2G, as mentioned earlier.

Concluding remarks

In conclusion, I would like to reiterate that further deepening strengthening of the financial integration in the Single Market is vital to support economic recovery and growth.

On the regulatory side I argued that the uniformity and effectiveness of the Single Rulebook ought to be enhanced by further centralisation and harmonisation of regulation at the EU level and by an increase in delegation to the EBA of directly applicable and easily amendable rules on clearly identified technical matters with appropriate safeguards and full accountability. Achieving a more uniform and flexible regulatory framework is not just a matter of interest for legal scholars, or a quest for power from an authority. It reflects deep-rooted needs for both the smooth functioning of the currency union and the integrity of the Single Market as a whole.

[3] EBA (2017) Consultation Paper on Recommendations on the coverage of entities in a group recovery plan

The Single Rulebook on the other hand needs to be supported by convergence in supervisory, recovery and resolution practices in its implementation, otherwise we still risk fragmentation and an uneven playing field within the Single Market, and possibly even within the Banking Union. Although significant progress has been achieved by the EBA and competent supervisory authorities of the EU in enhancing supervisory convergence, further work is needed, and the effectiveness of some of EBA powers would need to be strengthened by possible legislative changes to allow the utilisation of these existing powers to the full extent.

I believe that the current and expected legislative proposals regarding the Single Rulebook as well as the on-going review of the ESAs provide the right legislative environment to find ways to further enhance regulatory and supervisory consistency in the EU.