PRESS RELEASE

IMPROVEMENT EU BANKING SUPERVISORY TRANSPARENCY ABSOLUTE NECESSITY IN LIGHT OF BAIL-IN RULES

24 May 2016 - A report by Bruegel on transparency in the European Banking Union, based on a survey carried out in 2013, has recently been revisited by its authors, analysing the most recent evolution in terms of banking supervisory transparency. The updated report concludes that financial supervisory data transparency at the EU level has gradually improved but does nothing to offset the gradually worsening transparency shortcomings at the level of EU Member States.

Whereas Bruegel and the Peterson Institute for International Economics do identify positive developments at the EU level, with an increasing number of banking institutions covered by ECB Banking Supervision and the European Banking Authority (EBA), they remain critical of the fact that the information that is made available is sparse and imprecise.

The authors say that “the transparency exercise is valuable” but call for further institutionalisation and an increased frequency of the exercise. Concerns regarding the release of information of a sensitive nature, such as the danger of revealing trade secrets or weaknesses at the heart of an institution, should be weighed against the many benefits of transparency.

Besides these benefits, including financial stability, that stem from an increased transparency of banking supervision, Better Finance points to the absolute necessity for transparency following the new bail-in rules that have catapulted investors and depositors to the forefront of banking resolution.

Indeed, depositors with a bank account balance amounting to more than 100.000 euros are now expected to check and evaluate the credit-worthiness of the institution holding their deposits in order to assess whether it is safe enough to keep their deposits there. Whereas this is, in an off itself, an unrealistic responsibility that has been imposed on individual and SME depositors and investors, it becomes an altogether impossible task without effective banking supervisory transparency.

The very least EU Authorities must do to minimise the moral hazard generated by these new bail-in rules is to ensure full transparency regarding the financial situation of EU banks. This should be done in an accessible and intelligible way for depositors.

It is shameful - and grossly inconsistent with the "bail-in" rules - that the EU lags miles behind the US in these supervisory matters and wholly unacceptable that some individual Member States have actually managed to worsen the situation over the last few years, as reported by the Bruegel report.

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