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Introduction to the special issue: the persistent challenges to European Banking Union

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ABSTRACT

The papers of this special issue investigate the persistent challenges to European Banking Union and explore the tensions between broader financial stability objectives and national political and socio-economic pressures through a diversity of lenses. In this introduction, we examine two main issues that need to be addressed in order to strengthen Banking Union: the incomplete institutional design of Banking Union and the difficulties encountered in applying the different elements of Banking Union to loosen sovereign-bank ties. These elements include the so-called 'single' rulebook, supervision, resolution, and financial mechanisms to support and resolve banks.

KEYWORDS

Banking Union; European Union; bank regulation; bank supervision; bank resolution; European Central Bank

In the aftermath of the international financial crisis, most European Union (EU) member state governments accepted the need to reinforce EU rules on bank supervision, recovery and resolution. These governments sought to avoid the future necessity of taxpayer funded bank bail-outs. In 2012, euro area national governments also agreed to transfer some control over bank supervision and resolution to European-level institutions, and to create European-level support mechanisms for banks in the form of a single resolution fund and a common deposit insurance scheme. There was an immediate need to stabilize the Spanish banking system, large elements of which were dangerously close to collapse (Quaglia and Royo 2015). There was also a broader goal of safeguarding financial stability – particularly in the euro area periphery – and tackling the sovereign debt-bank doom loop, in which fragile national banks held growing amounts of sovereign debt, while the sustainability of a number of national public debt loads was increasingly questioned (Schelkle 2017). Some authors claim a direct link between progress on Banking Union and the European Central Bank (ECB) president's 'whatever it takes' speech in July 2012 and the subsequent adoption of the Outright Monetary Transactions policy announced the following September (Heldt and Mueller 2021; Mabbett and Schelkle 2019).

The Banking Union that has been constructed over the past decade – and linked EU rules on banks that apply to all member states – has involved a number of elements (Donnelly 2018c; Epstein and Rhodes 2016; Howarth and Quaglia 2016; Nielsen and Smeets 2017; Schaffer 2016; Schimmelfennig 2016; Skuodis 2017). These include the

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improved supervision of banks through the Single Supervisory Mechanism (SSM); the establishment of the Single Resolution Mechanism (SRM), the partial mutualization of national resolution funds into the Single Resolution Fund run by the Single Resolution Board, and adoption of rules for the resolution of banks to encourage bail-ins by bank bond holders, rather than bail-outs by governments; an EU-level support mechanism for bank recapitalization via the European Stability Mechanism (ESM), which was to act also as a financial backstop to the Single Resolution Fund. By contrast, a European Deposit Insurance Scheme (EDIS) was initially mentioned as one of the key pillars of Banking Union, it was then quietly set aside, even though there was an agreement to enlarge deposit guarantee funds at the national level. The EDIS proposal was re-launched by the European Commission in 2019, but made little headway. Underpinning Banking Union, is the so-called 'single rulebook' — a single set of harmonised prudential banking rules that apply throughout the EU, not only to Banking Union member states.

Banking Union represents one of the most important developments in European integration since the launch of Economic and Monetary Union (EMU). Yet the design of Banking Union agreed between 2012 and 2014 was a messy compromise among EU member states seeking to rebuild confidence in European banking sectors in the aftermath of the 2008 international financial crisis and in the midst of the euro area's sovereign debt crisis. A decade later, the topic of Banking Union remains both important and timely. It is important because Banking Union is a core component of economic governance in the EU/euro area and it is crucial for financial stability in Europe. It is timely because the COVID-19 pandemic and the energy crisis sparked by the Russian invasion of Ukraine have had significant implications for European banks. A resilient Banking Union is central to crisis management and to boosting the real economy in the EU/euro area. A decade after the launch of Banking Union proposals in June 2012 and fifteen years since the outbreak of the worst international financial crisis since the late 1920s, the design of EU bank regulation, supervision, support and resolution remains hotly contested, in both academic and policy-making circles.

This special issue investigates the first decade of operation of Banking Union, exploring the tensions between broader financial stability objectives and national political and socio-economic pressures and shedding light on the persistent challenges to Banking Union. Taken together, the papers of this special issue provide us with a nuanced picture of Banking Union's construction problems, lacunae, and governance structure design faults – with the hindsight of almost a decade of operation and the challenges that the pandemic has created for most European banking sectors. The contributors to this special issue adopt a vast array of conceptual lenses and come from different disciplinary backgrounds, notably political science and law.

This special issue aims to contribute to several bodies of scholarly work. In EU studies, the special issue further develops the burgeoning literature on Banking Union, while speaking to the broader literature on EU economic governance, the process of economic and political integration and the EU's response to crises (see, for example, *Journal of European Public Policy* 2018; *Comparative Political Studies* 2016; *Review of International Political Economy* 2015; *West European Politics* 2016). The papers of this special issue also contribute to the small but growing body of literature in international and comparative political economy on the relationship between governments and banks, including work on bank nationalism in Europe (Epstein 2017; Epstein and Rhodes 2014, 2016) and the effects of and the potential solution to the financial trilemma, by critically examining the need to transfer the regulation and supervision of banks with a strong international presence to the supranational level (Schoenmaker 2011, 2013; Howarth and Quaglia 2016).

In this introduction, we highlight two main issues that need to be addressed in order to strengthen Banking Union: first, its incomplete institutional design and, second, the difficulty encountered in applying the different elements of Banking Union to loosen sovereign-bank ties. By bringing together the main findings of the papers, we also tease out some important lessons that can be drawn from the first decade of operation of the main pillars of Banking Union, namely: banking supervision, resolution, deposit guarantees, and the banking 'rulebook', which are discussed, in turn, in the following sections.

The successful—but less-than-single—single supervisory mechanism

Banking supervision within the SSM remains far from single. The ECB supervises the euro area's largest banks using national rules while national supervisors retain significant autonomy in the supervision of smaller institutions. Thus, the most obviously supranational element of Banking Union – the SSM and the transfer of significant supervisory powers to the ECB – retains very clear national elements. Yet there are ongoing efforts to construct a common supervisory culture within the SSM, which should contribute to convergence in supervisory practices. Božina Beroš (2023) demonstrates how Joint Supervisory Teams contribute to the construction of this common supervisory culture – which refers to the adoption of identical supervisory practices, standards, and methodologies among Banking Union participants, which are based on a unified legal basis, harmonized monitoring procedures, and genuine cooperation among EU and national supervisors (Lautenschläger 2018). Božina Beroš provides a detailed case study of the recent close cooperation framework between the ECB and the Croatian National Bank, to shed light on how a common supervisory culture is built and diffused to further restrict national divergence. Zeitlin (2023) argues that the SSM is not a hierarchical system of governance, given that national supervisors collaborate autonomously with the ECB, not only in the supervision of less significant institutions, but also in that of significant institutions. Rather, Zeitlin (2023) points to the SSM operating as a form of experimentalist governance, through which national and European supervisors jointly revise their supervisory practices over time.

The SSM can also be praised for its effective operation. Quaglia and Verdun (2023) argue that the ECB-SSM Supervisory Board reacted promptly and forcefully to the pandemic-related economic and financial crisis (Quaglia and Verdun 2023). The ECB jumped into the vacuum that emerged, as neither the member states nor the other EU institutions were able to act quickly as they needed time to come up with a major collective response. Yet, the ECB's entrepreneurship in relaxing supervisory rules during the COVID-19 pandemic might also be considered pragmatic policymaking in exceptional circumstances. Donnelly (2023) argues that in its supervisory policy, the ECB had to juggle conflicting goals of risk reduction and the encouragement of lending which was so vital in the context of the pandemic and the euro area's post-pandemic future. While the SSM was designed to reduce risk by limiting national supervisory forbearance, during the pandemic the continued provision of credit was equally important.

The establishment of Banking Union was largely justified in terms of the operation of more objectively credible bank supervision than what had often been the case at the national level, given the political pressures for regulatory and supervisory arbitrage. At the same time, the legitimisation of Banking Union was linked to increased transparency and accountability which, in turn, was associated with the increased objectivity and effectiveness of bank supervision. Thus, when the ECB gained control of important supervisory powers, it was generally accepted that this role would require an important degree of transparency and accountability – and certainly more than what the ECB was willing and able to provide with regard to monetary policy. Since academic studies on the ECB usually focus on just this one case, it remains unclear how the ECB performs compared to other banking supervisors and whether the ECB has indeed been more transparent and accountable in its supervision of banks than euro area national supervisors (Gandrud and Hallerberg 2016). Högenauer (2023) situates the ECB within the wider literature on the transparency of banking supervisors (for example, Liedorp et al. 2013) and the accountability of banking supervisors (for example, Athanassiou 2011; Kirakul, Yong, and Zamil 2021). Through a comparative assessment of the transparency of the ECB, Högenauer identifies both strengths and shortcomings and the potential for reforms. Overall, she concludes that ECB supervision is more transparent and accountable than that of national level banking supervisors, reflecting the success of the supranationalisation of bank oversight and the greater distance from national political sensitivities.

The holes in Europe's bank resolution regime

The second pillar of Banking Union concerning bank resolution is less robust than the first supervisory pillar and the vagaries of national politics continue to undermine the construction of a credible resolution regime in Banking Union. The SRM and the Bank Recovery and Resolution Directive were supposed to harmonise bank resolution in Banking Union, but this happened only to a limited extent. The institutional model chosen for the SRM meant that resolution partly remained a national competence for small domestic banks. For banks under direct ECB supervision as well as cross-border banks, the resolution was to be managed by the SRB through a convoluted decision-making process (see Kudrna 2016) and for a number of years without the backing of a substantial Single Resolution Fund. Consequently, there was considerable national variation in the way in which national authorities dealt with ailing banks in Banking Union, in particular concerning the important question of 'who pays'. The national authorities were inclined to apply the 'Sinatra doctrine' by dealing with ailing banks in 'their own ways' (Quaglia 2019).

Moreover, some observers have argued that some (notably larger) member states can get away with exploiting the loopholes in the Bank Recovery and Resolution Directive, while others might have more difficulty doing so (Asimakopoulos and Howarth 2022). Italian and German governments have intervened to ensure that EU resolution rules were not applied, including for smaller regional banks which could otherwise be resolved without major contagion for the rest of the banking system. In Italy, in June 2017, there was the preventive recapitalisation of the ailing Monte dei Paschi – then, the third largest bank in Italy – with public money, while the two banks of the Veneto region, which were under the direct supervision of the ECB, were declared by the ECB to be failing or likely to fail. The SRB decided not to intervene and these banks were liquidated by the Italian authorities according to Italian insolvency law, using public money to ease the deal (Asimakopoulos and Howarth 2022; Moschella and Quaglia 2019). In Germany, in 2019, NordLB was bailed-out by its Land government and savings bank shareholders, in effect pushing aside both EU resolution rules and EU competition policy to recapitalize this bank and resist privatisation. A Financial Times (2019) editorial summarized the bail-out as testing 'EU bank rules to the limit' and argued that the 'approval of taxpayers' money for NordLB stretches credibility'. The European Commission approved both the German and Italian bailouts, thus in effect undermining the applicability of EU resolution rules. In these cases, EU authorities bowed to political pressure from national governments and allowed them to sidestep the requirement of bail-in by bondholders prior to bail-out by taxpayers.

On the application of the BU legal framework that bridges the two pillars when a bank is deemed failing or likely to fail (FOLTF), Petit (2023) points to the significant improvements in cooperation in the management of such FOLTF cases over time. These improvements resulted in overcoming potential national margin of manoeuvre in both the operation of the SSM and the SRM. A number of FOLTF cases have tested existing cooperation frameworks and prompted new cooperation vehicles and mechanisms within Banking Union, but also in the EU member states not in Banking Union as well as with third countries. Petit insists that reinforced internal and external cooperation is a prerequisite for the improved operation of the two mechanisms, in effect eliminating national margin of manoeuvre both within the EU and beyond, and benefits from equivalence frameworks with third countries in the latter case.

To reinforce the EU's resolution regime, some observers and policymakers have further argued for a more consistent resolution mechanism that applies to a larger range of banks, including small- and medium-sized institutions (Villeroy de Galau 2021). The current regime also fails to ensure the provision of sufficient liquidity in resolution. The ECB could step in to provide a 'Eurosystem Resolution Liquidity' for systemically important banks (European Parliament 2018). The divergence in member state bankruptcy regimes continues to undermine the consistent application of EU resolution rules.

The missing European Deposit Insurance Scheme

The third pillar of Banking Union, the EDIS, has escaped agreement for over a decade. Further, there remains considerable variation across national deposit guarantee schemes. The EU's Deposit Guarantee Scheme Directive revised in 2014 set a minimum level of 0.8% of total bank deposits for the ex-ante funds to be held by national deposit guarantee schemes and a period of ten years to meet this target level. In 2014, at least twelve national funds already comfortably exceeded this level. However, in response to Dutch and other government demands, the member state swatered down the 0.8% target. They agreed to allow member states with 'highly concentrated banking systems' to reach ex ante funding of only 0.5% of total bank deposits, on the grounds that large diversified universal banks were normally better positioned to redirect capital in order to protect depositors. Moreover, they agreed to treat the bank levies raised by some governments as equivalent to ex ante funds. Individual banks were also given the possibility of contributing to the national scheme with 'payment commitments' of up to thirty per cent of their total calculated contribution (Donnelly 2018c).

Countries (notably, Germany and Austria) with existing institutional protection schemes – that covered a range of potential interventions from bail-out to deposit insurance and resolution funds – were allowed to maintain these schemes. In Germany, in particular, there was a long track record of using these schemes to provide bail-out funds to struggling public law banks, both the regional Landesbanks and smaller savings banks. Furthermore, German institutional protection schemes contributed to significant market distortion in other ways, working to the competitive advantage of the small savings banks. These banks are legally independent entities. However, the whole group of 377 remaining savings banks is treated in some respects as a single integrated entity in that each bank does not have to put equity aside to cover their loans to other members of the group. German savings banks have persisted in their opposition to the creation of a European deposit insurance scheme. Their influence in relation to local, Land and federal governments has ensured ongoing German government opposition to the mutualisation of national schemes (Cassell 2021; Howarth and Quaglia 2018).

As pointed out by ECB Executive Board member Peter Praet (2017): 'While supervisory decisions are taken at European level, the relevant risk-sharing mechanisms such as deposit insurance schemes are still at the national level' and thus he called for 'the establishment of an EDIS, with a credible backstop'. Debates are ongoing on the necessary construction of both EDIS but also the ESM as a backstop to the Single Resolution Fund. In turn, these reforms are often presented as essential to tackle the sovereign debt-bank doom loop and to contribute to wider financial stability (Amtenbrink 2023). For many observers, the establishment of European level financial support mechanisms is of vital importance to weaken ongoing pressures faced by national governments to bailout national banks. Some observers and policymakers though accept that intractable German opposition to the creation of an EDIS requires the consideration of alternative mechanisms, including a liquidity support system among national deposit guarantee schemes (Villeroy de Galau 2021).

The 'single' yet diverse banking rulebook

The EU 'single rulebook' for banks is often presented as the foundation stone of Banking Union, supporting its pillars. Yet important structural weaknesses remain in this foundation, notably because EU legislation adopted over the past decade has continued to allow member states significant divergence in the form of 'options and national discretions' (ONDs). Indeed, several proposed reforms designed to strengthen the EU's regulatory framework and reduce the number of ONDs, thus decreasing the size of loopholes for banks, met the determined opposition of a number of EU member state governments and powerful bank interests. Two notable examples of the use of ONDs by member states and the problems that they have generated concern rules on capital requirements and the definition of non-performing loans (NPLs).

The Capital Requirements Directive adopted in 2013 (CRDIV) was to transpose elements of the international Basel III agreement on bank capital standards in the EU. However, the directive allowed member state governments significant margin of manoeuvre in the precise rules on capital and liquidity adopted at the national level. Governments sought legislation that better reflected the structures of national banking systems and system-wide characteristics of bank capital and thus placed less constraint on national banks (Howarth and Quaglia 2013). Subsequently, in 2019, the EU adopted a legislative package referred to as CRDV, which was designed to implement the so-called Basel IV agreement in the EU. The main immediate objective of these reform attempts was to force banks to hold increased loss-absorbing capital and liquid assets. The broader objective was to make banking safer, to diminish the systemic effects of losses resulting from high-risk bank activities, and to reinforce the ability of supervisory authorities to monitor effectively these activities. At the same time, there were parallel efforts by some member state governments to water down EU bank capital requirements, which were seen as too 'costly' for banks, or at least to prevent their reinforcement (Noonan, Brunsden, and Binham 2015; Fleming and Arnold 2021).

Indeed, in response to these government efforts, in September 2021, twenty EU national central bank governors and five directors of national supervisory authorities felt sufficient concern to sign a letter addressed to Mairead McGuinness, the EU Commissioner for Financial Services, Financial Stability and Capital Markets Union, and to John Berrigan, her director-general. The letter, which was made publicly available and was entitled 'The EU should stick to the Basel III agreement', stressed 'the need for the *full, timely and consistent* implementation of all Basel III standards. . . . The EU should follow through on this commitment. It is in our common interest' (Holzmann et al. 2021; italics in the original letter). Other proposals to reform EU capital rules included the removal of incentives for banks to purchase large amounts of their national sovereigns' debt – a major reform demand of the German government as a pre-condition for progress on the construction of an EDIS (Scholz 2019). However, a number of euro area member state governments, fearful of rising yields on their sovereign debt, had little interest in pursuing such a reform that could be instrumental in tackling the sovereign debt-bank doom loop.

A second example of the use of options and national discretions in the national implementation of EU legislation concerned the adoption of common definitions, measurement and rules for the management of non-performing loans. The ECB's preparatory analysis for its 2014 Asset Quality Review of the euro area's largest banks identified major differences in the way bad loans were recognised and classified. Indeed, the Asset Quality Review published in October 2014 revealed significantly higher NPLs than what the banks had previously disclosed (IMF 2015; Gren, Howarth, and Quaglia 2015). There was rapid progress towards a common definition of NPLs and the ECB was successful in forcing euro area banks to reduce NPLs. However, member states continued to measure NPLs differently, often as a reflection of distinct national insolvency legislation, and retained significant flexibility on the management of NPLs, including provisioning rules. The European Commission and the ECB subsequently embraced the definition of 'non-performing exposure' adopted by the European Banking Authority (EBA). However, following the creation of the SSM, there were a number of provisions on the management of NPLs which allowed for considerable member state margin of manoeuvre (EBA 2016; 2019, 2021), allowing persistent divergence. Moreover, while most member states adopted the EBA definition, a number of member states retained specific qualifications on this definition and four member states – France, Belgium, Croatia and Ireland – maintained their own national definition. In a number of cases, national governments intervened directly by adopting new or revising older legislation with the specific aim of qualifying the definition of NPLs and their management (ECB 2021).

Efforts to reinforce the single rulebook have been completely blocked or significantly stymied in a number of other areas. The European Commission's proposal for a regulation on bank structural reform, to ring-fence the EU's large universal banks to protect retail deposits and make bank resolution easier, was withdrawn in late 2017 (Howarth and James 2023). Governments from a range of EU member states sought to maintain large, internationally competitive, universal banks, many of which had long benefitted from forms of government protectionism (Hardie and Macartney 2016; Spendzharova 2016). While the Commission insisted that structural reform was no longer necessary (Brundsen 2017), 'too-big-to-fail' banks remained a problem that, as noted above, the EU bank resolution regime as constructed to date has failed effectively to address. In another area, EU bank remuneration rules – set in the CRDIV – allow member states significant ongoing margin of manoeuvre on transposition and implementation. While at least one member state – the Netherlands – moved to adopt very restrictive legislation, most others continued to allow banks considerable discretion on bonuses. Member state rules on bank board appointments and shareholding remain significantly different and the ECB's ability to intervene in these areas continues to be limited.

While divergence exists among the supervisory authorities and banks headquartered in Banking Union member states, this divergence increases for those EU member states that remain outwith Banking Union. The ongoing divergence between Banking Union and non-Banking Union member states, which are nonetheless still subject to the EU's single rulebook for banking, also undermines the construction of Banking Union itself as the governments of non-Banking Union countries continue to seek regulatory and supervisory arbitrage (Ban and Bohle 2021; Piroska and Epstein 2023; Spendzharova and Bayram 2016). While many elements of the EU's single rulebook constrain the potential for this arbitrage, it is clear that the sovereign-bank ties in Central and Eastern European countries not in Banking Union remain strong. The unintended consequence has been a continuation of financial fragmentation along national lines, as well as difficulty in catching up for Central and Eastern European countries (Piroska and Epstein 2023).

Finally, in 2015, the European Commission launched the Capital Markets Union (CMU) project with the support of a number of member states. The Commission presented CMU as complementary to Banking Union, to contribute to financial market integration (Braun, Gabor, and Hübner 2018; Quaglia, Howarth and Liebe 2016). Yet, the drive behind the CMU project has lost momentum since then due to a number of factors. The UK, one of the strongest supporters of CMU, with Europe's most vibrant capital market, left the EU following the Brexit referendum. The Covid-related economic crisis forced other priorities onto policy-making agendas. Moreover, a range of EU member state governments – notably in Southern, Central and Eastern Europe – have lacked enthusiasm for the CMU project (Epstein and Rhodes 2018), given national financial sectors that are not well-positioned to gain significant advantage from CMU. Piroska and Epstein (2023) conclude that Banking Union, CMU and, more generally, the European Single Financial Market were 'stalled by design' because major contradictions within their institutional design reflect competing interests. For example, CMU was intended to facilitate raising company funds across borders, but the supervision of capital markets remained at the national level, thus undermining cross-border financial flows in practice (Brenner 2022; Piroska and Epstein 2023).

Conclusion

The construction of Banking Union – both its supranational and intergovernmental elements – is an important achievement in the history of European integration. The previous sections of this introduction outline the main findings of the contributions to this special issue, which can be summarised as follows. The SSM is less than single, but has operated in a broadly effective manner over the past decade, even in times of crisis: the ECB-SSM Supervisory Board responded promptly and robustly to the pandemic-related economic and financial crises. In the SSM, there has been overall effective cooperation among supranational and national supervisory authorities, coupled with the development of a shared supervisory culture and a degree of ECB-SSM Supervisory Board transparency greater than what is found at the national level. There are holes in Europe's resolution regime because it has only partly been supranationalised, it has a rather convoluted decision-making process, the Single Resolution Fund is of insufficient size and resolution processes in member states remain influenced by national political considerations. The EDIS is often presented as a much needed missing pillar of Banking Union, whereby the strategy to promote further supranationalisation in this field has sought to combine 'risk sharing' by eventually pooling resources at the EU-euro area level and 'risk reduction', for example, by dealing with bank NPLs in the member states (Nouy 2018). Finally, the 'single' yet diverse banking rulebook remains a hindrance to the effective operation of both the SSM and SRM.

As far as financial stability is concerned, most of the largest banks headquartered in the euro area had – prior to the outbreak of the Covid pandemic in early 2020 — significantly strengthened their balance sheets principally by raising capital and retaining earnings (EBF 2021). On a range of measures, euro area headquartered banks appeared increasingly robust. EU institutions are also unanimous in their claim that EU/euro area headquartered banks remained resilient during the pandemic (ECB 2021). There remain, however, concerns over the quality of bank assets and the full impact of the pandemic and, subsequently, the war in Ukraine upon the banking sector, which will only be known in the medium term (ECB 2021). One must also emphasise the mixed collective success in improving the stability of European banking systems by undermining the ties between national governments (sovereigns) and banks (Epstein and Rhodes 2014, 2016; Epstein 2017).

The challenge of reinforcing euro area financial stability can be described as a collective action problem. Most, if not all, member state governments are subject to national political pressures to undertake regulatory and supervisory arbitrage and to financially support their national banks (Epstein 2017). However, all the elements of Banking Union allow for ongoing government intervention and thus fail convincingly to tackle this collective action problem. Tackling the moral hazard for both banks and governments that resulted from these ties had been a major motivating factor for the establishment of Banking Union. The supranationalisation of control over both the supervision and resolution of banks was supposed to mitigate if not eliminate altogether this kind of moral hazard (Pierret and Howarth 2023).

More generally, the design and management of Banking Union is torn in different directions, further creating the potential for member state government intervention in national banking systems. Tuori (2023) distinguishes between a stability-oriented macroeconomic project on the one hand and an efficiency-oriented microeconomic project on the other. The weaknesses of the institutional design of Banking Union and rule implementation must therefore be acknowledged. Banking Union resembles an unfinished cathedral. Given its problematic architecture, there remain important stability risks. Member state governments retain excessive margin of manoeuvre in a number of respects thus exposing both EU institutions and Banking Union more generally to accusations that, when push comes to shove, member states will do what is politically expedient.

The papers of this special issue discuss a range of potential reforms to the elements of Banking Union and, more generally, seek to stimulate questions for future research on EU bank regulation, supervision, resolution and support. Several papers recommend enhancing the transparency of banking supervision by establishing clear priorities amongst the goals (Högenauer 2023). Högenauer furthermore shows that there is a lack of more recent large-scale comparative studies of banking supervision at the national and European levels, as well as qualitative studies that examine whether and to what extent transparency and accountability-oriented reforms at the national and national levels are the result of learning and peer pressure. Petit (2023) proposes that the EBA should act as a central registry for all data concerning Colleges, CMGs, MoUs and other arrangements for banking supervision and resolution, so that all of these can be found in one place and easily accessed. She also argues that the ECB and the SRB should be less reactive to problems in the periphery and should instead develop a proactive approach with common cooperation instruments with the EU periphery and third countries to facilitate an effective and more transparent FOLTF process.

The right level of harmonization in Banking Union versus national margin of manoeuvre remains a significant issue of both inquiry and disagreement among policymakers and academics. Donnelly (2023) and Tuori (2023) note a strong and potentially excessive focus on stability to the detriment of growth and innovation, and recommend a slight loosening of the reins constraining national authorities. Piroska and Epstein (2023) point towards a need for further integration of the European Single Market and banking supervision. They argue that the competing tensions between supranational empowerment and national control prevented deeper integration. Amtenbrink (2023) argues that financial stability needs to be flanked by a stronger mechanism that can provide fiscal stability on the European level and that can support member states that face extensive crises. Finally, Zeitlin (2023) and Božina Beroš (2023) emphasize the importance of cooperation within the SSM and, for example, the role of Joint Supervisory Teams in negotiating a common understanding of the rules that takes into account national perspectives. They see the current cooperation mechanisms as highly effective and a means to build more trust in supranational regulatory efforts.

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