IMPORTANCE OF THE EUROPEAN BANKING UNION NEW DIRECTIVES

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Abstract:
European Banking Union has set new rules on monetary market especially for credit institutions and for financial banking groups in general. Economic and monetary union requires accomplishment of political and monetary union and democratic control of the European institutions on a single financial market. In this respect through its management organisms, EU has designed a series of unique mechanisms of financial union and called for a fiscal union. Union of European financial market is possible through a new regulation of the markets. In this project, monetary union of the EU member countries is possible by implementing single mechanism of supervision (Single Supervisory Mechanism) and single mechanism of resolution (Single Resolution Mechanism). European Banking Union may be made by monitoring of a single banking supervisor based on a common system for managing and resolving banking crises and a uniform system of protecting people's savings. Romania opted for these unique mechanisms of macro-prudential supervision of the financial system. And by performing the real convergence criteria of integration, Romania will have all conditions of integration in the ,,euro area,,.

Cuvinte keie: Banking Union, Single Supervisory Mechanism, Single Resolution Mechanism, bank resolution

JEL Classification: E58, G33

1. Introducere

Since 2012 the European Commission proposed a banking union based on new principles to overcome the financial crisis and not to involve governments in saving credit institutions within of financial crises

To achieve the goals set by "the new directives" of the European Banking Union, credit institutions in 'euro area' and the states that have decided to enter the banking union, will made a greater financial effort. This is the case the Romanian state, that, first need to fulfill the convergence criteria to be able to enter in "euro basket."

The Romanian Constitution enshrines that the Romanian State is a national, sovereign, independent, unitary and indivisible. According to the principle of sovereignty, Romanian Constitution belongs to the Romanian people and are exercised through their representative bodies.

But, on conditions that, the fundamental law of the Romanian state has not been changed, those who leading the monetary policy founded solutions on that financial institutions must it fits and respects European Union recommendations.

Romania's EU accession has meant loss a part of financial sovereignty and alignment with EU legislation. Regulations that governing the financial market in our country are inspired by European institutions procedures that oversees European financial market. Unitary character of national regulatory of financial market has been aligned to the European legislation. Under EU legislation in terms of difficult economic situation, Romania has a great responsibility to fulfill the convergence criteria required for entry in the "euro area".

Although the Romanian economy has not yet found the cadence of sustainable development, however, the factors that determine monetary policy decided Romania joining to the European Banking Union, among European countries who want a single bank resolution mechanism, a unique mechanism of supervision and other single financial mechanisms.

In April this year The European Commission has adopted the two directives that create the framework for the Union of Banking: Directive on bank recovery and resolution and Directive on deposit guarantee schemes.

In Romania, through the two directives of banking union takes place, on the one hand protecting of the public money and on the other hand also protecting of depositors and in general of the "bank customers".

2. Objectives of Banking Union

We believe that the objectives of Banking Union are directed to give greater stability to the banking system and to regain public confidence in banks.

European monetary policy is one of the most important factors of development and growth of the European economy. Although not all developed countries of the world have rallied to the recommendations of Basel III, banking financial groups from the EU countries shall ensure regularly that are performed at least the capital requirements.

Efficient management of bank crises, credit institutions salvation on the shareholders money and less on public funds, guaranteeing common of household deposits, the mechanism of resolution and single mechanism of banking supervision is one of the objectives of single financial banking system.

Fiscal deficits and problems that have occurred in the banking sector have created major economic problems. Many investors have withdrawn money from some European countries afraid that governments do not honor international obligations which led to a crisis of the exchange rate and thus, sudden declines of the national currency or the euro in the country concerned.

The financial crisis in the last years, which began in the autumn of 2007 and not over yet, prompted that some EU governments to help financial banks with problems, which caused many "discontentment" in financial markets. But many "players in the business world" do not "approved" governments intervention to "rescue" the "important" institutions of financial system.

Why? The answer was simple. For the fact that credit institutions are companies and in "chase them" for profit primarily performing "banking business". Those who err in business "unless open their eyes open their bag." Businesses of all kinds, in general takes place between two parties of which one always wins more, and another can lose.

Although "things" are more complex in "money creation", however European authorities wish to prevent "situations" that can cause governments to intervene.

According to EU directives (CRD IV and CRR IV) financial banking groups have taken measures that were required by the new regulations of the European financial markets.

The European Banking Authority (EBA), the European System Risk Board (ESRB), the European Securities Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA) has developed regulations and will require unitary procedures for all countries who want be integrated in a monetary union as a major part in a single financial market, on Europe.

Although Romania is not in the "euro area financial'' representative bodies of the state have decided to participate in the construction of economic and monetary union at all costs. Unique mechanisms of regulation and banking supervision will strengthen the European banking system and hence the Romanian banking system.

Single European financial supervision system is monitored by the Executive Committee of the Board Single Financial Market It includes representatives of the ECB / EBA / ESMA / EIOPA / ESRB.

Unique mechanism of resolution (MUR)[1] is responsible for the work of about 6,000 credit institutions of the EU countries, except England and Sweden. Besides those two states, against the monetary union and the fact of giving full regulatory powers ECB, objected both Czech Republic and Poland that have solid banking systems and do not want to expose at banking risks manifested in many European countries such as Greece, Spain or Italy.

By " *Single Board of Resolution* " from MUR shall establish measures to address the resolution of banking financial groups in difficulty and monitor how agencies established with the ECB or national financial supervisory authorities implemented procedures for resolution and resolution plan approved the European Commission.

According to the " *Directive on bank recovery and resolution* "Single Board of Resolution bear all responsibility of saving banks from bankruptcy , the Council and the European Commission involvement in the resolution is minimal.

"Single Board of Resolution Single" as a young institution in the EU, includes representatives of the ECB, European Commission, national authorities and manages the Single Fund of Resolution. The establishment

[1] European Commission proposal of July 10, 2013

of this fund requires more effort from countries that have good financial stability and are not included in the " euro area".

By the amount offered by the Single Fund of Resolution may recapitalize banking financial group that was in a reorganization (due to financial difficulties) or special measures are established to absorb losses. According to the decisions taken by the "Board Resolution Single " the Fund may pay certain debts to creditors, can provide guarantees , loans, equity participation or be granted compensatory amounts of shareholders.

In the management of bank resolution authority using a series of specific operations. Among them we can mention : partial sales of assets , acquisitions assisted or forced merger of operations " bridge banks ".

The European Commission has proposed the establishment of a single authority that will have the power to decide when credit institutions in Europe will be saved or closed. With new regulations for banking resolution, in Romania, Co Blvd insolvency is not applicable bankrupt banks.

In May this year, Romania will take the decision to sign the agreement on transfer and mutualisation the contributions on Single Fund Resolution.

The unique resolution Banking Union would complement the unique mechanism of banking supervision and is a further step towards banking union, which aims to break the link between the banking crisis and the debt crisis. If a bank in the euro zone will face serious financial difficulties, the ECB, as supervisor, will pull the alarm. At this point, the board resolution make recommendations to the Committee, who will decide whether to implement the procedure in force resolution bancară.

Intrarea single resolution mechanism is provided for 2015, but the laws under which creditors would establish order if the bank rescue will not be operational only in 2018.

" Banking Union will contribute to restoring confidence in the banking sector and, therefore, the economic recovery in EU. These rules on financial stability will help to restore banks' ability to grant loans on real economy and for our SMEs," said the European Parliament plenary, Corien Wortmann-Kool Member European Parliament, one of the main supporters of the Single Mechanism of Resolution.

Under the new EU banking union people who will realize "process of resolution" are called resolution authority. They can be finance ministries, national financial supervisors authorities, central banks and other public administrative authorities.In addition to single resolution fund financing bank resolution process can be ensured by the deposit guarantee scheme.

"*Directive on deposit guarantee schemes'* underlying European banking union forcing each of the 28 EU states to submit in advance certain amounts, established procedurlly for a period of 10 years. Deposit Guarantee Schemes are developed based on risk assessments. Methods of calculating the contribution to the fund established by the European Banking Authority is based on the risk profile of individual banks.

By "Directive on Deposit Guarantee Schemes" confirming the coverage of 100 thousand euro / depositor / credit institution and the repayment term is gradually reduced from 20 to 7 days until 2024. During this period of 10 years target coverage was 0.80% of covered deposits.

Besides the unique mechanism of resolution and deposit guarantee scheme third pillar of the Banking Union is Supervisory unique mechanism.

European Central Bank with the European Banking Authority shall develop procedures for the operation MUS until November 2014.

The activity of "group of the European Banking inspectors ", implementing the procedures laid down by Single Supervisory Mechanism (MUS) will start for the first 600 credit institutions operating in the European Union.

By entering Romania among the states in the "euro area" for the construction of European Banking Union, the central bank as a national authority will be organized under ECB regulations as "close cooperation agreement" signed by the two institutions.

In Romania "Regulation on MUS" developed by the ECB reinforces the independence of the central bank, which will be visualized in the institutional organization, staff establishing (Governor, Senior Deputy Governor, Deputy Governors-executive members of the Board of Directors) and setting its budget.

Romania did not have banks in difficulties, the banking sector is stable, although the economy has been affected by "import of instability" of the European countries. Supervision by the authorities of European banking financial groups from Romania has some advantages. Although we did not have credit institutions with financial problems caused by the crisis, however, some financial banking groups do not have taken account by the recommendations of national authority on supporting economic development through a lending activity and other reasonable banking services. In the new conditions of banking union, banking financial groups will be subject to unique mechanism of resolution and institutions with problems will benefit from the amounts available from the the fund that will be constituted, of 55 billion euros.

By Regulation of MUS, ECB has supervisory powers over the banking financial groups and on some large credit institutions. In MUS work program enter and financial holding companies, mixed financial holding companies, from participating Member States and branches on participating Member States belonging to credit institutions established in non-participating Member States that are significant and that will be monitored throughout by the ECB .

NBR will be responsible for supervising until now like financial institutions that are less significant. BNR will facilitate ECB staff to monitor credit institutions monitored by the central bank and, when it is necessary to decide the consistent application of standards for monitoring

Supervision of so called "second-class institutions" by national authorities, will open the doors for them to support the development of "national economic programs" competing with banking financial groups enshrined on financial market.

3. Conclusions

Romania is a member of the banking union with full rights and obligations, by the competent national authority, as of the end of 2014 after the Single Mechanism Banking Supervision is put into operation.

Banking resolution is basically a new form of reorganization of a financial group or a credit institution that are in the "verge of bankruptcy". Through the measures taken in the MUR aims to revitalization credit institution continued supply of products and banking and financial stability.

By achieving banking resolution aims to:

-ensuring continuity of critical functions by credit institutions in difficulties;

-protecting depositors, investors and public funds;

-avoid adverse effects on financial stability.

Will be avoid bank failures within a new financial crises and compensation to depositors and other creditors shall be made only by resolution fund. Compared to insolvency legislation, "Directive on Banking recovery and resolution" by the specific instruments allow to effectively treat the situation of a credit institution in difficulty with considering the public interest.

By that directive was introduced obligation to present "standard form" with useful information to depositors and explicitly excluding from the recapitalization of banks with deposits guaranteed.

On the new European Banking Union, objective of central bank's, member of ESCB remains unique - keeping price stability, but will bring new additions its own state, will further curing central bank independence and autonomy.

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