

European Banking Union (EBU): Features, Prospects and International Aspects

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Abstract

This paper aims to analyze the direction, objectives, and dynamism of the European Banking Union through the following three viewpoints. First, we describe the contents of the single supervisory mechanism (SSM) and single resolution mechanism (SRM) through an institutional analysis. The SSM was established in November 2014 and the SRM was set up in January 2015. The SRM started as a full-fledged system in January 2016 with the situation that the Single Resolution Board (SRB) is playing a key role with Single Resolution Fund (SRF). We consider the introduction of a new tool such as a bail-in approach and its coordination with conventional tools such as bailouts. Second, we elucidate the feasibility of the European Deposit Insurance Scheme (EDIS). Concerning the establishment of this scheme, the European Commission published a proposal and related documents since 2015. Since the aftermath of the global financial crisis, the Eurozone countries were required to establish an effective common deposit guarantee system for consumer protection through a gradual approach. However, there are problems that Eurozone countries are facing pertaining to harmonization in Germany and setting up a common institution of deposit guarantee. These aspects need strenuous efforts. Third, the paper analyzes the EBU's relationship with the Financial Stability Board (FSB) and the Federal Deposit Insurance Corporation (FDIC). In terms of international aspects of the EBU, we need to focus on a common recognition with FSB's key attributes. It must also be noted that the FDIC has implemented a plethora of resolutions until date. Therefore, the FDIC is also to serve as a vital benchmark for Europe in terms of its functions in actual banking resolution and deposit protection.

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