Union banking a step towards achieving fiscal Union in the European Union

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Abstract: *Introduction: Union policy needs in addition to the official language of four major components: a monetary union, a fiscal union, a union diplomatic and military union A stage in the Union is the Union banking tax.*

Materials and Methods: Union Bank has three pillars: a single banking supervisor (single supervisory mechanism), the only mechanism of bank resolution and a single scheme of bank guarantees.

Results and conclusions: Union Bank, strengthen supervision is an inevitable process, and Romania will have to enroll in it. Option Romania is to be part of Romania deaorece bank Union can not remain outside the structures of decision as long as banks operating in Romania are predominantly Eurozone.

Key words: banking union, fiscal union, diplomatic union, monetary policy, the European Union

JEL Classification: E 58, E 59, E 62

Monetary Policy, Central Banking, and the Supply of Money and Credit

E58 - Central Banks and Their Policies

E59 - Other

Macroeconomic - Aspects of Public Finance, Macroeconomic Policy, and General Outlook

E62 - Fiscal Policy; Public Expenditures, Investment, and Finance; Taxation

Introduction

EU leaders want to achieve a stable political Union in Europe. Union policy needs in addition to the official language of four major components: a monetary union, a fiscal union, a union diplomatic and military union.

Today Europe has only one components - monetary policy. The other three components are either in a study embryonic or absent altogether. Implacable logic of globalization will require, following fiscal union - when and if they will be - further integration diplomatic dimension (hereinafter the economy) and on the military dimension (the continuation of diplomatic). If Europe does not find the resources to take this road to the end, when financial markets are right to be skeptical and to rely on dismantling the eurozone.

Fiscal sovereignty is one fundamental sovereign rights of Member States in this area have only limited powers conferred Union. At EU level, fiscal policy is geared towards the smooth functioning of the single market impediments; EU efforts to further harmonization in this area focuses therefore mainly on indirect taxation. In parallel with these efforts, the EU is stepping up its fight against tax evasion and tax fraud, which constitutes a threat to fair competition and are the cause of a major budget deficit. Under the Treaty, the tax measures should be adopted by Member States unanimously. While fiscal policy is influenced largely by the European Court of Justice, the European Parliament has in this respect than the right to be consulted, except budgetary matters, where, as the authority budget Parliament shares their decision-making powers with the Council to the values predicted.

EU tax policy strategy is explained in the Commission Communication "Tax policy in the European Union - Priorities for the years ahead" (COM (2001) 0260). Each Member State is free to choose the system of taxation which it considers most appropriate, provided they comply with EU rules. In this framework, the main priorities of EU tax policy are removing tax obstacles that hinder cross-border economic activity, combating harmful tax competition and promoting broad cooperation in the tax administrations to ensure control over fraud and to combat it. Greater coordination of fiscal policy should provide support EU policy objectives through wider fiscal policies of the Member States, according to the latest provisions of the Europe 2020 strategy for smart, sustainable and inclusive growth.

Euro can not exist long in its current form. At this time, the European project has practical choice between reintegration (at a much deeper) or (inevitably) to disintegrate. The signs of decay are many and visible to the naked eye. Increasingly fewer foreign investors hold Spanish or Italian bonds, which were purchased in mass domestic investors, budget deficits in the euro area countries are excessive, Spain borrow at interest rates close to the psychological threshold of 7% threshold at which Greece, Portugal and Ireland have asked for external funding, etc.

This is the context in which Germany seems to break the ice first. Offer small steps toward what many economists have considered it inevitable that the euro area does not explode: a **fiscal union**. Specifically, what serious economists have said for a long time: Although not easy, the euro area should take structural measures, fiscal union type and, ultimately, **political union**. However, because the whole construction to withstand time, it takes a lot more.

Fiscal Union should not mean a unification of all taxes. After all, the composition of US states are both local taxes (state and municipal) and federal taxes. Rather, **fiscal union** should involve allowing federal control over state budgets, as happens lately in Europe through initiatives such as the European Semester Six Pack legislation, etc. To be credible (thus differing from previous approaches) such checks should be accompanied by penalties that may be imposed by a majority (not unanimity) Member States' fiscal union.

A single monetary policy could not meet the needs of economy, this task returning fiscal policy. For a symmetric shock (such as the initial crisis has affected everyone) can become asymmetric (as happened, some countries have returned, some not). In such a context, fiscal policy would be to help national economies due to rebound. Only well as national fiscal policies not only stabilizing role played. Starting from the large budget deficits accumulated expansion, the only option was to reduce deficits when they ought to grow and help the economy, or is indebted beyond their capacity for repayment. If all this we add the lack of structural reforms in the economies concerned, we understand easily how to get where we are now. The current crisis has brought out such a **"defect management"** in the euro area, and this was caused by the absence of a common fiscal policy. Hence the urgent need to reform deep structural eurozone. It was clearly demonstrated that many national fiscal policies were poorly documented and implemented.

How can fiscal union for the euro zone solution. The main advantage of a fiscal union is that it eliminates the problem of national budget deficits that occur in some countries with problems, plus all the negative externalities arising from here. Fiscala- Union or some degree of fiscal union - the euro zone could be beneficial because it would allow automatic transfers to countries facing asymmetric shocks or symmetric shocks may become asymmetrical (such as those listed above). Countries that are unable to effectively manage its economy in the absence of exchange rate instrument. A centralized budget can function as a buffer against the potential shocks.

Fiscal Union can thus solve the problem of sovereign debt indirectly. There will be no need for a state to borrow to finance its budget deficit when in trouble. This would be done automatically by automatic transfers from central budget at European level.

Powerful states impose sanctions such behavior likely, strong monitoring performance of national fiscal processes. The major advantage of this solution is however to be solved national budget deficits and sovereign debt related. With all risk to the entire area here.

The eurozone and the entire Europe needs unity message, solidarity. European leaders will have to leave egos aside and understand that as long as the euro zone will be seen as a sum of states (sometimes individual interests) and not a single state (single purpose), the actual chances that she while withstanding very low. When markets will lend euro area as a whole, without interest differentiate interest for Germany to Greece, for example, then we can say that the Eurozone has long-term future. In other words, the risk premium (inevitable, moreover, in a free market) should be transferred from the markets (which charge any acts speculative and alarms quickly) to decision makers in the euro area.

A step in the Fiscal Union is the Union Banking.

Objectives and Methodology

The European debate on banking union was hot and there were altercations both Member States and the banking sector. However, after lengthy negotiations, architecture banking union was established.

Union Bank has three pillars:

1. **A single bank supervisor (single supervisory mechanism):** This will be the European Central Bank, which will be tasked to monitor the situation of euro area banks and the banking union acceding countries and the risks assumed by them and intervene when problems arise.

2. **The unique banking resolution:** If a bank is in trouble saving procedure for discharging -or even bankrupt - will be managed by settlement authority / resolution and financed by a fund of 55 billion euro not taxpayer money, but are contributions of euro area banks. Bank losses will be covered by the shareholders and bondholders.

3. **A single bank guarantee scheme**: introduce guarantees financed by banks for deposits up to 100,000 euros.

A. A new role for the ECB

The first step was single supervisory mechanism: European Central Bank began surveillance of the euro area banking system and will evaluate three steps to financial institutions, including stress tests to assess the potential risk which banks.

Supervision will be done in close cooperation with national supervisory authorities and may intervene if banks have problems. In contrast to the European Banking Authority, which sets rules for banks operating across the EU, the ECB has the power to impose their views on national regulators.

Instead, the major banks in the euro area, 130 financial institutions deemed "systemically important", ie those whose assets are more than 30 billion, are directly supervised by the ECB will intervene if necessary

Capital subscription the capital of the ECB

The capital of the ECB comes from the national central banks (NCBs) of all EU Member States and amounts to €10,825,007,069.61.

The NCBs' shares in this capital are calculated using a key which reflects the respective country's share in the total population and gross domestic product of the EU. These two determinants have equal weighting. The ECB adjusts the shares every five years and whenever a new country joins the EU. The adjustment is made on the basis of data provided by the European Commission.

Since the start of Stage Three of Economic and Monetary Union on 1 January 1999 the capital key has changed six times: a five-yearly update was made on 1 January 2004, on 1 January 2009 and again on 1 January 2014; additional changes were made on 1 May 2004 (when the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia joined the EU), on 1 January 2007 (when Bulgaria and Romania joined the EU) and on 1 July 2013 (when Croatia joined the EU).

The fully paid-up subscriptions of euro area national central banks (NCBs) to the capital of the ECB amount to a total of €7,619,884,851.40 and break down as follows:

Euro area NCBs' contributions to the ECB's capital, updated on 1 January 2015:

Number	National central bank	Capital key %	Paid-up capital (€)
1.	**Nationale Bank van België/Banque Nationale de Belgique (Belgium)**	2.4778	268,222,025.17
2.	**Deutsche Bundesbank (Germany)**	17.9973	1,948,208,997.34
3.	**Eesti Pank (Estonia)**	0.1928	20,870,613.63
4.	**Central Bank of Ireland (Ireland)**	1.1607	125,645,857.06
5.	**Bank of Greece (Greece)**	2.0332	220,094,043.74
6.	**Banco de España (Spain)**	8.8409	957,028,050.02
7.	**Banque de France (France)**	14.1792	1,534,899,402.41
8.	**Banca d'Italia (Italy)**	12.3108	1,332,644,970.33
9.	**Central Bank of Cyprus (Cyprus)**	0.1513	16,378,235.70
10.	**Latvijas Banka (Latvia)**	0.2821	30,537,344.94
11.	**Lietuvos bankas (Lithuania)**	0.4132	44,728,929.21
12.	**Banque centrale du Luxembourg (Luxembourg)**	0.2030	21,974,764.35
13.	**Central Bank of Malta (Malta)**	0.0648	7,014,604.58
14.	**De Nederlandsche Bank (The Netherlands)**	4.0035	433,379,158.03
15.	**Oesterreichische Nationalbank (Austria)**	1.9631	212,505,713.78
16.	**Banco de Portugal (Portugal)**	1.7434	188,723,173.25
17.	**Banka Slovenije (Slovenia)**	0.3455	37,400,399.43
18.	**Národná banka Slovenska (Slovakia)**	0.7725	83,623,179.61
19.	**Suomen Pankki – Finlands Bank (Finland)**	1.2564	136,005,388.82
	Total	**70.3915**	**7,619,884,851.40**

The EU's nine non-euro area NCBs are required to contribute to the operational costs incurred by the ECB in relation to their participation in the European System of Central Banks by paying up a small percentage of their share in the ECB's subscribed capital. Since 29 December 2010 their contributions have represented 3.75% of their total share in the subscribed capital. The capital paid to the ECB by the non-euro area NCBs amounts to €120,192,083.17 and breaks down as follows, updated on 1 January 2015:

Number	National central bank	Capital key %	Paid-up capital (€)
1.	Българска народна банка (Bulgarian National Bank) (Bulgaria)	0.8590	3,487,005.40
2.	Česká národní banka (Czech Republic)	1.6075	6,525,449.57
3.	Danmarks Nationalbank (Denmark)	1.4873	6,037,512.38
4.	Hrvatska narodna banka (Croatia)	0.6023	2,444,963.16
5.	Magyar Nemzeti Bank (Hungary)	1.3798	5,601,129.28
6.	Narodowy Bank Polski (Poland)	5.1230	20,796,191.71
7.	Banca Naţională a României (Romania)	2.6024	10,564,124.40
8.	Sveriges Riksbank (Sweden)	2.2729	9,226,559.46
9.	Bank of England (United Kingdom)	13.6743	55,509,147.81
10.	Total	29.6085	120,192,083.17

Missions and Tasks European Banking Authority (EBA)

"The European Banking Authority (EBA) is an independent EU Authority which works to ensure an effective and consistent level of prudential regulation and supervision across the European banking sector. Its overall objectives are to maintain financial stability in the EU and to ensure the integrity, efficiency and orderly functioning of the banking sector.

The EBA is part of the European System of Financial Supervision (ESFA) made up of three supervisory authorities: the European Securities and Markets Authorities (ESMA), the European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA). The system also comprises the European Systemic Risk Board (ESRB) as well as the Joint Committee of the European Supervisory Authorities and the national supervisory authorities.

The EBA is independent, but accountable to the European Parliament, the European Council of the European Union and the European Commission.Deşi autorităţile naţionale de supraveghere (şi, în viitorul apropiat, Banca Centrală Europeană pentru acele ţări care participă la noul mecanism de supraveghere unic, un pilon-cheie al aşa-numitei „uniuni bancare") rămân responsabile pentru supravegherea instituţiilor financiare individuale, rolul ABE este de a îmbunătăţi funcţionarea pieţei interne prin asigurarea supravegherii şi reglementării europene adecvate, eficiente şi armonizate.

Whilst the national supervisory authorities (and in the near future the European Central Bank for those countries participating in the new Single Supervisory Mechanism, a key pillar of the the so-called 'Banking Union') remain in charge of supervising individual financial institutions, the role of the EBA is to improve the functioning of the internal market by ensuring appropriate, efficient and harmonised European supervision and regulation.

The main task of the EBA is to contribute, through the adoption of Binding Technical Standards and Guidelines, to the creation of the European Single Rulebook in banking. The Single Rulebook aims at providing a single set of harmonised prudential rules for financial institutions throughout the EU, helping create a level playing field and providing high protection to depositors, investors and consumers.

The Authority also plays an important role in promoting convergence of supervisory practices to ensure a harmonised application of prudential rules. The EBA is also mandated to assess risk and vulnerabilities in the EU banking sector through, in particular, regular risk assessment reports and pan-European Stress Tests.

Other tasks set out in the EBA's mandate include investigating insufficient application of EU law by national authorities, decision-making in emergency situations, mediating disagreements between competent authorities in cross-border situations, and acting as an independent advisory body to the European Parliament, the Council or the Commission..

Organisation

The EBA is represented externally by its **Chairperson** whose role is also to prepare the work and to lead discussions at meetings of the Board of Supervisors. An Executive Director prepares the Management Board meetings and ensures the day-to-day operational work of the Authority.

The two governing bodies of the EBA are:

- The **Board of Supervisors** which is the main decision-making body of the Authority. It takes all policy decisions of the EBA, such as adopting draft Technical Standards, Guidelines, Opinions and Reports.
- The **Management Board** whose role is to ensure the Authority carries out its mission and performs the tasks assigned to it. In this respect, it is entrusted with the power to propose, among other things, the annual work programme, the annual budget, the staff policy plan and the annual report.

The EBA works closely with the other European Supervisory Authorities (ESAs) in the framework of the Joint Committee on issues of cross-sectoral relevance. Finally, in order to effectively protect the rights of parties affected by decisions adopted by the EBA, a Board of Appeal has been set up.

Working process

As part of ensuring that the EBA carries out its tasks and mandates in an effective and transparent way, all deliverables drafted by the Authority are discussed in technical working groups and standing committees where national authorities can provide inputs. The EBA also regularly cooperates with other bodies and institutions in the execution of its Mandate.

Open public consultations are conducted, where appropriate, on regulatory products (Technical Standards, Guidelines, etc.) to ensure stakeholders and all interested parties can provide inputs on future banking standards and Guidelines.

The Authority also seeks comments and advice from the Banking Stakeholders Group, a body established by the EBA Regulation to facilitate consultations with stakeholders. Finally, where appropriate, the EBA conducts a costs and benefits analysis on all proposals. Final products are adopted, after a vote, by the Board of Supervisors"

B. A unique mechanism of resolution, a compromise between Member States and between the Community institutions

The second pillar of establishing a **European banking union resolution, which will decide whether a bank should be saved or problems should enter into bankruptcy.** It was the most difficult aspect established interinstitutional both Community and Member State level.

The friction points were particularly during **the decision-making and the creation of a fund for the financing of the liquidation** of a bank.

The liquidation procedure is simple and consists of several steps:

- ECB will start the process that will determine whether a bank is bankrupt;
- A council will coordinate the orderly liquidation of the bank concerned. Decisions of the liquidation shall be taken in a limited format, which will include representatives of the European Commission and the ECB;
- The Commission will draw up the plan of liquidation scheme, and the Council will be involved only if the EC would ask this: is a procedure that will avoid national political pressures;
- In exceptional cases, the amounts at stake would exceed 5 billion, decisions will be made in plenary sessions, which will be represented each state;
- This mechanism Inter reached a compromise between the Council and the European Parliament;
- Germany wanted to grant a Member important role in decision making, but lawmakers have considered that the mechanism would be too slow and complex;
- Following negotiations, the role of states was reduced and simplified procedure so that in case of urgent problems of banks their fate to be decided at the weekend, when financial markets are closed.

C. Once the liquidation decision taken and the money needed to finance this procedure.

- It was decided to set up a fund of 55 billion euros to banks in difficulty and the period in which it will reach this amount is 8 years after it was initially proposed a period of 10 years. Parliament wanted the Fund to become fully operational within three years;
- Initially, it will be created such a fund in each Member State, to support domestic banks that operate them. After two years, they will be combined in a ratio of 60%, and after three years are cumulative 70% after three years;
- Calendar, 40% of the 55 billion will be allocated in the first year, 20% in the second, because in the next 6 years to reach the final amount;
- The Fund will be powered by euro area banks. A sensitive issue that remains to be determined is the calculation of banks' contributions to the fund, a matter of concern especially France and Germany;
- If funding needs will exceed the Fund, it will be able to borrow in financial markets;
- winding mechanism came into force on 1 January 2015, but will work in 2016.

Romania and the Union Banking

Since the first discussions on the subject, the Romanian state has supported efforts to achieve European Banking Union. In December 2012, the Romanian Government adopted a memorandum containing a number of elements of Romania's position on proposals to strengthen the Economic and Monetary Union (EMU).

The document says that Romania supports efforts aimed at strengthening of the EU and creating a genuine banking union, fiscal and economic. "Romania supports the process of strengthening governance in the euro area, but considers that this process should not be detrimental to states outside the euro area and lead thus to the fragmentation of the Union" was the message of Victoria Palace.

Union Bank, strengthen supervision is an inevitable process, and Romania will have to enroll in it. Option Romania is to be part of Bank Union because can not remain outside the structures of decision as long as banks operating in Romania are predominantly Eurozone. Together with the European Stability Mechanism, development banking union Romania advantage because Achievements banking union leads to careful supervision of banks in the euro area and beyond.

Organisational principles for the Eurosystem and the Single Supervisory Mechanism .

" For the Eurosystem, with due respect to the underlying principle of decentralisation:

1.Participation

All members of the Eurosystem and the Single Supervisory Mechanism (SSM) will contribute strategically and operationally to their goals.

2.Cooperation

All members of the Eurosystem and the SSM will perform all their functions in a spirit of cooperation and teamwork.

3.Transparency and accountability

All members of the Eurosystem and the SSM will act transparently and be fully responsible and accountable for the effectiveness of all their functions.

4.Distinguishing European and national activities

The European activities performed by national central banks and national competent authorities will be clearly identified and distinguished from those pertaining to national responsibilities.

5.Cohesion and unity

While respecting the legal status of their members, the Eurosystem will act as cohesive and unified entity and the SSM as a cohesive and coordinated entity. They will each work as a team and speak with one voice, aiming to be close to the citizens of Europe.

6.Exchange of resources

The members of the Eurosystem and the SSM will promote the exchange of personnel, know-how and experience.

7.Effectiveness and efficiency in decision-making

All decision-making and deliberative processes of both the Eurosystem and the SSM will pursue effectiveness and efficiency. Decision-making will focus on analysis and arguments as well as the expression of a variety of views.

8.Cost efficiency, measurement and methodology

The members of the Eurosystem and the SSM will manage all resources prudently and will promote effective and cost-efficient solutions in all their activities.

The Eurosystem and the SSM will develop control systems and performance indicators to measure the fulfilment of their functions and alignment with their objectives.

Comparable cost evaluation and cost-reporting methods will be further elaborated and utilised.

9.Exploit synergies and avoid duplications

Within both the Eurosystem and the SSM, while fully respecting the separation between monetary policy and supervisory tasks, potential synergies and economies of scale will be identified and exploited to the extent feasible.

Unnecessary duplication of work and resources and excessive and inefficient coordination will be avoided. To this end, organisational options that ensure effectiveness, efficiency and prompt action, taking advantage of the experience available through intensified use of existing resources will be energetically pursued.

The outsourcing of Eurosystem support functions and activities will be considered against the same criteria and will take security aspects into account".

Conclusions

Making Banking Union, the legal and institutional architecture shown above is a prerequisite for the development of a European banking sector safe, responsible and generator of economic progress. Union Bank is part of an integrated financial framework has been conceptualized when it became clear that reform is needed to address the shortcomings in regulation and supervision.

The Unique mechanism of resolution (MUR) is explained by the very high cost of bank rescue packages granted by public funds (by allocating in 592 bn. € or 4.6% of EU GDP in 2012, from October 2008 - December 2012 measures to support the capitalization and other 906 bn. € or 7.8% of EU GDP in 2012 by safeguards and other forms of liquidity support). Using public funds for this purpose, although it was considered necessary, is not sustainable in the future because of the fragile position of the public sector in most EU countries (public debt as a percentage of GDP significant budget deficits at relatively high levels).

Therefore aim to create a Community legal framework integrated unitary and coherent and credible measures on appropriate tools for financial crisis management in order to:

- ensuring the continuity of critical functions of financial institutions;
- minimizing the risks of contamination;
- reducing moral hazard;
- protection of public finances by interrupting the vicious spiral of sovereign risk and financing costs of credit institutions;
- protection of depositors;
- exit from the market ordered institutions in difficulty, without affecting financial stability.

In terms of time, MUR involves partial entry into force on 1 January 2015 and full entry into force on 1 January 2016 (including provisions for bail-in). The moment at which an EU member enters the MUR is determined either by membership of the euro area or of entry into MUS - adherence to automatic and requires the adoption of MUR.

Union Bank topic captures the attention of more and more stakeholders in our country, be it about authorities, representatives of credit institutions or supranational reale.Construcţia the economy designed to ensure better coordination of the European banking system is viewed with great interest nationally. This interest is normal for at least two reasons: the strong presence of foreign capital in the domestic banking system and our authorities wish Romania to be part of the Union Bank.

Accession to the Union Banking before adopting the euro is a preferable option because decisions are reflected in the MUS anyway Romanian banking system, given the presence of high capital structure of euro area credit institutions, Romanian legal persons.

Accession to the Union Banking is a landmark in the course of the single currency because, strengthens financial stability, including regional contagion risk mitigation and removal of a stimulant of deleveraging by banks with foreign capital. Also facilitates the recovery of lending on a path consistent with sustainable development of economic activity in tandem with economic resources released by structural reforms leading to an increase in the real convergence process likely to achieve a sustainable fulfillment of criteria for joining the euro area.

Acknowledgements

This paper is supported by the Sectorial Operational Programme Human Resources Development (SOP HRD), financed from the European Social Fund and by the Romanian Government under the contract number SOP HRD/159/1.5/S/136077.

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