BANKING UNION, BETWEEN NATIONAL INTEREST AND COMMON SAFETY

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Abstract: *This paper aims to highlight the importance of the Banking Union for the completion of economic and monetary union, for strengthening the single market and the euro currency trust, and strengthening the economic governance framework of the European Union. The Banking Union structure is based on the unique set of regulations ("singles Rulebook") which, by its equivalent and fully coating character, can ensure a transparent and competitive environment, preventing regulatory arbitrage and, implicitly, assure the Banking Union project sustainability. The structure is completed through the three pillars which are represented by the single supervisory mechanism, the unique mechanism for resolution and the harmonized deposit-guarantee schemes. In terms of operating efficiency, this structure can support the creation of a stable and solid financial sector through coordinated actions aimed at severing ties between banks and Governments in order to defragment the financial sector, to support the process of financing the real economy and to restore confidence in the European economy and its unique currency. European States that tre not yet members of the Eurozone shall have the option of joining the Banking Union from the very beginning and they can assess this decision in correlation with the planning of adopting the single currency, on the one hand, and the benefits and risks of joining or not before the adoption of the euro, on the other hand. In essence, the option to be involved from the very beginning is evaluated with caution, however, the decision to get involved can be seen as an indication of the maturity and understanding of the importance of monitoring and protecting the national interest in terms of the importance of monitoring and protecting the common european interest.*

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The process of establishing a Banking Union is a practical step towards the completion of the economic and monetary union, towards the consolidation of the single market and the restoration of confidence in the euro, and a defining element of the new economic governance framework of the European Union. After a considerable expansion, institution building and completion of the process of reforming the governance framework are essential for the smooth running action of the European Union. In this context, the adoption of a position for or against of a EU member state outside the euro area, vis-à-vis the Banking Union membership can be built and sustained by means of discussions that start with evaluating the national perspective regarding convergence with the European perspective. Clearly, the local actions of each Member State are fundamental, but the effectiveness of these actions is related to intent and their ability to follow a common European vision.

1. The context and necessity of creating a Banking Union

1.1. Initiation

The European construction initiated by Robert Schuman on the 9th of May 1950 by proposing the establishment of the European Coal and Steel Community and effectively begun by the signing of the Treaty of Paris on the 23rd of July 1952, is, as Jean Monnet foresaw, "created by the crisis and will be the sum of the solutions adopted to overcome them." It was followed by the creation of the European economic community with the signing of the Treaty of Rome on th 25th of March 1957 by Belgium, France, Italy, Luxembourg, the Netherlands and West Germany. Starting July 1st 1967, the Treaty of Brussels entered into force, thus the European Community was created. The Treaty was signed by the same six states and is considered by some as the moment that the European Union began to exist in real mode.

After nearly two decades in which were adopted the first three fundamental documents of the European construction, followed a period of settlement and consolidation at the end of which the Maastricht Treaty (Treaty on European Union) was adopted. The Treaty entered into force on the 1st of November 1993 and established two fundamental elements for the continuation of European construction:

- the three pillars of the European Union (the European Community, foreign policy and common security, police and Judicial Cooperation in criminal matters)

- the set of five nominal economic convergence criteria (inflation, long-term interest rates, the exchange rate against the euro, the consolidated budget deficit and public debt).

1.2. Adjustments to the context

The need to adapt the rules previously adopted to the changing social, economical and political context, has led to continuous adjustment of the original treaties in the light of the Lisbon Treaty, initially known as the reform Treaty, signed in December 2007 and effectively entered into force starting December 1st,2009.

The financial crisis of 2007-2009 hit with severity the European economy as a whole and the importance of strengthening the European Union arose, as a functional, but still incomplete draft. After a considerable expansion from 6 Member States in the 1950s to an actual of 28 States, strengthening the European institutions to complete the process of reforming the governance framework is essential for the smooth running action of the European Union. The Banking Union is one of the four defining elements of the new framework for the EU's economic governance:

- the fiscal pact
- the mechanism for identifying macroeconomic imbalances
- the european stability Mechanism
- the Banking Union.

The fiscal pact, is based on and implies compliance with the three limiting thresholds concerning the structural deficit (0.5% of GDP), the budget deficit (3% of GDP) and public debt (60% of GDP). Budgetary position, according to the standards of the European system of accounts 1995 must be balanced or in surplus for the medium-term objective (MTO) of 1% of GDP structural deficit (in the case) to be reached, or the structural deficit is matched with a step of 0.5% of GDP per year in order to achieve the MTO. Public debt must be maintained below 60% of GDP or, in case it exceedes that level it must adjusted with a step of 5% per annum to this level. At the same time, both national budgets and budgetary provisions contained in the convergence or stability Programme will be the subject of prior approval by the European Commission (EC). The Commission may submit recommendations and, where appropriate, impose sanctions if it finds significant deviations from the assumed.

The mechanism for identifying macroeconomic imbalances implies compliance with the thresholds concerning the evolution of a set of eleven essential indicators of macroeconomic balance. Monitoring this set of indicators will facilitate detect the macroeconomic framework imbalance and allow timely intervention in order to rebalance. The European Commission endorses the plans of economic stability over the medium term. In the event it identifies a case of imbalance, the European authority may make recommendations or give warnings with the purpose of restoring balance and severe penalties may be imposed where the Member State has not complied with the recommendations, has ignored the warnings issued and has not prepared a plan for restoring macroeconomic equilibrium. Establishing corrective measures is based on signals sent by the offsets from the limiting thresholds of the indicators, in conjunction with technical analysis missions and evaluations of the economy of the Member State concerned.

The European stability mechanism is operational since October 2012. ESM is a tool that ensures the protection of the euro area and the permanent settlement of potential crises; its shareholders are the Member States. The mechanism has a paid-up capital of 80 billion euros and a capital available at request of 620 billion euros. Financial support is of 500 billion euros (actual lending capacity) and the financial capacity to guarantee the credibility of the 200 billion euro (reserve funds for credibility in front of creditors). Support financial assistance and funding loans for consolidation of the banking system of the euro area Member States is carried out through the issuance of bonds.

Banking Union is aimed at expanding and strengthening the economic and Monetary Union, defragment the financial markets from the single market, interrupt the vicious spiral of banks and Governments and forsee the crisis of the banking system and their effect on taxpayers and depositors, in order to restore confidence in the single currency markets and strengthen financial stability at the level of the single market. Resumption of economic growth, development and the acceleration of investment, are actions which can only take place within a solid financial sector, which involves the creation of a new regulatory framework for the global financial system, a safe and responsible financial system, one that is able to support the economic growth in the European Union, and the completion of the Banking Union. Strengthening the regulatory framework and supervision of the financial sector has been a constant concern of European authorities. It should provide an effective response to the financial crisis, play an effective role in the turnaround strategy of the European Union on a path of sustainable, smart growth in order to support job creation and competitiveness. Taxpayers have paid a huge bill to support the functionality of the banking system. New regulations proposed by the European authorities seek to minimize costs for citizens and at the same time ensure that they will no longer pay for banks' initiatives to take excessive risks. Thus, the new regulations aim at the creation by banks of a reserve fund for distressed financial situations, protecting the population deposits if the Bank goes bankrupt and coating system for monitoring and ensuring compliance with the rules by banks and other actors in financial markets (i.e. credit rating agencies).

1.3. Financial crisis impulses and responses

In addition to the need to strengthen the regulatory framework for all actors in the financial markets, the global financial crisis has clearly highlighted the importance of integration of the banks in the euro area in particular, given the rapidity of the spread of contagion effects. Thus, in order to ensure financial stability and the confidence of the markets in the euro area and in the single currency, out of the vicious circle of banks and Governments and financial markets defragmentation, came out as necessary to create the Banking Union, which complements and strengthens the economic and Monetary Union.

Until now, the European leaders have agreed upon achieving the single supervisory mechanism (MUS) and the unique resolution mechanism (MUR), two fundamental pillars of the Banking Union. The creation of a new regulatory framework for the global financial system requires a package of appropriate regulations and effective supervision for each financial product, market or region. To this end, policy makers involved were to establish the basic elements of a global financial regulatory framework, which will lead to an increase in the flexibility of the financial system. These actions are aimed at starting the reforms for improving the stability of the banking system, for creating a framework for crisis management, as well as the adoption of measures to strengthen the regulatory infrastructure and financial markets. Are envisaged prudential requirements and transparent and well regulated platforms for transactions with derivative instruments, in order to improve the stability of the banking system. Establishment of a financial system that is safe, responsible and financially able to sustain economic growth in the European Union is needed in order to improve the stability and efficiency of financial services in the single market. These actions are key to ensuring a substantial support to the real economy by the financial sector. A stable and adequate supervision of the financial system, transparent to consumers and able to support economic growth, are some of the key principles under consideration. It is also considering improving cross-border cooperation, consistent application of regulations and surveillance systems. The new rules aim to create a single regulatory framework for all financial institutions and markets.

Completing the Banking Union and strengthening the confidence in the euro is a complementary ction to those mentioned above. The global financial crisis has highlighted the need to supplement the ferm regulations with a greater integration of the banking system of the euro area. Thus, the existence of a single framework for regulating the financial institutions that will ensure a fair competition and a proper functioning of the banking market, must be accompanied by a unique frame of surveillance for euro area banks. One of the most important projects that the European authorities have employed since the creation of the euro as well as the first pillar of the Union Bank is the single supervisory Mechanism. This mechanism involves the assumption of responsibility for supervision of all banking institutions in the eurozone by the European Central Bank (ECB) starting November 2014. At the same time the ECB will guide the national supervisors through the activities of supervision of small banks that are not supervised directly by the ECB. Solving bankruptcy, when necessary, will track progress and aim to have minimal impact on the taxpayers. This work will be conducted through the second pillar of the Union Bank, the sole Mechanism for resolution. The costs of resolution procedures shall be borne by the private sector and supported by a single resolution Fund, set up by the banks ' contributions.

2. The structure of the Banking Union

2.1. An essential element

Constructing the Banking Union starts from a common base represented by the unique regulations, an essential element for the durability of the project itself and, implicitly, for the completion and development of the Economic and Monetary Union (EMU). The unique regulations, unlike the single supervisory and resolution Mechanisms, focus on the empowerment of the entire EU space. One of the main advantages of a single settlement is ensuring equivalent treatment to the problems that may occur later, and prevent regulatory arbitrage. Unique regulatory framework ("Single Rulebook") will make better use of the potential of the single market, will prevent regulatory arbitrage and will optimize the competitive environment, will facilitate the management of a possible crisis generated by the difficulty of the transnational institutions and, last but not least, will greatly improve capital allocation and risk management. The unique set of regulatory also bears a certain degree of flexibility vis-à-vis the materialization of possible risks at national level (e.g. deterioration of financial stability) or at institutional level (e.g. damage to the capital of a credit institution).

The single supervisory mechanism is composed of the European Central Bank (ECB) and the national competent authorities (ANC), the relevant monetary authorities at european level, with the ECB being awarded to take responsibility of the efficiency and coherence of the mechanism. The ECB and the ANC will cooperate with the monetary designated authorities with regard to the powers and macro-prudential instruments used and to the close cooperation. The ECB may exercise its supervisory attributions directly or indirectly. Major banks (about 130, which hold about 85 percent of the banking assets of the euro area), the banks that were in a position to request or receive financial support directly and first three public banks operating on the market of each Member State, are subject to direct supervision. Banks are less significant (approximately 6000), which are subject to indirect supervision of the ECB being overseen directly by the ANC, may come under the direct supervision of the ECB (the ANC or in consultation with the ANC) in a situation where it is necessary to ensure consistent high standards of surveillance.

The significance of a bank is established in the assessment scale (total assets > 30 billion euros),by the importance for the EU economy, or any other economy Member State (total assets/GDP > 20%, unless that total assets < 5 billion) and the importance of cross-border activities. With regard to the powers and instruments of prudential supervision, the ANC or AND may apply requirements for banks to hold capital shock absorbers at an appropriate level, in addition to the requirements for own funds, including rates of countercyclical capital silencers, as well as any other measure aimed at countering systemic or macro-prudential risks. The ECB may, in emergency situations, impose higher requirements than those applied by the ANC or AND regarding the capital absorbers and more stringent measures for countering systemic or macro-prudential in credit institutions.

Close cooperation between the ECB and the ANC of a participating Member State that has not yet adopted the euro is a defining element of the relationship and the conditions under which that Member State is involved in MUS. Member State shall have the option to initiate the procedure for accession the Banking Union close cooperation agreement. The ECB may initiate termination/suspension agreement for close cooperation in the event that a Member State fails to take certain corrective measures or does not fulfil their obligations deriving from the agreement. After the expiry of a 3 year period from the start of close cooperation, the non-euro area Member State may at any time initiate the procedure for terminating the agreement, providing explanations of the reasons supporting the request for an injunction and, where relevant, the possible negative repercussions in terms of Member State tax. The powers conferred upon the ECB by regulation will be met solely in order to achieve the objectives laid down in the regulation. Realization of supervisory competences will be separated from the implementation of the monetary powers in terms of the personnel concerned, hierarchical and reporting of meetings. The Governers Council will work differentially to carry out duties for supervision attributions and monetary attributions. Operationalizing the MUS involves extensive evaluation of the significant banks in terms of BCE criteria and consists in gradually running of the three exercises aimed at assessing risk, assessing the quality of assets (which is based on the outcome of the risk assessment) and stress test (which is based on the result of evaluation of the quality of the assets).

2.2. The unique resolution

The unique resolution mechanism, the second pillar of the Banking Union, is built to cater the need of impartial management of the measures and unique recovery and resolution actions, in order to minimize the negative economic effects and the temptation to resort to public funds in case another bank crisis will appear. MUR is complementary to MUS, which, after the entry into force in November 2014, will bring into direct or indirect supervision of the ECB the euro area banks and the banks from other Member States which will opt in to UB. The resolution mechanism will contribute to the strengthening of the economic and financial stability of the single market and will protect taxpayers, households and the banking system deposits in the event of a bank in financial difficulty. The mechanism will be developed around the unique resolution Committee, a fully independent EU agency whose funding will not be provided from public funds but also ex-ante by the banking sector's contribution to a single resolution Fund. In a situation where the offices of public funds will be needed, financing will be treated as a loan that will be recovered through charges on ex-post of the banking system.

The unique resolution Committee manages the resolution of banks, which involves the restructuring of banks in order to prevent moral hazards, maintaining financial stability, avoidance of blockage of critical functions in the bank, the full or partial revitalization or, where appropriate, the onset of insolvency proceedings. After notifying the ECB regarding a bank's entry in difficulty, the Committee will adopt a resolution planning scheme, shall indicate the relevant resolution tools and the required amount from the resolution Fund. National authorities are also involved in the process of resolution, and they will assist the Committee in preparing the measures and are responsible for implementing these decisions according to the existing legal framework. National authorities will act under the supervision of the Committee, and where the implementation of the resolution is not consistent with the decisions of the resolution, the Committee may apply directly to the Bank in difficulty orders on the execution of the decisions. In order to financially support the resolutions, the financial committee directly controls the unique resolution fund to reach a target level, equivalent to 1% of the guaranteed deposits of all banks in the participating States at the UB. Sources of formation are the resolution funds established at national level through the authorized banks contribution (the equivalent of 10% of the target level, beginning with the year 2015) and the contribution of the banks authorised in the territory of other participating Member States (the equivalent of 12.5% of the target level, beginning in 2016).

2.3. Guarantee and confidence

The unique deposit-guarantee scheme will be achieved, in a first stage, in the form of a harmonized schemes network, due to the difficulties associated with building a unique guarantee scheme. Political differences over the cost of funding the unique guarantee scheme, which feeds an asymmetric approach of the subject at the expense of the unique approach of the Nordic and Southern States, explains the controversies between Member States relating to construction and need for a unique guarantee scheme. The harmonized schemes of banking deposit guarantee network aims to standardize rules on guaranteeing deposits. The need for the unique guarantee scheme can be explained by the need to adapt to the new context of the directive on deposit guarantee schemes, adopted in 1994, and which has not been revised substantially for about 15 years. It was, therefore, a good opportunity to review and, simultaneously, to bring the regulations on guaranteeing deposits in line with the spirit of the construction of the other two pillars of the UB.

Basically, it was a step forward, in the sense that since 1994 when it was covered by a minimum level of harmonisation, this time there was no support for the idea of guarantee schemes resources mutualisation (Larosiere, 2009); but it has reached a compromise that provides for harmonisation of deposit guarantee schemes existing at Member State level through the establishment of a harmonised guaranteed level, through simplified procedures and shorter repayment periods, and ex-ante funding requirements of national guarantee schemes. Even though at this stage there are no plans for building a supranational system of guarantee schemes, the compromise measure provides the option to establish a mechanism of mutual borrowing between deposit guarantee schemes in the EU Member States. At this stage, this is the only form of mutualisation envisaged.

3. The objectif of creating a Banking Union: a strong and stable financial sector

Creating a strong and stable financial system depends on the way the European authorities understand and take advantage of the experience gained during the financial crisis and its side effects. What in the beginning was only a local phenomenon on the US mortgage loans, and then, due to the contagion effect, turned into a global phenomenon, the financial turbulence expanded and generated a severe sovereign debt crisis at European level during 2010-2011. In this vicious circle created, we see the banks, the national finance systems, mainly for the member countries that are totally interdependent in monetary terms due to the unique currency.

The link between banks and sovereign entities, which facilitates the entry into this vicious circle will disappear as a result of the completion of the Banking Union. Banks will improve their financial strength and resilience to shocks due to strict prudential rules, which will require the achievement of sufficient capital reserves and liquidity. Solutioning the bankruptcies will not be financially supported by taxpayers but by the shareholders and creditors of banks and resolution Fund created by the banking system. The necessity of any remedies, for redefinition and consolidation of the financial-banking system led the authorities of the member states in June 2012 to begin the process of creating the Banking Union in order to facilitate an integrated approach to common financial problems across the states that use the single currency, but with an open invitation for EU Member States outside the euro area.

Integrated common rules facilitate the prevention of new banking crises and define a common framework for risk management and/or gradual and orderly termination of the activity, in a situation in which banks will be facing such situations. The single common regulator is also aimed at strengthening confidence in the banking system for the population, by guaranteeing deposits up to EUR 100 000 for all depositors at any time, regardless of the location where these deposits are residing in the EU. Under this mechanism, the ECB will supervise directly or indirectly all the 6,000 banks in the euro zone starting November 2014. This activity is prepared beforehand by carrying out a process of global assessment of the financial position of the banks to be supervised, which aims to create a clear view at the individual level and the banks that will make the subject of supervision of the ECB. The unique resolution council and the unique resolution fund will facilitate the efficient management of the bank resolution within the framework in situations where banks will go bankrupt despite strict surveillance. The efficiency of the single frame is highlighted by the situation in which a cross-border bank enters into bankruptcy. In this case, the application of banking resolution by several national authorities for resolution will be suboptimal in comparison with the efficiency of a single resolution Mechanism supported by a single set of clear regulations applied by a highly experienced technical team. Creating the Banking Union and the new regulatory package for the european financial system marks a crucial stage of the process of economic and monetary integration, ends funding by contributors for future rescue operations of banks, supports the restoration and strengthening of financial stability and, consequently, facilitates the financing of the real economy by the financial sector, the absorption of the available workforce and economic return.

Financing of the real economic sector by the financial sector can accelerate the absorption of surplus labour and consistently support the upswing process. For these actions to be completed, a minimum level of cooperation between the actors involved (banks and Governments) is necessary and essential, for both relaunching of the national economy and, in particular, for reviving a union of national economies (for example the European economy). The high level of fragmentation of the european financial sector and thereby lending processes, severely limits the access to finance in economies with an acute need for funding. Given that the banks are dependent on bonds issued by Governments of countries of origin and they assume and bear the costs of rescue or the cessation of a distressed banks, Governments will not agree to forgo the use of levers at their disposal to control the banking system.

Thus, creating a single framework for banking supervision would only have minimal chances to eliminate the interdependence between highly indebted Governments and banks, to alleviate financing costs in those countries and lead, ultimately, to the lending process defragmentation. Lack of co-ordination of Member States' response to the entry of banks into a state of distress (bankruptcy) accentuates the phenomenon of fragmentation, damaging the process of financing the real sector of economy and, consequently, the return of savings and economic growth. Financing the real economy shows major differences depending on the region, the costs and the rate of success in accessing funds. According to information available, in the southern region (e.g. Spain, Portugal, Ireland and Italy) costs of financing for small and medium enterprises are approximately 3 to 5 percentage points higher than in the northern region (e.g. Germany) and the rate of success in accessing funds is between 25% in the case of Greece and about 40% overall in the southern region and 80% in the northern region. Last but not least, the costs of a loan are different for small and medium enterprises to households.

The unique approach of regulation, supervising and resolution in the Banking Union has the ability to drive the elimination of regional disparities through the regaining of trust, an essential element of any frame. The union banking platform, at the time of full functionality, should ensure that equivalent conditions of access to finance for both the banks and their customers (e.g. companies and households). Full management of the banks is based on a set of measures that were outlined in the aftermath of the experience gained as a result of the transition of the European economy through the global financial crisis. These measures can be divided into three groups and actions aimed at prevention, early intervention and management of a bank in difficulty.

Crisis prevention actions are embodied in a set of 28 proposals for regulation covering all financial institutions and products and forms the unique regulatory framework. These measures are aimed at achieving an equivalent competitive framework for the banks and a single market for the financial services, which will generate benefits for both banks and citizens. Unique supervision, independent of national approaches with subjective specificity will guarantee the implementation of the single regulations of banking institutions. Unique surveillance mechanism will avoid the protection of any particular national interest, will defragment the european financial sector by breaking the links between banks and Governments (national finance) and will follow the single objective of protecting European financial stability. The role of the single supervisory authority lies with the European Central Bank and will be held from November 2014. The Basel III rules (new international standards for bank capital) are transposed into the legal framework of the EU through the set of rules on capital requirements for banks (CRD IV) and are in force as from 1 January 2014. Compliance with a set of regulations regarding CRD IV pursues the banks' ownership of a sufficient level of capital in terms of quality and quantity.

The consolidated legislative regulation framework requires banks to develop a recovery plan (which includes measures for correcting any possible deterioration of their financial situation) and a plan of resolution (which includes measures for the orderly cessation of activity when recovery is not possible). Corrective measures when banks enter into severe financial difficulties (such as, for example, non-compliance with the legal requirements of the capital) is the extended competence of the unique authority of supervision but only as a prevention measure before irreparable damage is done to the financial state of the targeted bank. Extensive powers are specified in the restoration plan and give the right to deploy preventive recovery measures, such as the adjustment of managerial staff, the appointment of a special administrator, the convening of the shareholders ' meeting for immediate decisions and blocking the distribution of bonuses or dividends. Some additional support measures may be the unilateral requirement to supplement the capital, the exposure decrease to certain risks or changing the legal structure. In situations where intervention is required, real time monitoring will be performed by the single supervisory authority intervention (the ECB) and will be carried on by it in close coordination with relevant authorities for resolution.

Managing the entry of a bank in difficulty is aimed, first, to protect the taxpayers by eliminating the actions meant to rescue the bank by transferring costs on to taxpayers. According to the EC, the equivalent of the financial rescue and recapitalisation measures approved in the period from October 2008 to December 2012 is 592 billion euro (4.6 of EU GDP) and related guarantees represents 1000 billion euros. The total financial effort amounts to 1.600 billion, equivalent to 13% of EU GDP only for the period 2008-2010. Directive on redress and resolution of banks ' warrants that, in the event that a bank's financial condition deteriorates irreparably, both shareholders and creditors of the bank concerned will incur costs to return through the mechanism of domestic recapitalisation. This mechanism involves reducing debt or, where appropriate, by default or optionally, converting them into shares, in order to allow the continuation of activity and avoid damaging the functioning of the financial system as a result of the interruption or termination of the financial services. Internal recapitalization means that the bank should reduce the number of shareholders in the first instance, and losses to be borne primarily by the shareholders and holders of convertible subordinated bonds and shares. The rapid adoption of a decision in the case of resolutions is ensured by the unique Mechanism of resolution, and binding to other members of the Banking Union.

Protecting the taxpayers ' investment is ensured through the creation of a single fund resolution by the contribution of all European banks. Establishment of this Fund will be done gradually starting in 2016, reaching a rate of 55 billion euros in the course of 8 years. In terms of protecting depositors, all Member States shall ensure all deposits in the amount of up to EUR 100 000 per depositor for each bank to which such deposits are made, which gives depositors confidence, ensures financial stability and loosens up to avoid the negative effect of contagion in the banking system and economic tense situations. Receiving the amount guaranteed will be made within 7 working days. National guarantee schemes will be supported by a fund created through ex-ante collection over a period of 10 years of 0.8% of the guaranteed deposits. Insufficiency of this Fund will be covered through the ex-post collection of contributions from the banking sector and throung accessing alternative financing mechanisms such as loans from non-member institutions, whether public or private. Moreover, national schemes of deposit-guarantee schemes will be the subject of a voluntary mutual loan mechanism. In the event that a bank failure will affect small businesses and people with deposits in the amount of over 100 000 euro, they will be treated preferentially, being the last of the creditors who will record losses and the last that will financially support the internal recapitalization.

4. Conclusions

- Regarding the perspective of creating and joining the Banking Union, a pro or con point of view of a EU member outside the Eurozone can be built and supported by arguments based on the importance of pursuing and protecting the national interests, leading up to the importance of pursuing and protecting the European interests. For sure, the local actions in each country are fundamental, but their efficiency depends on their intention and power of following a common European vision.
- The common context that should include this kind of debate is defined as "proper governance" from the continuing of reforms and good economic governance point of view. The EU decision makers must pursue the achievement of three main conditions regarding finance solidity, protection of the banking system, building and following a common standpoint.
- Achieving the sustainability of the financial system implys adopting and implementing measures and actions targeted at fiscal adjustment. In order to achieve this, ensuring a short term wider fiscal borderline, that can support new jobs and econominc growth re-launch is, in fact, a consequence of safe long term risk management of the social expenses.
- The financial crisis highlited the importance of the integrity of the banking system. Consolidating this system implies speeding up the banking recapitalization; this will lead to the system's increased capacity to manage the sovereign debt risk, to stand the slow economic recovery tensions and, last but not least, to isolate and

minimize the contagion effects. Building the Eurozone was not perfectly done and the financial crisis highlighted both the good and the bad, but also one of theis causes: lack of common vision.

- Common visión implies long term social, economic and political terms. Regarding the economical terms, a common view can start by breaking the vicious circle between banks and governments, which can be done either by fiscal union or by banking union. The main issue is not the fact that they are both based on member countries giving up some level of sovereignty, but the understanding of the importance of pursuing and protecting the European best interest, which also implies protecting the national best interest; in this case, which of the two has the priority, given the fact they are both necessary and must be accomplished.
- In order to identify the optimal solution, one can start, for example, with the assessment of the degree of opportunity in terms of immediate necessity and the speed of implementation, specific to both the Fiscal Union and the banking union. If we take into account the intent of breaking the vicious circle of banks and Governments, the need of immediate opportunity involves action in both cases, if we take into account the speed of development, the Banking Union is more appropriate.
- A fiscal Union is controversial and therefore building it in the near future is difficult. Tax rules have not been compelling enough to straighten and discipline the behavior of Member States, which justifies the record high levels of budgetary deficits and public debt during the prosperous economic growth in some countries. In this context, the banking sector has excessively assumed riskuri and argued, without having an economic justification, the appreciation of asset prices.
- The dynamics of economic activity during the period of expansion and the abundance of financial resources has led to minimize the importance of long-term financing and, moreover, emphasized short-term financing. Even if the risks of this option have been recognised, their formation does not seem to be likely due to the high degree of integration of financial markets integration which was not accompanied, however, and the creation of mechanisms and instruments for transnational supervision. Therefore, the onset of the

financial crisis was only a matter of time, and unleashing it highlighted the fragility of the financial system and its weak capacity to sustain its economic growth process.

- The reality of national tax authorities was preferred over the apparent financial integration deemed to be sufficient but is, in fact, perfunctory. This fact highlights the lack of consistency and espouse a strict approach to the specific national challenges current or, in other words, the importance of transnational feature to ensure the effectiveness of future solutions. In this context the banking system influence in the crisis justifies the implementation of Banking Union as a desirable and feasible solution to strengthen economic and Monetary Union and the strengthening of the single market.
- Adoption of a reserved positions which can justify remaining outside the Union Bank can generate isolation and the disadvantage of not taking part to a construction which will have effects (the "misalignment risk") over the financial system, regardless of whether the State in question will be or not a member of this construction.
- There are also risks related to joining the Banking Union, which are not necessarily reated to the joining moment, the overall economic importance or the financial sector development level of the joining state . The risk of being too small to count ("alignment risk") reflects the concern of Member States of the Union Bank (regardless of membership of the eurozone or not) to be put in a position to submit to the General conditions – which can be binding, unbiased or relevant- without access to any derogating clauses or decision-making initiatives, as a result of an insufficient representation in the decision-making forum (unique supervisory mechanism in particular). This problem was resolved by setting up a mediation body which is able to intervene in case the Governing Council rejects a decision of the Supervisory Committee.
- Participating Member States' concern - the way in which contributions will be calculated at the single resolution Fund - was resolved by sizing the contribution depending on the volume of liabilities of the banking system, excluding own funds and guaranteed deposits. Thus, Member States' contribution will be correlated with the degree of intermediation in the economy and not the size or importance of the economy in the Union.

- Romania evaluated the option of joining the Banking Union in terms of the realities that take into account the current context and prospects of European integration as a whole. Entrance to the Banking Union is a natural choice as suggested and supported by the structure of the banking system in Romania, in which euro area banks hold a hefty majority (over 70%) capital and net assets of the banking system. Euro adoption was fixed for 2019, implying and assuming the status of a Member State of the Union Bank. Thus, there is an option to participate in the construction of the project (obviously advantageous but not without risk) or the obligation of entrering into Union Bank draft as it was built, at the time of adoption of the euro. Moreover, the status of a Member State of the European Union banking sector diminishes the barriers to entry in the market and reduces distortions of competition and competitiveness, ensures more effective monitoring and, last but not least, maintains the intention to intermediate the foreign banks, actions that can be evaluated as advantages in favour of the Member States. "Romania's accession to the Banking Union will be such as to strengthen financial stability, to strengthen confidence in the banking sector and to support the sustainable growth of credit and economic activity" (Isarescu, 2014)

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