

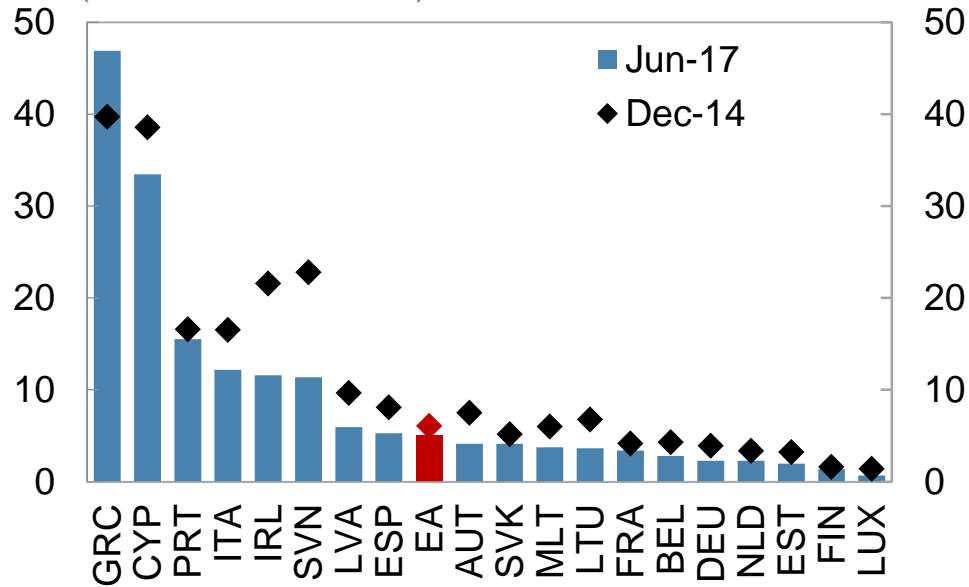
# Panel Discussion: Completing the Banking Union

Despite progress on banks' balance sheet cleanup, NPLs remain elevated across some countries, ...

... and markets do not perceive that the bank-sovereign nexus issue has been fully addressed.

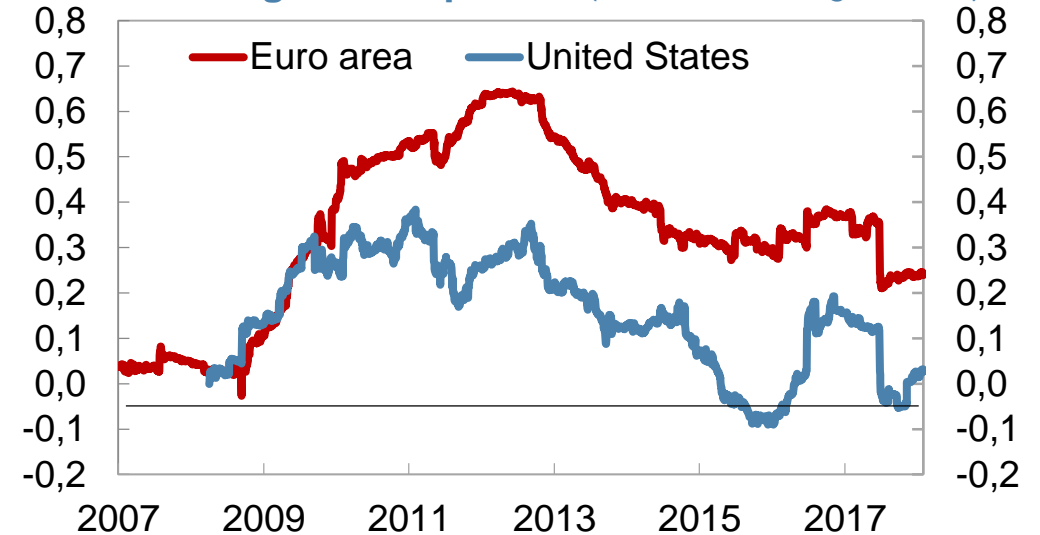
## Euro Area: Nonperforming Loans

(Percent of total loans)



Source: ECB.

## Correlations of Changes in Bank and Sovereign CDS Spreads (12-month rolling window)



Source: Bloomberg; and IMF staff calculations

Note: The Euro area series is calculated as the GDP-weighted sum of correlations at the country level.

The panel discussion will focus on the architectural reform needs for completing the banking union, with a particular emphasis on the balance between reducing legacy risks and greater risk sharing, including to progress on adopting a European Deposit Insurance Scheme. The panelists will also explore options to streamline the application of state aid rules, drawing from the recent country experiences, to ensure effective crisis management and fair competition in the single market. Finally, the panelists will discuss the key elements of the architecture that would improve the functioning of the single banking market, while providing the right balance between centralized and local responsibilities for maintaining financial stability.

