Press release | 20.05.2013

Bank resolution

Crucial step towards common EU approach to ailing and failing banks, with key EP vote

The European Parliament's economic affairs committee today voted on draft new EU legislation on banking recovery and resolution. The Greens welcomed the outcome of the vote, with Green economic and finance spokesperson **Philippe Lamberts** stating:

"This legislation is a crucial building block in the move towards EU banking union and today's vote would provide for a robust framework for dealing with ailing and failing banks across Europe. The absence of clear rules on bank recovery and resolution in many EU countries played a clear role in the chaotic response to the financial crisis and a coherent common EU rulebook is urgently needed. EU legislation can clearly deliver this and EU governments should prioritise the passage of this legislation, and not kick it to the long grass of treaty change.

"*Given the devastating impact rescuing failed banks has had on exchequers in a number of EU member states, the overriding goal should be to limit taxpayers' exposure to bank failures in the future to the maximum extent possible and as a last resort measure. To this end, the creation of an ambitious toolbox aimed at bailing in shareholders and creditors well ahead of depositors and taxpayers, as voted today, is a major step in the right direction.*

"*MEPs voted to ensure depositors are given the highest level of protection in the case of bank failure. The bail-in of any creditors should be done according to a clear hierarchy, with depositors with savings over €100,000 last in line, whilst deposits under €100,000 would be fully protected.*

"*Another big step forward, based on today's vote, are provisions giving authorities the power to force banks to adopt a credible plan, where no resolution plan adequately fits a 'too big to fail' bank. This entails the power to restructure the bank and change its risk profile. A further important provision adopted today was a Green proposal on early intervention: recovery planning, monitoring and actions for authorities to intervene well before a bank fails and steer it back on a sustainable course.*

"*Ultimately, the creation of a European bank resolution fund, funded by the banks themselves, would provide the greatest protection but proposals to this end have yet to be made. The legislation voted today provides for the creation of national resolution funds on the basis of bank contributions, which would be an important step in the right direction.*

“*The legislation provides for the separation of assets, with a publicly-controlled entity taking over failed banks' assets and liabilities. This should be based on a prudent valuation of assets and include off-balance sheet items.*

“*Crucially, a progressive majority of MEPs endorsed a Green-backed proposal to give the European banking authority a binding mediation role in the resolution of cross-border groups. This would be an important provision for ensuring timely and decisive action in the interests of the EU as a whole.*”

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Philippe Lamberts

Member

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