Press release | 06.02.2014

Banking resolution

EP draws line in the sand on EU architecture for single resolution mechanism

The European Parliament today voted on draft EU legislation on the creation of single mechanism for banking resolution, with a large majority of MEPs endorsing the position of the EP's economic and monetary affairs committee. The Greens welcomed the outcome and called on EU governments to give way on their insistence that the new mechanism be set up on an intergovernmental basis, rather than as an EU entity. Commenting after the vote, Green economic and finance spokesperson **Sven Giegold** stated:

"The European Parliament has today drawn a line in the sand on the need to ensure the proposed bank resolution mechanism is set up as an EU entity and not an unwieldy intergovernmental construct. With legislative negotiations between the Parliament and EU governments deadlocked on the legal basis and structure of the proposed mechanism, this vote makes clear that Parliament is serious. Hopefully, EU finance ministers - who have hitherto been picking apart the original proposals from the Commission - will now see sense.

"The overarching goal of this crucial banking union pillar on bank resolution should be to limit the exposure of taxpayers and ordinary savers to future bank failures to an absolute minimum. To this end, EU legislators have a duty to deliver a coherent, robust and democratic legal framework."

Green economic and finance spokesperson **Philippe Lamberts** added:

"Today's vote would create a true and independent single resolution authority covering the whole European banking sector. It would see the European Commission take the decision to restructure a bank, based on a proposal by a resolution board where all participating member states would be represented, with the European Parliament also having a role in such a crucial decision. This would be complemented by a single resolution fund, drawing on contributions by the banks themselves, so as to fund resolution actions. This approach will ensure a coherent European approach to what the financial crisis has glaringly revealed as a European problem.

"The intergovernmental architecture being proposed by EU governments, on the other hand, would create a cumbersome and unmanageable patchwork (1). The complicated voting arrangements being mooted would render the mobilisation of the fund very difficult. This would leave us back at square one, with individual sovereigns footing the bill for bank resolutions and the devastating consequences this has been shown to have for public finances. It would also be done through an arcane process, lacking democratic legitimacy. Those

EU governments, like Germany, which are stubbornly insisting on this approach must finally yield."

(1) See a visual overview of the decision-making procedure: http://www.greens-efa.eu/bank-rescue-made-easy-11566.html

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