Press release | 20.03.2014

Banking resolution

Deal makes resolution mechanism simpler, more European and efficient but intergovernmental approach casts long shadow

An agreement was reached this morning between the European Parliament and Council on new EU rules on bank resolution and the creation of single mechanism for banking resolution. European Parliament negotiators have secured major improvements to the single resolution mechanism that was on the table from EU governments, ensuring it will be simpler, more European and more efficient. However, the Greens have raised concerns about the fact that many core provisions are dealt with via an intergovernmental agreement, rather than EU law. Commenting on the outcome, Green economic and finance spokesperson **Sven Giegold** stated:

"This agreement undoubtedly provides for a more efficient and effective EU mechanism for winding down failing banks. As European Parliament negotiators, we have ensured significant improvements to core areas of the mechanism vis-a-vis what EU governments had wanted (1) and extracted far more from German finance minister Schäuble than EU member states had. However, the insistence of EU governments that core elements of the system be dealt with through an intergovernmental agreement, as opposed to EU law, casts a long shadow over the deal.

"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. The agreement reached today certainly goes a long way towards this. The mechanism will move swiftly towards a mutualised resolution fund, which is crucial to ensuring a truly European approach and breaking the link between banks and sovereigns.

"The decision-making process has been made far more rational and efficient than what was being proposed by EU governments in Council. Council will remain the final decision-maker but not in all circumstances.

"There are doubts about the legal soundness of this intergovernmental approach and the Greens will thoroughly evaluate all legal options to avoid a precedent. This is now the second time that core economic and financial rules have been concluded as an intergovernmental agreement and there are real concerns about European democracy and the community method."

(1) Core improvements include:

- the European Central Bank supervisor initiates the process, as the entity responsible for deciding whether a bank is on the brink of failing. The Resolution Board may ask that the ECB takes such a decision and if the ECB declines to do so, then the Board itself may take the decision.

- the European Commission is charged with adopting draft resolution schemes, action plans drawn up to address a specific case of a failing bank. Council will only be involved in unlikely cases, limiting the scope for political interference.

- the time and decision-making process on the establishment of a resolution scheme was greatly streamlined.

- a system will be established to enable the single resolution fund to borrow. This will allow it to increase its firepower in the initial years.

- there will be a rapid mutualisation of the fund: 40% in first year, 20% in second year, the rest equally over a further 6 years. The fund would pool 60% of all their resources by year two without speeding up the pay-in.

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Responsible MEPs

Sven Giegold

Member

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