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Banking Union

Major step forward overshadowed by intergovernmental approach to banking resolution

The European Parliament today voted to adopt a series of legislative files as part of the move to create a European banking union (1). The Greens welcomed this major development for dealing with the problems of the financial sector in a coherent European manner but expressed regret that many of the core provisions of the banking resolution scheme will be founded in an intergovernmental agreement, separate from EU law. Commenting after the votes, Green economic and finance spokesperson Sven Giegold stated:

"We have taken a major step towards the creation of a European banking union. The systems being set in place today represent a step forward for the creation of a coherent and effective European approach to dealing with the banking sector, ensuring the lessons of the financial crisis and the massive continent-wide problems of bank failures have been learned. However, the insistence of EU governments that core elements of the new banking resolution system be dealt with through an intergovernmental agreement, as opposed to EU law, casts a long shadow over the achievement. There are doubts about the legal soundness of this intergovernmental approach and the Greens will thoroughly evaluate all legal options to avoid a precedent.

"The banking union is not yet completed. The EU now needs to move forward as soon as possible with a view to completing the financial transaction tax and the separation of bank activities in order to deal with the problem of too-big-to-fail banks."

Green economic spokesperson **Philippe Lamberts** added:

"The overarching goal of the European banking union should be to limit the exposure of taxpayers and ordinary savers to future bank failures to an absolute minimum. The new banking resolution and deposit guarantee schemes endorsed today certainly go a long way towards this. The banking resolution mechanism, built on a single resolution toolkit, 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 Greens wanted to further and address the major problems caused by member state governments taking unilateral decisions to inject public money into impaired banks but regrettably this will still be possible in the future.

"More fundamentally, as long as systemic financial institutions are allowed to exist in their current shape, taxpayers will remain exposed to paying for the follies of a runaway financial industry. Too big to fail banks are simply too dangerous to exist. Tackling this issue must be an absolute priority of the next European

Parliament."

(1) The European Parliament today voted to confirm legislative agreements on three crucial files in the context of the European banking union: on the creation of single resolution mechanism and a single bank resolution fund (Ferreira report), on a framework for the recovery and resolution of credit institutions and investment firms (Hökmark report) and on deposit guarantee schemes (Simon report).

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Sven Giegold

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Philippe Lamberts

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