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Press release | 26.06.2017

Circumvention of EU Law sets a dangerous precedent

New Banking Subsidies in Italy

Last night, the European Commission approved new subsidies for Banca Popolare di Vicenza and Veneto Banca. The support comes in the form of 4.8 billion euros of cash plus 12 billion of state guarantees to protect senior creditors and depositors from losses. After the Commission rejected a so-called "precautionary bank recapitalization" favoured by the Italian government, a national insolvency proceeding was initiated. The state aid approved by the Commission has been granted on the basis of the post-crisis banking aid notification (2013 Banking Communication), which leaves all preferred creditors free of liability. This generous exemption of liability was expressly linked to the risk of a severe financial crisis.

Sven Giegold, financial and economic policy spokesperson of the Greens/EFA group comments:

"This is an outrageous circumvention of the rules of the European Banking Union. In the absence of a financial crisis, there is no legal requirement for the approval of the new banking subsidies by the European Commission. Rather, this is a politically motivated decision, and one that will have negative consequences for the credibility of the Banking Union. Banks in Italy will benefit from favourable refinancing for risky trades because investors can assume that the government will protect them, undermining fair competition. Retail investors suffering from mis-selling could have been protected without removing the responsibilities of all creditors. Instead, taxpayers are once again rescuing millionaires and financial investors.

"The fear of the political consequences of the bail-in of creditors in Italy overran economic rationality. The ECB as Banking Supervisor, the new European Resolution Authority, SRB and the European Commission have all colluded to make this circumvention of the rules possible."

Ernest Urtasun, Green Shadow for the Revision of the European Banking Resolution and Recovery Directive, adds:

"In the ongoing revision of the banking legislation, the European Parliament must take action to close loopholes for the liability principle. The failure of the supervisor of the Spanish Banco Popular, the imminent circumvention of the rules at the big Italian

Bank Monte dei Paschi di Siena, and the new bank subsidies just approved must be scrutinised by the parliament. The Greens/EFA group will push for a speedy and thorough investigation. We continue to support the Banking Union, but there must be respect for the agreed rules if it is to succeed."

Notes

The EU Commission's Communication on the new banking subsidies can be found here:

http://www.sven-giegold.de/wp-content/uploads/2017/06/IP-17-1791_EN.pdf

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