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Banking resolution

EU Commission's bail-in plans would prop-up big, risky banks at the expense of others

The European Commission today adopted new EU rules on how to calculate the contributions by banks to the EU's banking resolution fund system (1), both the national resolution funds and the EU's Single Resolution Fund. Reacting to the proposals, Greens/EFA co-president **Philippe Lamberts** said:

"There is a real risk that we are repeating the mistakes of the past with these proposals from the European Commission on the bank levy to the European bank resolution funds. The levels of contributions by banks proposed by the Commission are not proportional to the calculated risk of their business, but largely according to their total assets. This would prop-up bigger, riskier banks, at the expense of smaller, more stable banks like savings banks and cooperatives, which contribute to the real economy."

Green economics and finance spokesperson **Sven Giegold** added:

"Europe's big banks will not only benefit from an annual €200 billion euros in indirect subsidies, they will now also benefit from a disproportionately low contribution to the resolution funds. Beyond the basic flaw of calculating the contribution based mainly on assets, rather than business risk, Commissioner Barnier has given an additional gift to bigger banks by enabling the generous 'netting' of derivatives, rather than taking risky exposures fully into account. This sets the wrong incentives for financial market stability. In addition, the bank levy will be tax deductible in some EU countries and not in others (like Germany). This will mean there is no level playing field in Europe, which is at odds with the goal of a European banking union."

"The European Parliament must now properly scrutinise these proposals and must seek to change the unfair approach proposed by the Commission. We should be seeking to get these proposals right, rather than rushing them through in their current imbalanced form."

(1) The Commission proposal can be found at http://europa.eu/rapid/press-release_IP-14-1181_en.htm?locale=en - the European Parliament will have a say over the delegated act on the contributions to the national resolution funds (under the Bank Recovery and Resolution Directive) but not on the contributions to the Single Resolution Mechanism.

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Sven Giegold

Member

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