**Question for written answer E-006366/2016**
**to the Commission**
Rule 130
**Barbara Kappel (ENF)**

Subject: Situation of Italy's banks following stress test

When the ECB and Monte dei Paschi reached an agreement to cut EUR 14 billion from the Italian bank's bad debt by 2018, investors in the bank began selling their shares. Italy's banking crisis has been further aggravated by the Brexit referendum. It is, however, debatable whether the situation is sufficiently acute to warrant supportive intervention by the Government.

1. After the Brexit vote, the price of shares in Italian banks fell on average by 30% – making it even harder for them to refinance and reduce their bad debt, which totals close to EUR 360 billion. The regulatory armoury for countering such situations includes the Single Resolution Fund, the provisions of the Bank Recovery and Resolution Directive (BRRD), including the minimum requirement for own funds and eligible liabilities (MREL), the Basel rules on total loss absorbing capacity (TLAC), leverage ratios, credit loss ratio (CLR) and net stable funding ratio (NSFR). Does the Commission see the current situation as a test case for the new tools' effectiveness?

2. There is scope under the BRRD for, inter alia, precautionary recapitalisation, permitting state intervention where it is objectively established that a bank will face a capital shortfall in the near future. What is the Commission's view of this as a proposed way to tackle the current banking crisis in Italy?

3. Because the Italian Government is reluctant to call on small investors for a bail-in, the proposal under discussion is to involve institutional investors, in line with the burden-sharing approach in the Commission's 2013 Banking Communication. What legal obstacles does the Commission foresee in that regard?