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Bank Resolution Regimes

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Abstract

The euro area sovereign debt crisis has been exacerbated by an on-going banking problem and the sovereign debt crisis has worsened the prospects for euro area banks. This makes it urgent that policy makers find a solution to the problem of dealing with troubled financial institutions. This paper discusses the challenges associated with designing bank resolution regimes.

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AUTHOR

Anne SIBERT
Birkbeck, University of London and CEPR

RESPONSIBLE ADMINISTRATOR

Doris KOLASSA
Policy Department Economic and Scientific Policies
European Parliament
B-1047 Brussels
E-mail: poldep-economy-science@europarl.europa.eu

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ABOUT THE EDITOR

To contact the Policy Department or to subscribe to its monthly newsletter please write to: poldep-economy-science@europarl.europa.eu

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EXECUTIVE SUMMARY

- The euro area sovereign debt crisis has been exacerbated by an on-going euro area banking problem and the sovereign debt crisis has worsened the prospects for euro area banks. As sovereign spreads rise, so do concerns about counterparty risk. This makes it urgent that euro area policy makers find a solution to the problem of dealing with troubled financial institutions.
- When confronted with the insolvency of Lehman Brothers in September 2008, there were only three possible options for policy makers: attempting to use conventional bankruptcy legislation to support or wind down the firm; using taxpayers' funds to prop up the ailing institution; or finding another institution to buy the failed firm. Each of these options has serious drawbacks.
- In thinking about how to structure a bank resolution regime, it is useful to consider what regimes are now in place elsewhere. I describe the experience of the United States in handling the failure of relatively simple depository financial institutions.
- When a financial institution fails, many parties have claims against its assets. There is wide agreement that if the firm's assets are insufficient to meet these claims, that the depositors should be protected, at least up to a point, and that the shareholders should lose their money. There is less agreement over whether or not other claimants should be protected and whether society or other financial institutions should fund any shortfall.
- There is a conflict between efficiency and property rights in the design of bank resolution regimes. If a financial firm's business is to continue without interruption, it is best to take it over before it becomes insolvent. But, if the firm has not yet failed then there may be a chance that it might not fail and in this case seizing it amounts to confiscation.
- One of the most important and challenging problems in designing a bank resolution mechanism is how to deal with multinational banks. An international banking group's foreign branches are subject to the resolution regime of the country in which the group is licensed. Its foreign subsidiaries, however, are subject to the resolution mechanism of their host country. Conflicts between these regimes have the potential to be disastrous.
- The European Commission is addressing the problem posed by systemically important financial institutions, with the goal of ensuring that these firms can be allowed to fail without creating significant risk to financial stability or costs to taxpayers. Its 20 October 2011 communication is a careful and sensible assessment of the challenge.

1. INTRODUCTION: THE BANKING CRISIS AND SOVEREIGN DEBT

The euro area sovereign debt crisis has been exacerbated by an on-going euro area banking problem. For example, the Greek sovereign debt crisis has been described as a German and French banking crisis in disguise: the heavy exposure of German and French banks to Greek debt may have precluded an otherwise desirable pre-emptive rescheduling by the Greek government. An imprudent sovereign guarantee of unsecured Irish bank debt, followed by recapitalisation and nationalisation of Irish banks that were far too big to bail out led to the Irish sovereign debt crisis. The sovereign debt crisis in turn worsens the prospects for euro area banks. As sovereign spreads rise, so do concerns about counterparty risk. This leads to higher bank funding costs and the credit rationing associated with adverse selection problems. Thus, both as way of dealing with a sovereign debt crisis and because the sovereign debt crisis has made the problem of failing banks more urgent, euro area policy makers must find a solution to the problem of dealing with troubled financial institutions.

In this report, I consider how policy makers initially responded to the problem of failed financial institutions in the solvency crisis that began in the summer of 2008. I describe how they relied on conventional bankruptcy legislation, taxpayer-funded bailouts and selling troubled firms. The United States has operated an efficient bank resolution regime for relatively uncomplicated depository institutions. As this provides lessons for the EU, I also describe how it functions and assess its limitations and problems. Finally, I discuss how, in light of the experiences with different methods during the financial crisis and the United States' experience, one might design a bank resolution regime for Europe.

2. OPTIONS POLICY MAKERS HAD FOR DEALING WITH FAILED BANKS IN THE CURRENT CRISIS

A problem associated with the financial sector is that, because of systemic risk factors, the demise of just one or a few sufficiently important financial institutions can lead to the domino-like collapse of a chain of other financial institutions that severely impairs an entire national, or even the global, financial sector. Because of the importance of the financial system to the real economy's functioning, this could be a damaging or even catastrophic blow to the real economy. Unfortunately, the eruption of the solvency crisis has made it clear how unprepared the world was to deal with the collapse of large, systemically important financial firms.

When confronted with the insolvency of Lehman Brothers in September 2008, there were only three possible options for policy makers: attempting to use conventional bankruptcy legislation to support or wind down the firm; using taxpayers' funds to prop up the ailing institution; finding another institution to buy the failed firm. Each of these options has serious drawbacks.

2.1. Using Conventional Insolvency Laws

Conventional bankruptcy legislation is too slow to be suitable for financial firms and multinational firms face problems associated with different and conflicting bankruptcy regimes in different locales. These problems are illustrated by experience of Lehman Brothers.[1]

Lehman Brothers filed for Chapter 11 bankruptcy protection on 15 September 2008. At Lehman, it was procedure that all spare cash held by the London subsidiary – a corporate entity subject to British bankruptcy legislation – was sent to the New York parent at the close of each business day. When the directors of this subsidiary realised on Sunday 14 September 2008 that their US parent was going to file for bankruptcy protection the next day, they realised they no longer had the cash to fund their operations. Under British law this meant that the company had to be put into administration and, as a consequence, its access to exchanges and clearing systems was frozen with a large number of trades left open.

Putting the British subsidiary into administration also created a further problem. The British subsidiary used a bewildering array of complex legal structures to hold its client assets. The Lehman Brothers group had a group-wide IT system that was operated out of New York and, after the bankruptcy filing, it ceased to be updated for the British subsidiary. This made it difficult for the administrators to return the client assets – worth about USD 35 billion – held by this subsidiary. The resulting delay greatly increased the market disruption caused by the failure of Lehman Brothers.

[1] See Armour (2010) for a detailed description.

2.2. Taxpayer-Funded Bailouts

The second option for dealing with failed financial firms, bailouts with tax payer funds, has been used by many countries since the recent crisis began. Examples are the United States in the case of American International Group (AIG), Germany in the case of Hypo Real and Commerzbank, the United Kingdom in the case of the Royal Bank of Scotland Group and the TSB-HBOS Group, the Netherlands, Belgium and Luxembourg in the case of Fortis Bank and Ireland in the case of Anglo Irish Bank.

There are a number of potential problems with this approach. The first is that it might create moral hazard. If financial firms perceive that they are likely to be bailed out if they run into difficulties then this would tend to cause them to engage in excessively risky behaviour. On the other hand, if the market also believes that insolvent financial firms are likely to be bailed out, then these firms can borrow at more favourable rates than they otherwise could. This raises the value of solvency and might, in principle, mitigate this problem to some extent. However, a recent study of German banks during the period 1996 – 2006 does not support this. It was found that the removal of public guarantees significantly reduced risk taking.[2]

The second problem is that tax payer bailouts can also be politically unpopular, to say the least. In Ireland, parties campaigning against the continued use of tax payers' money to repay the senior unsecured bondholders of Irish banks gained a large majority in the Irish parliamentary elections of 25 February 2011.

A third problem is that, in some instances, the failed banks are too large for tax payer bailouts to be feasible. Iceland is the most egregious case; the size of the Icelandic banking sector's balance sheet was about 11 times the size of Icelandic GDP before it collapsed. Fortunately, the Icelandic government did not attempt to save its banks, as this would have dragged the sovereign into insolvency along with the banks. The Irish attempt at bailing out banks that were too big to be saved is now threatening sovereign solvency.

Finally, state support of financial institutions may conflict with Article 107(1) of the Treaty on European Union (consolidated version) which says, '*Save as otherwise provided in the Treaties, any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market.*' However, Article 107(3)(b) may provide an exception in sufficiently important cases as it allows aid 'to remedy a serious disturbance in the economy of a Member State'.

2.3. Selling Troubled Firms

The third approach to the threatened bankruptcy of a financial firm has been to sell it to or merge it with another financial firm. Fortis's Belgian banking operations were sold to the French bank BNP Paribas (while its Dutch ABN-Amro operations were sold to the Dutch sovereign), Merrill Lynch was sold to the Bank of America, Bear Stearns was merged with JP Morgan Chase, HBOS was acquired by Lloyds TSB.

[2] See Gropp et al (2010).

This approach, too, has problems. It may require a taxpayer sweetener (as in the case of Bear Stearns) to induce another firm to go along with the deal. Negotiations can be acrimonious (as in the case of Fortis) and take time. Shareholders may try to block the deal if it lowers the value of their shares or reduces their control (as they did at Fortis and JP Morgan). It may weaken the institution that acquires the failed firm. Lloyds TSB share values fell by about a third in value after HBOs posted unexpectedly high losses in early 2009. Some financial firms, such as the Royal Bank of Scotland, are too large to be digested by another.

3. THE BANK RESOLUTION REGIME IN THE UNITED STATES

In thinking about how to structure a bank resolution regime, it is useful to consider what regimes are now in place elsewhere. I describe some of the experience of the United States in handling failed depository financial institutions.

3.1. The Case of the FDIC and Washington Mutual

Washington Mutual (WaMu) of Seattle was the sixth largest bank in the United States, with assets valued at USD 328 billion in 2007. Unfortunately, it suffered heavy losses in the US subprime mortgage market and the price of its shares plummeted from 30 dollars to two dollars between September 2007 and September 2008. On 15 September 2008 its depositors began to run, withdrawing about USD 17 billion. On Thursday 25 September the US Office of Thrift Supervision (OTS), which regulated WaMu, closed the bank and appointed the Federal Deposit Insurance Corporation (FDIC) as receiver.[3] The FDIC auctioned off a package including most of the WaMu's assets and all of its deposits and secured debt. On Thursday 25 September 2008, JP Morgan Chase was informed that it was the winner.

The collapse of WaMu was the largest bank failure in US history and the second largest bankruptcy after Lehman Brothers. However, unlike in the collapse of Lehman Brothers, WaMu's business operations proceeded without interruption after its demise. Its branches opened as usual on the morning of Friday 26 September, albeit as JP Morgan branches, its ATMs continued to operate and its online services remained available.

In the United States the FDIC manages a receivership regime for failed banks. It sells their good assets and winds down their bad assets. It currently insures up to USD 250,000 per depositor per bank. If there are more than sufficient funds to pay insured depositors from a bank's recovered assets, then it uses the extra funds to pay, in order, general unsecured creditors, subordinated debt and stockholders. If there are insufficient funds to pay insured depositors, then it makes up the difference with its Deposit Insurance Fund. A 27 February 2009 press release from the FDIC states: 'Throughout the FDIC's 75-year history, no depositor has ever lost a penny of insured deposits. While deposits insured by the FDIC are backed by the full faith and credit of the United States Government, the FDIC is funded not with taxpayer money but with deposit insurance premiums imposed on banks. Though the FDIC has the authority to borrow from the Treasury Department to meet its obligations, it has never done so to cover losses.'

3.2. Limitations of and Problems with the American System

While the FDIC's demonstrated operational efficiency in the handling of failed depository institutions is enviable, the tasks of the FDIC have been much easier than the ones potentially facing European authorities. WaMu was a big bank by American standards, but it was small compared to behemoths such as BNP Paribas or Royal Bank of Scotland which have assets worth three trillion dollars or more. Moreover, and crucially, WaMu was a domestic corporation with a relatively uncomplicated balance sheet.

[3] The OTS is no more; its rights and responsibilities have been taken over by the Federal Reserve, the FDIC and the Office of the Comptroller of the Currency.

The plain vanilla depository institutions that are resolved by the FDIC have not had complex contingent claims on their balance sheets and they have not combined principal and agent roles in their transactions, as do the US broker-dealers that act as custodians and clearing agencies in OTC transactions as well as transacting in the same securities on their own accounts. They have not had complex cross-border structures of branches and subsidiaries and, thus, they have not had the coordination and technical problems associated with multinational groups with corporate entities located in several jurisdictions.

The FDIC's operational efficiency may also have come at the expense of property rights. On 20 March 2009 the shareholders of WaMu, who were nearly wiped out in the FDIC's sale of WaMu to JP Morgan Chase, filed suit against the FDIC. They are seeking damages for what they view as the unjustified seizure of the institution and its sale at an unreasonably low price.

Until recently, the FDIC's authority has been limited to depository institutions; this is why Lehman Brothers fell outside of its scope. This has been changed, however, with the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 21 July 2010. This Act extends the reach of the FDIC to financial companies whose potential collapse might jeopardise the financial stability of the United States. That a financial firm presents sufficient systemic risk is to be determined by the US Treasury in consultation with the Federal Reserve Board and the FDIC. Necessary funding is to be provided by an Orderly Liquidation Fund that is to be set up by collecting risk-based assessment fees from eligible financial companies. The fees are to be adjusted as necessary so that any borrowing from the Treasury is repaid within five years and, thus, no taxpayer money is used. Claims against assets are largely the same order as in the regime for depository institutions, but the compensation claims of all senior executives are subordinate to those of all junior creditors.

Unfortunately, however, the problem of multiple jurisdictions is not addressed: the Act does not apply to foreign subsidiaries. It is also not entirely credible that the United States has committed itself to never using taxpayer money.

4. DESIGNING A BANK RESOLUTION REGIME

Coming up with a proposal for how to respond to the actual or threatened insolvency of financial firms involves answering three questions. First, who should bear the cost of the institution's failure or restructuring? Second, increasing a resolution regime's operational efficiency limits systemic risk, but potentially at the expense of trampling on property rights. How much efficiency does society want and what is the least costly way to get it? Third, how can society resolve the problem of financial institutions operating in multiple jurisdictions?

4.1. Who should bear the cost of a bank failure?

When a financial institution fails, many parties have claims against its assets: its workers and suppliers, tax authorities, depositors, secured debt holders, senior debt holders, junior debt holders and shareholders. There is wide agreement that if the assets are insufficient to meet these claims, that the depositors should be protected, at least up to a point, and that the shareholders should lose their money. There is less agreement over whether or not other claimants should be protected and if so whether society or other financial institutions should foot the bill.

There are two reasons for protecting deposit holders. The first reason is a fragility argument. That is, there exists a possible and socially costly equilibrium supported by self-fulfilling expectations: each depositor runs in the belief that all other depositors will run and the bank will fail. If depositors are insured uninterrupted access to their funds in the event of a bank failure, then there is no incentive for them to run. The second reason is that it may be unreasonable to expect small depositors to monitor the health of complex financial organisations, and hence, they should be protected.

The fragility argument may also be extended to the other creditors of a bank (or other financial firm). Here too there is a socially costly equilibrium where each non-depositor creditor fails to extend new loans or roll over existing loans in the belief that all other such creditors are going to refuse to grant new loans and withdraw the old. In addition, there is an argument based on asymmetric information problems. If creditors cannot perfectly gauge the solvency of banks there may be an adverse selection problem that causes credit markets to freeze. Insuring creditors solves this adverse selection problem.[4]

If it is accepted that some bondholders should be protected, the question is where to draw the line. It has been argued strongly (although mainly by senior bondholders and their lawyers) that senior bondholders should be protected. The argument is that, unlike equity holders, senior bondholders have no possibility of an upside gain, thus they should not be exposed to downside risk. If they were exposed to such risk then they would require higher interest rates. If the banks were forced to pay higher interest rates, they would then pass this cost on to their consumers. As a result, households would pay more for their mortgages and other loans. In addition, it is claimed, senior bondholders are not typically hedge funds, but insurance companies and pensions funds. If senior bonds become more risky, so do these funds.

[4] The fragility argument does not necessarily require insurance. The existence of a fully credible lender of last resort is an alternative.

These arguments, however, are partial equilibrium in nature and neglect the moral hazard problem that arises when creditors believe that they will be bailed out. If, instead, it is believed that senior bonders would be expected to take significant haircuts in the event of insolvency, then they would have an incentive to become more selective about which bonds they purchase. Both they and society, because it cares about the health of pension and insurance funds, would become more careful about monitoring the behaviour of the issuers of the bonds. Consequently, financial institutions that want to issue senior bonds would have an incentive to become more transparent and to engage in less risky behaviour. To the extent that less risk taking on the part of financial institutions is desirable and worth the higher monitoring costs, these changes might offset the harm of the increases in the banks' costs are passed on to their customers. In addition, it is clear that in the event of the failure of a sufficiently large bank, protecting all senior bond holders may simply not be feasible.

A legal system that protects some creditors – say some deposit holders and some secured debtors – but leaves open the question of how much of a haircut unsecured debtors are expected to take, leads to increased uncertainty, litigation and acrimony. A partial solution to a lack of political will to clarify matters is for financial institutions to issue securities that are clearly *not* protected. An example is a contingent convertible bond, or Coco. Such bonds vary in nature, but the ones that are relevant here are bonds which are automatically converted into equity at a pre-specified price when some trigger point is reached. The Basel Committee wants the regulators to decide when the trigger point is reached. While this gives regulators flexibility in dealing with novel situations, it does away with one of the main advantages of Cocos: the rules of the game are clear to all in advance. An attractive alternative may be one where the conversion is triggered by some readily observable and verifiable event. Credit Suisse, Rabobank and Lloyds have all issued Cocos that are triggered if their Tier-1 capital falls below some specified level.

If a failed financial firm's assets are insufficient to protect the claimants that society wishes to protect then the question of who should cover a shortfall arises. This amounts to a choice between the taxpayers and the financial services industry. It is not necessary to point out the political implications of taxpayer-funded bailouts. In the United States, the recently passed Dodd-Frank act specifically precludes spending taxpayer money to rescue a systemically important institution. Taking the more realistic view that there may be instances where some public funding is inevitable, the UK Banking Act of 2009 allows for this.

It is generally accepted that the owners, creditors or customers of the financial services industry should pay at least some of the short fall. In addition to being popular with taxpayers, this might lessen the moral hazard problem associated with bailouts, especially in countries with just a few large financial firms. If financial institutions provide the funding, then they have an incentive to monitor each other.

Funds could be collected by taxing institutions (and possibly deposit holders or other insured creditors) either ex post or ex ante. The EU has favoured an ex ante approach. In this case the payment can be viewed as an involuntary insurance payment that is collected from financial firms and it might depend upon readily measurable features that indicate its size or contribute to its riskiness.

The United States has favoured an ex post approach. In this case the payment is not insurance, but a tax. If Bank A fails, it is widely perceived as fair that the shareholders and the uninsured creditors should lose their money before the taxpayers step in to pay off the insured creditors. It is not, however, reasonable that Bank B, whose managers behaved prudently and which did not fail, should also be assessed before the taxpayers. It is fair to tax financial institutions and their customers for the provision of insurance, but if reasonable ex ante insurance payments and recovered assets do not cover the insured creditors of a failed financial institution then it is the tax payers who are the natural candidates to contribute.

The current banking crisis is to a large extent the result of supervisory and regulatory failures, as well as governments' policy blunders. In a democratic society, the ultimate responsibility for much of the crisis then lies with the electorate. In addition to fairness issues, if the failure of an institution causes significant systemic risk and other financial firms must contribute to making up the loss, then it forces financial firms to lose liquidity just when they need it.

4.2. Shareholder Rights vs. Efficiency

Earlier in this essay I extolled the efficiency of the US resolution regime in its handling of WaMu. But, there are those (primarily the shareholders and bondholders of WaMu) who tell a different story. In their version of events, WaMu had been searching for a buyer since early September 2008. On 25 September the FDIC announced that JP Morgan Chase had won an auction to buy the bank. This suggests that the FDIC must have alerted potential purchasers that the bank was going to be seized some time before the sale. This made it impossible for WaMu to find a buyer: why buy a bank from its shareholders and be required to take on all of its liabilities when you can purchase select parts of it in a government-run fire sale? The resulting rumours could well have provoked the bank run. The bondholders and shareholders have also argued that WaMu was solvent and might have remained so; that the FDIC provoked its liquidity crisis and the subsequent seizure amounted to confiscation.

The different spins on the handling of WaMu result from the conflict between efficiency and property rights that is inherent in the design of bank resolution regimes. Such regimes could in principle rely on statute, and thus spell out the rules of the game in advance, promoting fairness and protecting the rights of property owners. Or, they can rely on the discretion of regulators, and thus allow the necessary flexibility to deal with previously unforeseen events.

That trade-off between property rights and efficiency is especially acute when it comes to deciding how to determine when a financial firm can be taken over by the government. To insure that a financial firm's business continues without interruption, it is best to take it over *before* it becomes insolvent. But, if the firm has not yet failed, then there may be a chance that it might not fail and in this case, seizing it amounts to confiscation.

The problem is further complicated by the problem that it can be difficult to assess whether or not a financial firm is solvent or likely to become so. In principle, insolvency occurs when the firm is no longer operationally viable in the sense that it is unlikely to be able to repay its debts. If solvency is defined this way, however, then declaring a firm to be insolvent requires the judgement of the regulators.

There are more mechanical definitions that rely less on judgement. Three alternative possible criteria for insolvency are when the firm has negative net worth under the prevailing accepted accounting principles; when the firm would have a negative net value if it were liquidated; when the firm no longer has enough liquidity to continue to pay its bills.[5] However, these criteria can be unreliable and unreasonable during a financial crisis where markets become dysfunctional and the price that one could get for a financial asset can be far below its reasonably expected discounted present value if it were held to maturity. Consequently, it is probably unrealistic to rely on a rules-based approach to determining which financial firms should be taken over. Instead, regulators must be allowed to use their discretion, even though this entails a loss of security of property rights and, hence, possibly of government legitimacy. Shareholders, however, should have the opportunity to contest the regulators' actions ex post in court.

EU law provides stronger protection for bank shareholders than does US law. Under current EU law, shareholders of firms must vote on acquisitions and mergers and on whether or not the company is to be liquidated.[6] However, during the financial crisis, a need to avoid systemic risk has led some nations to suspend these shareholder rights for financial firms. In the United Kingdom, the Banking Act of 2009 gives the Treasury and the Bank of England wide powers to transfer shares from a failing bank to a government-owned bridge bank or to a private purchaser.

4.3. Problems Associated with Multinational Banks

One of the most important and challenging problems in designing a bank resolution mechanism is how to deal with multinational banks. An international banking group's foreign branches are subject to the resolution regime of the country in which the group is licensed. Its foreign subsidiaries, however, are subject to the resolution mechanism of their host country. As the Lehman Brothers bankruptcy illustrates, conflicts between these mechanisms have the potential to be disastrous.[7]

In addition to legal issues there are technical problems associated with the restructuring of a systemically important multinational financial institution. For example, how does one transfer such a complicated organisation to new ownership over a weekend so that its operations are unaffected? These technical issues are behind the proposals for all systemically significant cross-border institutions to have resolution plans or 'living wills'.

[5] See Hempton (2009) for a discussion of this.
[6] See Kern (2009).
[7] It might seem that a possible solution would be to make foreign subsidiaries branches, but many countries dislike the notion that a financial institution located within their borders is regulated and supervised by a foreign nation: the Icesave debacle illustrates why this is so.

5. THE EUROPEAN COMMISSION RESPONSE

The European Commission is addressing the problem posed by systemically important financial institutions with the goal of ensuring that these firms can be allowed to fail without creating significant risk to financial stability or costs to taxpayers. Its 20 October 2011 communication is a careful and sensible assessment of the challenge. It recommends national resolution regimes with well-defined powers and processes, safeguards for the property rights of creditors and resolution plans for financial groups that 'would require detail on group structure, intragroup guarantees and service level agreements, contracts and counterparties, debt liabilities, custody arrangements, as well as operational information about IT systems and human resources.' It recognises the difficulties in specifying when the resolution mechanism for a firm is to be triggered. It discusses the design and use of resolution funds. A formal proposal will be made by the Commission in the spring of 2011.

The most serious problem the Commission faces is dealing with cross-border groups. Without a harmonised European resolution regime and a single European regulator, there is no perfect way of dealing with systemically important financial groups with corporate entities in multiple European countries. The existence of financial groups with corporate entities both inside and outside Europe further complicates the issue.

The Commission has made two recommendations for dealing with financial groups operating in multiple EU countries. The first is that 'resolution colleges' should be established for financial groups. These colleges would be chaired by the resolution authority responsible for the group's parent company and would include the resolution authorities responsible for the group's other corporate entities. Such colleges would provide a forum for exchanging information and discussing coordinated solutions. This appears to be a useful and relatively non-controversial idea, if limited in scope.

The second recommendation is more controversial. Under this recommendation, the relevant authorities – presumably the resolution colleges – would prepare a group resolution plan in advance. In the event of the failure of the group, the resolution authority responsible for the group's parent company would have the right to decide whether the group resolution scheme is appropriate or whether national resolution regimes would be preferable. This decision would have to be made quickly, but until made the authorities responsible for the group's other corporate entities would be required to refrain from implementing national measures that would threaten the group resolution scheme. It is unclear whether such a scheme is currently politically feasible.

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