Press release

Single resolution system for struggling banks: MEPs adopt negotiating position

Committees Committee on Economic and Monetary Affairs [17-12-2013 - 17:00]

The Commission, acting as resolution authority, should be empowered to decide to wind down a bank in the banking union, says a draft law voted by the Economic and Monetary Affairs Committee on Tuesday. MEPs also stipulated that only the bank supervisor should be able to propose that winding down be initiated, and that all banks of participating countries fall under the system. A resolution fund, set up within 10 years and funded solely by banks, could initially tap loans from other instruments.

The vote establishes Parliament's negotiating position on the single resolution mechanism for banks - a system which is to become a central pillar of the EU's banking union and which will establish an EU authority and fund to wind down struggling banks, without the taxpayer being the first or only port of call to cover the costs.

After the vote Elisa Ferreira (S&D, PT), the lead MEP spearheading the law through Parliament said: "Today Parliament has approved its negotiating position for talks with the Council. We need to reach a deal which is good for financial stability in Europe, not just for the headlines back home. As Mr Draghi rightly said, we need a mechanism which is not ‘single only in name’. I believe that the position we have approved today delivers this, and I hope that finance ministers, too, can act in the same spirit. However, since the Council currently seems to be living in a parallel reality, it is appropriate to reflect on whether no deal would be better than a very bad one."

A simple decision-making procedure

As speed and clarity are often critical, MEPs chose a system in which the role of each player in a resolution would be clearly specified and political pressure kept out of the picture.

The supervisor would be the sole body empowered to propose initiating a resolution. The Resolution Board, composed of national resolution authority representatives and others, would then evaluate this proposal and suggest that the Commission initiate such action. The Commission would then take the official decision to initiate a resolution and the Board would decide on the details for its execution.

The Commission's margin of discretion to take decisions different to those suggested by the Board will be somewhat reduced in comparison to the original proposal. Differences on how to proceed would not be kicked up to ministerial level, thereby preventing domination by high-level power politics.

A fund with credible backup

Within 10 years a European fund, fed by bank contributions and representing 1% of covered deposits, should be up and running. This fund would be set up within the legislative framework of the EU Treaties. In the first 10 years, until the fund reaches its target level, it could be financed by loans from a “European public instrument”, MEPs suggest. This would include, for example, loans from the European Stability Mechanism or the EU budget.

All banks

MEPs backed the Commission's proposal to directly include all banks established in the participating member states within the scope of the resolution system.

More accountability

MEPs strengthened the resolution system’s accountability, on the ECB bank supervisor model. Parliament’s approval will therefore be needed to appoint the Resolution Board’s Executive Director and Deputy Executive Director, and it will hold regular hearings with them. Rules on transparency and access to documents will also be modelled on those in place for the ECB bank supervisor.

MEPs also extended the role of national parliaments in the system.

Next steps

Parliament's negotiators now have a starting position for their talks with member states. The Council is expected to approve its negotiating position in the coming days, so that talks between MEPs and the Council’s Greek Presidency can start in January.

Procedure: co-decision, first reading

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