



MEPs lay out final offer on bank single resolution mechanism

Committees Committee on Economic and Monetary Affairs [05-03-2014 - 14:53]

The lead MEPs in charge for the second pillar of banking union, the single resolution mechanism, have begun preparing texts for Parliament's April plenary vote. These texts will take on board concerns of some member states in a spirit of compromise, while at the same time maintaining a credible and fair system, able to reach the fundamental goals. The MEPs restate that they will not sign up to a system with serious and evident flaws.

Below is a statement from the Chair of the economic and monetary affairs committee and the rapporteurs.

"We regret that the last Ecofin meeting, contrary to general hopes and expectations, was unable to improve its position on the single resolution mechanism and fund. This was critical for negotiations to make headway on some of the most central issues. Without real openings there cannot be a deal.

We continue working constructively with the Greek Presidency and foresee that we are close to finding compromises on many technical aspects of the regulation. On the essential issues however, namely the decision-making processes and the single resolution fund, we remain far apart. The Presidency has been deprived of sufficient room to make more than cosmetic changes and, although we are ready to factor in some concerns raised by member states, we cannot sign off on a deal which establishes a mechanism which is unfit for purpose. The ECB, the Commission and many economists have raised these concerns too. A potentially unworkable resolution system will jeopardise banking union and leave taxpayers exposed.

Parliament will in any case take a plenary vote in April to close its first reading, whether there is an agreement with member states or not.

In a constructive spirit we have taken it on ourselves to draft texts on the crucial issues which respect our 'red lines' but also take on board some of Council's concerns. These texts are intended to be used as a last attempt for the negotiations to succeed and will be the basis for April's plenary vote in the event that there is no agreement with member states. The principles underpinning these texts have been conveyed to the Greek Presidency of the Council, the Eurogroup President and the Commission."

Further information

Some of the principles contained in the circulated document are:

Press release

- The ECB must be the only authority to decide whether a bank is "failing or likely to fail". A mechanism could however be envisaged to ensure that others can effectively voice their concerns;
- Resolution actions concerning a specific bank should be decided only at the executive board level to avoid political power-games and ensure that banks receive equal treatment, irrespective of their country of origin. A role for the Council in decisions on a bank's resolution must be avoided;
- The need for an intergovernmental chapter remains dubious and legal justifications have yet to be provided by member states. The Council must prove that any intergovernmental dimension will not encroach upon the competences of the EU;
- Breaking the fund into "national compartments", even if temporarily, is not necessary to address issues such as legacy debt. This can be addressed through the ECB asset quality review exercise for example. If from the very beginning a credit line is in place to ensure adequate fire-power for the fund from the start, temporary compartments could be considered. The rate at which the compartments are transformed into a single fund (mutualisation) would however need to be sped up considerably – 50% of mutualisation in the first year and the rest over the subsequent two years;
- A rock-solid guarantee of the bail-in system, as enshrined in the Bank Recovery and Resolution Directive, will have to be included in the single resolution mechanism regulation.

Signed: Sharon Bowles (Committee Chair), Elisa Ferraira (S&D, PT), Corien Wortmann Kool (EPP, NL), Sylvie Goulard (ALDE, FR), Sven Giegold (Greens/EFA, DE), Vicky Ford (ECR, UK)

Contact

John SCHRANZ

BXL: (+32) 2 28 44264

STR: (+33) 3 881 74076

PORT: (+32) 498 98 14 02

EMAIL: econ-press@europarl.europa.eu

TWITTER: EP_Economics