



Completing the Banking Union: Towards an EU Liquidation Regime for Banks?

4 December 2019, Brussels

14:30 - 16:30

European Parliament

Meeting room: Spinelli 5E2

Chaired by Irene Tinagli, Chair of the Economic and Monetary Affairs (ECON) committee

Presentation of key findings on the US and EU liquidation framework

- **Nicolas Véron**, co-author with Anna Gelper of '*An effective Regime for non-viable banks: US experience and considerations for EU reform*', July 2019, commissioned by the ECON Committee
- Key findings of studies commissioned by the Commission, conducted in the context of the **Pilot Project "Creating a true Banking Union"** proposed by the European Parliament:
 - Study on differences between bank insolvency law and on their potential harmonisation (VVA)
 - Alternative uses of Deposit Guarantee schemes (DGS), study on Options and national discretions under the DGS Directive and their treatment under EDIS (CEPS)

Which EU perspectives?

- **Sean Berrigan**, Deputy Director General, FISMA, European Commission
- **Elke König**, Chair of the Single Resolution Board
- **Fernando Restoy**, Chairman, Financial Stability Institute, BIS
- **Isabelle Vaillant**, Director, Prudential Regulation and Supervisory Policy, European Banking Authority

Exchange of views

Contact and registration: egov@ep.europa.eu

BACKGROUND

Objective of the workshop

While the Bank Recovery and Resolution Directive (BRRD) has gone a long way in harmonising the resolution of banks, banks that do not meet the 'public interest test' as assessed by the Single Resolution Board, are liquidated in accordance with national insolvency law that differs from one Member State to another.

The objective of the workshop is threefold:

- Drawing lessons from the US and international experience in liquidating banks;
- Assessing whether an EU liquidation/insolvency regime would appropriately complete the EU crisis management framework and the conditions necessary to implement such regimes;
- Understanding to which extent the above may require institutional changes to the EU resolution framework (e.g. empowering an 'US FDIC' type of institution in Europe) and the conditions underpinning such institutional change.

Background information

In a [paper](#) commissioned by the ECON committee ('An effective Regime for non-viable banks: US experience and considerations for EU reform', July 2019), Gelpern and Véron argue that EU policy makers can draw valuable insights from the US regime for non-viable banks, with the US experience giving support to arguments in favour of harmonisation and centralisation of bank insolvency proceedings and deposit insurance in the Banking Union.

The Commission announced in its April 2019 [report](#) on the BRRD review that it will particularly engage in a comprehensive discussion of a further possible harmonisation of insolvency law, *'tak[ing] into account the interaction with policy developments in relation to deposit insurance, including the work of the High Level Group established by the Eurogroup, and the review of the Deposit Guarantee Scheme Directive'*. For this purpose, the Commission has launched a study on the differences between bank insolvency laws and on their potential harmonisation. This study has been conducted in the context of a [Pilot Project](#) on the Banking Union proposed by the European Parliament.

Further harmonisation of bank insolvency law has been advocated by the ECB, the SRB, the IMF and other international organisations, coupled, where appropriate, with new institutional developments:

- As the Chair of the [SRB](#), Elke König put it, *'the ultimate goal [...] must be to have in place an EU liquidation regime alongside an EU resolution regime'*;
- In his introductory [remarks](#) at the European Parliamentary Week in February 2019, the Chair of the Single Supervisory Mechanism (SSM) Andrea Enria advocated *'a common framework for bank liquidation, enabling a smooth managed exit of defaulted banks from the market, as is the case in the United States, for instance'*;
- As part of its July 2018 assessment of the euro-area, the [IMF](#) recommended to entrust the SRB with administrative liquidation powers, along the lines of the US FDIC;
- In a recent [speech](#), the Chair of the BIS Financial Stability Institute, F. Restoy proposed a roadmap to achieve a European FDIC.

For **further background information**, see EGOV [Briefing](#) "Liquidation of Banks: towards a FDIC for the Banking Union?" (February 2019).