EUROPEAN COMMISSION

MEMO

Brussels, 27 June 2013

Statement of Commissioner Barnier following agreement in ECOFIN on bank recovery and resolution

I am very pleased that finance ministers of the Member States have managed a few minutes ago to reach broad political agreement on the future rules for how to restructure and resolve failing banks (IP/12/570). These rules are of utmost importance to protect taxpayers from having to bail-out banks in the future. They will be instrumental to deal with the threat of banks which today are "too-big-to-fail" and to help overcome links between states and banks which continue to weigh on economic growth.

I sincerely congratulate the Irish Presidency for their efforts to reach this outcome. It would not have been possible without their unwavering commitment and dedication. Thanks to their strong stewardship, the EU has made a big step towards putting in place the most comprehensive framework for dealing with bank crises in the world.

This step now allows for trilogues to start with the European Parliament so a final agreement can be found under the Lithuanian Presidency. In parallel the Parliament and Member States should finalise the framework for Deposit Guarantee Schemes (DGS, see IP/10/918). This would support and strengthen the agreement reached today so that depositors continue to have full protection of their deposits under 100 000 EUR even when a bank runs into trouble. EU leaders have clearly indicated that both directives should be agreed rapidly together.

The agreement represents a balanced compromise. I am pleased that the fundamental principles and provisions in the Commission's proposal have been accepted by Member States.

1. A comprehensive and credible framework

My first priority has been to ensure that the framework is robust and clear. This has largely been secured. All banks will have to prepare plans for times of distress and authorities will have to ensure that all preventative steps are taken to deal with bank failure. Authorities will have a broad range of powers and tools to ensure that any failing bank can be restructured and resolved in a way which preserves financial stability and protects taxpayers. Critically, a harmonised rulebook is established for how the costs of bank failure are allocated – starting with bank shareholders and creditors, and backed by financial support from resolution funds sourced from the banking sector and not taxpayers.

2. Integrity and unity of the Single Market

There is no divergence in the fundamental concepts of the framework between Member States, for example those in the Euro Area and those outside. Banks in all Member States will be subject to harmonised provisions governing how resolution is carried out and how the costs are shared. No Member State will be able to subject banks to less onerous resolution arrangements, for example based on its fiscal strength. As a result there will be no discrimination between investors in the EU and fragmentation in funding conditions for banks operating in different Member States will decrease. A degree of necessary flexibility to carve out certain categories of creditors in order to protect financial stability has been given to national resolution authorities but it is sufficiently framed so that the integrity of the Single Market is not undermined.

3. A strong regime for financing resolution

Discussions today focussed on the all-important details of how the costs of resolution are shared. From the start, I have insisted that the regime must convince markets and citizens that we are serious about ending public bailouts of banks. To the furthest extent possible, bank losses must be covered by private bank investors and the banking sector as a whole. As established in the run-up to today's meeting, there is an inextricable link between how much capacity there is within a bank to allocate losses to shareholders and creditors, how much flexibility is given to exclude one or other creditor from having to bear losses, and how much money has to be available in resolution funds sourced from the banking sector to cover any shortfall. Fortunately, the outcome ensures an appropriate equilibrium between these variables and I am confident the solution found is credible.

Today's agreement also paves the way for us to move forward with stage two of the Banking Union (IP/12/953): the Single Resolution Mechanism. With the rulebook for how bank resolution across the EU well on the way to be finalised in coming months, the specific institutional mechanism necessary to carry it out in the most effective way for Member States participating in the Banking Union can be developed. This mechanism will complement the powers already conferred on the European Central Bank to supervise banks in Member States participating in the Banking Union, starting with all those in the Euro Area. The Single Resolution Mechanism will integrate critical aspects of decision-making and financing so that, notwithstanding greater supervisory scrutiny by the ECB, a possible bank failure can be managed in the most efficient and least disruptive way. The Commission will make a proposal accordingly in the coming weeks.

More information:

http://ec.europa.eu/internal_market/bank/crisis_management/