

PRESS RELEASE

SRM agreement is essential to Banking Union, say banks

The EBF takes note of last night's ECOFIN agreement on a general approach for the proposed single resolution board and single resolution fund. The Federation also notes the direction taken by the European Parliament in their Report agreed earlier this week, which will set the tone for the upcoming Trilogue negotiations next year.

Guido Ravoet, Chief Executive of the EBF, said "For us, the Single Resolution Mechanism – with an independent Board and fund - is the logical next step in the Banking Union process, which we strongly support. It will ensure a consistent application of the recently agreed Bank Recovery and Resolution framework for banks within the Single Supervisory Mechanism (SSM)."

The EBF welcomes in particular the trend to give the Single Resolution Board more autonomy to make decisions on the resolution of banks deemed unviable by the new single supervisor for the SSM-zone.

"It is crucial that the SRB is able to take decisions regarding all banks within the SSM whether directly or indirectly supervised by the ECB. An efficient and timely decision-making process for the resolution of cross border banks in the SSM will be of the utmost importance," explained Ravoet.

The EBF highlights that only a sound decision-making process will facilitate the speed of resolution, which in turn may minimise the wider impact of a bank failure and the need for taxpayer support. "At this stage, we are not sure whether the co-legislators' starting positions are really that conducive to efficiency and swift decision-making" commented Ravoet.

There remains much work to be done before the Parliament's current legislature closes. "In fact that means that the co-legislators must come to a common view by April 2014, which puts a lot of pressure on these talks. But the need to come to a rapid conclusion must not be at the expense of the lasting quality of this crucial part of the Banking Union" warned Ravoet.

Almost all EBF members are supportive of the creation of a Single Resolution Fund. They however emphasise the need to deal with the legacy assets of the recent crisis and believe that bail-in instruments should act as the primary means of absorbing losses in a bank failure. Resolution financing would only serve to finance the residual and operational cost of a bank resolution.

To this end EBF Members welcome the clear signal of the Council to create a Single Resolution Fund by merging national funds into a single resolution fund which would allow for a mutualisation of resolution financing over time. EBF members recognise the synergies of a common fund and therefore see no need for a dual system of national and supranational funds.

19/12/2013