European banks: SRM breakthrough fosters confidence and stability

The European Banking Federation welcomes the trilogue agreement on the Single Resolution Mechanism (SRM) that was reached in Brussels on Thursday. The historic breakthrough provides improved clarity and efficiency for the decisions to be made under the new mechanism that determines whether Eurozone banks need to be placed into resolution.

The SRM agreement is a crucial step for the completion of Banking Union and serves to strengthen confidence and stability in the financial markets and complements the Single Supervisory Mechanism.

"The Council and the Parliament have seized the final opportunity to overcome their differences. This is good news for all of us," said Guido Ravoet, Chief Executive of the EBF. "For banks in Europe it is important to have an efficient decision-making process for resolving a bank. Clarity is essential in order to minimise the impact of a bank failure and avoid the need for taxpayer support."

The EBF welcomes the autonomy of the Single Resolution Board to make clear and predictable decisions on how to resolve failing banks. However, we do not see why this efficient process can not apply to all resolutions.
While the EBF supports the creation of the Single Resolution Fund, the build-up period of eight years for the fund differs from the ten years that is allowed in the Bank Recovery and Resolution Directive (BRRD). This places a heavier burden on banks inside the SSM to contribute and may result in competitive distortions in the single market. The EBF recalls that the requirement for banks to finance the fund with 55 billion euro comes on top other obligations that the banking sector must fulfil under recent regulatory reform measures.

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