

## **COUNCIL OF THE EUROPEAN UNION**

Brussels, 18 December 2013

17602/13

(OR. en)

PRESSE 564

### **Council agrees general approach on Single Resolution**

#### **Mechanism**

The Council today<sup>1</sup> set out its position on the establishment of a single resolution board and a single fund for the resolution of banks. It called on the presidency to start negotiations with the European Parliament with the aim of agreeing the regulation on the single resolution mechanism (SRM) at first reading before the end of the Parliament's current legislature (May 2014). The compromise reached within the Council consists of a draft regulation on the single resolution mechanism, and a decision by euro-area member states committing them to negotiate, by 1 March 2014, an intergovernmental agreement on the functioning of the single resolution fund. This agreement, in line with terms of reference also approved today, would include arrangements for the transfer of national contributions to the fund and their progressive mutualisation over a 10-year transitional phase. It would endorse the bail-in rules established in the bank recovery and resolution directive as applicable to the use of the single fund. The single resolution fund would be financed by bank levies raised at national level. It would initially consist of national compartments that would be gradually merged over 10 years. During this period, mutualisation between national compartments would progressively increase. So while during the first year the cost of resolving banks (after bailin) would mainly come from the compartments of the member states where the banks are <sup>1</sup> At a meeting of the Economic and Financial Affairs Council. 17602/13 <sup>2</sup> E\_located, the share would gradually decrease as the contribution from other countries' compartments increases. Eurogroup and Ecofin ministers also adopted a statement on the design of a backstop to the single resolution fund. The statement specifies that during the initial build-up phase of the fund, bridge financing will be available from national sources, backed by bank levies, or from the European Stability Mechanism, in accordance with agreed procedures. Lending between national compartments will also be possible. During this transitional phase, a common backstop will be developed, which would become fully operational at the latest after 10 years. The backstop would facilitate borrowings by the fund. It would ultimately be reimbursed by the banking sector through levies, including ex-post. The proposed SRM will form one of the key elements of Europe's banking union, along with the single supervisory mechanism (SSM) that entered into force last month<sup>1</sup>. Creation of a banking union is essential to overcoming market fragmentation and breaking the link between sovereigns and banks. The establishment of a SRM will ensure that supervision and resolution are exercised at the same level for countries that share the supervision of banks within the SSM. This will prevent the emergence of tensions between supervision at EU level and national resolution regimes. The SRM will cover all countries participating in the SSM, namely the euro-area member states and those non-eurozone countries that decide to join the SSM via close cooperation agreements.

The draft regulation agreed by the Council provides for a single resolution board with broad powers in cases of bank resolution. Upon notification by the European Central Bank that a bank is failing or likely to fail, or on its own initiative, the board would adopt a resolution scheme placing the bank into resolution. It would determine the application of resolution tools and the use of the single resolution fund. Decisions by the board would enter into force within 24 hours of their adoption, unless the Council, acting by simple majority on a proposal by the Commission, objected or called for changes. The board would consist of an executive director, four full-time appointed members and the representatives of the national resolution authorities of all the participating countries. It would exercise its tasks in either a plenary or executive format. Most draft resolution decisions would be prepared in the executive session, composed of the executive director and the appointed members, with the representatives of member states concerned by a particular resolution decision involved in a first stage. However, the plenary session would be responsible for decisions that involve liquidity support exceeding 20% of the capital paid into the fund, or other forms of support, such as bank recapitalisations, exceeding 10% of funds, as well as all decisions requiring access to the fund once a total of EUR 5bn has been used in a given calendar year. In these cases, decisions would be taken by a two-thirds majority of the board members representing at least 50% of contributions.

<sup>1</sup> See press release 14044/13.