

Single Resolution Mechanism and Single Resolution Fund: uniform rules and procedure for the resolution of credit institutions and certain investment firms

2013/0253(COD) - 15/04/2014 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 570 votes to 88 with 13 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Bank Resolution Fund and amending Regulation (EU) No 1093/2010 of the European Parliament and of the Council.

The matter had been referred back to the committee responsible during the plenary session of 6 February 2014.

Parliament adopted its position in first reading following the ordinary legislative procedure. The amendments adopted in plenary were the result of a compromise agreement between Parliament and Council. They amend the proposal as follows :

Purpose: the regulation would establish uniform rules and a uniform procedure for the resolution of banks that are established in participating Member States, meaning Member States whose currency is the euro or Member States whose currency is not the euro which have established a close cooperation in accordance with [Council Regulation on the single supervisory mechanism \(SSM\)](#).

Parliament and Council agreed that the uniform rules and the uniform banking resolution procedure should be applied by the Single Resolution Board (SRB), jointly with the Commission and the Council, in the framework of a single resolution mechanism laid down in the Regulation. The resolution mechanism would underpin the Single Bank Resolution Fund.

It is stipulated that the use of the Fund shall be contingent upon the entry into force of an agreement among the participating Member States on transferring the funds raised at national level towards the Fund as well as on a progressive merger of the different funds raised at national level to be allocated to national compartments of the Fund.

General principles: Parliament added that:

- every action, proposal or policy of the SRB , the Commission or of a national resolution authority in the framework of the SRM should be undertaken with a view for the unity and integrity of the internal market;
- decisions or actions of the SRB or of the Commission or Council should not directly impinge on the fiscal responsibilities of the Member States;
- where the Board takes a decision that is addressed to a national resolution authority, the national resolution authority shall have the right to specify further the measures to be taken.

In order to ensure equitable conditions within the internal market as a whole, the regulation should be compatible with the [directive on the recovery and resolution of banks](#).

Resolution procedure: the SRB shall be responsible for drawing up and adopting the resolutions plans and may require national resolution authorities to prepare and submit to the Board draft resolution plans.

The resolution plan shall not assume any of the following: (i) extraordinary public financial support besides the use of the Fund, (ii) any central bank emergency liquidity assistance, (iii) any central bank liquidity assistance provided under non-standard collateralisation, tenor and interest rate terms.

Group resolution plans shall include a plan for the resolution of the group, headed by the EU parent undertaking established in a participating Member State, as a whole, either through resolution at the level of the EU parent undertaking or through break up and resolution of the subsidiaries.

Resolution objectives: the resolution objectives are the following, inter alia: (i) to avoid significant adverse effects on financial stability in the Union and Member States concerned, in particular by preventing contagion, including to market infrastructures, and by maintaining market discipline; (ii) to protect client funds and client assets.

Resolution procedure: the Council of Ministers will be involved in validating the way in which a troubled bank is to be dealt with (resolution scheme) only at the European Commissions express request. The procedure takes place in three phases:

Phase 1: the Board considers the adoption of a resolution scheme if:

- the entity is failing or likely to fail;
- there is no reasonable prospect that any alternative measures (early intervention, conversion of capital etc.) would prevent its failure within a reasonable timeframe;
- a resolution action is necessary in the public interest.

Phase 2: immediately after its adoption, the SRB transmits the resolution scheme to the Commission:

- if no objections within 24 hours after its transmission, the resolution scheme enters into force;
- within first 12 of these 24 hours, the Commission can request the Council (with a simple majority) to: (i) object to the scheme on the ground that the scheme adopted by the SRB does not fulfil the public interest criterion; (ii) approve or object the Commissions proposal to use a higher or lower amount of the Fund than the Board suggested in the scheme.
- where the Council has approved the proposal of the Commission for modification of the resolution scheme on the ground that it does

not satisfy the public interest criterion or the Commission has objected, the Board shall, within 8 hours modify the resolution scheme in accordance with the reasons expressed.;

where the Council objects to the placing of an institution under resolution on the ground that the public interest criterion is not fulfilled, the relevant entity shall be orderly wound up in accordance with the applicable national law.

Phase 3: once agreed, the scheme is transmitted to the National Resolution Authority(ies) for implementation.

Single Resolution Board: the Board shall be accountable to the European Parliament, the Council and the Commission for the implementation of this Regulation. At the request of the European Parliament, the Chair shall participate in a hearing by the competent committee of the European Parliament on the execution of the resolution tasks by the Board. A hearing shall take place at least once every calendar year. The Board may be required to reply in writing to any observations or questions submitted by the national parliaments.

Neither Member States, the Unions institutions or bodies, nor any other public or private body shall seek to influence the Chair, the Vice-Chair or the members of the Board.

Parliament sought to reduce political interference on the decisions. In order to ensure a corresponding decision-making by the Board, when resolution action is required above the threshold of EUR 5 billion, any member of the plenary may, in accordance with a strict deadline, request the plenary session to decide.

Single resolution fund: the Single Bank Resolution Fund should be established. It should be filled in accordance with the rules on transferring the funds raised at national level towards the Fund as laid down in the agreement.

Eight years as from 1 January 2016, the available financial means of the Fund shall reach at least 1% of the amount of covered deposits of all credit institutions authorised in all the participating Member States.

During the initial period of time, contributions to the Fund should be spread out in time as evenly as possible until the target level is reached but with due account of the phase of a business cycle and the impact pro-cyclical contributions may have on the financial position of contributing institutions.

Parliament should also strengthen the borrowing capacity of the funds.

Under no circumstances shall the Union budget nor the national budgets be held liable for expenses or losses of the Fund.