EBF\_003023

Brussels, 27 June 2013

Press release

**Banks welcome last minute agreement in Council on BRRD ‘Bank Recovery and Resolution Directive’**

European Banks are pleased to see that European Finance Ministers early this morning agreed on Council’s general approach on how to negotiate the much awaited Bank Recovery and Resolution Directive in the upcoming Trilogues with the European Parliament and Commission.

Nevertheless, the EBF remains concerned to see the Council again backing away from the principle of the Single Market by allowing flexibility to Member States with respect to excluding certain classes of creditors and depositors from the bail-in tool within a bank failure. “Any significant flexibility for resolution authorities to exclude eligible liabilities will drastically distort clarity and predictability for investors to estimate ex-ante what the impact of bail-in will be, which will force them to factor for the worst case scenario. This will further increase bank funding costs and constrain banks’ ability to lend to the wider economy” said Guido Ravoet, EBF Chief Executive. It is to be appreciated that this flexibility for Member States is to be reviewed again by 2018 to seek possible further convergence.

Further anxiety among EBF banks’ members remain on the target level for the resolution fund which the European Council has set at 0.8% while the European Parliament is demanding an even higher 1.5% of covered deposits, which is three times more than the original Commission proposal. This increase appears arbitrary and the EBF urges legislators to conduct a thorough impact assessment of the economic shortfall that is expected from further diverting much needed financing from the wider economy into a resolution fund.

Bail-in should remain the cornerstone of resolution financing and ideally include all shareholders and creditors to absorb losses in order to provide the resolved bank with sufficient capital in parallel with liquidity provision by central banks on a fully secured basis. An all-in approach would in the view of many banks limit the need for resolution funds and lower the moral hazard of implicit state support.