

Statement on Banking Union and bridge financing arrangements for the Single Resolution Fund

On 8 December 2015, ministers issued the following statement¹:

ECOFIN Ministers reaffirm the importance of deepening the Banking Union in the context of a well-functioning Economic and Monetary Union. Following the successful establishment of the Single Supervisory Mechanism (SSM), we welcome the forthcoming entry into force of the intergovernmental agreement on the transfer and mutualisation of contributions to the SRF (IGA), which will allow the Single Resolution Fund (SRF) to be fully operational on 1 January 2016.

In line with the commitment taken in December 2013, Member States participating in the Banking Union agree to put in place a system of bridge financing arrangements in order to ensure sufficient funding to the SRF during the transitional period. As of 2016, each participating Member State will enter into a harmonised Loan Facility Agreement with the Single Resolution Board (SRB), providing a national individual credit line to the SRB to back its national compartment in the SRF in case of possible funding shortfalls following resolution cases of banks of the Member State concerned. With this agreement, participating Member States ensure a credible start of the SRF as of early 2016.

The maximum aggregate amount of the credit lines of euro area Member States will amount to EUR 55bn, with a repartition key among Member States which follows the 2014 estimates of the Commission for contributions to the SRF. The aggregate amount and the repartition key will be reviewed by the end of 2017 or earlier, if a non-euro area Member State joins the Banking Union. The individual credit lines are to be drawn as a last resort, after having exhausted all other financing sources, including bail-in requirements under the BRRD as well as the steps foreseen under Article 5(1) of the IGA including the SRB's external borrowing capacity. Such system of national credit lines will ensure the protection of taxpayers and will be fiscally neutral over the medium term, as the banking sector of the Member State concerned will be liable for repayment of the amounts drawn under the credit line. It will ensure equivalent treatment across all Member States participating in the Banking Union in terms of rights and obligations, as well as incurring no costs for Member States not participating in the Banking Union.

In line with the agreement of December 2013, a common backstop to the SRF will also be developed during the transitional period, and will be fully operational at the latest by the end of the transitional period, when resources of the SRF are fully mutualised. Progress shall be reviewed soon after the entry into force of the SRF. The common backstop also will be fiscally neutral over the medium-term and will ensure equivalent treatment across all participating Member States, as well as incurring no costs for Member States not participating in the Banking Union.

Once the SRF enters into force and when participating Member States have ratified the IGA and fully transposed the BRRD, Member States will take stock of the establishment of the bridge financing arrangements and consider the way forward and timing regarding the work on the common backstop, to ensure that it will be fully operational at the latest by the end of the transitional period. Member States will also reflect further in 2016 on measures needed to continue deepening the Banking Union.

¹ Adopted by Ministers of the 28 Member States meeting in the margins of the Council (ECOFIN).