Press Release

Banking Union – ECOFIN endorsement of Public Bridge Financing Arrangement fundamental for credible start of the Single Resolution Mechanism in 2016

Brussels – 8 December 2015

The Single Resolution Board (SRB) welcomes the endorsement of the public bridge financing arrangement for the Single Resolution Fund (SRF) at today's meeting of the Economic and Financial Affairs Council (ECOFIN). The bridge financing arrangement will cover – as a last resort – temporary financing shortfalls in the SRF, in particular, during the early years of the transitional period. For the credibility of SRB's resolution operations and of the Single Resolution Mechanism (SRM) as a whole, it is fundamental to have the arrangement in place when the SRB becomes fully operational on 1 January 2016. The SRB strives to sign the Loan Facility Agreements (LFA) with Member States (MS) as soon as possible.

In light of the expected limited financial capacity of the SRF in the first years of its operations, Eurogroup and ECOFIN ministers had declared in a statement on 18 December 2013 that a public bridge financing arrangement for the transitional period should be put in place by the start of the SRM to ensure sufficient funding of the SRF. Member States, therefore, negotiated the establishment of the bridge financing arrangement and finally agreed in today's ECOFIN meeting on a system of national credit lines to cover temporary financing shortfalls. These national credit lines will only be used as a last resort and will ultimately be paid back by the banking sector in the Member State in which resolution action took place.

Contributions by banks raised at national level will be transferred to the SRF, which will initially consist of national compartments corresponding to each contracting Member State. These compartments will be gradually merged over the eight-year transitional phase.

"*With only three weeks to go until the SRB becomes fully operational, the SRB welcomes the endorsement of the public bridge financing arrangement by the ECOFIN ministers. I acknowledge the successful efforts of all parties involved during the negotiations. The SRB stands ready to sign the individual loan contracts with Member States as soon as possible to have the national credit lines in place. This ensures the effectiveness of the SRB's resolution operations* *and will strengthen the Single Resolution Mechanism (SRM) as the second pillar of the Banking Union."*– Elke König, Chair of the Single Resolution Board.

On the basis of the LFA, each MS provides a national credit line to the SRB for the respective national compartment within the SRF during the transitional period, i.e. until the SRF is fully mutualised after 8 years. The MS will now have to initiate their national procedures to sign the individual LFA with the SRF as soon as possible.

Due to national constraints, some MS have requested a governmental pre-approval of any drawing under the credit line and, in particular cases, also options for staggered payments in case of drawings.

"*While we have in fact wished to get fully committed credit lines from all MS, we are confident that the agreement that was reached is sufficiently sound to allow us to move fast in case of need."*– Elke König, Chair of the Single Resolution Board.

Background:
National resolution funds are set up under BRRD. In the euro area Member States, they will be replaced by the Single Resolution Fund (SRF) as of 2016. The SRF will be built up during the first eight years (2016-2023), the so-called transitional period, and shall reach at least 1% of covered deposits (approx. €55bn) by the end of 2023. It will be fully funded by the banking industry.

The Loan Facility Agreements are the cornerstone of the public bridge financing arrangement agreed by the MS in 2013 to make the SRF fully available in the early phase of its existence.

MS therefore agreed to put in place a system of national credit lines. Each MS belonging to the euro area provides this bridge financing arrangement for its respective national compartment within the SRF. The maximum aggregate sum of the credit lines amounts to €55bn - which equals the expected size of the SRF after the transitional period of eight years.

Each MS will enter into a separate but harmonised LFA for its respective national compartment so that the bridge financing arrangement will ensure an equal treatment of all Member States participating in the Banking Union. Accordingly, the terms and conditions for all MS are based on a master-LFA which was endorsed today by the Eurogroup and ECOFIN.

More information:

- Press release: Intergovernmental Agreement signature
- DIRECTIVE 2014/59/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council
- REGULATION (EU) No 806/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 15 July 2014 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 Resolution Fund and amending Regulation (EU) No 1093/2010
- Intergovernmental Agreement on the transfer and mutualisation of contributions to the Single Resolution fund as of 21 May 2014

About the SRB

*The **Single Resolution Board (SRB)** is the resolution authority for the significant and cross border banking groups established within participating Member States. In the context of the Single Resolution Mechanism, it works in close cooperation with the national resolution authorities. In the newly created Banking Union, the SRB cooperates with the European Central Bank, the European Commission, as well as other European and international institutions. Its mission is to ensure an orderly resolution of failing banks with minimum impact on the real economy and on the public finances of the participating Member States and beyond.*

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