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(continuation)

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President **Rimantas ŠADŽIUS**
Minister for Finance of Lithuania

P R E S S

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Main results of the Council

The Council agreed a general approach on a proposed single resolution board and a single fund for the resolution of banks.

The compromise consists of a draft regulation on the **single resolution mechanism** *(SRM), 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.*

Negotiations with the European Parliament will now start, with the aim of agreeing the regulation on the SRM at first reading before the end of the Parliament's current legislature (May 2014).

Ministers also adopted a statement on the design of a backstop to the single resolution fund.

The 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. It will cover all countries participating in the SSM, namely the euro area member states and those non-eurozone countries that decide to join.

Creation of a banking union is essential to overcoming market fragmentation and breaking the link between sovereigns and banks.

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- Where declarations, conclusions or resolutions have been formally adopted by the Council, this is indicated in the heading for the item concerned and the text is placed between quotation marks.
- Documents for which references are given in the text are available on the Council's Internet site (http://www.consilium.europa.eu).
- Acts adopted with statements for the Council minutes which may be released to the public are indicated by an asterisk; these statements are available on the Council's Internet site or may be obtained from the Press Office.

PARTICIPANTS

Belgium:	
Mr Koen GEENS	Minister for Finance, with responsibility for the Civil Service
Bulgaria:	
Mr Petar CHOBANOV	Minister for Finance
Czech Republic:	
Mr Radek URBAN	Deputy Minister for Finance
Denmark:	
Ms Margrethe VESTAGER	Minister for Economic Affairs and the Interior
Germany:	
Mr Wolfgang SCHÄUBLE	Federal Minister for Finance
Estonia:	
Mr Jürgen LIGI	Minister for Finance
Ireland:	
Mr Michael NOONAN	Minister for Finance
Greece:	
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Mr Luis DE GUINDOS JURADO	Minister for Economic Affairs and Competitiveness
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Mr Pierre GRAMEGNA	Minister for Finance
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Mr Mateusz SZCZUREK	Minister for Finance
Portugal:	
Ms Maria Luís ALBUQUERQUE	Minister for Finance
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Mr Uroš ČUFER	Minister for Finance
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Ms Jutta URPILAINEN	Deputy Prime Minister, Minister for Finance
Sweden:	
Mr Anders BORG	Minister for Finance
United Kingdom:	
Mr George OSBORNE	Chancellor of the Exchequer

Commission:	
Mr Michel BARNIER	Member

Other participants:	
Mr Vitor CONSTÂNCIO	Vice President of the European Central Bank
Mr Thomas WIESER	President of the Economic and Financial Committee
Mr Hans VIJLBRIEF	President of the Economic Policy Committee

ITEMS DEBATED

SINGLE RESOLUTION MECHANISM FOR BANKS

The Council 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, would include arrangements for the transfer of national contributions to the fund and their progressive mutualisation over a ten-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 ten years. During this ten-year period, mutualisation between national compartments would progressively increase. So while during the first year the cost of resolving banks (after bail-in) would mainly come from the compartments of the member states where the banks are 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, according to existing procedures. Lending between national compartments would also be possible. During this transitional phase, a common backstop will be developed, which would become fully operational at the latest after ten 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 single resolution mechanism (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[1]. Creation of a banking union is essential to overcoming market fragmentation and breaking the link between sovereigns and banks.

[1] See press release 14044/13.

The creation of an 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 after their adoption, unless the Council, acting by simple majority on a proposal by the Commission, objects or calls 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 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 5 billion 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.

The plenary session, voting by simple majority, would also have the right to oppose decisions by the executive session that authorise the fund to borrow, and decisions on the mutualisation of financing arrangements in the event of the resolution of a group with institutions in both SRM-participating and non-participating EU countries.

To guarantee the budgetary sovereignty of the member states, the draft regulation prohibits decisions that would require a member state to provide extraordinary public support without its prior approval under national budgetary procedures.

The single resolution mechanism would cover all banks in the participating member states. The board would be responsible for the planning and resolution phases of cross-border banks and those directly supervised by the ECB, while national resolution authorities would be responsible for all other banks. However, the board would always be responsible if the resolution of a bank requires accessing the single resolution fund.

National resolution authorities would be responsible for executing bank resolution plans under the control of the single resolution board. Should a national authority not comply with its decision, the board could directly address executive orders to the troubled bank.

The SRM would enter into force on 1 January 2015. Bail-in and resolution functions would apply from 1 January 2016. The SRM regulation wouldn't apply before the intergovernmental agreement enters into force.

The regulation, based on article 114 of the Treaty on the Functioning of the European Union, requires a qualified majority for adoption by the Council in agreement with the European Parliament. The intergovernmental agreement would enter into force once ratified by member states participating in the SSM/SRM that represent 80% of contributions to the single resolution fund.

OTHER ITEMS APPROVED

FOREIGN AFFAIRS

Iran - restrictive measures

The Council amended a regulation imposing restrictive measures against Iran.

Following a judgment by the European Court of Justice, one person and one entity were removed from the list of persons and entities subject to restrictive measures.