



FONDS DE GARANTIE  
DES DÉPÔTS ET  
DE RÉOLUTION

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*French deposit insurance  
and resolution fund*

## Banking Union - the new EU environment

May 2014

# CONTENT

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- **SSM, SRM, BRRD: who does what in banking crises?**

# Towards a Banking Union in the EU

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## Three pillars (reminder)

- ▶ A single supervision

**Single Supervision Mechanism Directive (SSM)**

- ▶ A mechanism for resolving banking crises

**Banking Recovery and Resolution Directive (BRRD)**

+

**Single Resolution Mechanism (SRM)**

- ▶ An integrated deposit guarantee scheme

**Deposit Guarantee Scheme Directive (DGSD 2)**

# SSM - institutional framework - 1

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- ▶ **Participating member states**
  - ▶ Eurozone
  - +
  - ▶ other voluntary EU members
  
- ▶ **Within the European Central Bank (ECB), SSM creates a new institution, the Supervisory Board (SB)**
  - ▶ a supervisory authority
  - ▶ a chair, a vice-chair, 4 representatives of the ECB, one representative of each national supervisory authority
  - ▶ a representative of the European Commission as an observer, upon invitation
  - ▶ decisions by a simple majority; qualified majority for adopting regulations
  - ▶ monetary functions and supervision are completely differentiated and separated

# SSM - institutional framework - 2

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## Responsibilities transferred to ECB

### ▶ Scope

- ▶ All credit institutions established in the participating members states

### ▶ Tasks

- ▶ License and withdrawal of license
- ▶ Prudential requirements (solvency, liquidity, risks)
- ▶ Governance and risk management requirements
- ▶ Reviews and stress tests
- ▶ Supervision on a consolidated basis over credit institutions' parents
- ▶ Supervisory tasks in relation to recovery plans and early intervention

**i.e. not all, but many supervisory tasks, including early intervention**

# SSM - institutional framework - 3

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## Responsibility sharing with national supervisory authorities

- ▶ **ECB has direct supervision on**
  - ▶ All three most significant credit institutions in each participating member state
  - ▶ All significant credit institutions in participating members states, including those:
    - ▶ with a balance sheet over € 30Bn
    - ▶ or with a balance sheet over 20% of national GDP
    - ▶ or upon national authorities' request, given significance with regards the national economy
  - ▶ Or upon ECB initiative, institutions with cross-border subsidiaries and significant cross border activities
- ▶ **National supervisory authorities have responsibility for the supervision over**
  - ▶ All other institutions (“less significant”)
  - ▶ Within the regulations, guidelines and instructions issued to them by ECB

# SRM - institutional framework - 1

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## ▶ Participating member states

Member states participating to the Single Supervision Mechanism (SSM), i.e.:

- ▶ Eurozone
- +
- ▶ other voluntary EU members

## ▶ SRM creates two new EU entities:

- ▶ the Single Resolution Board (SRB), a resolution authority,
- ▶ the Single Resolution Fund (SRF), a resources pooling instrument owned by the Single Resolution Board

NB: if SRF aid is needed (or State aid), the adoption of the resolution scheme requires a positive or conditional decision by the Commission as for its compatibility with internal market rules

# SRM - institutional framework - 2

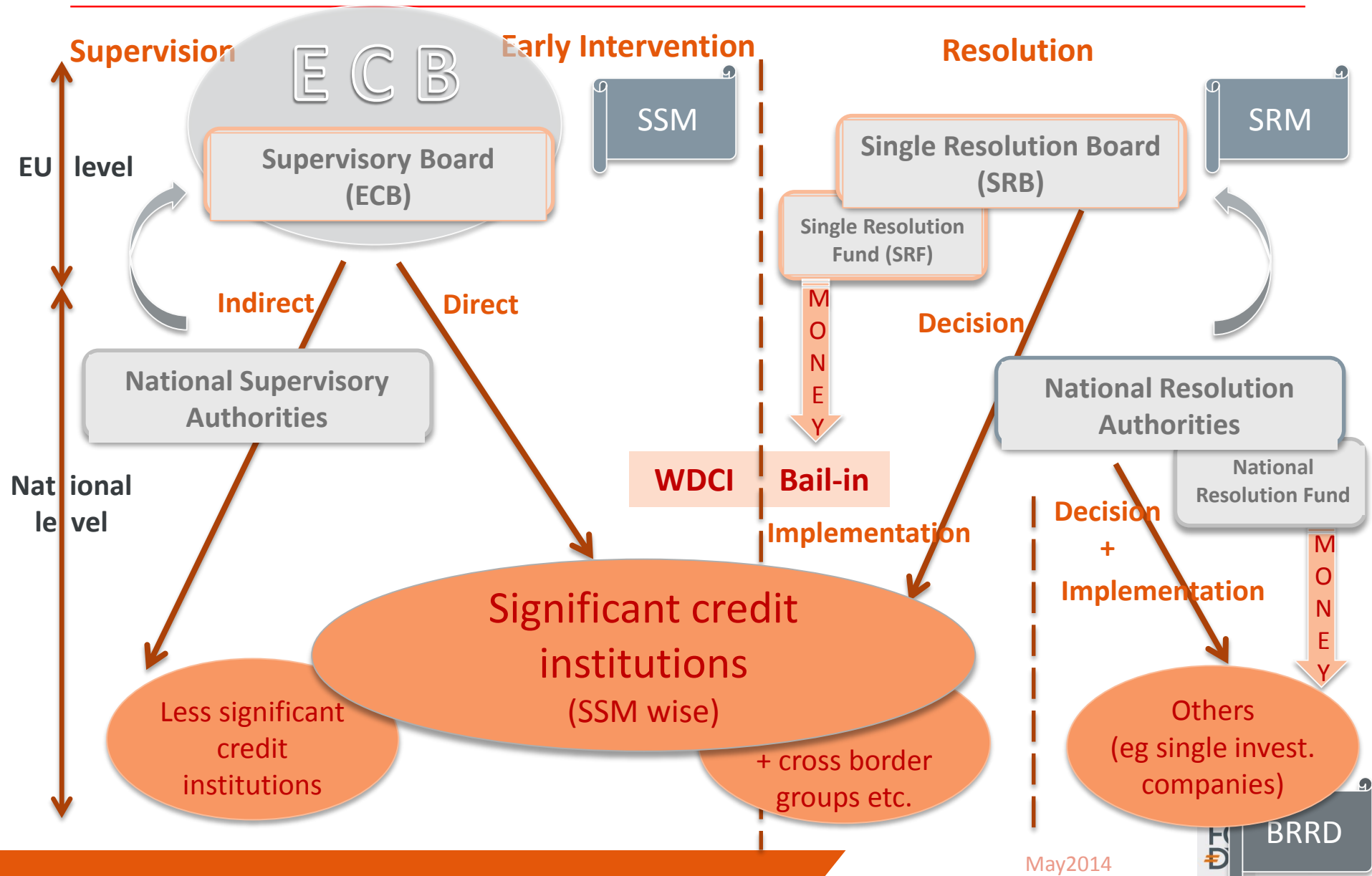
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## Responsibility sharing between SRB and national resolution authorities

- ▶ The Single Resolution Board (SRB) is in charge of resolution plans and resolution:
  - ▶ for all “significant institutions” or other institutions which are subject to ECB’s direct supervision (through SSM);
  - ▶ for “cross-border groups” (meaning groups of entities covered by the SSM and established in more than one SRM participating member state);
  - ▶ as well as, optionally, for other institutions for which member states decide to transfer to SRB the responsibility of their resolution;
  - ▶ or when the resolution action requires the use of the resources of the SRF
- ▶ National resolution authorities:
  - ▶ should implement the resolution actions decided by SRB
  - ▶ are also fully in charge of resolution plans and resolution for other institutions/ situations.



# Who does what?



# Who does what?

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## ▶ Role of national authorities

- ▶ National supervisory authorities and national resolution authorities (and, with them resolution funds/ DGSs) still have a role to play in banking crises
- ▶ They participate to the decision making process
- ▶ They are in charge of implementing the early intervention process and the resolution process, under SRB control and guidance
- ▶ They have to get prepared to make use of the resolution instruments and manage the implementation risks

# Role of national EU DISs in resolution

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- ▶ **Country specific...**

- ▶ **But:**

- ▶ **Outside SRM scope (eurozone)**

- DISs may have a direct role in resolution, as a resolution authority, on all banking institutions – if so decided by jurisdictions

- In any case, DISs may be involved in the resolution decisions and implementation – matter of national discretion

- ▶ **Within SRM scope (eurozone)**

- Same than above for some institutions (e.g. not for systemic ones): resolution authority or involvement in the process

- Possible role in implementing decisions taken by the Single Resolution Board for systemic institutions (and some others) – matter of national discretion



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