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## Bank resolution

### Commission plans an important step to reducing public burden of failed banks but more needed

The European Commission today presented legislative proposals on bank resolution, aimed at setting out EU rules for dealing with troubled banks. The Greens welcomed the belated proposals as a step to preventing the burden for bank failure falling on taxpayers, but cautioned that the proposals fall short of what is required in key areas. Commenting after the presentation, Green finance spokesperson **Philippe Lamberts** stated:

*"These proposals represent an important if belated step to rebalancing the huge risks associated with bank failure and reducing the devastating and unacceptable burden on taxpayers, who are currently left to pick up the tab for failed financial institutions.*

*"While stronger EU financial regulation will reduce the risk of bank collapse, the risk cannot be eliminated, so Europe urgently needs to put in place robust rules on bank resolution and move towards a true banking union. The Commission has today set out some key elements that are long overdue but the proposals fall short of what is required to create the necessary EU dimension or banking union for shoring up the Eurozone banking sector, while the proposed resolution funds will simply not be enough to tackle the failure of big European banks.*

*"We welcome the proposals for national resolution authorities, which should set out detailed resolution plans aimed at limiting the costs to taxpayers, as well as the requirement for banks to have detailed recovery plans. We strongly believe that if such a plan does not fit the bank, then the authorities should make the bank fit the plan by whatever means necessary. The Commission has also set out strong tools to ensure share- and bondholders shoulder as much of the burden of failure as possible, thereby reducing the hit to taxpayers, notably the proposals to cancel liabilities - a form of 'bail-in'. The proposals to sell viable parts of the bank and the powers to separate assets will limit the risks of national exchequers being stuck with the noose of zombie banks around their necks.*

*"While the Commission has pointed the way for resolution funds, using money from banks rather than taxpayers for bank resolution, the proposals lack sufficient ambition. The amount of funds falls far short of what is required, while the lack of a proper EU dimension for pooling resolution funds ex-ante, clearly limits the credibility of these funds to safeguard against the failure of the biggest EU banks. We also regret the failure to make the European Banking Authority responsible for resolutions, which are instead left to a committee of national supervisors.*

*"The time for half-measures has passed. Europe must take the leap towards a proper banking union now. To that end, we hope to redress some of these shortcomings as part of the legislative process."*

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Philippe Lamberts

Member

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