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Blatant disregard for the banking union rules

EU Commission approves rescue of Monte dei Paschi

Today, the European Commission has approved new state aid of € 5.4 billion for Monte dei Paschi di Siena. The Commission is responding to the desire of the Italian government for a "precautionary bank recapitalization". Senior creditors and depositors will therefore be protected against their losses. The Commission believes that the state aid approved is covered by the European Bank Recovery and Resolution Directive, as shareholders and junior creditors bear losses of € 4.3 billion. However, the "precautionary bank recapitalization" instrument is expressly linked to the risk of a severe financial crisis. In addition, the funds may not be used to cover losses that have already occurred or are likely to occur in the near future. Neither criteria has been met.

Sven Giegold, financial and economic policy spokesperson of the Greens/EFA group commented:

"The European Commission has again shown blatant disregard for the rules of the European Banking Union. There is no legal justification for further banking subsidies from the European Commission, only a clearly political one. Investors will be able to assume that Italian banks have the protection of the Italian government and will give them more favourable terms on risky deals. This completely undermines fair competition and puts the very credibility of the Banking Union at risk. There were other ways to protect retail investors that would not have absolved creditors of all their responsibilities. Instead, the millionaires and investors will once again be rescued at the expense of ordinary taxpayers.

"The fear of the political consequences of the bail-in of creditors in Italy has over-ruled economic sense. The ECB as Banking Supervisor, the new European Resolution Authority SRB and the European Commission have all colluded to make this circumvention of rules possible. Elke König's resolution authority failed to pass the acid test because she did not trigger the resolution of Monte dei Paschi. Competition Commissioner Margrethe Vestager has again approved subsidies to banks, although the bank was very likely not solvent. The General Secretariat of Jean-Claude Juncker has exerted strong pressure on all actors involved."

Ernest Urtasun, Greens/EFA member of the Economic and Monetary Affairs committee, adds:

"The European Parliament has to take action to close loopholes around the liability principle and stop this kind of behaviour continuing. In the ongoing revision of the banking legislation, the Greens will demand

that precautionary recapitalisation cannot be misused again. Following several potential breaches of EU law and maladministration by EU institutions, there is a clear need for parliamentary scrutiny. We will push for a speedy and tough investigation. We want the banking union to be a success, but this can only be achieved if the rules are adhered to consistently."

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Responsible MEPs



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