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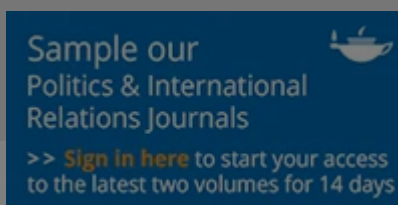
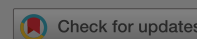
Original Articles

A common backstop to the Single Resolution Fund

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Keywords:

- Banking Union
- Single Resolution Fund
- Single Resolution Mechanism common backstop
- risk sharing

Disclosure statement

No potential conflict of interest was reported by the authors.

Notes

1. 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, OJ L 225, 30.7.2014.
 2. The 2017 contribution data published by the SRB ([2017](#)) refers to a total amount of covered
 3. See also [2017](#) for the SRB's assessment of the SRM as a fiscal backstop.
 4. The role of the SRB in the SRM is that of a "systemic risk manager".
 5. See also [2017](#) for the SRB's assessment of the SRM as a fiscal backstop.
- mutualisation of risk, the SRB has a role in the SRM as a "systemic risk manager". The SRB is often referred to as the "SRM" or "SRF" to its Target Level (TL) (however, the SRB has not yet issued its Target Level, but

6. Agreement on the transfer and mutualisation of contributions to the Single Resolution Fund, ECOFIN 342, 8457/14 of 14 May 2014.
7. The availability of the LFA amounts is subject to the so-called “IGA waterfall”, i.e. the currently available non-mutualised and mutualised means in the respective national compartment. In this respect, the SRB and the European Commission services reached a mutual understanding on the detailed interpretation of Article 5(1) of the IGA in February 2017, which was subsequently endorsed by the signatories of the IGA (Council [2017](#), Annex).
8. The LFAs of the Banking Union can further be considered a material improvement compared to the sole national framework under Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 (“BRRD”). According to Article 102(1) BRRD, in Member States not participating in the Banking Union, the target level of national resolutions funds (1% of covered deposits of the domestic banking sector) will become fully available only after the end of a ten-year build-up period.
9. The steady state refers to the time as of 1 January 2024, directly after the Transitional Period has ended.
10. Technical discussions of the Economic and Financial Committee (“EFC”) on the common technical criteria for the Single Resolution Fund (“TFCA”) were subject to a public consultation in 2016. The work was completed in 2016 and the EU [2016a](#), 2016b.
11. See [2016a](#), 2016b, 2016c, 2016d, 2016e, 2016f, 2016g, 2016h, 2016i, 2016j, 2016k, 2016l, 2016m, 2016n, 2016o, 2016p, 2016q, 2016r, 2016s, 2016t, 2016u, 2016v, 2016w, 2016x, 2016y, 2016z, 2017a, 2017b, 2017c, 2017d, 2017e, 2017f, 2017g, 2017h, 2017i, 2017j, 2017k, 2017l, 2017m, 2017n, 2017o, 2017p, 2017q, 2017r, 2017s, 2017t, 2017u, 2017v, 2017w, 2017x, 2017y, 2017z, 2018a, 2018b, 2018c, 2018d, 2018e, 2018f, 2018g, 2018h, 2018i, 2018j, 2018k, 2018l, 2018m, 2018n, 2018o, 2018p, 2018q, 2018r, 2018s, 2018t, 2018u, 2018v, 2018w, 2018x, 2018y, 2018z, 2019a, 2019b, 2019c, 2019d, 2019e, 2019f, 2019g, 2019h, 2019i, 2019j, 2019k, 2019l, 2019m, 2019n, 2019o, 2019p, 2019q, 2019r, 2019s, 2019t, 2019u, 2019v, 2019w, 2019x, 2019y, 2019z, 2020a, 2020b, 2020c, 2020d, 2020e, 2020f, 2020g, 2020h, 2020i, 2020j, 2020k, 2020l, 2020m, 2020n, 2020o, 2020p, 2020q, 2020r, 2020s, 2020t, 2020u, 2020v, 2020w, 2020x, 2020y, 2020z, 2021a, 2021b, 2021c, 2021d, 2021e, 2021f, 2021g, 2021h, 2021i, 2021j, 2021k, 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14. In accordance with Article 109 BRRD and Article 11(2) of Directive 2014/49/EU on deposit guarantee schemes (“DGSD”), also the respective (national) deposit guarantee scheme shall contribute to resolution actions the amount of the potential net loss it would have suffered in case of winding-up under normal insolvency proceedings. In this respect the actual contributions by the DGS take into account its preferred claim on the proceeds in accordance with Article 9(2) DGSD which depends significantly on the respective national insolvency laws. Further, such contribution is capped at a maximum of 50% of the national DGS’s target level.

15. Paragraphs (8) and (9) of Article 27 SRMR distinguish between alternative funding means in accordance with Articles 73 and 74 SRMR in order to finance the 5% contributions by the Fund and alternative financing sources after that Fund’s contribution. The use of the latter is conditional on a full conversion and write-down of all unsecured, non-preferred liabilities (except for eligible deposits). However, in the corresponding Article 44(6) and (7) of the BRRD seems less consistent in that distinction.

16. See also Recital 17 IGA linking the principles for the use of the SRF to the general principles governing resolution.

17. With regard to the LFAs, the ECOFIN statement 2015 defines last resort as “after having exhausted all other resources under BRRD as

18. A Member State may also be a creditor of a third party”. However, the use of the SRF for borrowing on the capital markets.

19. Hence, the SRF is a last resort in the SRF.

20. The SRF ensures consistency in the resolution.

21. A relevant committee in December 2015 in the area of Member States respect to the availability of that “non-

euro area Member States participating in the Banking Union will have access to the EU's medium-term facility for Balance of Payment (BoP) assistance" (Council [2014](#), 2).

22. If the guarantee would be used to back the issuance of debt instruments in markets, such design could in principle be comparable with the European Financial Stability Facility ("EFSF"), which issued securities in the market guaranteed by the euro area Member States.

23. The SRB's attractiveness further depends on the regulatory treatment of its exposures under the standardised approach in accordance with Regulation (EU) 575/2013 (CRR) and the eligibility of its debt according to the Eurosystem collateral framework.

24. See also Article 76(1)(a) and (b) SRMR, Article 50(1)(c) SRMR and Recital 33 SRMR.

25. The lack of a clear definition of liquidity support by the Fund (i.e. duration and collateral requirements) leaves room for interpretation when using the Fund. De Groen and Gros ([2015](#)) state that during the last crisis liquidity support was provided to banks in the euro area in an amount of ca. EUR 1.4 trillion loans, partly in the form of ELA. Against that background they consider this a task for monetary authorities and governments. Also Schoenmaker ([2016](#)) recommends the European Central Bank as provider of emergency liquidity support for "systemically important banks".

26. Cf. E

27. Such a scenario is not covered by the current design of the Brexit contingency plan, which is based on the assumption that the UK remains a member of the EU.

28. While the design of the SRF is based on the assumption that the SRF is taken from the ESM, the design of the SRF is based on the assumption that the SRF is taken from the ESM.

29. The design of the SRF is based on the assumption that the SRF is taken from the ESM, which is based on the assumption that the SRF is taken from the ESM.

30. The design of the SRF is based on the assumption that the SRF is taken from the ESM, which is based on the assumption that the SRF is taken from the ESM.

approach to the bank creditor hierarchy and subordination, introduction of a leverage

ratio of at least 3% and the Net Stable Funding Ratio (NFSR) into the CRR/CRDIV-framework as well as proposals for a minimum harmonisation in national insolvency laws also addressing the reduction of non-performing loans in the banking sectors (Council of the European Union [2016](#)). The Commission has made according legislative proposals in 2016 for amendments of the capital requirements and resolution framework (cf. European Commission [2017a](#)).

31. In October 2017 the Commission ([2017a](#)) presented a compromise suggestion on its November 2015 legislative proposal on a European Deposit Insurance System (EDIS). The compromise provides for a more gradual mutualisation than originally envisaged. Such step was deemed necessary to revive the process since the negotiations among the EU co-legislators got stuck due to significantly diverging views and no further progress was expected.

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