

Clément Fontan, Joakim Sandberg: The European Union should protect its people before its bank

Background information on existing regulations/policy issues/initiatives

Keywords: *bailout; bank insolvency; banking; banking supervision; crisis management; EU fiscal policy; financial crisis; rescue nets; stakeholders; taxpayers*

Topic: The European Union should protect its people before its banks

Overview

- In the wake of the financial crisis, EU officials have admitted that bank bailouts have “burdened taxpayers with deteriorating public finances and failed to settle the question of how to deal with large cross-border banks in trouble”¹
 - “The financial crisis has cost taxpayers a lot of money. [...] We must equip public authorities so that they can deal adequately with future bank crises. Otherwise citizens will once again be left to pay the bill, while the rescued banks continue as before knowing that they will be bailed out again.”
Michel Barnier (Former EU Internal Market Commissioner)²
- To ensure that in the future authorities will have the means to intervene decisively both before problems occur and early on in the process if they do, several proposals for new banking regulations and crisis management tools were adopted by the European Commission:
 - “Consultation on technical details of a possible European crisis management framework”
http://ec.europa.eu/finance/consultations/2011/crisis-management/index_en.htm
 - “New crisis management measures to avoid future bank bail-outs”
http://europa.eu/rapid/press-release_IP-12-570_en.htm
 - “A comprehensive EU response to the financial crisis: substantial progress towards a strong financial framework for Europe and a banking union for the Eurozone”
http://europa.eu/rapid/press-release_MEMO-14-244_en.htm

In detail

¹ http://europa.eu/rapid/press-release_IP-12-570_en.htm

² See above

- Several new directives were consequently put into place “to avoid ‘bail-outs’ that involve the use of taxpayers' money in future cases of bank failure”³, most notably:
 - Bank Recovery and Resolution Directive (BRRD)
Content: Amongst other measures the BRRD requires creditors to incur losses of at least 8pc of their total liabilities before receiving official sector aid
https://ec.europa.eu/info/business-economy-euro/banking-and-finance/financial-supervision-and-risk-management/managing-risks-banks-and-financial-institutions/bank-recovery-and-resolution_en#bank-recovery-and-resolution-directive
 - Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms
Content: This directive lays down rules for the recovery and resolution of credit institutions and investment firms
Summary: <http://eur-lex.europa.eu/legal-content/EN/LSU/?uri=celex:32014L0059>
 - Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms
Content: This directive is concerned with tightening banking supervision
Summary: <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32013L0036>
 - The following directives were amended in the process: Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012⁴
 - See “Banking Union”: https://ec.europa.eu/info/business-economy-euro/banking-and-finance/banking-union_de

³ <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32014L0059>

⁴ Search via: <https://eur-lex.europa.eu/>

Topic: Organizations/NGOs concerned with tightening financial oversight

European United Left

<http://www.guengl.eu/policy/priority/economic-and-financial-crisis>

Finance Watch

<http://www.finance-watch.org/home>

Monneta

<http://monneta.org>

New Economics Foundation

<http://neweconomics.org>

Positive Money

<http://positivemoney.org>

Transparency International

<http://transparency.eu/ecb-needs-democratic-oversight-if-the-euro-is-to-survive-the-next-crisis/>

Proposals of these organizations which go beyond what has already been accomplished by the EU include, amongst others, (1) a fundamental reform of the monetary system within the EU, (2) the establishment of so-called “ethical banks” and (3) (more severe) taxation of financial transactions.

Further reading

http://europa.eu/rapid/press-release_IP-15-6397_en.htm

<https://www.telegraph.co.uk/finance/economics/12076186/Europes-trillion-euro-bank-bail-outs-are-over.html>

<https://www.politico.eu/article/taxpayer-bailouts-spur-move-to-tighten-banking-rules/>