PRESS RELEASE

New EU Commission's proposal on CMDI: a wider resolution scope with more funding.

BRUSSELS, 19 April 2023 – The European Savings and Retail Banking Group (ESBG) welcomes the new legislative package adopted by the European Commission which aims to strengthen the current Crisis Management and Deposit Insurance (CMDI) framework.

ESBG members welcome that the dual approach is kept in the new proposal: i) resolution for failing banks that meet the conditions of the Public Interest Assessment (PIA) and ii) liquidation under National Insolvency Proceedings (NIPs) for the less significant institutions. However, ESBG members remain very sceptical about the extension of the resolution scope to smaller and medium sized banks by amending the criteria of the PIA and other consequences of such an approach. "*Resolution should remain the standard approach for the few, not for the many to maintain financial stability. In order to provide for financial means necessary to accommodate the far reaching changes of the European Commission, the proposal is putting national Deposit Guarantee Schemes (DGS) at risk. A balance needs to be respected not to erode trust in the banking sector in Europe*", said Georg Huber, Chair of ESBG's Task Force on CMDI. ESBG members also take note of the further harmonization of the NIPs, which aims to tackle unintended dysfunctionalities generated by the plurality of national regimes.

"*ESBG calls for an evolution not a revolution of the framework. We acknowledge that the EU Commission intends to enhance the global framework without upsetting the foundations of systems that have demonstrated their robustness in the past*", said ESBG Managing Director, Peter Simon. Further changes to the proposal might therefore become necessary to take the EU's diversified banking sector on board. We are convinced that meaningful improvements can be achieved without detrimental effects to depositors. With regard to the Commission's proposal to facilitate the access of funding in resolution via DGS intervention to meet the required threshold of 8% of Total Liabilities and Own Funds (TLOF), ESBG is concerned that the Single Resolution Fund (SRF) could be depleted faster with the obligation for banks to replenish it accordingly. The banking industry has already contributed around €66 billion to the SRF which will stand at €80 billion by the end of 2023. This amount is 45% higher than the originally envisaged target level. Clarity and predictability are crucial for our members who must also fulfil high capital requirements.

In this context, ESBG is determined to voice its members' concerns during the coming legislative process. We believe that the close cooperation among all stakeholders will be indispensable for a successful revision of the CMDI framework. ESBG expects the co-legislators to take into consideration proportionality aspects and the diversity of business models with prudence and avoid an ideological approach.

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