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"I/A" ITEM NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
Subject:	Proposal for a Directive of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directives 77/91/EEC and 82/891/EC, Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC and 2011/35/EC and Regulation (EU) No 1093/2010 **(first reading)** - Adoption of the legislative act **(LA + S)** = Statement

Statement by Bulgaria

Bulgaria will not object to the adoption of the Proposal for a Directive of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms.

Nevertheless Bulgaria points out its remaining concerns: the date of entry into force of the bail-in tool and the insufficient flexibility at a national level about the use of private money accumulated in the national resolution fund.

First, Bulgaria is concerned about the advancement of the date of the bail-in tool two years earlier than the date agreed in the Council (ECOFIN) general approach on 27 June 2013. Since the funding structure of the banking system in Bulgaria, beyond the equity capital, consists almost entirely of core deposits, the possibility of imposing hair-cuts on large deposits, irrespective of the depositor type, has the potential to create risks for financial stability. Therefore, a later entry into force of the bail-in tool is needed in order both to allow banks to adjust their liabilities structure, as appropriate, and to have more time to accumulate private funds in the national resolution fund.

Furthermore, as the countries outside the euro area cannot rely on the backstop available in the euro area (the ESM), imposing uniform early obligation for the bail-in of large depositors in both euro area and non-euro area countries creates unequal treatment and distorts the fair competition among Member States. That ultimately risks a further fragmentation of the Internal market in financial services in the EU.

Second, Bulgaria is concerned about the lack of sufficient flexibility allowing exclusion of certain groups of creditors upon discretion of the national resolution authority when there are financial stability concerns. Within that context, Bulgaria does not support the dedicated right of the Commission to prohibit or require amendments to bail-in tool exclusions as intended to be applied, in full compliance with European law, by a national resolution authority.