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European Union

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### "I/A" ITEM NOTE

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From: General Secretariat of the Council  
To: Permanent Representatives Committee (Part 2)/Council  
Subject: EFC Report on equivalent treatment in the context of the Banking Union

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1. On 1 December 2014, the Economic and Financial Committee adopted a report entitled "EFC Report on equivalent treatment in the context of the Banking Union". The report is set out in annex to this I/A-item note.
2. It is suggested that the Permanent Representatives Committee invites the Council to endorse the abovementioned report as an A-item at a forthcoming meeting.



Brussels, 1 December 2014

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## **EFC Report on equivalent treatment in the context of the Banking Union**

*Following the mandate of the ECOFIN Council of 6 May 2014, the Economic and Financial Committee (EFC) has been examining the issue of equivalent treatment of euro and non-euro area Member States in the context of the Banking Union (bridge financing). At its meeting of 27 November 2014, the EFC reached an agreement on the following text.*

1. In accordance with Regulation 806/2014 of the European Parliament and of the Council, a Single Resolution Fund (SRF) will be established in the context of the Banking Union to underpin the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM) in order to safeguard financial stability in the Banking Union as a whole and in the Member States concerned by resolution operations. This framework does not discriminate between euro area and non-euro area Member States participating in the Banking Union.
2. Situations may arise where the SRF is not sufficiently funded by the banking sector, especially when it is in the building-up phase and its resources are not fully mutualised ("transition period"). Therefore, Member States participating in the Banking Union have agreed to put in place a system by which bridge financing would be available in such situations, as a last resort and in full compliance with the State aid rules. In the transition period, bridge financing will be available either from national sources, backed by bank levies, or from the ESM, in line with agreed procedures. The bridge financing arrangements for the transition period will be operational by the time the SRF is established, in January 2016.
3. If bridge financing is provided from national sources, euro area Member States experiencing difficulties in providing such bridge financing may request financial assistance from the ESM in line with agreed procedures, while, in such situations, 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, provided that the existing eligibility criteria are met. The economic policy conditionality attached to macroeconomic adjustment programmes under the BoP facility will be expected to properly reflect the key vulnerabilities of the beneficiary Member State, both in the case of Member States participating and non-participating in the Banking Union.

4. As far as stated in recital 99 of the SRM regulation and Article 15 of the IGA on the transfer and mutualisation of contributions to the SRF, Member States participating in the Banking Union will ensure that the Member States not participating in the Banking Union will not bear any additional costs that could be specifically derived from the participation of EU Member States in the Banking Union, including those not in the euro area receiving BoP assistance. Overall, these arrangements in the transition period will ensure equivalent treatment across Member States participating in the Banking Union and respect a level playing field with non-participating Member States.
5. During the transition period, a common backstop will be developed and will be fully operational, at the latest once the resources of the SRF are fully mutualised. The banking sector will ultimately be liable for repayment of both the bridge financing and borrowings facilitated by the common backstop, including via ex post contributions, so that taxpayers are protected. The common backstop will also ensure equivalent treatment across all Member States participating in the Banking Union, including Parties joining at a later stage, and will not be funded from the Union budget or by Member States not participating in the Banking Union.

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