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Banking Union:
A major step towards a stable European banking system

The French Banking Federation (FBF) welcomes the progress made by the Finance Ministers of the European Union in the implementation of a European Banking Union. It underlines the major financial impact that the introduction of the future single resolution fund, which will be financed ex-ante by the banks, will have on their operating statements and equity.

- **Introduction of a pan-European crisis prevention and resolution mechanism**

The FBF welcomes the agreement which will allow for the adoption of the directive on the pan-European resolution of banking crises which it has always supported. The agreement will substantially alter the legal framework governing the banks of the 28 Member States, notably because it will avoid governments having to intervene to bail out banks in difficulty as has been the case in certain European countries since the crisis in 2008.

The FBF is satisfied that the legal framework for the European resolution mechanism is based on the notion that banks in difficulty must first seek a bail-in across a broad scope, with priority recourse to shareholders and creditors. In principle, the new mechanism would avoid failing banks becoming a burden for the taxpayer.

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- **Progress on the road to a Banking Union for the eurozone**

As far as the eurozone is concerned, the agreement provides for the progressive creation of a European resolution fund with national contributions, which could be used for the structured recovery of an establishment from 1 January 2016.

French banks call for vigilance as to the terms of the ex-ante financing of the resolution fund: the contributions by European banks (estimated at 55 billion euros over 10 years) alongside their contributions to the Deposit Guarantee Scheme would commensurately impact on their earnings and equity. This in turn would reduce their capacity to finance the economy since Basel 3 requires that European banks maintain a higher equity buffer to cover client debt levels.

- **Assigning systemic tax to the resolution fund**

Under the new mechanism, the criteria defined for financing the resolution fund may see French banks obliged to make disproportionate contributions: it is there imperative that the systemic tax introduced 3 years ago and paid by French banks to the State budget be assigned to the resolution fund as of 2014, in accordance with its intrinsic logic.

Furthermore, it is important that the European resolution authorities are able to react quickly should a bank find itself in difficulty. For the time being, the decision channels defined by the Resolution Council are cumbersome and complex and require the intervention of a very large number of participants: the talks that will continue between the Council and the Parliament must lead to a simple and efficient system.

The FBF also reiterates that it unreservedly approves the introduction in November 2014 of a single supervisory mechanism for all eurozone banks which is one of the core pillars for the Banking Union.

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