



COMPLETING EUROPE'S ECONOMIC AND MONETARY UNION

The Commission's Contribution to the Leaders' Agenda

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A BACKSTOP FOR THE BANKING UNION



"The common backstop to the Banking Union was agreed by our Member States so as to guarantee the credibility of the Single Resolution Mechanism. This backstop would only intervene as a last-resort, to shield our taxpayers from paying for a failing bank. This in turn will strengthen trust in the stability of the euro. It is an essential element of completing the Banking Union."

European Commission President Jean-Claude Juncker

The Commission is presenting a Communication that sets out a vision of how certain budgetary functions that are essential for the euro area and the EU as a whole can be developed within the framework of the EU public finances of today and tomorrow. One element of this could be creating a backstop for the Banking Union.

A backstop for the Banking Union

A backstop is a "safety net". In the context of the Banking Union, the backstop function would be activated where, even after imposing losses on the banks' shareholders and creditors, the Single Resolution Fund is temporarily short of resources to facilitate the orderly resolution of the distressed banks.

The creation of a backstop for the Single Resolution Fund was agreed by Member States in 2013. Four years on, this backstop is still not operational. President Juncker's 2017 State of the Union address emphasised the need for such a backstop to be made operational as a matter of priority. The Commission is proposing to make the backstop part of the future European Monetary Fund. This will be an important step towards completing the Banking Union.

Features of a backstop

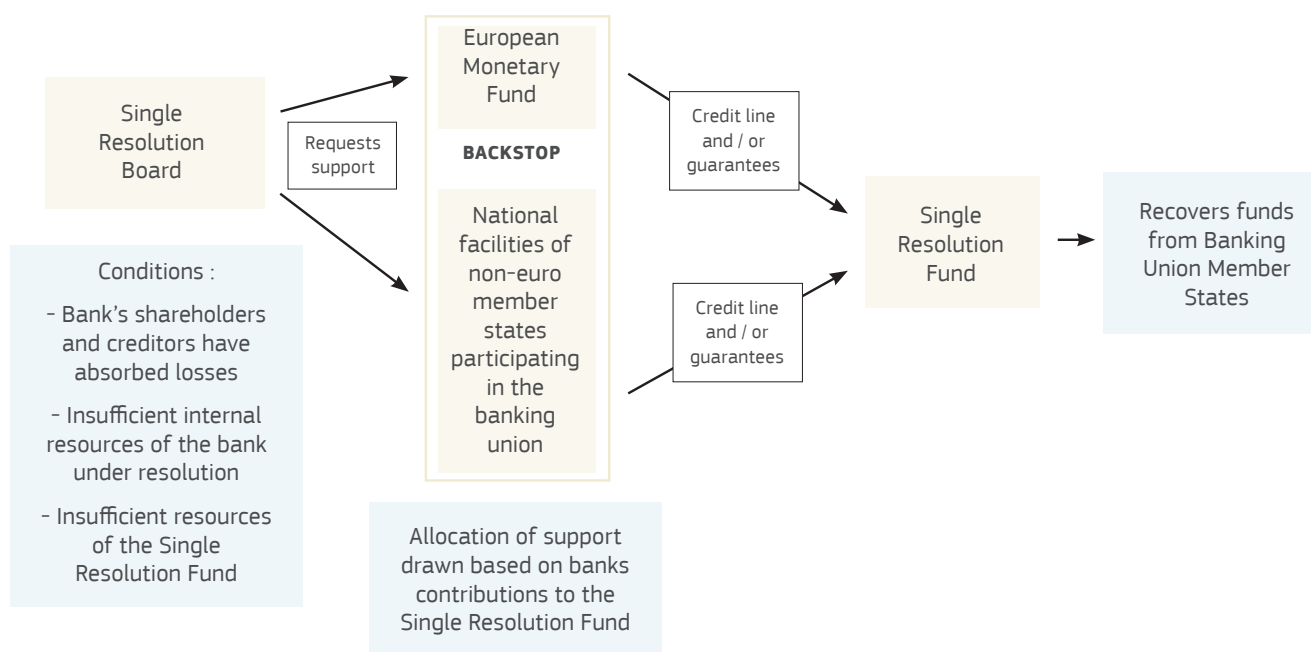
- ▶ Enhances confidence in the European banking sector by acting as a last resort should less favourable conditions materialise.
- ▶ Activated in cases where the Single Resolution Fund is temporarily insufficient to finance the resolution of one or more failing banks.
- ▶ Make sure taxpayers do not have to pay for resolving failing banks, by strengthening the resolution mechanism while recovering costs from the banking sector.

What criteria should a backstop meet?

- ▶ Fiscally neutral – any pay-out from the backstop should be recouped from the industry.
- ▶ Adequate size to act as a credible safety net.
- ▶ Funds promptly available when a bank is resolved.
- ▶ Available to non-euro Member States participating in the Banking Union.

How will the backstop work?

- ▶ It will be rapidly deployed when needed.
- ▶ European Monetary Fund to provide a credit line and/or guarantees to the Single Resolution Board.
- ▶ Parallel credit facilities from non-euro area Member States participating in the Banking Union.



Next steps

