



**THE SENATE
OF THE PARLIAMENT OF THE CZECH REPUBLIC
8TH TERM**

291ST

RESOLUTION OF THE SENATE

Delivered on the 10th session held on 22 July 2011

**on the Communication from the Commission to the European Parliament, the Council, European Economic and Social Committee, the Committee of the Regions and the European Central Bank
An EU Framework for Crisis Management in the Financial Sector
(Senate Press no. K 001/08)**

The Senate

I.

1. Considers

the issue of crisis management in the financial sector to be fundamental with regard to its potential impact on the stability of both the Czech and European financial system;

2. Recalls

in this context Senate Resolution No. 593 of 3 November 2010 that lays out the Senate's position and comments on the Communication from the Commission dealing with resolution funds, and Resolution No. 396 of 17 March 2010 that addresses cross-border banking crisis management;

II.

1. Agrees

with the proposed general principles of the framework stated in the second chapter of the Communication; it also supports the idea that the primary objective of the European framework for crisis management should be to enable bankruptcy of any financial institution regardless of its size without jeopardizing financial stability and without burdening tax payers with resolution costs;

2. Emphasizes

that crisis management framework must, to the greatest possible extent, reduce occurrence of moral hazard and that a bank failure must be seen as a real consequence of bad management and excessive risk-taking;

3. States

that even though already a third communication from the Commission is being presented on this issue, it still appears to be rather general and vague and contains a number of issues that need clarification, especially as regards

- the relationship between new resolution authorities and supervisory authorities both at the national and European level;
- the setup of the so-called threshold trigger indicators for early intervention whose proper calibration is absolutely crucial for an effective resolution mechanism applied to financial institutions;
- the condition that the resolution action must be carried out in the public interest;

4. Regards

strengthening of supervision and giving more prominence to preventive and preparatory measures (e.g. by means of drawing up recovery and resolution plans) as a step in the right direction; as for preventive and preparatory measures, the European approach should be brought into line with the global approach, formed within the Financial Stability Board and G20, to the fullest possible extent;

5. Is, however, principally opposed to

potential asset transferability within cross-border financial groups under conditions different from those prevailing in the markets; using off-market asset transfers might in the end lead to spreading of financial contagion from one country to another by means of non-standard transfers of liquidity or capital between a parent company in one country and subsidiaries in another;

6. Takes a reserved stance

towards establishing new resolution colleges for cross-border groups with respect to their unclear status and potential overlaps with the functioning of the new European supervisory authorities and already existing supervisory colleges;

7. Insists

that, given the responsibility of the national supervisory authority for the stability of domestic financial sector, adequate powers must stay in the hands of this body ensuring effective supervision and its political independence;

8. Is convinced

that guarantee schemes (Deposit Guarantee Fund in the Czech Republic) should serve only to its primary purpose, i.e. payout of covered deposits, and should not become an additional resource for resolution funds;

III.

1. Requests

the Government to inform the Senate about the way this position was taken into account, and about further initiatives;

2. Authorises

the President of the Senate to forward this resolution to the European Commission.

Milan Štěch
sign manual

President of the Senate

Jaromír Štětina
sign manual
Senate Verifier