PARLIAMENT OF ROMANIA
CHAMBER OF DEPUTIES

DECISION

approving an opinion on the Proposal for a Regulation of the European Parliament and of the Council establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Bank Resolution Fund and amending Regulation (EU) No 1093/2010 of the European Parliament and of the Council

COM(2013)520

Under the provisions of Articles 67 and 148 of the Romanian Constitution, as republished, and of Law No 373/2013 concerning cooperation between Parliament and the Government in the field of European affairs, and of Article 40 of Decision No 11/2011 of the Chamber of Deputies on the working and decision-making procedure for the exercise of parliamentary scrutiny over draft legislative acts of the European Union under the provisions of the Lisbon Treaty relating to the role of national parliaments,

The Chamber of Deputies hereby adopts this**decision**:

Sole article. Taking into account draft opinion No 4c-19/60 adopted by the Committee for European Affairs at its meeting on 12 February 2014:

1. The Chamber of Deputies notes that the period preceding the crisis was characterised by very high levels of private debt stemming from the integration of the financial markets. That paved the way for massive loans, investments and consumer debt while the minimalist institutional framework for economic governance in the EU meant that the instruments necessary for deterring major imbalances were not available. And it was those imbalances that led to the sovereign debt and banking crises.

2. The Chamber of Deputies notes the opinion of the Legal Service of the Council, according to which the legal basis for the Single Resolution Mechanism, namely Article 114 of the Treaty on the Functioning of the European Union, does not permit interference with Member States' fiscal sovereignty, in that decisions cannot be imposed which entail an obligation to provide public funds. This means that it is impossible to include provisions on fiscal support in the Regulation on the Single Resolution Mechanism.

3. The Chamber of Deputies recalls the conclusions of the European Council to the effect that the Single Resolution Mechanism is to be created within the EU legal and institutional framework, and states that while a revision of the EU Treaties would have been useful for creating an unassailable legal foundation for the actions of the EU, the intention behind using the legal framework of the current Treaties is to protect the EU's democratic and institutional order, which could once again be jeopardised by financial destabilisation.

4. The Chamber of Deputies recognises that swift progress towards a Banking Union is indispensable to ensure financial stability and growth in the euro area and in the whole single market.

5. The Chamber of Deputies welcomes the vision of a Banking Union which would contribute towards destroying the vicious circle between sovereign debt and bank debt, and believes that the absorption of risks by a mechanism transcending national borders will successfully eliminate the interdependence between the banking crisis in a particular country and that country's budgetary situation.

6. The Chamber of Deputies welcomes the inclusive approach of the proposal's author and its broad acceptance by all the players involved in the decision-making process, the aim being to maintain equal treatment for euro and non-euro Member States taking part in this mechanism.

7. Given that one of the aims underlying the banking union is to prevent financial imbalances which lead to major external and macroeconomic imbalances, and that the official banking system represents only one segment of the financial markets, the Chamber of Deputies points out that some segments of the financial markets have remained largely deregulated.

8. The Chamber of Deputies points out that the asymmetrical regulation of the various segments of the financial market could lead to a shift in the sourcing of loans for businesses from banks to the less regulated segments of the capital market.

9. The Chamber of Deputies at the same time regrets the tendency of some regulated financial institutions to preserve or perpetuate in similar forms the system of deregulation that helped precipitate and has exacerbated the financial crisis, and emphasises that banks should not take precedence over the public interest; it recalls that state-financed actions undertaken to rescue banks have led to a massive increase in Member States' debts.

10. The Chamber of Deputies recognises the need for the Single Resolution Mechanism to be applied irrespective of the size of financial institutions, but points out that the risks and difficulties involved in applying the mechanism are directly proportional to the size of such institutions; in the event of their defaulting on payments, international banks with complex cross-border operations pose a risk to other banks and to the real economy, and such risks go beyond national borders.

11. The Chamber of Deputies advocates the adoption of measures to instil discipline into the financial markets, given that countries continue to assist the banking sector either explicitly or implicitly, and the option of allowing banks - including small ones - to fail still does not have enough support.

12. The Chamber of Deputies points out that the Basel III rules, transposed in the EU by the Capital Requirements Directive and the Capital Requirements Regulation, which came into force on 1 January 2014, require banks to have higher levels of liquidity and higher capitalisation; this, in combination with the Bank Resolution Mechanism, may lead to banking mergers and acquisitions that will concentrate even more banking capital, thus further aggravating the 'too big to fail' problem.

13. The Chamber of Deputies welcomes the use of a bail-in tool as a fundamental principle underlying resolution, as it would limit budgetary impact and thus the implications for fiscal sovereignty while at the same time encouraging banks to assume greater responsibility in their risk-taking.

14. The Chamber of Deputies draws attention, however, to possible risks involved in deploying the bail-in tool in situations where certain destabilising effects liable to arise from an inflexible approach need to be avoided.

15. The Chamber of Deputies welcomes the inclusion of the principle that any losses, costs or other expenses arising from the use of resolution tools be borne primarily by shareholders and creditors of the institution which is subject to resolution and only in the second instance by the financial system through *ex ante* and *ex post* contributions.

16. The Chamber of Deputies considers it fair that the State should guarantee only essential services that ensure the proper functioning of the real economy; it is in agreement with a solution whereby the costs of resolution are borne by way of a bail-in and contributions from the banking sector, such that the use of extraordinary public aid is minimised.

17. Regarding the scope of the Single Resolution Mechanism, the Chamber of Deputies supports the inclusion therein of small banks, but subject to an appropriate ratio being established between the benefits they receive from and contributions they make to the fund, in order to avoid certain negative effects in terms of competition with the large banks.

18. The Chamber of Deputies takes the view that the Single Resolution Mechanism should be endowed with a rapid and efficient decision-making procedure capable of operating within a very short period in the order of days, and sometimes over a weekend.

19. The Chamber of Deputies considers that the speed and efficiency of a decision-making procedure for triggering resolution and adopting resolution schemes depends essentially on the number of bodies involved, the type of decisions taken by the executive and plenary sessions and the voting arrangements.

20. The Chamber of Deputies considers that the optimum solution for ensuring swift and efficient decision-making hinges on the resolution process itself being as independent and as little politicised as possible. The legitimacy of the process has to be ensured by greater political involvement both *ex ante* and *ex post*, but not in the short space of time in which the resolution decision is taken.

21. The Chamber of Deputies points out, however, that the credibility of a banking union depends essentially on bank-resolution funding being mutualised at European level. The compromise solution adopted by the Council on 18 December 2013 proposes a transition period of 10 years for complete mutualisation to be achieved. It considers that complete mutualisation of bank-resolution funding at European level has to be brought about as quickly as possible in order to achieve one of the major objectives of banking union: to break the vicious circle between sovereign debt and bank debt.

22. The Chamber of Deputies is in favour of granting national resolution authorities in non-participating Member States the right to participate as observers in the decision-

making procedure for the Single Resolution Mechanism, at both executive and plenary sessions.

23. The Chamber of Deputies considers that the process for adopting resolution decisions at plenary sessions should include the elimination of the minimum threshold for the use of Single Resolution Fund resources.

24. The Chamber of Deputies endorses the approach whereby the principal objective of the Single Resolution Fund should be to guarantee financial stability and not to absorb losses or provide necessary capital to credit institutions undergoing resolution.

25. The Chamber of Deputies welcomes the approach whereby the Single Resolution Fund is to be financed directly by the banks, and regards as appropriate the method whereby the individual contribution of each institution is to be determined as a function of parameters such as total asset value or risk profile.

26. The Chamber of Deputies observes that for the fixed contributions governed by the Regulation on the Single Resolution Mechanism there is no framework regarding the principles applicable to them, and that there is no certainty that the two components of the banks' contributions, namely the fixed contribution and the contribution adjusted for risk, would be similar in terms of composition to the subcomponents of the risk-adjusted contribution governed by the Directive on Bank Recovery and Resolution.

27. The Chamber of Deputies takes the view that it is of fundamental importance for the credibility of the Single Resolution Mechanism's that a lender of last resort (financial backstop) be clearly established. The issue of moral hazard can be mitigated by other methods, such as structural reforms to the banking system addressing the 'too big to fail' problem, but not by eliminating the 'financial backstop'.

28. The Chamber of Deputies is of the opinion that adequate guarantees are in place to ensure the democratic legitimacy of the Single Resolution Mechanism, given the Resolution Board's accountability to the European Parliament and the Council, and its obligation to inform the national parliaments of the participating Member States about its activities and to respond to any comments or questions that are addressed to it.

This decision was adopted by the Chamber of Deputies at its session of 18 February 2014, in accordance with Article 76(2) of the Romanian Constitution, as republished.

THE PRESIDENT OF THE
CHAMBER OF DEPUTIES

Valeriu Ştefan Zgonea

Bucharest, 18 February 2014

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