



THE SENATE
OF THE PARLIAMENT OF THE CZECH REPUBLIC
9TH TERM

392nd

RESOLUTION OF THE SENATE

Delivered on the 17th session held on 18th December 2013

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 /Senate Press no. N 084/09/

The Senate

I.

1. Notes

that the economic and financial stability of the euro area must be a primary concern for the Czech Republic, given the high degree of interdependence of the Czech economy with the euro area, which is reflected both in the significant share of Czech exports to the euro area countries and in the dominant share of the subsidiaries of foreign banks established in the euro area in the total assets of the banking sector in the Czech Republic;

2. Welcomes

the agreement reached on the establishment of the Single Supervisory Mechanism (SSM), the first building block of the Banking Union, that is supposed to start operating towards the end of 2014;

3. Considers it essential

to complement the SSM with an effective and well-balanced resolution framework, as it is convinced that such mechanism shall limit potential frictions between the single supervisory authority (i.e. ECB) and national resolution authorities, which may yield benefits to the euro area in form of effective, consistent and quick decisions being taken whenever a need to resolve a failing bank arises;

4. Adds

that given the start of operation of SSM, it is necessary to promptly reach an agreement on the concrete form of the resolution mechanism so that it could

start functioning from 2015, to which the Member States were already called on by the European Council at its July meeting;

II.

1. Supports

in general basic resolution principles and it particularly supports the European Commission's effort to minimize costs incurred by the taxpayer in the process of resolution of credit institutions by using preventive and resolution tools defined in the Proposal;

2. Has, however, doubts

about the appropriateness of conferring powers to start a resolution process on the European Commission because, as a result, the Commission would be authorised to make decisions with significant fiscal consequences for Member States, which is not in line with the legal basis of the Proposal, i.e. Art. 114 TFEU, that envisages the harmonisation of laws with the view to establishing and ensuring the functioning of the internal market;

3. Puts emphasis

on ensuring that the establishment of the banking union in the euro area will not jeopardize the interests of non-participating Member States and the stability of their financial systems, for instance should a central decision on resolution of a banking group lead to a deterioration of the financial situation of a subsidiary within the group, which could ultimately impact on depositors and tax payers in the given Member State;

4. Disagrees,

therefore, with weakening of national resolution authorities in host states that shall have, given the proposed voting rules, very limited options for influencing decisions taken in the Single Resolution Board;

5. Considers it further necessary

to ensure that the establishment of the Banking Union in the euro area shall not undermine the level playing field in the single market with financial services in the EU, for instance by allowing banks under the SSM, as opposed to other banks in the EU, to have access to the European Stability Mechanism for the purpose of recapitalisation;

6. Welcomes

the start of a comprehensive balance sheet assessment of largest banks that are subject to the SSM by the European Central Bank because it is convinced that this health check of banks in the euro area can provide relevant information on banks, contribute to detecting and subsequent solving of revealed deficiencies in banks' balance sheets, and, in the end, enhance the confidence in resilience of the banking sector in the euro area;

7. Believes

that a thorough and credible asset quality review and finding a solution to the legacy assets issue can significantly contribute to a smooth start and functioning of the Banking Union in the euro area, and therefore it expresses its full support to the European Central Bank in carrying out the review of banks' balance sheets;

III.

1. Requests

the Government to inform the Senate about the way this position was taken into account and about the further proceeding of negotiations;

2. Authorises

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

Milan Štěch
sign manual
President of the Senate

Vladimír Plaček
sign manual
Senate Verifier