

Council of Ministers

Moncloa Palace, Madrid, Friday 27 February 2015

Banking Union

The Council of Ministers submitted to Parliament the Draft Law on the Recovery and Resolution of Credit Institutions and Investment Service Companies, whereby Spain adapts to European law in regard to Banking Union. The aim is to create a common European framework that preserves financial stability and minimises the cost to the taxpayer of any possible banking crisis. Luis de Guindos stressed that if this law had been in force before, Spain would not have had to inject "a single euro into the Spanish banks".

The text establishes a new system for taking on losses for the creditors of these institutions and creates a National Resolution Fund that will contribute to the corresponding European fund, the cost of which will be covered by the banks themselves. Institutions must have recovery plans (without the need for external aid) and resolution plans (for serious difficulties), which will be revised at least on an annual basis. The Single Resolution Mechanism, which will come into force in 2016, will supervise 90% of Spanish institutions. The Fund for Orderly Bank Re-structuring (Spanish acronym: FROB) will be the relevant national authority and will have an independent chairman appointed by the Council of Ministers while the Bank of Spain will perform preventive functions.

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