



*Il Ministro dell'Economia
e delle Finanze*
Prot. 938/RIS

Rome, 13 December 2013

Dear Rimantas,

like Wolfgang, I would also exploit the chance to further clarify our position on the SRM, in view of the forthcoming meetings.

I guess that we are all aware of the relevance of this discussion. I share the view that the decision on the establishment of the SRM is going to be the most relevant change for the Eurozone, after the introduction of the euro, as pointed out by the President of the ECB in the EU Parliament.

I am also confident that we also share a common goal, which is precisely the one for which the Member States have decided to set up the Banking Union: to break the nexus between banking and sovereign risks and restore the orderly functioning of the Single Market for financial services.

In order to break the nexus I recalled, we have to establish a system which is effective in tackling the tail risks of the banks and in reducing the risk of contagion. It has to rely on common financial resources, so that the tail risks are mutualized. Most of all, and most urgently, it has to be credible, so that the cost of funding for the Eurozone banks, and the consequent financing cost for the real economy, are substantially and speedily realigned.

The proposal made by the Commission was a good starting point to build a credible system. The progress made in the negotiations within the Council Working Group was also encouraging. We need now to reinforce that framework, and not to step back.

A credible SRM is first of all a system that is actually able to make quick decisions and to swiftly manage any resolution procedure. The governance arrangements outlined so far should therefore be further streamlined, rather than made more complicated.

Rimantas Šadžius
President of the Ecofin
Minister of Finance of the Republic of Lithuania

The Presidency has presented a scheme to advance in the building of a Single Resolution Fund that foresees a limited but gradually increasing mutualisation among the national compartments. The process is quite lengthy and this reinforces the need, as already underlined in the fourth paragraph of the backstop statement, that a common backstop is operational during the transitional phase in combination with the national backstops, and provide contribution to the cost of the resolution without conditionality.

The anticipation of the date of entry of the provisions for the bail-in tool is strictly linked to the involvement of the common backstop.

The common backstop should also remain operational in the steady state, when the SRF will have reached its target level. History tells us that confidence crisis in the financial sector can be prevented by the preparation of effective safeguards, and better managed being able to rely on adequate financial resources, especially in case of crisis which are not purely idiosyncratic.

Finally, I need to raise an extremely relevant issue on process. The decision to establish the Banking Union involves major changes in our institutional framework, including the transfer of significant national competences to European institutions. Such a transfer of sovereignty was agreed in order to achieve the substantial results I recalled above. I believe that we all want to see these results materializing before we close our negotiations on the overall package concerning the legal framework of the Banking Union. We therefore need to have complete clarity on the content of the intergovernmental agreement, including the amount of mutualized resources and procedures for their use. As Wolfgang, I would like to be sure that we all have the same reading on what we are about to agree.

I am convinced that we should not hurry for a defective Banking Union, but rather take the time which may be needed to build a properly function one.

I am copying our colleagues from France, Germany, the Netherlands, and Spain as well as Commissioner Barnier and the President of the ECB.

With best personal regards


Fabrizio Saccomanni