

Early intervention measures, conditions for resolution and funding of resolution action (BRRD3)

2023/0112(COD) - 24/04/2024 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 335 votes to 224, with 70 abstentions, a legislative resolution on the proposal for a directive of the European Parliament and of the Council amending Directive 2014/59/EU as regards early intervention measures, conditions for resolution and financing of resolution action.

The European Parliament adopted its position at first reading under the ordinary legislative procedure.

The proposed Directive seeks to improve the **effectiveness and efficiency of the recovery and resolution framework for institutions and entities**.

The proposal amends Directive 2014/59/EU of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms an existing directive, the BRRD, in particular as regards the improved application of the tools that are already available in the bank recovery and resolution framework, clarifying the conditions for resolution, facilitating access to safety nets in the event of bank failure, and improving the clarity and consistency of funding rules.

The proposed amendments are part of the Crisis Management and Deposit Insurance (CMDI) legislative package, which also includes amendments to Regulation (EU) No 806/2014 (Single Resolution Mechanism Regulation SRM) and Directive 2014/49/EU (Deposit Guarantee Schemes Directive or DGSD).

The proposal will allow authorities to organise the orderly exit of a failing bank, regardless of its size and business model, using a wide range of tools. It will further safeguard financial stability, protect taxpayers and depositors and support the real economy and its competitiveness. The proposed rules will allow authorities to fully exploit the many benefits of resolution as a key element of the crisis management toolbox.

The amended text stipulates that the objective of reviewing Directive 2014/59/EU is to **better safeguard taxpayers' money** and establish new systemic mechanisms for institutions and entities not covered by the existing resolution framework. That framework is designed to curtail the economic burden on society by reducing the overall costs associated with bank failures. The use of taxpayers' money should, with the introduction of a revised framework, be significantly reduced in order to ensure that the resolution financing arrangement is more often and more effectively used.

One of the key objectives of this amending Directive is to introduce an updated approach to empower authorities to **handle effectively the potential failure of some banks or a group of banks**. That approach should promote transparency and predictability, while minimising adverse economic consequences. Such an approach is aligned with the overarching bail-in principle of Directive 2014/59 /EU, while also maintaining the practical feasibility of dealing with the failure of medium-sized banks.