

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

2023/0112(COD) - 26/03/2026 - Text adopted by Parliament, 2nd reading

The European Parliament adopted a legislative resolution **approving** the Council's position at first reading with a view to the adoption of the Directive of the European Parliament and of the Council amending Directive 2014/59/EU as regards early intervention measures, conditions for resolution and funding of resolution action and Directive 2014/24/EU as regards valuation services in resolution.

The proposal is part of a package of amending acts aimed at **reforming the framework put in place for the crisis management** and deposit insurance (CMDI) framework.

The proposals relating to the CMDI framework have the general objectives of better protecting financial stability and taxpayers' money, protecting the real economy from the impact of bank failures and further strengthening the protection of depositors.

The CMDI package provides for a targeted development of the existing framework with the aim of making the orderly resolution for small and medium-sized banks practicable by authorising resolution authorities to draw, in exceptional cases and under strict conditions, on funds from the deposit guarantee scheme (DGS) to finance the implementation of a bank's transfer resolution strategy if the internal loss-absorbing capacity of such bank is not sufficient to access the resolution funding arrangement.

The reform aims to:

- **minimise recourse to taxpayers' money while preserving depositor access and financial stability** and upholding the resolution framework's key principle of primary loss absorption by shareholders and creditors to protect the integrity of resolution funding arrangements;
- **harmonise the treatment of alternative and preventive measures** and strengthens cross-border coordination between supervisors and resolution authorities.

The main changes agreed within the framework of the Council's position on the proposals to amend Directive 2014/59/EU (BRRD Directive) are as follows:

## ***Public interest assessment (PIA)***

The Council's position changes the way in which resolution proceedings are assessed to determine whether they are in the public interest. Resolution authorities are thus required to resolve a bank if any of the resolution objectives is at risk and winding up the bank under normal insolvency proceedings would not achieve the resolution objectives more effectively.

## ***Least cost test***

The Least Cost Test (LCT) for use of deposit guarantee schemes (DGS) in resolution is simplified by capping DGS interventions at the gross amount of covered deposits, while the existing super-preference of covered deposits is preserved within a simpler three-tier creditor hierarchy.

## ***Resolution financing***

The Council's position clarifies when and how industry-funded tools may be mobilised for resolution financing, subject to explicit sequencing and stricter safeguards and burden-sharing requirements, ensuring that banks' internal loss-absorbing capacity is maintained as a first line of defence and that taxpayers' money is protected.

Consequently, resolution authorities retain the power to resolve banks only where the tightened PIA and simplified LCT are satisfied and resolution demonstrably outperforms liquidation, ensuring liquidation remains a viable, legally grounded option for smaller banks where appropriate. Access to funding for resolution from DGS and other industry-funded tools is therefore tightly framed and conditional so that private resources are prioritised and taxpayer exposure is limited.

Overall, the Council's approach makes resolution more operationally practicable for **small and medium-sized banks** than under the current CMDI framework while reinforcing the principle that DGS funding for resolution is exceptional, contingent on sufficient loss absorption by shareholders and creditors, and that Minimum Requirement for Own Funds and Eligible Liabilities (MREL) remains the cornerstone of resolvability.