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Designing a European Restructuring Mechanism Without Taxpayers' Money

The European Commission's approach to the supervision and restructuring of the EU banking system has numerous shortcomings. As an alternative, this article proposes a European Resolution Authority and a European Restructuring Fund for systemically important banks and the implementation of a levy paid by banks in accordance with their systemic relevance. This levy should be designed to reduce the risk of future bailouts and the moral hazard inherent in implicit government guarantees.

On 26 June 2012 the President of the European Council presented the report "Towards a genuine economic and monetary union". As one of the key building blocks, the report outlined three central elements of an integrated financial framework: a single supervisory mechanism, a common framework for deposit insurance and a common resolution mechanism.[1]

In September 2012, the Commission tabled a new proposal for a Single Supervisory Mechanism as part of the integrated financial framework that would see the European Central Bank (ECB) gaining new powers to monitor the performance of the 6000 or so banks in the euro zone.[2] This proposal on the supervisory mechanism complemented the Commission's earlier proposals on bank capital requirements, the harmonisation of national deposit guarantee schemes, and bank recovery and resolution.

The overarching goal of these legislative initiatives is to break the link between sovereign debt and bank debt, a vicious circle which has led to over €1.6 trillion of taxpayer money being pledged to rescue banks in the EU.[3] The European bodies are thus reacting to increasing political opposition to the use of additional taxpayer money to restructure banks following a number of bailouts that have been undertaken since the onset of the banking crisis in 2008.

With a view to protecting taxpayer money, the establishment of a European resolution mechanism forms an integral part of the Commission's proposal. In addition to establishing a harmonised resolution regime to equip the competent authorities with common and effective tools for bank resolution and restructuring, the Commission proposed a system of national *ex ante* resolution funds paid for by contributions from banks.

Against this background, this article discusses the optimal design of a European resolution mechanism in light of various approaches proposed in literature and in the Commission's proposal. First, we examine the proposed restructuring mechanism and identify the shortcomings of the Commission's approach. Then we discuss funds established at the national level and review the literature on the design of restructuring funds. Based on this review, we then develop a design for a European restructuring fund as part of a resolution mechanism addressing the shortcomings of the Commission's proposal. The main features of this proposal are:

- a European resolution authority and a European resolution fund for systemically important banks that

1 The report was subsequently elaborated upon in close cooperation with the presidents of the Commission, the Eurogroup and the European Central Bank.

2 Proposal for a Council Regulation conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions, COM(2012) 511 final, 2012/0242.

3 High-level Expert Group on reforming the structure of the EU banking sector, Final Report, 2 October 2012, available at http://ec.europa.eu/internal_market/bank/docs/high-level_expert_group/report_en.pdf.

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complement a system of national authorities and funds;

- contributions to the European fund in the form of a levy that increases with the systemic relevance of financial institutions and withdraws implicit subsidies to bank funding costs, thereby reducing the risk of future bailouts and the moral hazard inherent in implicit government guarantees.

To estimate the influence of state support on funding costs, we estimate synthetic bond yield differences. We find that contributions to recovery and resolution funding in Sweden, Germany and the US either fall below or are at best of a comparable size to funding benefits enjoyed by banks due to an implicit state guarantee.

The Commission's proposal on the establishment of a restructuring regime

The bank resolution framework proposed by the Commission recognises the need for an effective policy framework to manage bank failures in an orderly way and to avoid contagion to other institutions. The aim of such a policy framework would be to equip the relevant authorities with common and effective tools and powers to address banking crises pre-emptively, thereby safeguarding financial stability and minimising taxpayer exposure to losses.

The proposal thus requires member states to confer resolution powers to public administrative authorities to ensure that the objectives of the framework can be delivered in a timely manner. It remains open to member states to designate the resolution authorities of their choosing, for example, national central banks, financial supervisors, deposit guarantee schemes, ministries of finance or special authorities. Thus, the proposal leaves resolution competences mainly with the member states. In cases of cross-border resolution, resolution colleges will be established with clearly designated leadership and with the European Banking Authority (EBA) facilitating cooperation.

The proposal expands the powers of national supervisors to intervene at an early stage in cases where the financial situation of an institution is deteriorating. In addition, if the solvency of an institution is deemed to be sufficiently at risk, the supervisors would have the power to appoint a special manager who would replace the institution's management for a limited period. The primary duty of the special manager is to restore the solvency of the institution and the sound and prudent management of its business.

Also, the resolution authorities are provided with a number of resolution tools and powers including the sale of business, the establishment of a bridge institution, the separation of assets and a bail-in of creditors. In order to apply these tools, resolution authorities will have powers to take control of an institution that has failed or is about to fail, assume the role of shareholders and managers, transfer assets and liabilities, and enforce contracts.

Regarding the resolution funding, the proposal provides for the setting up of financing arrangements in each member state. The purposes for which they may be used range from guarantees to loans or contributions. Losses should be primarily borne by shareholders and creditors. In order to ensure that some funds are available at all times, and given the pro-cyclicality associated with *ex post* funding, a minimum target level for *ex ante* funding is set at one per cent of covered deposits. The initial target level has to be reached within ten years after the proposals enter into force, i.e. at a rate of 0.1 per cent per year, while later replenishments starting at less than target level should proceed at a minimum rate of 0.25 per cent.

In case national restructuring funds do not have sufficient means, the proposal provides a right for national arrangements to borrow from their counterparts in other member states. Deposit Guarantee Schemes (DGS) may be called to contribute to resolution in two manners. First, for the purpose of ensuring continuous access to covered deposits, DGS must contribute an amount equivalent to the losses it would have had to bear in normal insolvency proceedings. Second, member states retain discretion as to how to fund resolution: either by directly using the DGS as the financing arrangement for resolution or by establishing separate funds.

The shortcomings of the Commission's proposal

On balance, the Commission's proposal provides a comprehensive set of instruments for dealing with the resolution of financial institutions. However, the Commission's proposal has several shortcomings.

Firstly, the proposal allocates these competencies to the national level, whereas we contend that a European resolution authority is necessary. It is doubtful that the proposed solution in forms of European resolution colleges can be relied upon to effectively enact a resolution pro-

cess in the case of an acute solvency crisis. This allocation of resolution competencies to the national level also stands in stark contrast to the comprehensive transition of supervisory powers to the European level that is proposed for the Single Supervisory Mechanism. This misalignment of competencies in supervision and resolution renders banks European in life but national in death.

Secondly, and related to the first shortcoming, the proposal lacks a European restructuring fund as a mechanism dedicated to covering costs incurred through the restructuring and resolution of failing banks. Instead, according to the proposal, national funding mechanisms are to be established which will be supplemented by mandatory liquidity assistance among national funds of different member states. However, the current crisis demonstrates that absorbing the costs of failures of large banks or of a systemic banking crisis at the national level can be too heavy a burden even for national governments themselves, let alone national funding mechanisms.[4] Establishing mandatory liquidity assistance may ease the short-run burden, but only at the cost of a divergence with national control and shared responsibility. Thus, bank crises can still endanger the solvency of member states.

Thirdly, the proposed target level of *ex ante* funding is too low. The proposed target level of one per cent of covered deposits translates into roughly €80 billion for banks in the EU.[5] This compares with a total of €409 billion provided for recapitalisations and asset relief measures from October 2008 through the end of 2010.[6] During an acute banking crisis, the levying of additional *ex post* funding contributions is to be avoided, as it might endanger the financial soundness of otherwise stable banks. Calibrating the target level against the amount of covered deposits makes sense with respect to the proposed dual use of restructuring funds. Yet this type of calibration neglects the risks inherent in short-term financing to interbank funding.

Fourthly, the proposal enables member states to employ DGS resources for the funding of bank resolution and restructuring in three ways:

1. DGS shall contribute an amount equivalent to the losses that they would have had to bear in normal insolvency proceedings;

2. DGS should rank *pari passu* with unsecured non-preferred claims in normal insolvency proceedings;

3. DGS *ex ante* funds can be employed as *ex ante* funds for restructuring and resolution.

Although it is undisputed that DGS would profit from a restructuring and resolution regime, the supposed benefits and synergies seem to be overstated and largely ignore differences with regard to the beneficiaries of deposit insurance and bank restructuring. Depositors depend on deposits in current accounts to manage monetary transactions, and they generally lack the resources of institutional investors to obtain information about the creditworthiness of individual banks. Therefore, depositors (and DGS) should not be held responsible in the same manner as institutional investors. Deposits up to the amount specified as the minimum level for insured deposits (currently €100,000) should be given preferential treatment,[7] thereby also lowering DGS contributions in case of resolution or restructuring. Employing DGS funds additionally for resolution or restructuring decreases the total amount of available resources to cover the costs of a banking crisis.

Finally, the Commission proposes that contributions to the fund should be proportional to the liabilities of institutions, adjusted by their respective risk profiles (including systemic relevance). Yet it should be made clear that contributions should internalise the costs that banks – especially those deemed to be of systemic relevance – are imposing on the system. Such an "insurance premium" should at least collect benefits that are currently accruing to banks in the form of lower funding costs due to implicit bailout guarantees, i.e. banks receive better financing conditions because markets assume some form of government bailout.

Existing national restructuring funds and proposals

The Commission's proposal on the establishment of restructuring funds should also be seen in light of existing national funds. In Europe, only Sweden and Germany have set up restructuring funds as a response to the banking crisis of 2008.[8] In Sweden, a stability fund was

4 For example in Ireland, the total amount of recapitalisation or asset relief measures from October 2008 through December 2010 exceeds 30 per cent of GDP. See High-level Expert Group on reforming the structure of the EU banking sector, op. cit.

5 European Commission: Impact Assessment, Accompanying Document, Proposal for a Directive of the European Parliament and the Council establishing a framework for the recovery and resolution of credit institutions and investments firms, Brussels, 6 June 2012, SWD(2012) 166.

6 High-level Expert Group on reforming the structure of the EU banking sector, op. cit.

7 Compare with the preferential treatment of deposits by the Swiss Depositor Protection Scheme "esisuisse".

8 For an overview, see Financial Stability Board: Resolution of Systemically Important Financial Institutions – Progress Report, November 2012.

established which is meant to cover the cost of future crises. The fund, which is targeted to reach 2.5 per cent of GDP in 15 years, will be built up with the help of fees paid by banks and other credit institutions. The fees, which amount to 0.036 per cent of the parent company's liabilities minus equity per year, are levied on certain parts of the institutions' liabilities. In 2010, a bank levy was introduced in Germany that is higher for larger institutions. Liabilities up to €10 billion are levied at a rate of 0.02 per cent. The levy amount increases to a maximum of 0.06 per cent for liabilities above €300 billion. The levy is combined with a resolution fund. However, the amount generated by the levy – around €500 million annually – is fairly small considering the size of large German banks and the potential financial need in case a restructuring becomes imminent.

In the US, the Obama administration had planned to tax (certain) liabilities of large financial institutions. The plan foresaw charging banks a fee related to the costs of the government bailout of the financial industry. The tax would apply to around 50 banks and insurance companies and would amount to 0.15 per cent of total assets minus high-quality capital, such as common stock, and disclosed and retained earnings. The tax was intended as an *ex post* tax, but the Obama administration ultimately dropped the tax plan in 2010 after strong political and lobbying opposition.

It is noteworthy that none of the taxes described above are designed to reduce the systemic risk of financial institutions. While the German tax is supposed to be part of a restructuring fund and thus have more than just an *ex post* dimension, both the Swedish and US tax plans were designed to provide recovery of the bailout costs of the crisis.

There have been several proposals seeking to reduce the systemic risk posed by the existence of large, highly interconnected and complex international financial institutions. In 2009 the German Council of Economic Experts (GCEE) advocated a similar levy on the systemic relevance of financial institutions as the key element of any system of financial regulation that takes the lessons of the crisis seriously.[9]

Some studies recognise the idea that "being systemically relevant" has to come with a cost, as it is otherwise attractive for financial institutions to choose to be systemic and enjoy the benefits of implicit government guarantees. Acharya and Richardson argue that guaranteeing the liabilities of large financial firms offers them an unfair advantage, because they can raise funds at lower cost.[10] Because the guarantee is so valuable and pervasive, these firms face little market discipline and have incentives to expand their scope, scale, risk exposure, leverage and interconnectedness. Acharya and Richardson therefore propose to make deposit insurance premia sensitive to the systemic risk posed by a contributing bank. Perotti and Suarez call for the implementation of a form of liquidity insurance scheme, that is, a mandatory liquidity charge.[11] By contrast, Doluca et al. want to internalise systemic relevance with a levy (tax), the level of which (tax rate) rises with the systemic relevance of an institution (Pigouvian taxation).[12] According to their proposal, the levy should be complemented by a Systemic Risk Fund endowed with control rights, in particular early intervention and resolution powers. The Systemic Risk Fund should be funded by the proceeds from the levy.

The design for restructuring funds financed by banks

Parallel structure of supervision, resolution and financing

To complete a banking union, it is essential to implement unified regulatory mechanisms not only for the supervision but also for the resolution and restructuring of banking institutions. Supervision, resolution and the financing thereof should run in parallel. To complement the network of mutually cooperating national authorities and funds as put forward by the EU Commission, we thus propose to establish a European Resolution Authority (ERA) and a European Restructuring Fund (ERF). As illustrated in Figure 1, the scope of the ERA should include all systemically important financial institutions (SIFIs) under direct surveillance of the European supervisory agency, i.e. the ECB. These banks should then also contribute to the ERF. The remaining banks which are not directly supervised by the ECB but remain under national authority should contribute to national restructuring funds.

9 German Council of Economic Experts: Financial System on the Drip: Challenging Detoxification Ahead, Annual Report 2009/10, Wiesbaden.

10 V. Acharya, M. Richardson: Making Sense of Obama's Bank Reform Plans, 24 January 2010, http://www.voxeu.org/article/making-sense-obama-s-bank-reform-plans.

11 E. Perotti, J. Suarez: Liquidity Insurance for Systemic Crises, Policy Insight No. 31, 2009.

12 H. Doluca, U. Klüh, M. Wagner, B. Weder di Mauro: Reducing Systemic Relevance: A Proposal, German Council of Economic Experts Working Paper No. 4, 2010.

Figure 1
Design of European restructuring mechanism

Source: Own description.

Resolution and/or restructuring operations undertaken by the ERA should primarily serve to protect the stability of the financial system and minimise the costs to the taxpayer. The decision to engage in a restructuring or resolution procedure should be based on a hierarchy of well-specified intervention triggers from early intervention measures to full-blown resolution.

Costs incurred through the resolution or restructuring of banks conducted by the ERA should primarily be borne by the owners or creditors of the bank, respecting the creditor hierarchy. Yet, as argued above, we propose to give preferential treatment to deposits in restructuring operations. Up to the amount specified as the minimum level for insured deposits (currently €100,000), deposits or deposit guarantee schemes should not be obliged to participate in sharing the costs of restructuring operations. This preferential treatment is also justified by the special role of deposits as a means to manage monetary transactions and the informational disadvantage of depositors with respect to institutional investors.

The ERF is to act as a backstop, covering costs that cannot be borne by creditors due to insufficient amounts of loss-sharing capital, safeguarding deposits in restructuring operations and staving off threats to financial stability possibly arising through cascading effects. The latter should only come into play in cases where other creditors of the bank undergoing the ERA procedure are themselves contributors to the ERF and a direct loss realisation would lead to severe losses which could be spread out over a longer time span by resorting to the ERF.

To recover the costs, the ERF should start to privatise rescued banks or subsidiaries spun off from the ailing mother bank, either by auctioning off the shares obtained through rescue operations to banks which contribute to the ERF or by an open sale to all interested investors. While the former has the advantage of distributing all costs and benefits only among the contributors to the ERF, the latter could lead to higher proceeds, especially in times of a widespread banking crisis.

Determination of the size of bank levies to the ERF

In terms of ensuring sufficient funding of the ERF, regular contributions to the fund should be based on the systemic risk posed by the institution. The more likely and the more expensive restructuring operations to safeguard financial stability are, the higher the amount levied. Thus, the levy should be based on i) the individual risk profile of the bank (risk exposure, leverage, capital ratios); ii) the systemic relevance of the bank (size, interconnectedness, sources of refinancing, market position); and iii) the potential costs of resolution and restructuring (e.g. costs incurred by maintaining business units of the bank with vital functions for the financial system as a whole).

Individual risk profiles of banks can be compiled either through publicly available information or via supervisory information requests from the institutes themselves. Although assessments by credit rating agencies are designed to capture the individual default risk, these ratings should not be applied directly; instead, a separate assessment should be undertaken by the supervisory authority. Similarly, any assessment of systemic relevance has to be conducted by competent authorities.[13]

Currently, banks deemed of systemic relevance profit from market expectations of implicit state guarantees. By becoming "too big to fail", banks can externalise costs associated with the risks taken as part of their business model. This externalisation of costs provides unfair benefits to banks deemed of systemic relevance, distorts markets and induces moral hazard. As a first step towards internalising all of the costs associated with the risks taken, a levy should at least siphon off profits gained by interest rates that have been discounted by implicit state support. Although it is difficult to precisely quantify the profits gained through lower interest rates that were obtained due to market expectations of state support measures, they are of sizeable magnitude.

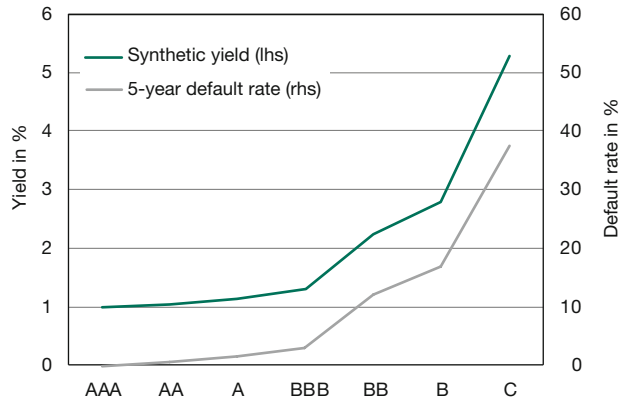
To estimate the influence of state support on funding costs, we estimated synthetic bond yield differences using methods similar to the ones applied in Weder di Mauro and Ueada.[14] We calculated the synthetic bond prices implied by historical default rates.[15] That is

13 See also the classification of banks into globally or domestically systemically important financial institutions by the Financial Stability Board.

14 K. Ueda, B. Weder di Mauro: Quantifying Structural Subsidy Values for Systemically Important Financial Institutions, IMF Working Paper WP/12/128, May 2012.

15 See F. Soussa: Too Big to Fail: Moral Hazard and Unfair Competition?, in: Financial Stability and Central Banks: Selected Issues for Financial Safety Nets and Market Discipline, Centre for Central Banking Studies, Bank of England, London 2000, pp. 5-31.

Figure 2
Synthetic yields and historic default rates



Source: Own calculations based on Moody's Investors Service: Defaults and Recoveries for Financial Institution Debt Issuers, 1983-2010, February 2011.

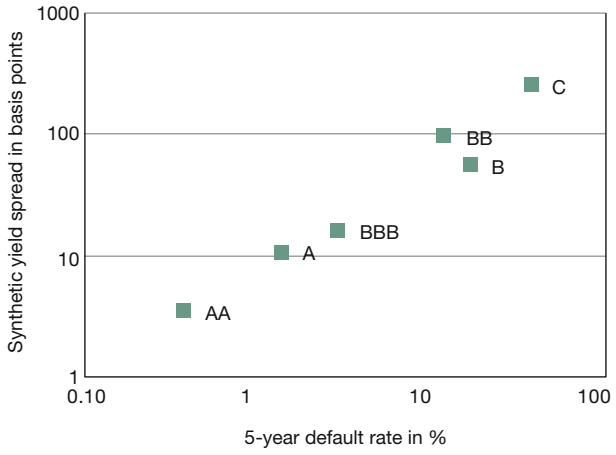
$$PV\,(1+r)^t = PD(t)\,RR + (1-PD(t)),$$

where *PV* is the present synthetic value, *r* is the risk-free interest rate, *t* is the time period, *PD*(*t*) is the probability of default to the corresponding time period and *RR* is the recovery rate. We assumed a risk-free interest rate of one per cent and a time period of five years. *PD*(*t*) and *RR* are taken from a Moody's study on default rates for financial institution debt issuers.[16] Using the synthetic bond prices, we calculate synthetic yields for seven different Moody's credit ratings: AAA, AA, A, BBB, BB, B, C (see Figure 2).

Based on the analysis conducted by Weder di Mauro and Ueda,[17] we assumed state guarantees would improve stand-alone ratings of financial institutions by an average of three notches, which corresponds to an improvement of one credit rating, e.g. from AA to AAA. The funding benefits of implicit state guarantees, as measured by synthetic yield spreads of support over stand-alone ratings, range from three basis points (bp), i.e. 0.03 per cent, for a stand-alone rating of AA, to 250 bp, i.e. 2.5 per cent, for a stand-alone rating of C (see Figure 3). In general, the funding benefits of implicit state guarantees increase as the stand-alone ratings decrease (indicating a greater probability of default).

The estimated funding benefits of three to 250 bp compare to levies of 3.6 bp in Sweden, a maximum six bp in Germany and a proposed 15 bp in the US. Thus, contributions to recovery and resolution funding so far fall below (or are at best of a comparable size with) the funding benefits enjoyed by banks due to an implicit state guarantee. We are aware that these funding benefits would diminish with the establishment of resolution regimes which enforced a contribution of creditors, e.g. via a bail-in. However, the costs of resolution and restructuring would also diminish, thereby justifying a decrease in the ERF levy.

Figure 3
Synthetic yield spread of a one-class rating improvement



Source: Own calculations based on Moody's Investors Service: Defaults and Recoveries for Financial Institution Debt Issuers, 1983-2010, February 2011.

We propose a target volume for the ERF of €200 billion to be built up over a period of around ten years. This compares to a total of €400 billion that EU member states spent on recapitalisation and asset relief measures between October 2008 and the end of 2010. On the other hand, this compares to aggregate 2010 pre-tax profits of €72 billion for the major European banks that participated in the EBA capital exercise. Thus, the proposed target volume would suffice to cover roughly half of the direct capital needs of the most recent banking crisis, while the necessary annual contributions would be less than one-third of aggregated pre-tax profits.

In addition to levying contributions from banks, the ERF should have the right to issue bonds to cover financing needs. Especially during the build-up period, the available pre-funded resources of the ERF might prove inadequate to cover the financing needs. Banks contributing to the ERF should therefore be obliged to act as purchasers of last resort of ERF bonds, which could then be used as collateral in refinancing operations. Manda-

16 Moody's Investors Service: Defaults and Recoveries for Financial Institution Debt Issuers, 1983-2010, February 2011. *RR* was calculated as the average of observed recovery rates for senior unsecured loans, senior secured loans, senior unsecured bonds and senior secured bonds.

17 K. Ueda, B. Weder di Mauro, op. cit.

tory bond purchases will not decrease the total amount of costs to be borne by the banking sector, but they will spread the financial burden in terms of decreased profits or losses over a longer time span. In the event of a full-blown sector- and union-wide crisis, obligatory ERF bond purchases could possibly be enhanced by ESM guarantees to improve refinancing eligibility, e.g. vis-à-vis the ECB, and thereby ease the financial strain imposed on the banks. In a move similar to what is set out in this proposal, such a refinancing chain through bonds, banks and central bank refinancing operations was carried out successfully to cover the increase in financing needs of the deposit guarantee schemes of German private banks after the collapse of Lehman Brothers.

In addition to the ERA and ERF, national resolution authorities and funding mechanisms should be established according to the Commission proposal. National mechanisms of resolution and restructuring are sufficient for small and medium-sized banking institutions which conduct their business almost exclusively within a single member state. Potential issues in resolving or restructuring these banks can be adequately dealt with through the collaboration of national authorities, as proposed by the European Commission. Financial crises affect not only the banking sector but also other institutions providing financial services, e.g. the insurance sector. Therefore, it seems necessary to enlarge the scope of a restructuring and resolution mechanism to encompass all financial institutions – at least those deemed too systemically relevant to fail.

Conclusions

The proposal tabled by the EU Commission on the resolution and restructuring of banks has some significant shortcomings. Since the Commission seeks to allocate resolution powers to the national level, problems related to competences, sufficient funding and effective restructuring instruments arise, in particular where large cross-border financial institutions are concerned. Recent experience reveals that the costs of the failures of large banks or a systemic banking crisis are generally too heavy to be borne by national governments.

Furthermore, the allocation of resolution competencies to the national level is not compatible with the comprehensive transition of supervisory powers to the ECB as the single supervisory institution. Finally, the envisaged volume of the restructuring funds of about €80 billion is too low, as it remains significantly below the total of €409 billion provided to banks for recapitalisation and asset relief measures from October 2008 through 2010.

A fully fledged banking union requires a parallelism among the supervision, resolution and financing of the restructuring process. To this end, we propose to establish a European Resolution Authority and a European Restructuring Fund. The primary goal of resolution and/or restructuring operations undertaken by the ERA should be to protect the stability of the financial system and to minimise the costs to the taxpayer. Costs incurred through the resolution or restructuring of banks conducted by the ERA should primarily be borne by the owners and creditors of the bank, respecting the creditor hierarchy.

Our proposal for an ERF focuses on a levy on banks which has two aims. First, the levy feeds into a fund sufficiently equipped to issue guarantees or provide short-term loans to help the critical parts of a resolved entity regain viability. The fund should, as a matter of principle, be provided for by the banking sector in a fair and proportionate manner. Second, the aim is to design the levy in a way that sets disincentives for banks to become or remain systemically relevant, thereby reducing the risk of future bailouts.

As a general rule, costs incurred through the resolution or restructuring of banks conducted by the ERA should primarily be borne by the owners or creditors of the bank. Concerning the nature of the levy imposed, it should account for the fact that banks deemed of systemic relevance profit from market expectations of implicit state guarantees, as they are likely to be bailed out by the respective governments. Once banks have achieved too-big-to-fail status, they can externalise some of the costs associated with the risks taken as part of their business model.

To determine the influence of state support on funding costs, we estimated synthetic bond yield differences. We find that contributions to recovery and resolution funding in Sweden, Germany and the US fall below or are at best of a comparable size to the funding benefits enjoyed by banks due to an implicit state guarantee.

The levy should be based on the individual risk profile of a bank, the systemic relevance and the potential costs of resolution and restructuring. We propose a target volume for the ERF of €200 billion to be built up over a period of around ten years.

In sum, the proposed ERF can contribute to decoupling the link between sovereign debt and bank debt, which has led to over €1.6 trillion of taxpayer money being pledged to rescue EU banks. It may also contribute to restoring confidence in the financial sector among politicians and taxpayers and could help to meet the political desire to minimise costs for taxpayers.