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FAILING BANKS IN THE EU SINGLE MARKET.  
THE FORTHCOMING “SINGLE RESOLUTION MECHANISM”.

In the recent financial crisis, bank defaults have played a very significant role, because of the close link between banks and sovereigns. It is well-known, indeed, that the crisis has spread from the private sector to the public finance, then in the opposite direction.

EU institutions have reacted, adopting specific measures to break the vicious circle between banks and sovereigns and to reverse the fragmentation of the financial market along national lines, as determined by the crisis.

These measures consist in the creation of the so-called Banking Union, a very ambitious and complex project, designed to restore the financial stability throughout Europe, and notably in the eurozone.

The Banking Union is based on three “pillars”: a *Single Supervisory Mechanism/SSM* (implemented by EU Regulation 1024/2013), a common framework for crisis resolution and a common deposit guarantee scheme. These elements, strictly complementary, should prevent bank defaults and provide the legal tools necessary to manage any banking crises in a timely and effective way (i.e., by minimizing the risks for financial stability, for depositors and for taxpayers).

In this context, we’ll focus in particular on the second pillar, as recently defined at the European level. It has been established, in fact, that the SSM will be supplemented by a *Single Resolution Mechanism/SRM*, based on a *Single Resolution Board* and aimed at ensuring the consistent application of the forthcoming *Bank Recovery and Resolution Directive* to all the banks included in the SSM.

In short, the SRM is conceived as a sophisticated tool to be used in cases of troubled banks, in the broader context of the European Banking Union. The structure and the operation of the SRM, however, have been very controversial. This work, therefore, aims at describing the main characteristics of this innovative instrument, trying also to highlight the issues which may impair its proper functioning and effectiveness.