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## Press release

# AFME welcomes European Parliament's position on Crisis Management and Deposit Insurance Framework

24 April 2024

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AFME welcomes today's European Parliament vote on its position as progress in the right direction, but needing further clarifications and refinement. These are goals we hope can be achieved as the Council agrees on its general approach and co-legislators begin negotiations.

On the text adopted today in the EP's plenary, **Sahir Akbar, Head of Resolution Regulation at AFME** said, *"AFME continues to support the development of an effective recovery and resolution framework in the EU and the ongoing work to enhance resolvability. AFME has been closely involved in the development and implementation of the BRRD and SRMR, the development of TLAC, and related issues including deposit insurance, and supports the Eurogroup view that a consistent and effective framework for managing banks in distress is a critical part of the Banking Union.*

*While today's European Parliament vote is another step along the journey, details matter and we need to ensure each step taken does not undermine the progress made to date."*

AFME believes that when co-legislators enter into negotiations they should focus, in particular, on the following elements:

1. Enhancing the credibility, predictability and consistency of the CMDI framework, further enhancing financial stability, without adversely impacting for example the progress made by G-SIBs and large banks on their resolution planning and build-up of their minimum requirement for own funds and eligible liabilities (MREL).
2. Not increasing contributions to mutualised funds, but better aligning contributions with the risk that an individual institution poses to the fund. This becomes even more important as the proposed revisions to the CMDI framework are likely to increase the use of Deposit Guarantee Scheme funds through the widening of the public interest assessment and change to the creditor hierarchy.
3. Minimising risk to taxpayers and moral hazard by ensuring a consistent, harmonized and careful approach across EU member states to the use of common or mutualised funds to absorb losses, subject to the Least Cost Test, supporting market discipline and avoiding competitive distortions. In addition, deposit insurance is primarily to protect covered depositors, not to absorb losses that should otherwise be borne by the shareholders and other creditors of a failing bank.
4. Being consistent in the tools and application of the framework at EU level in order to ensure that all banks regardless of their size or country of origin can fail in an orderly manner, have a plan in place to provide for this and have the resources to support it.
5. Supporting strong cross-border cooperation and minimise fragmentation both within the EU and with third countries.

As the Council continues to work on its general approach and in anticipation of potential co-legislators negotiations at some later date, AFME would stress the importance of moving ahead with amending the EU's Recovery and Resolution framework in a timely fashion. This would benefit the deeper integration of the EU banking market and by extension the capital market union.

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**Notes:**

1. AFME (Association for Financial Markets in Europe) promotes fair, orderly, and efficient European wholesale capital markets and provides leadership in advancing the interests of all market participants. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website: [www.afme.eu](http://www.afme.eu)
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