

Memorandum of Understanding on co-operation between the Banking Supervisors, Central Banks and Finance Ministries of the European Union in Financial Crisis situations

1. The banking supervisory authorities, the central banks and the Finance Ministries of the European Union (EU) have agreed on a Memorandum of Understanding on co-operation in financial crisis situations (hereinafter referred to as the “MoU”). The full list of the authorities which have endorsed this MoU is included in the Annex to this press release. The MoU shall enter into effect on 1 July 2005. The MoU agreement will not be a public document.
2. The increasing integration of markets and market infrastructures in the EU’s single financial market promotes financial stability since a larger and more diversified financial system will be better able to absorb potential financial shocks, and possibly to prevent them through wider risk management resources. At the same time, financial market integration and the growing number of cross-border financial institutions, may also increase the scope for cross-border contagion and thus the potential magnitude of a systemic crisis affecting more than one Member State. In this context, it is important to further enhance the practical arrangements concerning co-operation in cross-border crisis situations at the EU level among the authorities potentially involved in preserving financial stability. Against this background, the MoU – as a building-block for such practical arrangements – will apply to crisis situations with a potential for both cross-border and systemic impact affecting individual credit institutions, banking groups or banking components of financial groups, as well as to other possible systemic disturbances with cross-border implications in the financial markets, including those affecting payment systems or other financial market infrastructures.
3. Building on the existing EU and national legislation and arrangements, the MoU aims at supporting and promoting co-operation in crisis situations between banking supervisors, central banks and finance ministries. The MoU consists of a set of principles and procedures for sharing information, views and assessments, in order to facilitate the pursuance by these authorities of their respective policy functions and preserve the overall stability of the financial system of individual Member States and of the EU as a whole. In particular, these authorities should be in a position, if needed, to engage in informed discussions amongst themselves at the cross-border level – on the basis of existing networks and committees – in the case of crisis situations affecting the financial system of more than one Member State or the EU as a whole. In cases where EU-wide multilateral co-operation among authorities might be needed, the existing EU committees

may, within the scope of their role and tasks, be utilised for facilitating the process of exchange of information, views and assessments, along with the central role of the consolidating supervisor, especially for the dissemination of information among interested parties.

4. The principles and procedures contained in the MoU deal specifically with the sharing of information, views and assessments among the authorities potentially involved in a crisis situation, the appropriate procedures for such sharing of information and the conditions for cooperation and information flow at the national and cross-border level. In order to further support the enhanced cross-border co-operation between authorities, the MoU also includes arrangements for the development, at the national and EU level, of contingency plans for the management of crisis situations, along with stress-testing and simulation exercises.
5. The Memorandum of understanding should not be construed as representing an exception to (i) the principle of the firm's owners'/shareholders' primary financial responsibility, (ii) the need for creditor vigilance, and (iii) the primacy of market-led solutions to solve a crisis situation in individual institutions.
6. An MoU is a non-legally binding instrument for setting forth practical arrangements aimed at promoting co-operation between authorities in crisis or potential crisis situations without overriding their respective institutional responsibilities or restricting their capacity for independent and timely decision-making in their respective fields of competence, notably with regard to the conduct of day-to-day central banking and supervisory tasks, as set out in national and Community legislation.
7. Crisis situations may in practice involve a wider range of authorities and respective functions, including other financial supervisory authorities, deposit insurance schemes and competition policy authorities, and the MoU is without prejudice to further co-operation arrangements involving a wider range of authorities. Although certain crises may require international co-operation with authorities whose jurisdiction lies outside the EU, the MoU does not deal with such co-operation at present.
8. The MoU complements and is without prejudice to other co-operation arrangements especially between banking supervisors and central banks, in particular the Memorandum of Understanding on high-level principles of co-operation between the EU banking supervisors and central banks in crisis management situations (www.ecb.int/press/pr/date/2003/html/pr030310_3.en.html) adopted in 2003. The main difference between the 2003 MoU and the new MoU relates to its scope. While the former deals with co-operation between EU banking supervisors and central banks only, the latter addresses co-operation involving the EU Finance Ministries as well. Both MoUs are applicable to cross-border systemic crises but the 2003 MoU also deals with stages of detection and activation of specifically supervisory and central banking tools in financial crises.

ANNEX

Parties to the Memorandum of Understanding:

Banking Supervisory Authorities

Finanzmarktaufsicht, Austria
 Commission bancaire, financière et des assurances/Commissie voor het Bank-, Financie- en
 Assurantiewezen, Belgium
 Κεντρική Τράπεζα της Κύπρου
 Česká národní banka
 Finanstilsynet, Denmark
 Finantsinspektsioon, Estonia
 Rahoitustarkastus, Finland
 Commission Bancaire, France
 Bundesanstalt für Finanzdienstleistungsaufsicht, Germany
 Deutsche Bundesbank
 Τράπεζα της Ελλάδος
 Pénzügyi Szervezetek Állami Felügyelete, Hungary
 Irish Financial Services Regulatory Authority
 Banca d'Italia
 Finanšu un Kapitāla Tirgus Komisija, Latvia
 Lietuvos bankas
 Commission de Surveillance du Secteur Financier, Luxembourg
 Malta Financial Services Authority
 De Nederlandsche Bank
 Komisja Nadzoru Bankowego, Poland
 Banco de Portugal
 Národná banka Slovenska
 Banka Slovenije
 Banco de España
 Finansinspektionen, Sweden
 Financial Services Authority, United Kingdom

Central Banks

Oesterreichische Nationalbank
 Nationale Bank van België/Banque Nationale de Belgique
 Κεντρική Τράπεζα της Κύπρου
 Česká národní banka
 Danmarks Nationalbank
 Eesti Pank
 Suomen Pankki – Finlands Bank
 Banque de France
 Deutsche Bundesbank
 Τράπεζα της Ελλάδος
 Magyar Nemzeti Bank
 Central Bank and Financial Services Authority of Ireland
 Banca d'Italia

Latvijas Banka
 Lietuvos bankas
 Banque centrale du Luxembourg
 Central Bank of Malta
 De Nederlandsche Bank
 Narodowy Bank Polski
 Banco de Portugal
 Národná banka Slovenska
 Banka Slovenije
 Banco de España
 Sveriges Riksbank
 Bank of England
 European Central Bank

Finance Ministries

Bundesministerium für Finanzen, Austria
 Service Public Fédéral Finances, Belgium
 Υπουργείο Οικονομικών, Cyprus
 Ministerstvo Financí, Czech Republic
 Finansministeriet, Denmark
 Eesti Vabariigi Rahandusministeerium, Estonia
 Valtiovarainministeriö, Finland
 Ministère de l'Économie des Finances et de l'Industrie, France
 Bundesministerium der Finanzen, Germany
 Υπουργείο Οικονομίας και Οικονομικών, Greece
 Pénzügyminisztérium, Hungary
 Department of Finance, Ireland
 Ministero dell'Economia e delle Finanze, Italy
 Finansu Ministrija, Latvia
 Lietuvos Respublikos Finansų Ministerija, Lithuania
 Ministère des Finances, Luxembourg
 Ministeru tal-Finanzi, Malta
 Ministerie van Financiën, the Netherlands
 Ministerstwo Finansów, Poland
 Ministério das Finanças e da Administração Pública, Portugal
 Ministerstvo Financí, Slovakia
 Ministrstvo za finance, Slovenia
 Consejería de Economía y Hacienda, Spain
 Finansdepartementet, Sweden
 HM Treasury, UK