

Letters

Lettera del Direttore Generale dell'ABI, Giovanni Sabatini, all'*Economist* sulla cornice normativa e regolamentare di gestione delle crisi bancarie, con particolare riferimento al tema della retroattività del bail-in, effetto delle incoerenti tempistiche nell'ambito del processo di implementazione della direttiva Brrd.

Italy's banking bail-outs

You are correct to point out that under the framework for resolving Europe's failing banks there is an unwillingness to impose losses on senior bondholders, who rank above the holders of junior bonds and shareholders ("Senior moment", July 1st). Unfortunately, this is mostly because of the regrettable timing in implementing the bank recovery and resolution directive (BRRD). Following the principle that no taxpayers' money should be used to save failed banks, the BRRD introduced a completely new system and a new procedure to deal with bank crises.

To avoid a disorderly unwinding of a bank, the BRRD compels banks to comply with a new requirement, the "minimum requirements for eligible liabilities", under which they must hold sufficient liabilities eligible for a "bail-in" (when investors, not taxpayers, take the hit). However, the BRRD implemented the resolution mechanism, and only then asked banks to adjust the liabilities in their balance-sheet to take account of the new bail-in procedure.

This implementation sequence was completely wrong, implying, among other things, that liabilities issued well before the drafting of the BRRD were vulnerable to being bailed in. If the reverse had happened, giving time for banks to issue sufficient "bail-in" liabilities and then replace those issued before the BRRD was enacted, the problems with the new mechanism would have been minimised.

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I salvataggi bancari in Italia