Banks and 'Bail in' Policy

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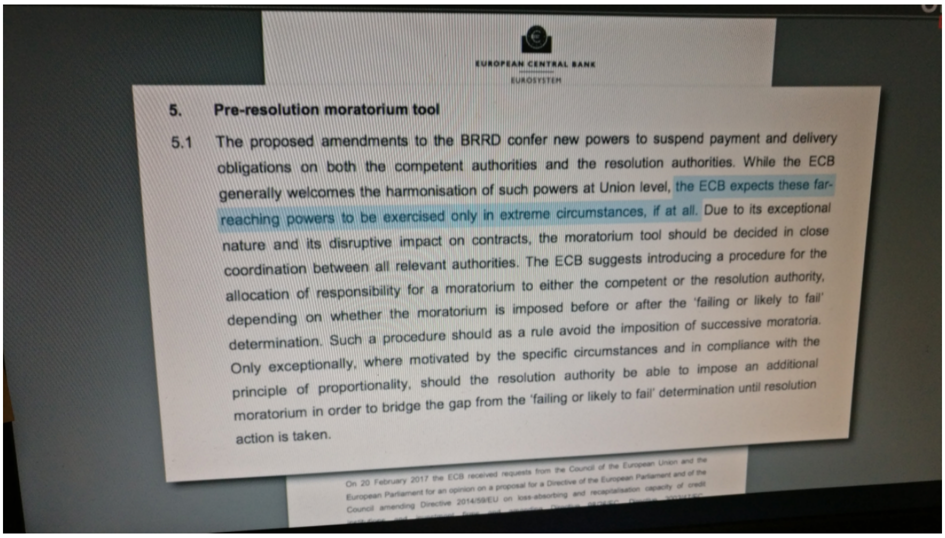
Fair Warning for ALL Centrally owned Bank Depositors!

Bail-in powers implementation - GOV.UK
https://www.gov.uk/government/.../bail-in-powers.../bail-in-powers-implementation
Jump to **Banking** group companies - ... in order to meet the **policy** objective of extending the private ...
Or the bridge **bank**, where special **bail**-in provision is ...

Bail-In Definition | Investopedia
https://www.investopedia.com/terms/b/bailin.asp
Typically, **bail**-outs have been far more common than **bail**-ins, but in recent years after massive **bail**-outs some governements now require the investors and depositors in the **bank** to take a loss before taxpayers.



EUROPEAN CENTRAL BANK
EUROSYSTEM

5. **Pre-resolution moratorium tool**

5.1 The proposed amendments to the BRRD confer new powers to suspend payment and delivery obligations on both the competent authorities and the resolution authorities. While the ECB generally welcomes the harmonisation of such powers at Union level, the ECB expects these far-reaching powers to be exercised only in extreme circumstances, if at all. Due to its exceptional nature and its disruptive impact on contracts, the moratorium tool should be decided in close coordination between all relevant authorities. The ECB suggests introducing a procedure for the allocation of responsibility for a moratorium to either the competent or the resolution authority, depending on whether the moratorium is imposed before or after the 'failing or likely to fail' determination. Such a procedure should as a rule avoid the imposition of successive moratoria. Only exceptionally, where motivated by the specific circumstances and in compliance with the principle of proportionality, should the resolution authority be able to impose an additional moratorium in order to bridge the gap from the 'failing or likely to fail' determination until resolution action is taken.

On 20 February 2017 the ECB received requests from the Council of the European Union and the European Parliament for an opinion on a proposal for a Directive of the European Parliament and of the Council amending Directive 2014/59/EU on loss-absorbing and recapitalisation capacity of credit

DEFINITION of 'Bail-In'

A bail-in is rescuing a financial institution on the brink of failure by making its creditors and depositors take a loss on their holdings. A bail-in is the opposite of a bail-out, which involves the rescue of a financial institution by external parties, typically governments using taxpayers money. Typically, bail-outs have been far more common than bail-ins, but in recent years after massive bail-outs some governements now require the investors and depositors in the bank to take a loss before taxpayers.

BREAKING DOWN 'Bail-In'

Breaking Down Bail-Ins

Bail-ins and bail-outs arise out of necessity rather than choice. Investors and deposit-holders in a troubled financial institution would surely prefer to keep it solvent, rather than the alternative which would be for them to lose the full value of their investments or deposits if the bank goes under. Governments also prefers not to let a financial institution go under, namely because a bankruptcy on this scale will likely the increase of systemic risk in the market (ref. the bankruptcy of Lehman Brothers in September 2008).

Typically bail-ins was resorted to in cases where a government bail-out is unlikely due to either (a) the financial institution's collapse is not likely to pose a systemic risk because it does not fall into the "Too Big To Fail" category; or (b) the government does not possess the financial resources necessary for a bail-out because it is itself heavily indebted.

The Cyprus Experiment

While the general public became quite familiar with the subject of bail-outs in the aftermath of the Great Recession of 2008, bail-ins attracted attention in 2013 after government officials resorted to it in Cyprus. The practical consequenses was that uninsured depositors (defined in the EU as people with deposits larger than €100,000) in the Bank of Cyprus lost almost half of their deposits. In return they received stock in the bank, however, the value of these stocks were no where near most depositor's losses. Uninsured depositors in Laiki, the nation's second-largest bank, lost everything as the bank failed. The Cyprian economy grew a modest 0.90% in the first quarter of 2016, the unemployment is still high at around 12%, but declining.

Bail-Ins Before Bail-Outs

Both the European Union and the U.S. have restricted the use of government bail-outs, which effectively makes bail-ins default option for a bank in distress. The sentiment behind it was that taxpayers should not have to pay for the big banks' mistakes. It became a source of resentment that during the financial crisis governments paid trillions of dollars of taxpayer's money to rescue the big banks, while ordinary people lost their jobs and homes.

Read more: Bail-In https://www.investopedia.com/terms/b/bailin.asp#ixzz4zF6HqtIo
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