



Leibniz Institute for Financial Research SAFE
Sustainable Architecture for Finance in Europe (<https://safe-frankfurt.de/>)

SAFE Finance Blog

Litmus Test Monte Paschi

02/03/2017

SAFE scholars demand resoluteness in the case of the ailing Italian bank



In an opinion piece in the daily newspaper “Frankfurter Allgemeine Zeitung” on 3 February, Martin R. Götz (<https://safe-frankfurt.de/de/forschung/wissenschaftler/details/showauthor/126-goetz.html>), Jan Pieter Krahen (<https://safe-frankfurt.de/de/forschung/wissenschaftler/details/showauthor/14-krahen.html>) und Tobias H. Tröger (<https://safe-frankfurt.de/de/forschung/wissenschaftler/details/showauthor/56-troeger.html>), all professors at Goethe University and the Research Center SAFE, demand a stringent application of the Bank Recovery and Resolution Directive (BRRD) in the case of the Italian bank Monte

dei Paschi di Siena (MPS). The authors state that the outcome of this test-case has a direct impact on the credibility of the new European bank recovery and resolution regime – introduced as a lesson from the recent financial crisis.

According to the relevant BRRD rules, the losses a failing bank incurred should generally be borne by its investors. Before a minimum bail-in of investors amounting to at least 8 percent of total liabilities has occurred, government money can only be injected in emergency cases to remedy a serious disturbance in the economy and to preserve financial stability. The authors do not see any signs that resolving MPS could cause such a systemic event. They argue that investors will not price bank capital adequately but impound implicit government guarantees if the authorities allow to bail out banks contrary to the existing rules. As a consequence, banks would continue to over-leverage and the necessary restructuring of the European banking industry would be retarded. If the Italian government wants to compensate retail investors in case of a bail-in, the researchers suggest to do so directly and not by giving financial assistance to MPS.

The authors remind that the case of MPS puts the EU institutions' reputation at stake. The European Central Bank, the Single Resolution Board as well as the European Commission could prevent a bailout of MPS and avoid a dangerous bending of the rules.

More on this topic:


Martin Götz / Jan Pieter Krahnen / Tobias Tröger: Taking Bail-in Seriously - The Looming Risks for Banking Policy in the Rescue of Monte Paschi di Siena, SAFE White Paper No. 33 (<https://safe-frankfurt.de/policy-center/policy-publications/policy-publ-detailsview/publicationname/-1ae74eb0eb.html>)

Keywords: Financial Institutions ([https://safe-frankfurt.de/news-latest/safe-finance-blog/search-result-blog.html?](https://safe-frankfurt.de/news-latest/safe-finance-blog/search-result-blog.html?tx_news_pi1%5BoverwriteDemand%5D%5Bcategories%5D=180&cHash=ae33c76342e22f01085651c7b9b65)
tx_news_pi1%5BoverwriteDemand%5D%5Bcategories%5D=180&cHash=ae33c76342e22f01085651c7b9b65
Bail-in (<https://safe-frankfurt.de/news-latest/safe-finance-blog/tag/bail-in.html>), Banking Resolution (<https://safe-frankfurt.de/news-latest/safe-finance-blog/tag/banking-resolution.html>), BRRD (<https://safe-frankfurt.de/news-latest/safe-finance-blog/tag/brrd.html>)



Back (<https://safe-frankfurt.de/news-latest/safe-finance-blog.html>)

Want to get regular updates?

 [Subscribe to the Finance Blog RSS feed \(http://safe-frankfurt.de/home/rss-policyblog.xml\)](http://safe-frankfurt.de/home/rss-policyblog.xml)

 [Follow us on Twitter \(https://twitter.com/SAFE_Frankfurt\)](https://twitter.com/SAFE_Frankfurt)

Enter your email address to get regular blog updates.

* Please read our data protection statement (<https://safe-frankfurt.de/about-safe/data-protection.html>)(pdf version (https://safe-frankfurt.de/fileadmin/user_upload/editor_common/Files/Data_Protection_Statement_10Jan2020.pdf))

I agree to the data protection statement.*

[Subscribe](#)

RECENT POLICY PUBLICATIONS

Apr 2020

Corona-Bonds und ihre Alternativen (<https://safe-frankfurt.de/policy-center/policy-publications/policy-publ-detailsview/publicationname/corona-bonds-und-ihre-alternativen.html>)

Marcel Thum, (https://tu-dresden.de/cdd/leitung_und_beteiligte/mitglieder/lebensraum-und-infrastruktur/Thum) Alfons J.

Weichenrieder (<https://safe-frankfurt.de/research/researchers/researchers-details/showauthor/52-weichenrieder.html>)

Apr 2020

The Case for Corona Bonds (<https://safe-frankfurt.de/policy-center/policy-publications/policy-publ-detailsview/publicationname/the-case-for-corona-bonds.html>)

Matej Avbelj, (<https://www.eui.eu/DepartmentsAndCentres/Law/People/Fellows/BBF/Matej-Avbelj>) Antonia Baraggia,

(<https://www.mmg.mpg.de/person/99018/2553>) Jürgen Bast, (https://www.uni-giessen.de/fbz/fb01/professuren-forschung/professuren/bast/team/prof_leitung) Bojan Bugarič, (<https://www.sheffield.ac.uk/law/staff/bbugaric/index>)

Emanuel Castellarin, (<https://unistra.academia.edu/EmanuelCastellarin>) Francesco Costamagna,

(<https://www.law.georgetown.edu/ctls/staff/francesco-costamagna/>) Anuscheh Faraha, (<https://www.oer5.rw.fau.de/prof-dr-anuscheh-farahat/>) Matthias Goldmann, (<https://safe-frankfurt.de/research/researchers/researchers-details/showauthor/549-goldmann.html>) Anna-Katharina Mangold, (<https://www.europeanstudies.info/en/about-ma-eus/our-team/administrative-team/prof-dr-anna-katharina-mangold-ilm-cambridge/>) Mario Savino,

(<https://unitus.academia.edu/MarioSavino>) Alexander Thiele, (<https://www.uni-goettingen.de/de/pd-dr-alexander-thiele/418590.html>) Annamaria Viterbo (<http://www.dg.unito.it/do/docenti.pl/alias?anna.viterbo#profilo>)

Apr 2020

Emerging Evidence of a Silver Lining: A Ridge Walk to Avoid an Economic Catastrophe in Italy and Spain (<https://safe-frankfurt.de/policy-center/policy-publications/policy-publ-detailsview/publicationname/emerging-evidence-of-a-silver-lining-a-ridge-walk-to-avoid-an-economic-catastrophe-in-italy-and-spa.html>)

Christopher Busch, (<https://safe-frankfurt.de/research/researchers/researchers-details/showauthor/468-busch.html>)

Alexander Ludwig, (<https://safe-frankfurt.de/research/researchers/researchers-details/showauthor/112-ludwig.html>) Raúl

Santaeulàlia-Llopis (<https://www.barcelonagse.eu/people/santaeulalia-llopis-raul>)

All Policy Publications (<https://safe-frankfurt.de/policy-center/policy-publications.html>)



Contact

Leibniz Institute for Financial Research SAFE

Theodor-W.-Adorno-Platz 3

60323 Frankfurt am Main

Phone: +49 69 798 30080

Fax: +49 69 798 30077

Email: info@safe-frankfurt.de

Find the right contact person (<https://safe-frankfurt.de/about-safe/contact.html>)

 Follow us on Twitter (https://twitter.com/SAFE_Frankfurt)

SAFE →

- [About SAFE \(https://safe-frankfurt.de/about-safe.html\)](https://safe-frankfurt.de/about-safe.html)
- [Job Offers \(https://safe-frankfurt.de/about-safe/career/job-offers.html\)](https://safe-frankfurt.de/about-safe/career/job-offers.html)
- [How to find us \(https://safe-frankfurt.de/about-safe/how-to-find-us.html\)](https://safe-frankfurt.de/about-safe/how-to-find-us.html)

Policy Center →

- [SAFE Senior Policy Fellows \(https://safe-frankfurt.de/policy-center/safe-senior-policy-fellows.html\)](https://safe-frankfurt.de/policy-center/safe-senior-policy-fellows.html)
- [Policy Publications \(https://safe-frankfurt.de/policy-center/policy-publications.html\)](https://safe-frankfurt.de/policy-center/policy-publications.html)
- [SAFE Finance Blog \(https://safe-frankfurt.de/news-latest/safe-finance-blog.html\)](https://safe-frankfurt.de/news-latest/safe-finance-blog.html)
- [Policy Center Team \(https://safe-frankfurt.de/policy-center/policy-center-team.html\)](https://safe-frankfurt.de/policy-center/policy-center-team.html)



[Home \(https://safe-frankfurt.de/footer-menu/home.html\)](https://safe-frankfurt.de/footer-menu/home.html) →

[About this site \(https://safe-frankfurt.de/footer-menu/about-this-site.html\)](https://safe-frankfurt.de/footer-menu/about-this-site.html) →

[Data Protection \(https://safe-frankfurt.de/footer-menu/data-protection.html\)](https://safe-frankfurt.de/footer-menu/data-protection.html) →

© 2020 SAFE

Research →

- [Research Departments \(https://safe-frankfurt.de/research/research-departments.html\)](https://safe-frankfurt.de/research/research-departments.html)
- [Researchers \(https://safe-frankfurt.de/research/researchers.html\)](https://safe-frankfurt.de/research/researchers.html)
- [Data Center \(https://safe-frankfurt.de/data-center.html\)](https://safe-frankfurt.de/data-center.html)

News & Events →

- [All News \(https://safe-frankfurt.de/news-latest/all-news.html\)](https://safe-frankfurt.de/news-latest/all-news.html)
- [Newsletter \(https://safe-frankfurt.de/news-latest/newsletter.html\)](https://safe-frankfurt.de/news-latest/newsletter.html)
- [Expert List \(https://safe-frankfurt.de/press/expert-list.html\)](https://safe-frankfurt.de/press/expert-list.html)