

### Proposal for Single Resolution Mechanism

The European council has aimed on regulation of Single Resolution Mechanism (SRM) and agreed on the establishment of the Single Resolution Board and a single fund for the resolution of banks.

Although the Compromise has reached within the Council; which consist of the draft regulation on the single resolution mechanism and the decision will be taken by the Euro Area member states on March 1, 2014 which will cover the intergovernmental agreement on the functioning of the Single Resolution Fund and also includes all types of arrangements for the transfer of the national contributions to the fund.

The single resolution fund would be backed by the bank levies which will be raised at national level. This proposal also adopted the statement regarding the support given to the single resolution fund. It specifies that during the initial back-up phase of the fund, bridge financing will be available from national sources, backed by bank levies, or from the European Stability Mechanism, in accordance with agreed procedures. The backstop would facilitate borrowing by the fun which would ultimately be reimbursed by the banking sector through levies.

The proposed SRM will form one of the key elements of Europe's banking union, along with the single supervisory mechanism that entered last month.

The establishment of a SRM will ensure that supervision and resolution are exercised at the same level for countries that share the supervision of the banks within the SSM. This will prevent the emergence of tensions between supervision at EU level and national resolution regimes.

The mechanism would cover all banks in the participating member states. T would be responsible for the planning and resolution phases of cross-border banks where as the national resolution mechanism would be responsible for all other banks and also for executing bank resolution plans under the control of single resolution board.

The SRM would enter into force on 1 January 2015 and the regulation will not apply until the intergovernmental agreement entered into force.

The regulation based on article 114 of the Treaty on the Functioning of the European Union, requires a qualified majority for adoption by the council in agreement with the European Parliament.

For detailed information about the above, please [click here](#).

### New Guidelines by the European Commission to Grant Aid to Facilitate Access to Finance

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The European Commission has adopted certain guidelines under which the member states can grant aid to facilitate access to finance by European Small and Medium Enterprise (SMEs) with a medium capitalization (it is known as midcaps). In the early development certain SMEs and midcaps had to face certain difficulties in getting funding. Therefore, with the help of state aid, the funding gaps can be reduced by attracting money into new ventures through well designed financial instruments and fiscal measures. Such guidelines are considered to be the part of the Commission's State Aid Modernisation strategy having its objective in achieving the growth in the Single Market by encouraging more effective aid measures and also scrutinizing the Cases which have more impact on competition. These guidelines will come into force on 1 July 2014.

But still the SMEs are greatly reliant upon the traditional bank lending, which is limited by the banks' refinancing, risk appetite and capital adequacy. The Financial Crisis has witnessed that the one third of SMEs have been unable to get the finance which is required in recent years, which resulted in creation of the financial gap. Therefore, the Commission is Setting up the a simple, generous and flexible state aid framework for the provision of risk finance to SMEs and midcaps which will give assistance in the most critical stages of their life Cycles sometimes called "valley of death", which they have to pass so as to bring new products and ideas to the market.

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## **Negotiations between EU-US relating to the protection of Investment on the basis of Public Interest**

The European Union- United States (EU-US) negotiations for the Transatlantic Trade and Investment Partnership (TTIP) started in July 2013 which aimed at eliminating the trade barriers in the economic sectors in order to pave the easier way for buying and selling of goods and services. The European Union Trade Commissioner has made it clear that the decision will be taken in public interest regarding the investment provisions of a future EU-US Trade deal known as the Transatlantic Trade and Investment Partnership (TTIP). The decision is based upon securing the right balance between protecting European investment interests and upholding the governments' right to regulate the public interest. In March 2014, the proposed EU text will be published in terms of the investment constituting the investment protection and investor to state dispute settlement.

In June 2013, the European Commission initiated the negotiation relating to the new EU- US trade and included certain measures relating to the treatment of investors known as investment protection and the investor-to-state dispute settlement (ISDS). Such negotiation has given the opportunity to the European Commission to improve certain provisions relating to investment so as to protect the investment by European Union based Companies in US and vice versa which would enable the Commission to bring out the new rules including the code of conduct, to ensure that the arbitrators

are chosen freely and are acting independently without any bias and also to open up the proceedings to the public.

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