

PRESS RELEASE

EBA and ESMA: institutions and authorities must consider retail holders of debt financial instruments in resolutions

The European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) have today published a [joint statement](#) encouraging institutions, market and resolution authorities to properly consider retail holders of debt financial instruments subject to the Bank Recovery and Resolution Directive (BRRD) when carrying out their respective tasks. The distribution of debt instruments issued by financial institutions to retail clients may raise significant consumer protection issues and affect the practical application of the resolution framework under the BRRD.

The issue of retail holders of debt financial instruments remains significant considering that, on the basis of the data analysis conducted by EBA and ESMA, retail investors still hold a significant portion of EU debt securities issued by institutions.

The statement points out that the BRRD does not provide for different treatment of eligible liabilities based on the nature of the holder. Therefore, where there is a material presence of retail debt investors, resolution authorities are encouraged to factor this element into their resolution planning and assessment of possible impediments to resolution.

The EBA and ESMA also call for a cooperative dialogue between resolution and market authorities and the sharing of information when this issue is relevant.

The statement reminds institutions that in relation to:

- the outstanding legacy stock of issuances of retail debt liabilities, they provide existing clients with complete and updated information on the potential treatment of such investments in resolution or insolvency; and
- new debt financial instruments being issued under the framework of MiFID II, they properly implement the new requirements, which include a number of provisions aiming at strengthening investor protection.



Background

The treatment of retail debt holders in resolution is closely interlinked to consumer protection issues. On this basis, the EBA and ESMA have developed this Statement in order to benefit from the EBA's prudential role and expertise in resolution and, on from the consumer perspective, from ESMA's role and expertise on the distribution of financial instruments to investors.

The statement is supported by data analysis assessing the relevance of retail investors as direct holders of debt issued by EU financial institutions, which is largely based on data derived from the ECB securities database.



Notes for editors

1. [ESMA71-99-991 Statement of the EBA and ESMA on the treatment of retail holdings of debt financial instruments subject to the Bank Recovery and Resolution Directive.](#)
2. ESMA's mission is to enhance investor protection and promote stable and orderly financial markets.

It achieves these objectives through four activities:

- i. assessing risks to investors, markets and financial stability;
 - ii. completing a single rulebook for EU financial markets;
 - iii. promoting supervisory convergence; and
 - iv. directly supervising specific financial entities.
3. ESMA achieves its mission within the European System of Financial Supervision (ESFS) through active cooperation with the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Systemic Risk Board, and with national authorities with competencies in securities markets (NCAs).

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