

Eurogroup statement - Thematic discussions on growth and jobs: National insolvency frameworks

The Eurogroup is fully committed to supporting economic growth and jobs and holds regular thematic discussions to explore and define common policy ambitions to this end. The Council recommendation on the economic policy of the euro area in the context of the European Semester clearly indicates the areas where reform is the most pressing.

Since the beginning of the year, we have discussed twice the recommendation to improve national insolvency frameworks, an area explicitly addressed in the Council recommendation to the euro area for 2015 and 2016 as well as in the individual 2015 Country-Specific Recommendations for several euro area Member States.

Private sector debt remains high in a number of euro area countries and contributes to holding back the recovery in investment and consumption. In particular, the high level of non-performing loans in banks' balance sheets constrains the supply of credit, thereby hampering the monetary transmission mechanism, and reduces the efficiency of capital allocation. Having effective and efficient insolvency frameworks in place is key to ensuring a smooth deleveraging process, thereby facilitating adjustment processes within the euro area, while improving the business environment and supporting private investment. It would also support deeper financial integration within the euro area, which will be beneficial for the strengthening of the Banking Union, fostering growth and resilience to asymmetric shocks. It would also contribute to building the Capital Markets Union, recognising that this work takes place in the EU-28 setting.

While a number of euro area Member States have carried out significant reforms in the recent past, the Eurogroup is conscious that more efforts are needed. Today we agreed on a number of core common principles that could serve as guidance for improving the efficiency of national regimes in dealing with insolvency. While we aim to converge to a high level of efficiency and transparency of national insolvency rules and practices within the euro area, we recognise that when applying these common principles, country-specific circumstances - in particular national legal frameworks - need to be taken into account.

Speed, cost and predictability are of the essence for efficient national insolvency regimes, together with clear rules on cross-border insolvency. In order to promote **speedy and cost-effective** insolvency procedures, debt distress should be identified at an early stage. Early restructuring procedures with limited court involvement - in particular out-of-court settlement - should be developed further as a priority and resorted to where appropriate. Insolvency procedures should be easily accessible and affordable for both debtors and creditors. Honest distressed debtors should also be given a second chance after a certain period of time. Moreover, insolvency frameworks should be governed by **predictability**. In particular, creditor claims in secured lending should be enforced in an effective manner. Finally, clear rules on **cross-border insolvency** are of paramount importance in order to encourage cross-border investment. At EU level a Regulation and a Recommendation are in place and a legislative proposal is being developed by the end of 2016.

The Eurogroup also discussed the need for adequate flanking policies. In particular, enhancing the institutional framework for insolvency was recognised as critical to ensure an effective implementation of the insolvency legislation. Supervisory measures can contribute to support an accelerated process of banks' balance sheet clean up.

The Eurogroup intends to regularly take stock of the progress made by euro area Member States in reforming their insolvency regimes in line with these common principles and in coherence with parallel work streams led by EU institutions in the framework of the Commission's Action Plan on building a Capital Markets Union. We underlined the importance of benchmarking our common ambitions. We support the Commission's work to improve data availability and quality and we mandate the EWG to engage with this work as a matter of priority. We agreed to revert to the matter in autumn of this year.