

Germany: the government has presented a bill for restructuring the banks

On 25 August the federal government accepted a bill on the restructuring of banks as a way to prevent future bank crises in Germany. The key objectives of this law are to strengthen state control over banks and to introduce a bank tax. The revenue generated from this would be used to rescue financial institutions facing insolvency. The federal government wants to persuade other EU member states to adopt similar laws.

The new regulations will apply to private, regional and cooperative banks and savings institutions located in Germany, however they will not pertain to investment funds and insurance companies. The institutions which the law concerns will have to transfer a progressive tax to a special fund. The tax will be calculated according to a bank's engagement in transactions involving risk (up to 15% of their profits). According to estimates by the German Ministry of Finance, in pre-crisis 2006 this would have yielded tax receipts of up to 1.3 billion euros (8% of the sector's profits), of which 51.6% would have been paid by private banks and 23.8% by regional banks. The state could grant loans to the fund of up to 20 billion euros and special loan guarantees of up to 100 billion euros from the previous funds allocated for overcoming the crisis (SoFFin). Additionally, in the case of the insolvency of a bank, the fund's authorities would have the right to take over control of their activities related to the financial sector in order to restructure them.

The federal government intends to adopt this law by the end of this year using a fast-track procedure. At that time, Germany will also be actively engaged in lobbying for the introduction of similar regulations in the other EU member states. Germany is afraid that a lack of such legislation in other countries will have a detrimental effect on the competitiveness of German banks and may impair the efficiency of the system as a whole.

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