

ECB Considers Adopting EU Bad Bank

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Original post [here](#).

On April 19, the [Financial Times reported](#) that the European Central Bank (ECB) had discussed the creation of a bad bank, or asset management company (AMC), for the eurozone with European Commission (EC) leaders.

Bad banks acquire and manage distressed assets, including non-performing loans, from financial institutions in order to remove toxic assets from a lender's balance sheet to allow them to provide new loans. The idea faces opposition within the EC, and the Financial Times reported that the discussions have stopped. However, officials did not rule out future discussions later in the COVID-19 pandemic.

During the Global Financial Crisis, [many governments](#) established bad banks, including some European countries such as Ireland, Spain, and Germany. However, the [Bank Recovery and Resolution Directive](#) (BRRD), adopted in 2014, restricts EU Member States from creating bad banks unless it is part of the official process to resolve a failing bank. In 2017, a European Banking Authority official, who is now chair of the ECB supervisory board, proposed a eurozone bad bank, but it was met with similar resistance by EU officials.

For more information and the working drafts of detailed case studies on previous AMCs, see the [YPFS Resource Library](#).