

What is the Common Backstop?

The Common Backstop is to be used as financial back-up to the Single Resolution Fund (SRF). The Common Backstop is intended to ensure that the SRB would have sufficient firepower to address even a severe systemic crisis, should the SRF have insufficient funds. The ESM was agreed as the provider of the Common Backstop.



The SRF is an emergency fund that can be called upon in times of crisis. It can be used to ensure the efficient application of resolution tools for resolving the failing banks, after other options, such as the bail-in tool, have been exhausted.



The **Common Backstop** will boost market confidence in a time of crisis, and therefore the need to actually use such a Backstop could be greatly reduced.



The Backstop will take the form of a revolving credit line, which will only be available subject to funds in the SRF being exhausted, and the conditions for its use being met.



Before the SRB adopts a resolution scheme involving the use of the Backstop, it needs confirmation from the **European Stability Mechanism (ESM)** that funds from the Backstop should be provided.



Like the SRF, the Common Backstop will be paid for by the banking sector, and not the taxpayers.

