EU Bail-In Approved: We Are All Cypriots

by Claudio Celani

March 24—Last week, the European Union (EU) issued deadly sanctions against the citizens of its member-nations, which, unlike Russia, cannot defend themselves. By reaching a conclusive agreement on the Banking Union March 19, the EU Council, the EU Commission, and the EU Parliament have put a criminal machine in place, which is, by its own statute, aimed at stealing bank depositors' money, to keep zombie banks alive.

The fascist dictatorship over Europe, which has been the aim of the "Europeanization" pushed by the British financial oligarchy since at least 1992, is now a giant step closer to realization.

According to the compromise reached, the "second pillar" of the Banking Union, the Single Resolution Mechanism (SRM), will be in place in 2014; two-fifths of the EU55 billion Single Resolution Fund can be used from the start, and 70% can be used after three years. The Fund will be financed by banks, but it has not been specified whether that financing will come solely from the 128 banks that are part of the Banking Union. This means that smaller banks could be called on to bail out larger banks.

The "first pillar" of the Banking Union, the Single Supervisory Mechanism (SSM), will be in place by November 2014.

The entire mechanism will be independent of national governments. The Council will be involved only upon decision of the Commission, and only if the Commission disagrees with decisions taken by the ECB and the SRM Board (more unlikely than that donkeys can fly).

This means a further abdication of national sovereignty by the 28 member-states of the EU, which already, according to the terms of the Maastricht and Lisbon Treaties, are denied control over their own budgets, the ability to protect and support their own industry, and the right to invest in long-term infrastructure projects.

The only obstacle remaining is that EU parliaments have to ratify the deal.

Bail-In Comes First

The official narrative is that, in the case of a bank to be "resolved," the bail-in tool will be used first. That means shareholders', bondholders', and depositors' money will be used (i.e., seized) to pay the debt. This method of saving bankrupt (and speculating) banks was pioneered in Cyprus, in the Spring of 2013, with predictably devastating results for the entire economy—from savers to small industry to employment—not just the touted big investors. This template was imposed by the EU, and is mirrored in U.S. banking legislation as well, specifically the Dodd-Frank atrocity rammed through Congress by Obama, Wall Street, et al., in a panic to prevent reinstatement of Glass-Steagall.

If the bail-in is not enough, the EU plan says, the fund will be accessed. A third option is for national governments to ask for a European Stability Mechanism (ESM) loan, which is notoriously conditioned to a Troika (IMF/ECB/European Commission) regime.

EU Commissioner Michel Barnier has characterized the agreement as "the most important step ... after the euro." German Finance Minister Wolfgang Schäuble reiterated his mantra that with the new mechanism, taxpayers won't have to pay any longer for bank rescues.

A Fraud

However, two things must be considered: First, in the case of an insolvency of a systemically relevant bank, the firepower of the new mechanism is insufficient. Not billions, but trillions of euros would be needed. This means that depositors *and* taxpayers will be pilloried.

Second, and more important, the new regulations reverse the principle of trust which is the pillar of any credit or financial system: that the law protects citizens' savings. This principle is included in most national constitutions. The text approved by the EU institutions asserts the primacy of "stability of the financial system" over all other interests, including protection of savings.

As we have previously reported, a provision in the regulation says that derivative contracts must be honored, if a default jeopardizes the "stability of the system."

The EU has officially declared war on depositors, and by so doing, has laid the ground for the destruction of the system itself.