SMALL AND MEDIUM-SIZED BANKS:

RESOLUTION PLANNING AND CRISIS MANAGEMENT REPORT FOR LESS SIGNIFICANT INSTITUTIONS IN 2022 AND 2023

Single Resolution Board

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About this publication

This report provides an overview of the state of play on resolution planning and crisis management in respect of the less significant institutions (LSIs) under the direct responsibility of the national resolution authorities (NRAs).

Many colleagues from across the Single Resolution Mechanism (SRM), in particular from the NRAs, have played an active role in the writing of this report. The SRB's special thanks go to all of them for their support.

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Abbreviations

BU	Banking Union
BRRD	Bank Recovery and Resolution Directive
CBR	Combined buffer requirement
CSD	Central securities depository
CSDR	Central Securities Depositories Regulation
CCP	Central counterparty
CCP RRR	CCP Recovery and Resolution Regulation
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
ECB	European Central Bank
EfB	Expectations for Banks
EMIR	European Market Infrastructure Regulation
EU	European Union
FMI	Financial market infrastructure
FSB	Financial Stability Board
FTE	Full-time equivalent
G-SIB	Global systemically important bank
GDP	Gross domestic product
IPS	Institutional protection scheme
LAA	Loss absorption amount
LRE	Leverage ratio exposure measure
LSI	Less significant institution
MREL	Minimum requirements for own funds and eligible liabilities
NCA	National competent authority
NRA	National resolution authority
PIA	Public interest assessment
PIA SWE	Public interest assessment under system-wide events
RPC	Resolution planning cycle
SNCI	Small and non-complex institution
SOs	Simplified obligations
SRB	Single Resolution Board
SRM	Single Resolution Mechanism
SRMR	Single Resolution Mechanism Regulation
SSM	Single Supervisory Mechanism
TREA	Total risk exposure amount

Executive summary

- Less significant institutions (LSIs), with the exception of cross-border LSIs, are under the direct responsibility of national resolution authorities (NRAs) with SRB oversight ensuring **effective and consistent application of the Single Resolution Mechanism (SRM) Regulation**[1] **and high standards in resolution planning and crisis management** both horizontally – across the LSIs in the 21 participating Member States – and vertically – between the LSIs and SRB banks within these Member States.
- In terms of the sector's structure, about **three quarters of the LSIs belong to several cooperative and savings banking networks**. These networks – three of which comprise both significant institutions (SIs) and LSIs – are not prudentially consolidated. For this reason, from a resolution perspective, resolution planning, including the public interest assessment (PIA), and resolvability assessments are performed individually at the level of each institution in the network.
- Of the remaining 500 LSIs, half are characterised by traditional business models and the other **half follow special business models** such as custodian, investment bank or financial market infrastructure (FMI).
- At the end of the 2022 resolution planning cycle (RPC), **25 of the 68 LSIs with the resolution strategy had a shortfall with respect to the final targets of the minimum requirements for own funds and eligible liabilities (MREL).** The cumulative MREL shortfall stood at EUR 3.5 billion, which is 3.8% of the total risk exposure amount (TREA) including the capital buffer requirement (CBR), and EUR 220 million, which is 0.7% of the leverage ratio exposure measure (LRE). The MREL transitional period has been extended beyond 1 January 2024 for 10 of these LSIs.
- The NRAs **did not formally identify any substantive impediments to resolvability** in the 2022 RPC. The NRAs' phasing in and proportionate implementation of the SRB's Expectations for Banks (EfB) and the 'heatmap' approach is ongoing.
- **The NRAs and the SRB are jointly enhancing LSI crisis preparedness and management** through discussion of the NRAs' best practices and enhancing SRB procedures.
- Going forward, the **current macroeconomic situation may pose some challenges to some LSIs**, in particular for **those that are vulnerable to interest rate risk**. LSIs' **reliance on non-covered deposits** as source of funding represents another point to monitor, considering also the increased potential **mobility of deposits due to the widening use of social media and further digitalisation** across the entire LSI sector.
- On 18 April 2023, the European Commission adopted a proposal to further strengthen the EU's bank crisis management and deposit insurance (CMDI) framework. Inter alia, the **CMDI proposal addresses some of the key challenges identified by the SRB LSI oversight** in 2022.

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1 Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 **https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014R0806**.

1. LSI sector structure

1.1. LSIs' role in national economies and banking sectors

The European banking sector has a diverse and dynamic LSI sector that contributes to the real economy. As at 1 January 2023, there were a total of 1 999[2] LSIs at the highest level of consolidation whereas there were 2 033 in the 2022 resolution planning cycle (RPC).

Table 1. Number of LSIs at the highest level of consolidation (excluding cross-border LSIs and non-SRMR institutions)

Member State	Number of LSIs at the highest level of consolidation	
	2022 RPC	2023 RPC
Austria	368	345
Belgium	14	13
Bulgaria	13	13
Croatia	14	14
Cyprus	5	5
Estonia	6	5
Finland	9	9
France	73	73
Germany	1 203	1 199
Greece	11	10
Ireland	8	8
Italy	117	117
Latvia	9	6
Lithuania	10	10
Luxembourg	49	45
Malta	14	14
Netherlands	22	23
Portugal	24	23
Slovakia	5	5
Slovenia	5	5
Spain	54	57
Total in SRM	**2 033**	**1 999**

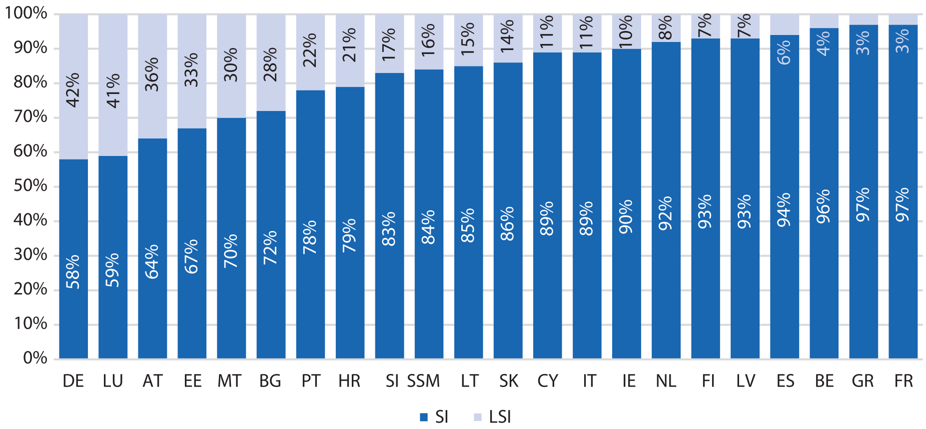
Source: SRB calculation from ECB data. List of LSIs: https://www.bankingsupervision.europa.eu/banking/list/html/index.en.html.

2 This figure excludes some LSIs that – whilst on the ECB's 1 January 2023 list of supervised banks (https://www.bankingsupervision.europa.eu/banking/list/html/index.en.html) were in the process of being wound down or for which resolution planning was required. Cross-border LSIs under the SRB's remit have also been excluded.

Austria, Germany and Italy have the greatest number of LSIs, most of which are in the cooperative sector or savings networks (around 1 500, or 75% of all LSIs).

In terms of the share of the LSI total assets in relation to the whole national banking sector (Figure 1), the top three are Germany, Luxembourg and Austria. At the opposite end of the spectrum are France and Greece.

Figure 1. LSI sector vs national banking sector – share of total assets

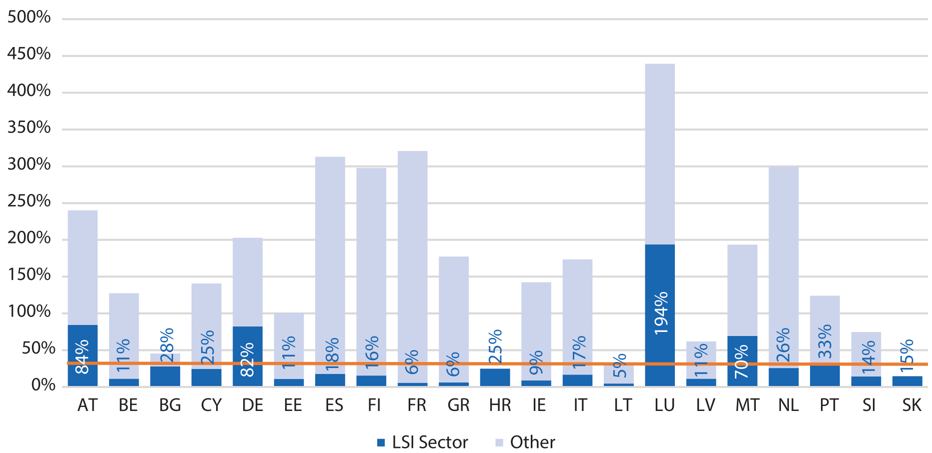


Source: ECB LSI Supervision Report 2022. https://www.bankingsupervision.europa.eu/ecb/pub/html/LSIreport/ssm.LSIreport2022~aac442c1a3.en.html#toc9

ECB calculations based on FINREP F 01.01, F 01.01_DP. Reference date: 31 December 2022. Cut-off date: 7 October 2022.

The relevance of the LSI sector in terms of national gross domestic product (GDP) is highest in Luxembourg, reflective of the financial orientation of the national economy where the total Luxembourg banking sector represents 440% of GDP (Figure 2). The Austrian and German LSI sectors are also highly relevant, closely followed by Malta. The LSI sectors in the remaining Banking Union economies fall below the average of 35%. The LSI sector in relation to GDP is small in France, Greece and Lithuania.

Figure 2. LSI sector to national GDP



Source: SRB calculations based on data provided by NRAs and the ECB, at the highest level of consolidation as at 31 December 2021. 'Other' stands for SIs, cross-border LSIs and branches.

Note: Croatia and Slovakia – no data for SIs ('other') since they belong to banking groups domiciled in other Member States.

Orange line shows Banking Union average.

1.2. LSIs’ size and business model

The business models in the LSI sector vary considerably across different countries and have also evolved over time. The predominant business model remains retail banking, but LSIs are also present in a variety of dynamic market segments ranging from corporate lending and asset management to more specialised products such as car finance and custodian services, according to ECB Banking Supervision classifications[3].

In terms of LSI size (Table 2), total assets range broadly between EUR 100 million and EUR 5 billion. These are typically retail banks and diversified lenders belonging to the cooperative and savings banks. At the two extremes of the scale are ‘mini-LSIs’ (total assets below EUR 100 million, with an average size of EUR 80 million) and a dozen ‘almost SIs’ (with total assets approaching the EUR 30 billion threshold).

Table 2. LSI size in the 2022 RPC

	Number of LSIs	Aggregated total assets, million EUR	Average size, million EUR	Prevailing business model
EUR 25 – 30 billion	11	308 600	28 053	Retail banks, diversified lenders, car finance
EUR 15 – 25 billion	36	655 300	18 204	Central savings or cooperative banks, retail banks, diversified lenders
EUR 5 – 15 billion	202	1 631 400	8 076	Retail banks, asset managers, corporate/wholesale lenders
EUR 100 million – EUR 5 billion	1 632	1 988 600	1 220	Retail banks, diversified lenders, asset manager
Below EUR 100 million	152	12 200	80	Retail banks
Total	**2 033**	**4 596 100**	**2 261**	

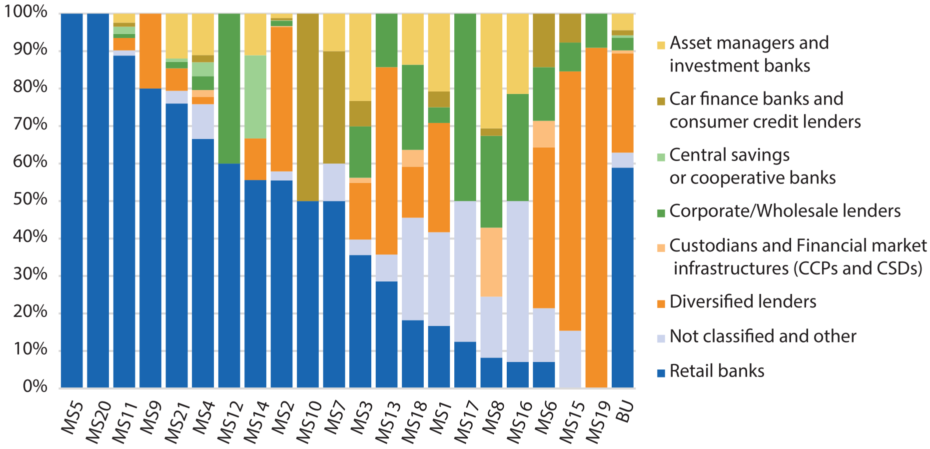
Source: SRB Unit A2. Note: Data as at 31 December 2021; business models according to ECB classification.

Over 59% of all LSIs in the Banking Union have a retail bank business model (right column in Figure 3), followed by diversified lenders (27%), asset managers (4%) and corporate/wholesale lenders (3%). Other categories[4] constitute 1% or less of all LSIs.

[3] Descriptions of the LSI business models provided in the ECB LSI Supervision Report 2022 https://www.bankingsupervision.europa.eu/ecb/pub/html/LSIreport/ssm.LSIreport2022~aac442c1a3.en.html#toc41.

[4] Custodian; car finance bank; central savings or cooperative bank; consumer credit lender; emerging markets lender; investment bank; development bank / promotional lender; traditional bank; financial market infrastructures; corporate bank; depositary bank activity; diversified lender – acquisition and servicing of non-performing loans; private bank; promotional lender.

Figure 3. LSI business models per Member State, aggregated for the Banking Union



Source: SRB, on the basis of FINREP, Q2 2022; business models according to ECB classification.

1.3. Cooperative and savings LSIs

Some 1 500 LSIs in the Austrian, German, Italian (South Tyrol) and Spanish banking sectors participate in the non-consolidated cooperative and savings networks on a stand-alone basis.

Owing to their size, these networks play an important role on the national markets. Cooperative banks in Austria have a 39% market share in terms of total assets. Savings and cooperative banks in Germany have a 28% and 18% national market share respectively[5]. LSIs contribute substantially to the aggregated total assets of these cooperative and savings groups. For example, the aggregated total assets of Austria's cooperative network are evenly split between SIs and LSIs. Across savings and cooperative banks in Germany, LSIs account for almost two thirds of aggregated total assets as at 31 December 2021.

It should be noted that the consolidation trend in the cooperative and savings networks continues, albeit at a moderate pace.

1.4. Other LSIs

Excluding LSIs in cooperative and savings networks, the number of LSIs would drop from around 2 000 to about 500. These 500 LSIs also include specific entities such as foreign-owned banks, FMIs and digital-only 'fintech' banks.

1.4.1. LSIs owned by non-Banking Union groups

The second most widespread category of LSI after those in cooperative and savings networks are the 170 LSIs with non-Banking Union majority ownership.

[5] The market shares refer to 31 December 2021.

A number of LSIs are extensions of banking groups headquartered in non-participating Member States. The LSI sector is also characterised by the presence of non-EU Global Systemically Important Banks (GSIBs) as well as some global banking groups not classified as GSIBs. Overall, there are 12 non-EU G-SIBs (Agricultural Bank of China, Bank of China, China Construction Bank, Credit Suisse, HSBC, Industrial and Commercial Bank of China (ICBC), Mitsubishi UFJ Financial Group, Mizuho Financial Group, Standard Chartered, Sumitomo Mitsui Financial Group, UBS and Wells Fargo) with LSI subsidiaries in the Banking Union. Most of the Banking Union's LSIs that are part of non-EU global banking networks are in Germany, Luxembourg and the Netherlands. In several instances, GSIBs ensure their presence through two or more LSIs in different Member States. In terms of (aggregated) total assets, these 12 GSIBs account for around EUR 140 billion of total assets with their LSI subsidiaries.[6]

1.4.2. LSIs as financial market infrastructures

Securities settlement systems, central securities depositories (CSDs) and central counterparties (CCPs) are key components of the financial system. A financial, legal or operational problem in any of the institutions that perform critical functions in the clearing and settlement process could cause systemic disturbance for the financial system as a whole. Five such institutions are classified as less significant.

These entities are subject to double licensing – as credit institutions under the Capital Requirements Regulation (CRR) and as financial market infrastructures (FMIs) either under the European Market Infrastructure Regulation (EMIR) or Central Securities Depositories Regulation (CSDR).

1.4.3. Digital-only fintech LSIs

Traditional retail banking has been increasingly moving towards a more digital approach. Several credit institutions in the Banking Union have adopted a digital business model. By definition, they are small newcomers within the LSI sector. While covered by a generic 'fintech' umbrella, these banks are very diverse in terms of business models and ownership.

In terms of business models, fintech LSIs offer their products and services both to retail and institutional clients. While the digital business models bring concrete benefits (e.g. business optimisation and limited investments in physical infrastructure/offices), they are also prone to inherent risks, namely their focus on massive client acquisition. The digital technologies underpinning fintech banks' business model also make it possible for customers to withdraw/transfer their funds electronically very quickly. Hypothetically, reliance on digital technology could exacerbate bank runs. This scenario is not specific to fintech-only banks and could also concern the more traditional LSIs.

6 Source: FSB, *2022 List of Global Systemically Important Banks (GSIBs)*, 21 November 2022, and ECB, *List of supervised entities*, Cut-off date for changes to group structures: 1 January 2023; Total assets are as at 31 December 2021.

2. LSI resolution planning and oversight

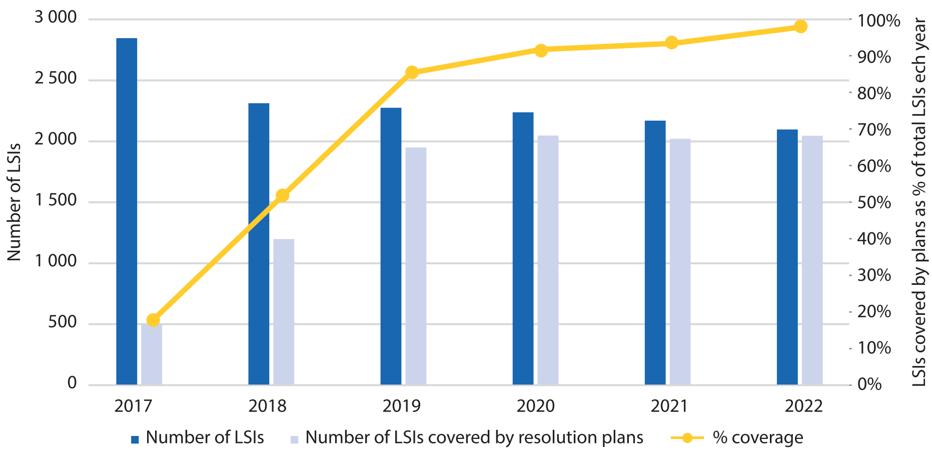
This chapter focuses on the NRAs' resolution planning for the LSIs under their direct responsibility, SRB LSI oversight and collaboration between the SRB and NRAs on these matters.

2.1. LSI resolution planning

Resolution planning for LSIs is conducted on an annual basis following the RPC timing also used for SIs (in general, starting on 1 April and ending on 31 March).

LSI resolution planning coverage has grown steadily in each RPC since the SRM was established. In the 2022 RPC, it reached 97.4% and is expected to reach 100% in the 2023 RPC, meaning that NRAs will have resolution plans for all LSIs under their direct responsibility.

Figure 4. LSI resolution planning coverage



Source: SRB Annual Report 2022 https://www.srb.europa.eu/en/content/annual-report-0

In the 2022 RPC, all NRAs combined devoted **91 full-time equivalents (FTEs)** to LSI resolution planning (or 18% of the total of their 504 FTEs, including permanent and outsourced staff).

2.2. LSI oversight

In its oversight capacity, the SRB needs to ensure that there is a level-playing field across LSIs in the Banking Union, while taking into consideration the different features of the national banking systems and respective national specificities. Close and constructive collaboration between the SRB and NRAs proves to be of critical importance to reach this objective.

The SRB oversight function and NRAs collaborate on the notifications of draft LSI resolution measures and other matters (e.g. requests for information). As mandated by the SRM Regulation and clarified in the Cooperation Framework between the SRB and NRAs[7], before the adoption of LSI resolution measures, NRAs notify their drafts to the SRB on which the SRB may express views.

According to the LSI Guidelines, policy developments and policy guidance for SIs should apply to LSIs on a proportionate basis. This is consistent with the SRB oversight mandate to ensure resolution standards are applied consistently across the SRM. While MREL remains the key policy priority across RPCs, focus in the 2022 RPC was placed on implementing the public interest assessment under system-wide events (PIA SWE) and resolvability assessment.

- **MREL:** Overall, all NRAs demonstrated compliance with the SRB MREL[8] policy under the BRRD2 framework. There were no major issues on MREL policy either for LSIs earmarked for resolution or liquidation.
- **PIA SWE:** It was expected that this policy be applied to LSIs from the 2022 RPC onwards. The majority of NRAs implemented a national PIA SWE methodology to apply the SRB policy in the course of the 2022 RPC and reflected the key findings in their resolution plans.
- **Resolvability assessment:** In line with SRB policy guidance, all NRAs have begun conducting resolvability assessments for their LSIs earmarked for resolution. To this end, the SRB's heatmap tool has been applied proportionately.

2.3. LSI oversight prioritisation

The NRAs' LSI resolution planning and the SRB's LSI oversight activities are appropriately prioritised. Similarly, the national competent authorities (NCAs) and ECB Banking Supervision have categorised LSIs according to a prioritisation framework. However, there is an analytical correlation and not causation between the high and low priorities for supervision and resolution.

ECB Banking Supervision gives high priority to LSIs classified as 'High Impact'. Independently, the SRB LSI Oversight prioritises LSIs earmarked for resolution, which broadly overlap with the high-impact LSIs though not all LSIs earmarked for resolution are classified as high-impact LSIs. Conversely, several High-Impact LSIs are not earmarked for resolution.

The vast majority of LSIs in 19 participating Member States are eligible for simplified obligations (SOs) for resolution planning and have liquidation as a preferred strategy in case of failure. Similarly, a large proportion of LSIs are classified as small and non-complex institutions (SNCIs) by ECB Banking Supervision.

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7 Decision of the Single Resolution Board of 17 December 2018 establishing the framework for the practical arrangements for the cooperation within the Single Resolution Mechanism between the Single Resolution Board and National Resolution Authorities https://www.srb.europa.eu/system/files/media/document/decision_of_the_srb_on_cofra.pdf.

8 https://www.srb.europa.eu/en/content/srb-publishes-updated-2022-mrel-policy.

The methodology to assess the eligibility for SOs is set out in the Commission Delegated Regulation (EU) 2019/348 and involves a two-step, quantitative and a qualitative assessment. For the quantitative assessment, Article 1(2) of the Delegated Regulation sets the default threshold at 25 basis points (bps), which has been adopted by five NRAs. The remaining NRAs had recourse to Article 1(3) of the Delegated Regulation to adjust the default threshold. While one NRA adjusted the threshold downwards (to 20 bps), the other 13 NRAs took market concentration into consideration and adjusted it upwards to 50 bps (two NRAs), 70 bps (one NRA), and the maximum of 105 bps (10 NRAs). As a next step, the NRAs conducted the qualitative assessment based on qualitative considerations to gauge the impact of those LSI failures on financial stability. Under the quantitative assessment, LSI failures are not regarded as having a significant negative effect on financial stability.

On the basis of the above assessment procedure involving quantitative and qualitative assessments, 19 NRAs deemed that 1 892 LSIs were eligible for SOs (or 96.3% of the 1 965 LSIs having the liquidation strategy) in the 2022 RPC.

The NRAs assess eligibility for SOs on a regular basis – at least every two years. Under Article 4 BRRD, simplification can be four-fold:

- the contents and details of resolution plans;
- the frequency for updating resolution plans may be lower than annually;
- the contents and details of the information required from institutions; and
- the level of detail for the assessment of resolvability.

2.4. Resolution planning for specific types of LSIs

As explained in Chapter 1, the LSI sector has a very heterogeneous structure in terms of size, business model and geographical coverage. Such heterogeneity should be properly addressed in resolution planning.

2.4.1. Resolution planning for banks with resolution colleges

Some LSIs are part of cross-border banking groups headquartered either in non-participating Member States or in third countries. In order to facilitate resolution planning, authorities establish resolution colleges, as per Articles 88 and 89 BRRD and in line with Commission Delegated Regulation 2016/1075.

The Cooperation Framework between the SRB and NRAs includes specific provisions (Articles 36 and 37) on cooperation between the SRB and NRAs before taking any formal stance at resolution colleges. Specifically, NRAs are invited to provide their contribution for the relevant resolution college to the SRB for feedback and technical suggestions from its staff to coordinate the response before the resolution college meetings.

Resolution colleges for around 30 LSIs have been set up. The SRB LSI oversight also coordinates the various NRAs where they are in the same resolution colleges and attends the resolution colleges as an observer.

2.4.2. Resolution planning for cooperative and savings networks

Section 1.3 mentioned the cooperative and savings networks present in several Member States. This section will highlight the specifics from a resolution planning perspective. One key unifying feature is that the local/regional institutions within the respective network own and control the central institution.

In savings banks in Germany, as well as cooperative banks in Austria, Italy's South Tyrol and Spain, all parts of the network are considered stand-alone institutions; there is no consolidated accounting and all of them are treated individually from a supervisory and resolution perspective. All these networks have an institutional protection scheme (IPS), which provides contractual or statutory liability arrangements to protect its members from liquidity and solvency crises. By law, IPS members have access to some of the benefits applicable to consolidated groups, such as the own funds waivers provided for in Articles 49(3) and 113(7) CRR, the liquidity waivers under Article 8(4) of the CRR and benefits concerning high exposure limits under Article 395(1) CRR. In addition, three of the IPSs – the Austrian and German cooperative banks and the German savings banks networks – are also recognised as statutory deposit guarantee schemes (DGS) arrangements under the DGS Directive. In terms of resolution planning, every member is considered on a stand-alone basis, and individual external MREL targets are set for all the network members.

The Austrian and German networks include both SIs and LSIs, while the cooperative networks in South Tyrol (Italy) and Spain include only LSIs.

In contrast, individual LSIs in Finland and Portugal are affiliated to the respective central bodies of the cooperative groups. As such, they are covered by consolidated accounting. For resolution planning, members may have recourse to a waiver, allowing them to draft a group resolution plan for all of the individual members in line with Article 11(7) SRMR.

2.4.3. Resolution planning for financial market infrastructures

Some LSIs also perform FMI functions, such as CCPs and CSDs. Annex I to the FSB's Key Attributes of Effective Resolution Regimes for Financial Institutions[9] explicitly covers resolution planning of systematically important FMIs, highlighting their specificities from a resolution perspective.

In the EU, the **CCP Recovery and Resolution Regulation** (CCP RRR)[10] lays down a specific recovery and resolution regime for CCPs. To avoid duplicate resolution planning for institutions under both the EMIR and CRR, the CCP RRR excluded such

[9] Financial Stability Board (2014), *Key Attributes of Effective Resolution Regimes for Financial Institutions* https://www.fsb.org/wp-content/uploads/r_141015.pdf

[10] Regulation (EU) 2021/23 of the European Parliament and of the Council of 16 December 2020 on a framework for the recovery and resolution of central counterparties and amending Regulations (EU) No 1095/2010, (EU) No 648/2012, (EU) No 600/2014, (EU) No 806/2014 and (EU) 2015/2365 and Directives 2002/47/EC, 2004/25/EC, 2007/36/EC, 2014/59/EU and (EU) 2017/1132 (Text with EEA relevance). In force since 12 August 2022.

entities from the scope of the BRRD[11] and SRMR[12]. Resolution planning under the BRRD/SRMR does not apply therefore to LSIs with a CCP licence, and they are not subject to the SRB LSI oversight.

In contrast, the **CSD Regulation** (CSDR)[13] does not provide for a specific recovery and resolution regime for CSDs. Under Article 22(3) CSDR, '[t]he competent authority shall ensure that an adequate resolution plan is established and maintained for each CSD so as to ensure continuity of at least its core functions, having regard to the size, systemic importance, nature, scale and complexity of the activities of the CSD concerned', however, there are no other provisions on resolution planning for CSDs. There is therefore no exception similar to the one under the CCP RRR, and CSDs with a CRR licence (CSD banks) fall under the BRRD/SRMR, contrary to what is envisaged in the new Commission proposal on CSD Regulation, which removes the obligation to draft resolution plans[14]. The current CSDR requirement states that a resolution plan for a CSD should be 'any relevant resolution plan established in accordance with Directive 2014/59/EU.'[15] In practice, this means that resolution plans for CSD-banks are prepared under the SRMR/BRRD approach. In addition, there is no 'fast-track' procedure to obtain a temporary CSD authorisation in the event of resolution due to a consultation process involving several stakeholders[16] outside of the SRMR. Obtaining a CSD licence would therefore take several months, thus limiting the choice of resolution tool as introducing an accelerated procedure would require legislative change.

11 Article 1(3) BRRD as modified by Article 93 CCP RRR.

12 Article 2(2) SRMR as modified by Article 94 CCP RRR.

13 Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012

14 The European Commission's 2022 proposal to amend the CSDR recognises this and removes the requirement to draw up resolution plans for CSDs precisely because 'no Union resolution regime on the basis of which a resolution plan could be drafted currently exists'; Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 909/2014 as regards settlement discipline, cross-border provision of services, supervisory cooperation, provision of banking-type ancillary services and requirements for third-country central securities depositories, COM(2022) 120 final, 13.

15 Article 22(3) CSDR.

16 Article 17 CSDR.

3. LSIs with resolution strategy

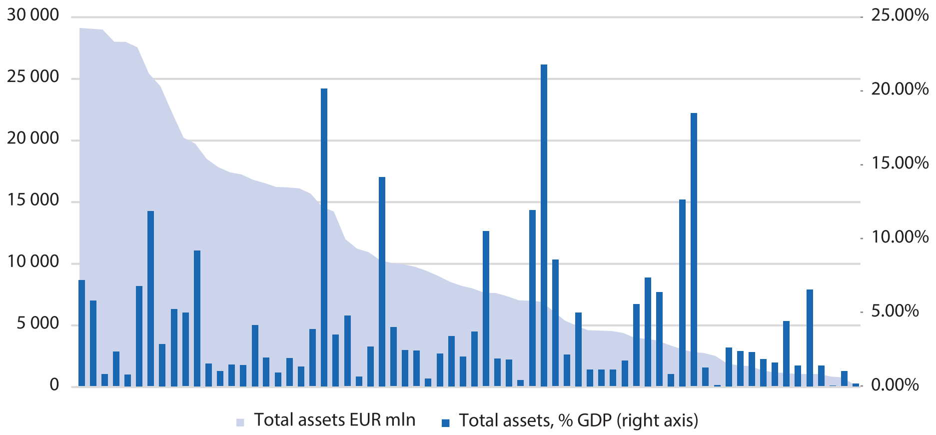
The chapter is devoted to the 68 LSIs earmarked for resolution by their respective NRAs. It provides a detailed insight into the resolution planning aspects for these LSIs.

3.1. Methodology and descriptive statistics

The number of LSIs earmarked for resolution varies from one RPC to the next due to changes in banking activities, LSI corporate events (e.g. mergers and acquisitions), and the ECB's significance decisions. In the 2022 RPC, **17 NRAs earmarked 68 LSIs for resolution.**

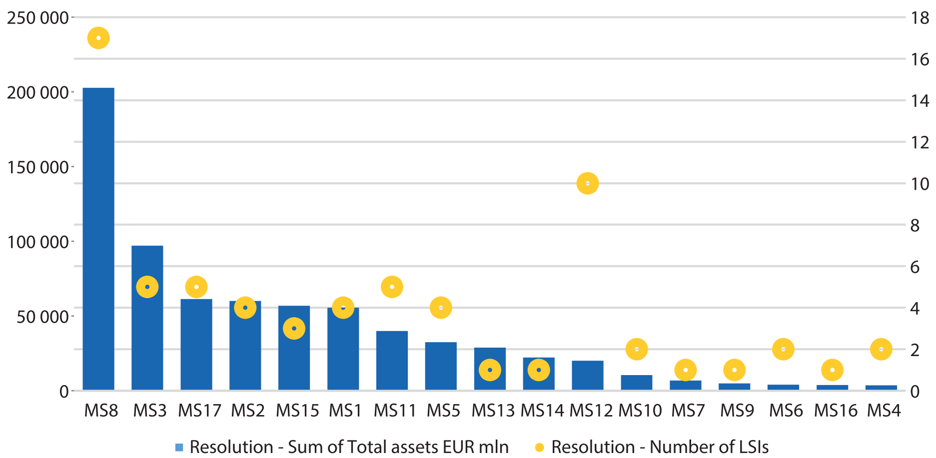
The total assets of the 68 LSIs range from EUR 112 million to EUR 29 billion, with an average of EUR 11 billion and **a total of more than EUR 700 billion**. There is also great heterogeneity in terms of the percentage of the LSIs' total assets in relation to national GDP (to illustrate the potential impact on the real economy).

Figure 5. Total assets of LSIs earmarked for resolution in relation to national GDP



Source: SRB. Note: left axis – total assets 31 December 2021, million EUR; right axis – total assets, % of 2021 national GDP; horizontal axis – 68 LSIs earmarked for resolution

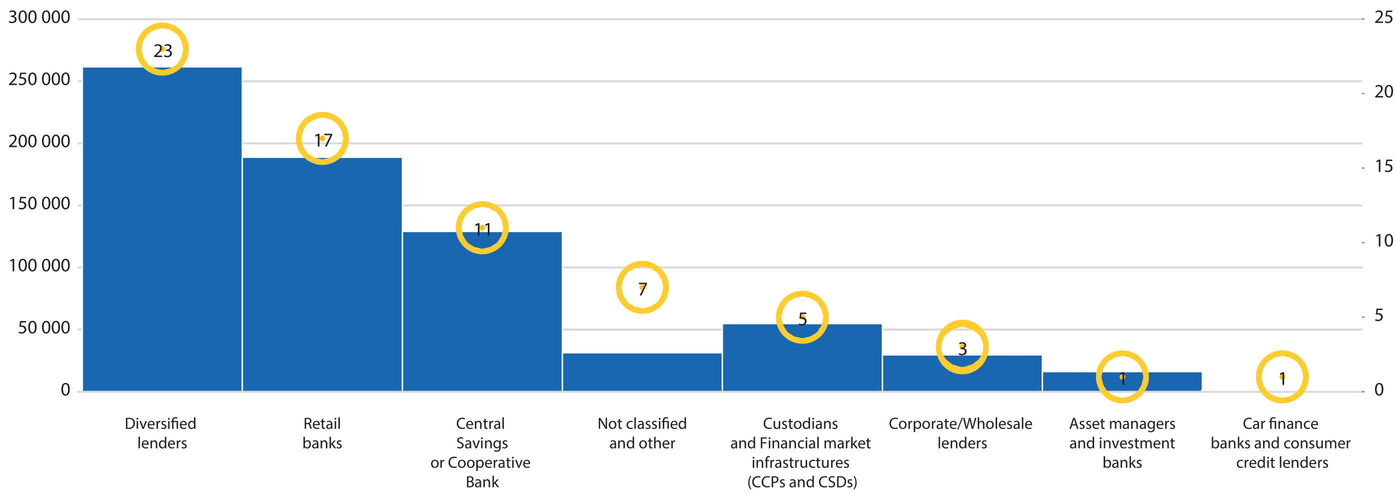
Figure 6. LSIs earmarked for resolution by Member State



Source: SRB calculations based on data provided by NRAs. Note: total assets are as at 31 December 2021

In terms of business models as per ECB Banking Supervision definitions, the sample of LSIs earmarked for resolution is dominated by diversified lenders (23 LSIs, or almost one third, EUR 262 billion in total assets).

Figure 7. Resolution LSIs by business model and sum of total assets



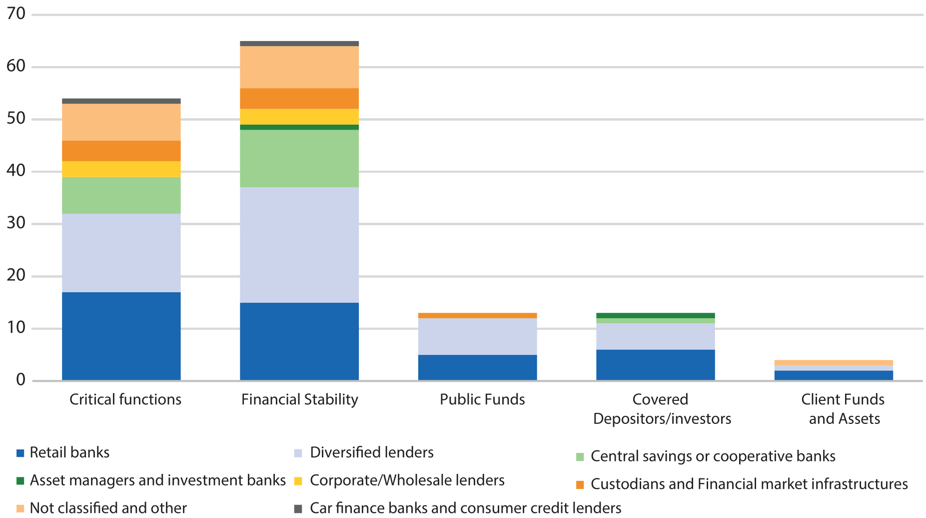
Source: SRB's calculations based on the data provided by NRAs and ECB Banking Supervision. Note: total assets are as at 31 December 2021.

These are followed by retail banks (17 LSIs, with EUR 189 billion in total assets) and central savings or cooperative banks (11 LSIs, with EUR 129 billion in total assets). Five LSIs (EUR 55 billion total assets) are custodian or FMI banks and three further LSIs are corporate/wholesale lenders (total assets of EUR 30 billion). Lastly, one LSI is an asset manager and another is a consumer credit lender. The business models of the remaining seven LSIs, with overall total assets of EUR 31 billion are defined as 'other'.

3.2. Resolution objectives

In most of the plans notified to the SRB in the 2022 RPC, financial stability and critical functions were the most common reasons to justify a resolution strategy.

Figure 8. Justification for resolution – resolution objectives



Source: SRB calculation based on data provided by NRAs and ECB Banking Supervision.

3.2.1. Critical functions

The failure of 54 of the 68 LSIs with resolution strategies would have a negative impact on the critical functions they perform. These critical functions relate to several categories and each LSI could have several critical functions.

Table 3. Critical functions as a justification for resolution

ECB Business Model	Number of LSIs	Deposits	Lending	Payment and Cash Services, Custody and Clearing	Capital markets	Wholesale funding
Retail bank	**17**	15	10	12	–	1
Diversified lender	**15**	9	9	12	2	2
Central savings or cooperative bank	**7**	4	1	6	1	–
Not classified	**4**	1	2	3	–	–
Corporate/wholesale lender	**3**	1	2	2	1	1
Custodian	**4**	–	–	4	–	1
Other	**2**	1	1	2	–	1
Consumer credit lender	**1**	1	1	–	–	1
Financial market infrastructures	**1**	–	–	1	–	–
Total	**54**	**32**	**26**	**42**	**4**	**7**

Source: SRB calculations based on data provided by NRAs.

In terms of critical functions performed by LSIs with specific business models, deposit-taking and lending are the most common for retail banks and diversified lenders. Moreover, these banks also provide services in the 'payment and cash services, custody and clearing' category, as do central savings and cooperative banks.

Given the LSIs size and business models, capital market and wholesale funding are only critical functions in a few cases.

3.2.2. Financial stability

Financial stability considerations were mentioned as grounds for a positive PIA for 65 of the 68 LSIs with a resolution strategy, either as the sole reason or in combination with critical functions.

For 14 LSIs, financial stability was the only resolution objective identified as being potentially at risk in the event of liquidation, compared to 51 resolution plans where both financial stability and critical functions were deemed to be potentially at risk. Financial stability was a risk due to one or a combination of three contagion channels: economic importance, direct contagion, and indirect contagion.

- **Economic importance** was the most frequently identified contagion channel, cited for 38 LSIs. It was substantiated based on varying degrees of analysis of indicators pertaining to the absolute and relative size of the institution, its role in the banking sector and an analysis of the institution's systemic relevance according to supervisory authorities.
- **Direct contagion** risk was deemed to be present for 36 LSIs. This was sometimes mentioned with reference to the impact of the default on the capital position of other banks, non-financial institutions, or FMIs.
- **Indirect contagion** risk was identified for 34 LSIs. In all these cases, reference was made to the impact of the use of the DGS on other credit institutions and/or public finances. Furthermore, several resolution plans referred to the potential contagion to institutions with the same business model and risk profile.

3.3. Preferred and variant resolution tools

The vast majority of the LSIs follow the single-point-of-entry strategy, whereas one institution follows the multiple-points-of-entry approach.

3.3.1. Preferred resolution tool

NRAs opted mainly for bail-in (36 LSIs) and **sale of business** (27 LSIs) as the preferred resolution tool. Bridge institution was chosen as the preferred resolution tool for only one LSI. In the remaining cases, NRAs chose to combine sale of business and bail-in tools. NRAs tend not to change the preferred resolution tool from one RPC to the next.

In reference to the resolution plans for SRB banks, of the 88 resolution plans with a resolution strategy, 72 plans (or 82%) envisaged bail-in as the preferred resolution tool and 16 foresaw sale of business. In this respect, the LSI resolution plans present a more heterogeneous picture.

3.3.2. Variant strategies

Of the 68 LSIs earmarked for resolution, the NRAs have set variant strategies for 27. The bridge institution tool is the most popular variant strategy (13 LSIs), in almost all cases as a variant to the sale of business tool (10 LSIs). The sale of business tool is a variant for nine LSIs (as a variant to bail-in for eight LSIs and bridge institution for one LSI). In three cases, the variant envisages a combination with the bail-in tool.

3.3.3. Operationalisation of resolution tools

Ensuring that the banks have in place the processes necessary to apply resolution tools remains a priority. This entails work on the use of the bail-in tool, alone or in combination with other resolution tools, as well as developing capabilities so that transfer tools can be implemented.

Progress is assessed against the deliverables (i.e. bail-in playbooks, separability analysis reports and transfer playbooks) that the NRAs deemed applicable when drafting the resolution plan. In principle, such an assessment should refer to:

- the scope of the instruments in question, the loss transfer and recapitalisation mechanism, relevant management information system capabilities and internal and external bail-in execution (as regards bail-in playbooks)[17];
- identifying perimeters, legal and operational interconnections, market interest and capacity and the bank's information capabilities (as regards separability analysis reports)[18]; and
- governance, timeline for implementation, mitigation strategies for barriers and potential impediments to execution as identified in the institution's separability analysis reports and communication with internal, external and regulatory stakeholders (as regards transfer playbooks)[19].

3.4. Resolvability assessment

All LSI resolution plans the SRB received in the 2022 RPC included an assessment of resolvability. None of these assessments found any substantive impediments to resolvability within the meaning of Article 10 SRMR, yet the majority of the LSI resolution plans included one or more potential impediments, notably regarding loss absorption and recapitalisation capacity and MIS capabilities, so work is in

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[17] SRB, 15 June 2022, *Operational Guidance on Bail-in Playbooks*, https://www.srb.europa.eu/en/content/operational-guidance-banks-separability-transfer-tools.

[18] SRB, 26 October 2021, *Operational guidance for banks on separability for transfer tools*, https://www.srb.europa.eu/en/content/operational-guidance-banks-separability-transfer-tools.

[19] Ibid.

progress to remove them. The phasing in and proportionate implementation of the SRB's Expectations for Banks (EfB) and the 'heatmap' approach is ongoing.

3.4.1. Phasing in the Expectations for Banks

The NRAs have set out individual phase-in timelines for implementing the EfB in line with the EBA Resolvability Guidelines[20]. In doing so, NRAs considered local specificities and prioritised the work on those resolvability capabilities that are most critical for the successful execution of the banks' resolution strategy.

At the time of their 2022 RPC draft resolution plan submissions, on average, the NRAs deemed about 62% of all 27 EfB principles to be applicable and phased in.

3.4.2. IT systems and technology outsourcing

There is a rising trend of banks' reliance on external technology providers – ranging from email systems to key financial applications. This is known as 'ICT as a service', whereby credit institutions rely on off-the-shelf solutions offered by commercial parties rather than developing their own proprietary applications. Driven by efficiency, this trend toward outsourcing key IT functions to the same third-party providers generates an IT concentration risk on companies outside the BRRD framework.

The issue is of particular relevance for LSIs that do not always have sufficient resources to develop in-house IT solutions.

Companies providing software and other technological support (e.g. cloud services) to the global financial system are few and far between, which can create some concentration risk. In other words, the whole national LSI sector may rely on just two or three banking technology companies ('big tech') for their software service requirements and this can lead to emerging concentration risks.

In line with the European Banking Authority's Guidelines on outsourcing arrangements,[21] banks should remain responsible for and in control of all risks arising from outsourcing. Specifically, IT outsourcing must not lead to a situation where a bank becomes an 'empty shell', lacking the substance to remain authorised. There needs to be the right balance between the risks and benefits of IT outsourcing contracts. Outsourcing monitoring requirements will be further strengthened once the Digital Operational Resilience Act comes into force in 2025.

[20] European Banking Authority, Guidelines EBA/GL/2022/01, amended by EBA/GL/2023/05.

[21] European Banking Authority, 26 February 2019, *EBA Guidelines on outsourcing arrangements*, https://www.eba.europa.eu/regulation-and-policy/internal-governance/guidelines-on-outsourcing-arrangements.

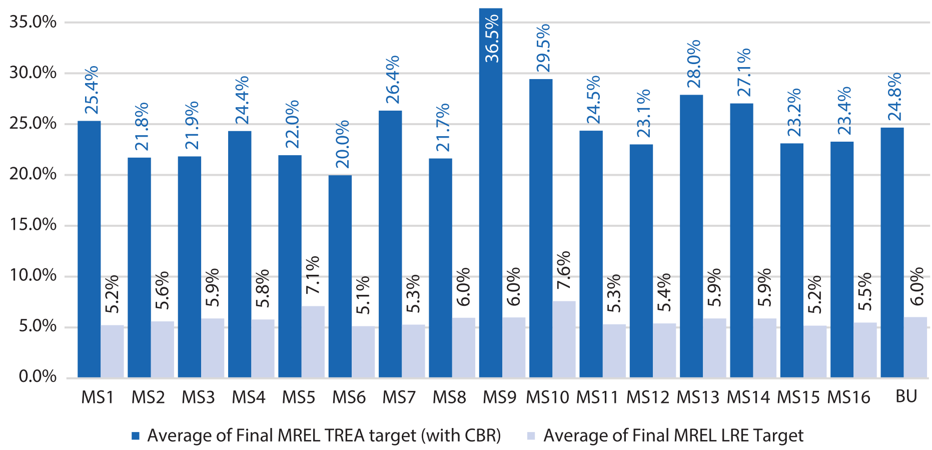
4. MREL

This chapter gives information on MREL targets for the LSIs earmarked for resolution and what they comprise[22]. Some information on LSIs earmarked for liquidation is also provided.

4.1. MREL targets

MREL (TREA and LRE) targets have been set out in all 2022 resolution plans in line with the BRRD2 and the SRB MREL Policy[23]. The average $MREL_{TREA}$ target including the Combined Buffer Requirement (CBR) stands at 24.75%, while $MREL_{LRE}$ is at 6.05%. By comparison, in the SRB MREL Dashboard Q4 2022[24], the average MREL target for SRB banks (resolution entities) was 27.0% TREA including the CBR, and the average $MREL_{LRE}$ target stood at 6.9%.

Figure 9. Average $MREL_{TREA}$ including the CBR and average $MREL_{LRE}$ targets



Source: SRB calculations based on data provided by NRAs. Note: BU stands for the Banking Union average.

Furthermore, for the resolution plans assessed in the 2022 cycle of LSIs earmarked for liquidation, the average $MREL_{TREA}$ target including the CBR was 12.8%.

Four NRAs adjusted the LAA upwards for 20 LSIs earmarked for liquidation, in line with the BRRD2 and SRB MREL policy. The application of the upward adjustment is justified by the banks' high amounts of covered deposits, the possible impact on financial stability and the risk of contagion to the financial system (indirect contagion through pressure on the national DGS in the event of extraordinary contributions).

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22 The list of LSIs is as at 31 March 2023, with the reference date for the MREL data (and the CBR) being 31 December 2022.

23 SRB, 8 June 2022, *SRB publishes updated 2022 MREL policy* https://www.srb.europa.eu/en/content/srb-publishes-updated-2022-mrel-policy.

24 SRB MREL Dashboard Q4.2022 https://www.srb.europa.eu/en/content/mrel-dashboard-0.

Most of the time, these add-ons correspond to 2.5% for $MREL_{TREA}$, mirroring the CBR, and 1.25% for $MREL_{LRE}$.

In accordance with the SRB MREL Policy and Article 12k SRMR, NRAs may set a transitional period that ends after 1 January 2024 on the basis of the following criteria: (a) the prevalence of deposits and the absence of debt instruments in the funding model; (b) access to the capital markets for eligible liabilities; and (c) the extent to which the resolution entity relies on CET1 capital to meet the requirement referred to in Article 12f SRMR.

The total expected number of LSIs earmarked for resolution for which the transitional period has currently been extended beyond 1 January 2024 is 10 out of 68. An extension was also granted to two LSIs with liquidation as the preferred strategy to introduce an add-on to the LAA.

4.2. Composition of MREL-eligible instruments

According to the available data as at 31 December 2022, the MREL-eligible instruments mainly comprise Common Equity Tier 1 (CET1) (66%), followed by senior unsecured liabilities (11%) and not-covered and not-preferred deposits (8%).

Table 4. Net MREL-eligible instruments, as at 31 December 2022

	CET 1 capital	AT1 capital	T2 capital	Subordinated liabilities (not recognised as own funds)	Other MREL eligible liabilities	Senior non-preferred liabilities	Senior unsecured liabilities	Deposits, not covered and not preferred	Total
BU Average	66%	2%	4%	5%	1%	3%	11%	8%	100%

Source: SRB calculations based on data provided by NRAs, as at 31 December 2022.

Overall, two thirds of the MREL resources are made up by CET1 capital and instruments other than own funds represent only 28%, or 20% if deposits are excluded. The breakdown of the MREL-eligible instruments in five Member States is more diversified. LSIs in those Member States also seem to have better access to the financial market through the issuance of bonds (including in third countries, namely the UK). Specifically, senior unsecured bonds and – to a lesser extent – senior non-preferred bonds and subordinated Tier 2 capital are more widespread.

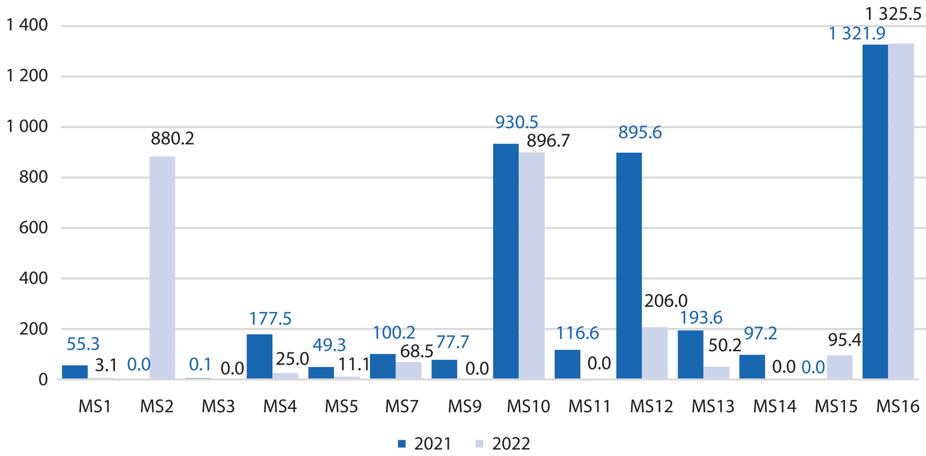
4.3. MREL compliance

An LSI's strategy to comply with MREL targets relies on the combined effect of earnings retention, TREA optimisation and (to a lesser extent) the issuance of MREL-eligible bonds. LSIs earmarked for resolution have an overall surplus of EUR 30 billion $MREL_{TREA}$ (or 9.6% TREA including the CBR[25]) and EUR 55 billion $MREL_{LRE}$ (or 7.6% LRE). For all these LSIs, MREL targets are set in line with the BRRD2 and SRB

[25] As at 31 December 2022.

MREL Policy. However, MREL shortfall was detected for 25 LSIs, with a cumulative MREL shortfall of EUR 3.5 billion (3.8% TREA including the CBR) and EUR 220 million (0.7% LRE)[26]. These LSIs will need to put in the extra effort to bridge the gap.

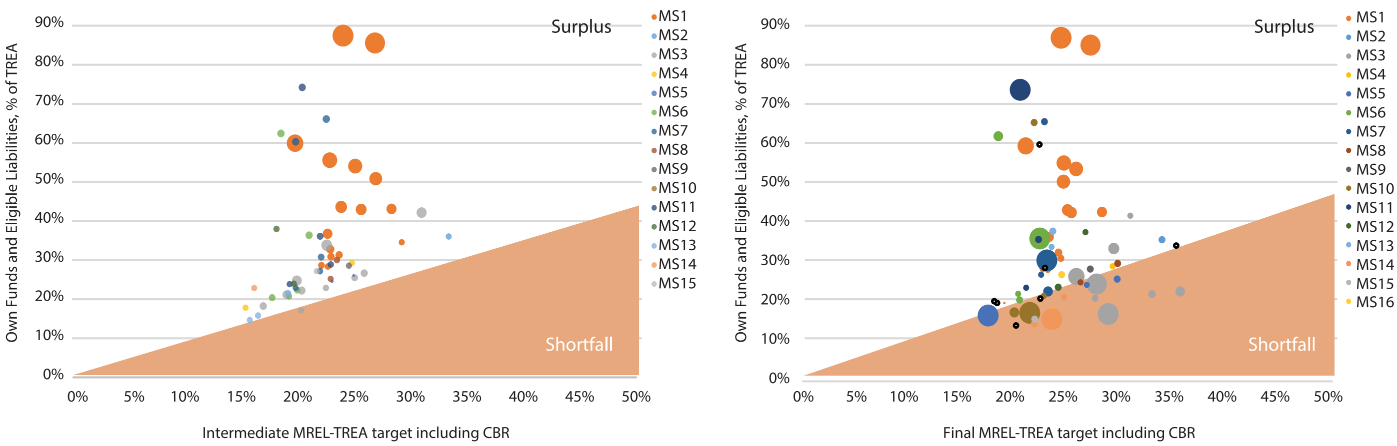
Figure 10. Cumulative shortfall for final $MREL_{TREA}$ (including the CBR), in millions of EUR, by Member State



Source: NRA and SRB data. Note: For 2022, the reference date is 31 December 2022, or the most recent data available. In some Member States, the number of LSIs earmarked for resolution changed between the 2021 and 2022 RPCs, hence the respective variations in the MREL shortfall.

Figure 11 shows the relationship between MREL-eligible liabilities and own funds (MREL capacity) and the respective MREL target, bank by bank. For the intermediate target including the CBR, three LSIs are below the cut-off line, effectively showing their MREL shortfall. For the binding final $MREL_{TREA}$ target, 25 LSIs are below that line. The respective NRAs are closely monitoring the LSIs facing shortfall.

Figure 11. MREL overview by bank – MREL eligible (% TREA) vs MREL target (% TREA)



Source: Q4 2022 MREL_TLAC reporting; Note: Size of dots according to bank's total eligible liabilities and own funds.

[26] The total number of LSIs earmarked for resolution for which the transitional period has currently been extended is 10 of the 25 facing shortfall.

4.4. MREL issuances and cost of funding

The overall bonds issuance[27] in 2022 by LSIs earmarked for resolution was around EUR 5.8 billion, in comparison to EUR 6.3 billion in 2021, a decrease of 8% year on year[28]. The cost of funding has been increasing significantly in 2022 and the first half of 2023, owing to the worsened macroeconomic outlook. The increase in the credit default swap spread is essentially due to two factors: (i) central bank interest rate increases, and (ii) the worsening the risk component as a consequence of geopolitical tensions, the macroeconomic scenario and turmoil in the banking sector (the failure of Silicon Valley Bank and First Republic and the take-over of Credit Suisse).

Looking at the evolution in cash bond spreads and yields in the secondary market, they more than doubled compared to the one-year minimum. In particular, the most hit instruments are the Additional Tier 1 (AT1), whose yield moved from 5.5% to 9.7% at the time of writing. In this respect, it is worth highlighting that LSIs have only EUR 2 billion of outstanding AT1s (around 1.5% of the AT1 issued by banks in the Banking Union). Average yield to next call made up 14%, which was in line with the market increasing risk-trend perception. Therefore, the pre-existing limited reliance on this instrument for funding mitigates the potential spill-over effect from the write-down of Credit Suisse's AT1s.

Due to the increase of both credit default spreads and cash bond spreads and yields, issuing bonds has become more expensive and access to the market is more limited. This is especially true for issuers with low credit standing and fewer liquid bonds.

In order to carry out a deeper analysis of the cost of funding for the 68 LSIs earmarked for resolution, the SRB has developed an analytical framework to build bond yield curves based on the payment rank (Senior Unsecured, Tier 2 and AT1) and the maturity of the bonds (years to maturity or to call). This analysis includes only EUR-denominated, fixed and variable coupon, callable and non-callable bonds, with a maturity date beyond one year.

In total, 513 bonds were analysed, of which 478 were Senior Unsecured, 30 were Tier 2 and only five were AT1 class. As expected, LSIs were mainly issuing senior unsecured/preferred bonds[29]. Indeed, in this segment the level of spread was in line with that for SIs. Overall, the analysis concludes that LSIs only have good market access in a few Member States and mainly in the senior bonds segment.

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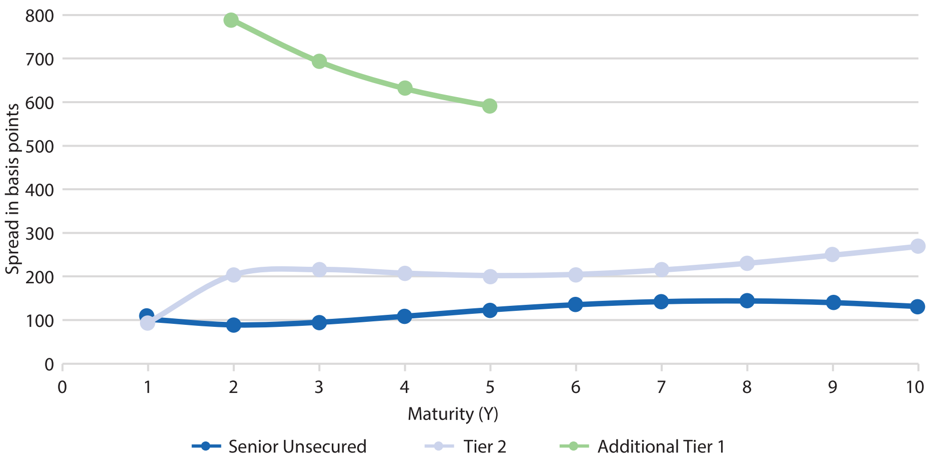
27 This report does not include private bonds issued by LSIs to specific investors.

28 SRB's calculations based on Bloomberg Finance L.P. data. Please note that Bloomberg's classification by type of bond takes into consideration the contractual definition of the bonds and might not fully align with the MREL-eligibility definition.

29 Senior non-preferred bonds are included because there are only a few outstanding issuances to be treated separately.

Figure 12. Bonds yield curves by bond payment rank



Source: Bloomberg and SRB.

Table 5. Bonds spreads by bond payment rank – maturity in years

Type of Bond	1	2	3	4	5	6	7	8	9	10	Average
Senior	101.6	88.6	94.6	108.4	123.1	134.9	142.0	143.6	139.7	130.9	120.7
Tier 2	94.8	203.9	216.1	207.7	202.3	205.0	215.1	230.4	248.9	269.1	209.3
AT1		786.8	692.8	631.2	590.8						675.4

Source: Bloomberg and SRB.

In line with the findings of the latest ECB LSI Supervision Report 2022[30], LSIs should prepare for scenarios of increased challenges in funding in terms of cost and access[31].

[30] ECB (2022), LSI Supervision Report 2022.https://www.bankingsupervision.europa.eu/ecb/pub/html/LSIreport/ssm.LSIreport2022~aac442c1a3.en.html

[31] As detailed in the ECB LSI Supervision Report 2022, challenging funding conditions will also have an impact on the banks' ability to replace expiring targeted longer-term refinancing operations (TLTROs). As part of the ECB's TLTRO transactions, a total of EUR 224 billion was allocated to 769 LSIs. While, in the country aggregate, cash balances at central banks usually exceeded the amounts drawn down (meaning that TLTROs can be repaid from that cash), this looked different at individual bank level and 44 institutions held current cash levels with the central bank that were not sufficient to repay TLTROs and would have to replace these with other, more expensive sources of funding.

5. Crisis preparedness and management

5.1. Trends and sources of risk

The SRB LSI oversight continually assesses current market developments and carefully monitors the banking situation in light of the evolving circumstances. The overall objective is to identify the points of concerns and the type of LSI exposed, focussing on crisis preparedness.

5.1.1. Business models

Following the failure of several US banks (Silicon Valley Bank, Signature Bank, Silvergate Bank and First Republic) in March to April 2023, some assessment has been made with reference to the business model of LSIs.

The analysis conducted by the SRB in mid-March 2023 revealed the following:

- The LSIs' predominant business model is retail banking, with a sizeable minority present in a variety of other market segments ranging from corporate lending and asset management to more specialised products such as car finance and custodian services.
- As at 30 September 2022, LSIs reported EUR 684 billion of debt securities (on average 14% of their total assets with a large degree of variation across the 21 Member States of the Banking Union); 86% of such securities is accounted for at amortised cost.
- On the liability side, LSIs are characterised by heterogeneity in their deposit base. While household deposits account for more than 45% of overall LSI total liabilities, there is considerable disparity across countries and bank business models which may translate into a higher share of deposits by credit institutions and other financial corporations, as well as non-financial corporations in certain countries. This might correlate with an increased volatility of deposit inflows and outflows.
- The share of covered deposits over total deposits is variable across Member States: the average 56% is distributed across the 21 Member States, with a maximum of 89% and a minimum of 11%.

In 2022 and first half of 2023, banks in the Banking Union have in general benefitted from an improved profitability due to higher interest rates and the delay with which the increase on the asset side were passed to the liabilities. However, some uncertainties may negatively impact the LSI sector, namely: (i) the worsening of asset quality due to the uncertain economic outlook; higher interest rates and potentially higher risk premia could result in higher funding and operating costs, (ii) the increase of the cost of funding might make issuing eligible instruments more challenging for those banks that have not yet completed the MREL build-up.

5.1.2 Digital finance

The implications of the digitalisation in financial services on the LSI sector can be considered from three angles, namely, (i) digitalisation of internal processes in the incumbent entities, (ii) the emergence of fintech start-ups and fintech banks ('neobanks') as newcomers to the regulated banking sector, and (iii) the sharp increase in cyber incidents and data protection breaches.

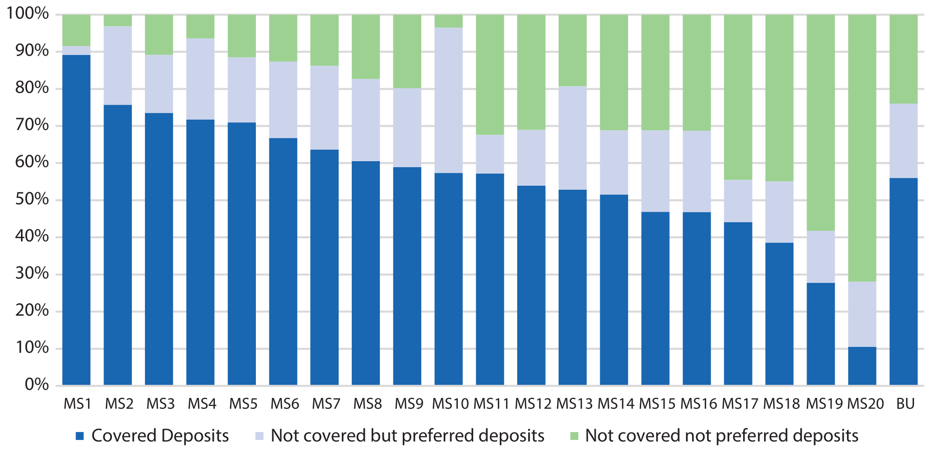
From a resolution perspective, digitalisation may be relevant in terms of: (i) higher volatility of the deposit base, taking into account the possibility of immediately transferring funds through instant payment systems; and (ii) operational continuity, with regard to potential cyberattacks (also triggering reputational risks) and to the reliance on external providers of digital services.

As a rule, fintech banks (primarily LSIs) are established and grow as digital startups, which over time enter the financial sector and acquire a banking license (either directly or through an acquisition of an already established bank). The growth mind-set implies that massive client acquisition is a core objective. This may be in contrast with the supervisory requirements in the financial sector, whereby the focus is on 'know-our-customer' checks. Compliance with governance provisions and capital requirements may become a challenge where there is massive customer acquisition. Moreover, the current market conditions do not allow capital increases as needed as investors deal with rising interest rates, high inflation and heightened economic uncertainty. Another apparent difference with respect to more traditional business models is the source of funding. While most traditional banks would normally rely on retail deposits, fintechs rely on venture funding, focusing on driving valuations upwards, which is again linked to massive client acquisition.

5.2. Deposit counterparties and DGS coverage

Some banks present a higher share of non-household deposits than household ones, in consequence of the predominance of particular business models in the LSI populations. In a number of Member States, deposits by credit institutions and other financial corporations, as well as from non-financial corporations, exceed the overall amount of household deposits. Assuming an increased awareness to banking risks – including the above-mentioned interest rate risks – deposit bases may showcase increased volatility compared to peers. Additionally, these types of counterparties generally deposit sums above EUR 100 000, thus increasing the share of not covered deposits in the deposit basis.

Figure 13. Covered, not covered preferred, not covered not preferred as share of total deposits



Source: SRB calculation based on NRA data, Z02.00, as at 31 December 2021. For one MS, no data were available due to data availability

Resolution data as at 31 December 2021 on around 500 LSIs[32] showed that on average covered deposits represent 56% of total deposits, and the share of non-covered deposits is on average 44%, split between preferred (20%) and not preferred (24%). While assuming a degree of 'stickiness' of deposits, in combination, this might lead to a higher level of deposit outflows and increase the likelihood of a bank run in the case of severe market stress.

5.3. Crisis cases in the 2022 RPC

Five LSI crisis cases occurred in 2022 in four different Member States – Germany, Greece, Latvia, and the Netherlands. All of them had been previously referred to the SRB for closer monitoring and the collaboration between the SRB and NRAs was both constructive and fruitful as the crisis cases were escalating.

- **Amsterdam Trade Bank N.V.** (the Netherlands)

The bank was majority-owned by a group of Russian oligarchs through the banking group Alfa-Bank JSC. Following Russia's invasion of Ukraine in February 2022 and the ensuing Western sanctions, US and UK technology companies cut Amsterdam Trade Bank N.V. off from crucial services. Without the core systems supporting the bank's operations, the bank's management indicated that they were no longer in operational control. On 22 April 2022, the bank voluntarily applied for bankruptcy, and the Amsterdam District Court ordered it on the same day. De Nederlandsche Bank then activated the deposit guarantee scheme for account holders of Amsterdam Trade Bank N.V.[33]

[32] Around 96% of the LSIs are eligible to simplified obligation under Commission Delegated Regulation (EU) 2019/348 ('DR'), this implies that NRAs have the right to waive the notification of some reporting templates such as RESOL templates. For this reason, the SRB receives the RESOL templates for only 500 LSIs. Nevertheless, the sample is representative as most of the bigger LSIs are included.

[33] De Nederlandsche Bank, 22 April 2022, *DNB activates deposit guarantee scheme for Amsterdam Trade Bank N.V. customers* https://www.dnb.nl/en/general-news/press-release-2022/dnb-activates-deposit-guarantee-scheme-for-amsterdam-trade-bank-n-v-customers/

- **Olympus Cooperative Bank** (formerly Cooperative Bank of Drama LLC, Greece)

This LSI did not meet the minimum capital requirements required by the CRR and had failed to raise the necessary funds by the deadline granted for that purpose. Consequently, its authorisation was withdrawn. On 4 February 2023, the Bank of Greece announced the transfer of all deposits of this LSI to the National Bank of Greece S.A. following its offer.[34]

- **AS Privatbank** (Latvia)

On 25 November 2022, the Board of the Financial and Capital Market Commission adopted a decision to authorise the reorganisation of AS PrivatBank by re-registering it as a commercial company the activities of which are not related to the activities of a credit institution. The licence issued to AS PrivatBank to operate as a credit institution ceased to be valid from the entry into force of this decision.[35]

- **Baltic International Bank SE** (Latvia)

On 12 December 2022, the provision of financial services at Baltic International Bank SE was suspended. On 10 March 2023, the ECB took the decision to withdraw the banking licence with effect of 11 March 2023.[36] The decision was made on the grounds that the bank had not been able to ensure that a viable business strategy was being implemented over a sustained period. The business strategy did not conform to the bank's capacity and was not feasible, therefore the bank had been continuously failing to provide a profitable business model.

- **North Channel Bank GmbH & Co. KG** (Germany)

BaFin filed an application with the Mainz District Court on 19 January 2023 to open insolvency proceedings against North Channel Bank. The following day the district court ordered the interim administration of the assets of North Channel Bank and appointed an interim liquidator. On 25 January 2023, the district court of Mainz officially opened insolvency proceedings over the bank's assets.[37]

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[34] Bank of Greece, 4 February 2023, Transfer of 'Olympus Cooperative Bank' deposits to the 'National Bank of Greece S.A.' https://www.bankofgreece.gr/en/news-and-media/press-office/news-list/news?announcement=5c9d750f-1a27-432f-92b8-b7a9d6d07e10

[35] Latvijas Banka, 25 November 2022, *FCMC authorises the reorganisation of AS PrivatBank, the business of the commercial company will no longer be linked to the provision of credit institution services* https://www.bank.lv/en/component/content/article/729-news-and-events/fktk-news-archive/16196-fcmc-authorises-the-reorganisation-of-as-privatbank-the-business-of-the-commercial-company-will-no-longer-be-linked-to-the-provision-of-credit-institution-services

[36] Latvijas Banka, 13 March 2023, *The European Central Bank has withdrawn the banking licence of Baltic International Bank SE* https://www.bank.lv/en/news-and-events/news-and-articles/press-releases/16398-the-european-central-bank-has-withdrawn-the-banking-licence-of-baltic-international-bank-se

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