

# SRB – BANKING INDUSTRY DIALOGUE MEETING

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**Resolution Planning Cycle 2020:**  
Main milestones and challenges for the RPC 2020

Presenter: **Boštjan JAZBEC**

Monday, 15 June 2020



# AGENDA



1. RPC 2020: Current state of play
2. Impact of the Covid-19 pandemic on the 2020 RPC
3. Outlook for 2021 RPC and Multi Annual Work Programme 2021-2023
4. Concluding remarks

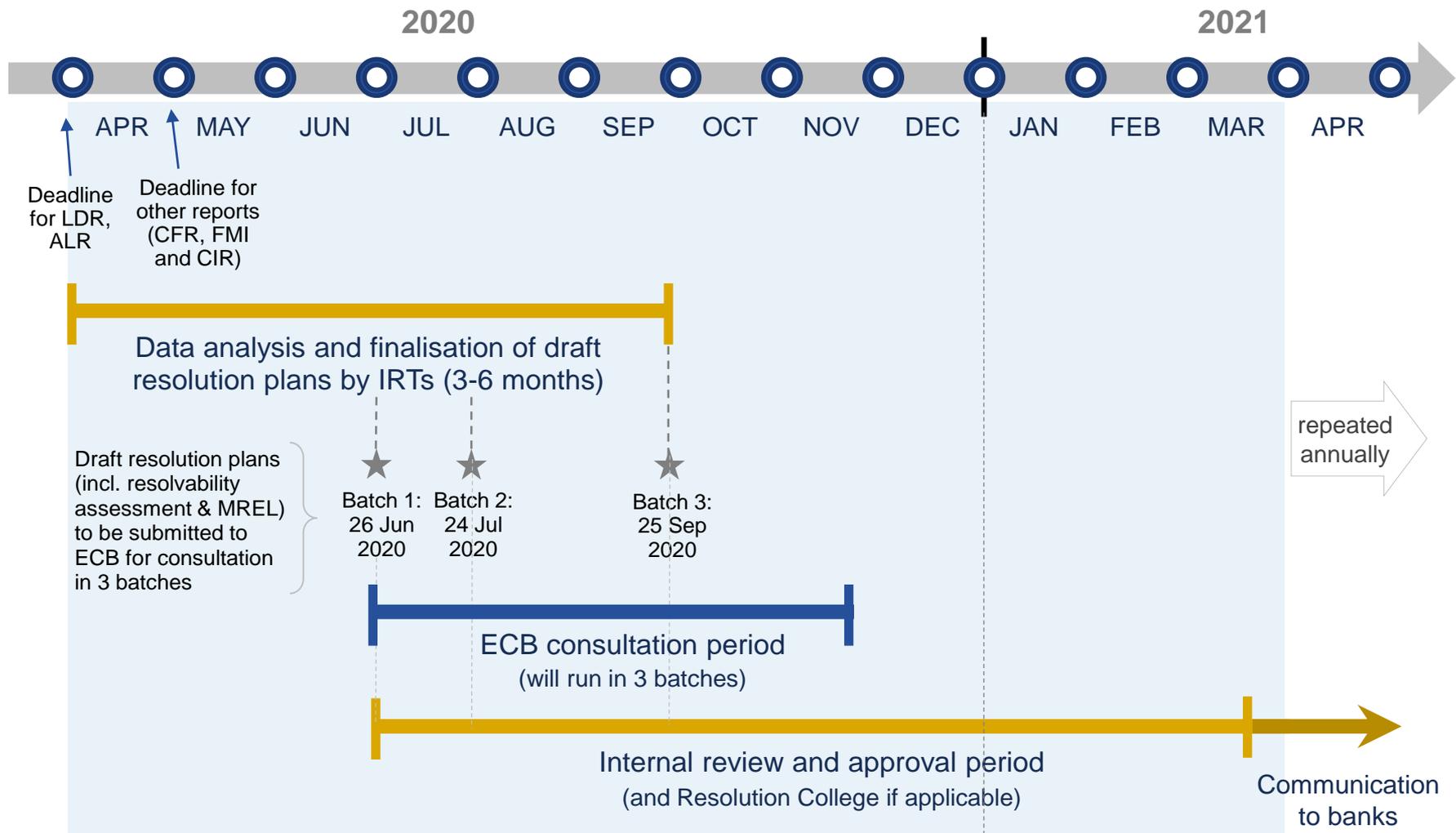
# 1. RESOLUTION PLANNING CYCLE 2020

## CURRENT STATE OF PLAY

- In spite of the current exceptional circumstances, the 2020 RPC was formally launched on **1 April 2020** with the analysis of the reporting data and preparation of the resolution plans by the IRTs
  
- The newly developed 2020 RPC:
  - ❖ Aligns all SRB banks on the same **12-month cycle** and thereby facilitates the SRB's strategic roadmap and improves transparency,
  
  - ❖ Supports the implementation of the new **Banking Package** and the legal requirement to **review** resolution plans **at least annually**, and
  
  - ❖ Is **aligned** with the SRB's **external stakeholders** processes

# 1. RESOLUTION PLANNING CYCLE 2020

## STRUCTURE



### 12-month RPC

# 1. RESOLUTION PLANNING CYCLE 2020

## NEW FEATURES AND IMPROVEMENTS

### PROCESS

- **Starting on 1 April** – consistent decisions based on previous year-end data
- **ECB consultation** – will run in 3 batches with the last submission in September 2020
- **Approval process** – streamlined in cooperation with external stakeholders
- **Communication** – further developed

### QUALITY CONTROL & LEVEL PLAYING FIELD

- **Quality Assurance** - further enhanced internal horizontal review process
- **Templates** – adjusted to reflect the revision of legal framework (BRRD2/SRMR2 and CRR2) and the new MREL Policy
- **Data processing** – increasing quality due to further developed processes
- **Monitoring** – enhanced resolvability monitoring and RPC process management
- **Consistency** – centralised function to ensure permanent alignment

### STRATEGIC GOALS

- **Annual cycle** – facilitates the strategic roadmap for banks to progressively enhance their resolvability in line with the phase-in of the Expectations for Banks

# 1. RESOLUTION PLANNING CYCLE 2020

## CONTENT

During the 2020 RPC, the SRB will:

- Update and enhance the **resolution plans** covering all banking groups under the SRB's remit
- Set **binding MREL targets** for the group entities and subsidiaries
- MREL decisions and excerpts of the updated resolution plans will be **communicated** to banks during **Q1- Q2 2021**

Cooperation  
with  
authorities  
outside the  
Banking  
Union

G-SIIs: International cooperation based on CMGs

For the banking groups with subsidiaries in non-banking union EU jurisdictions, the SRB cooperates closely with the relevant NRAs in **resolution colleges (RC)** in the drafting of group resolution plans and the adoption of related MREL decisions.

The SRB will contribute to the drafting of the resolution plans for which it is not the GLRA (so-called '**host cases**').

# 1. RESOLUTION PLANNING CYCLE 2020

## MILESTONES

- On 1 April **2020**, the SRB published its '**Expectations for Banks**' (EfB) to provide guidance to the industry on the actions to be taken to demonstrate resolvability
- EfB is subject to a gradual phase-in: banks are expected to have built up their capabilities on all aspects by the **end of 2023**
  - ❖ Implementation based on the annual RPC and facilitated, amongst others, through SRB's priority letters, banks' long-term resolvability work programme and regular self-assessments, as well as IRT monitoring
- On 20 May 2020, the SRB published the final '**Minimum Requirements for Own Funds and Eligible Liabilities (MREL) Policy under the Banking Package**'
- New MREL decisions will set out two binding MREL targets, including those for subordination: the binding intermediate target to be met by **1 January 2022** and the fully calibrated MREL (final target) to be met by **1 January 2024**.

# 1. RESOLUTION PLANNING CYCLE 2020

## SRB WORK PRIORITIES IN THE 2020 RPC

During 2020 RPC the SRB puts an emphasis on the further **operationalisation** of bank's **individual resolution strategies** and focuses its operational work with banks on:

- ❖ **Implementation of the bail-in tool** and further improvement of banks' bail-in playbooks,
- ❖ Financial continuity and **access to financial market infrastructures (FMIs)** and resolvability assessment, and
- ❖ **Operational continuity** in resolution.

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## 2. IMPACT OF THE COVID-19 PANDEMIC ON THE 2020 RPC

### SRB RELIEF MEASURES FOR BANKS' OPERATIONAL BURDEN (1)

- SRB understands banks' current challenges: The SRB – in cooperation with other authorities – stands ready to react in a promptly manner in the current exceptional circumstances
- The SRB will apply a reasonable approach to provide banks sufficient operational relief while considering the implementation of the EU Banking Package and achievement of its mandate

## 2. IMPACT OF THE COVID-19 PANDEMIC ON THE 2020 RPC

### SRB RELIEF MEASURES FOR BANKS' OPERATIONAL BURDEN (2)

- In order to alleviate the operational burden of the banks due the COVID-19 pandemic, SRB has promptly reacted:
  - ❖ [SRB letter](#) of 25 March 2020 to bank CEOs
  - ❖ Dedicated [blog series](#) on the SRB website, including the specific post on the [COVID-19 crisis: the SRB's approach to MREL targets](#) of 8 April 2020
  - ❖ Coordinated approach for IRTs to apply case-by-case measures for specific requests within the limits permitted under the regulatory framework
- To ensure that all bank-specific measures for relief are **consistent** across the board and **proportional**, SRB created a centralized monitoring function

## 2. IMPACT OF THE COVID-19 PANDEMIC ON THE 2020 RPC

### 2020 RESOLUTION REPORTING RESULTS (1)

- SRB recognizes the efforts made by the banking industry even with the current challenges as almost all SRB banks have submitted in due course the **key data** for the **2020 RPC**
- This enables the SRB to remain **on track** with the **2020 RPC** and set the MREL targets in this new cycle in line with the new Banking Package
- As part of the relief measures package and in line with the approach taken by the ECB and the EBA, SRB granted certain leeway to the deadlines of the **other resolution data reports** – such as the MREL quarterly reports for Q1-2020 that we postponed until 19 June 2020

## 2. IMPACT OF THE COVID-19 PANDEMIC ON THE 2020 RPC

### 2020 RESOLUTION REPORTING RESULTS (2)

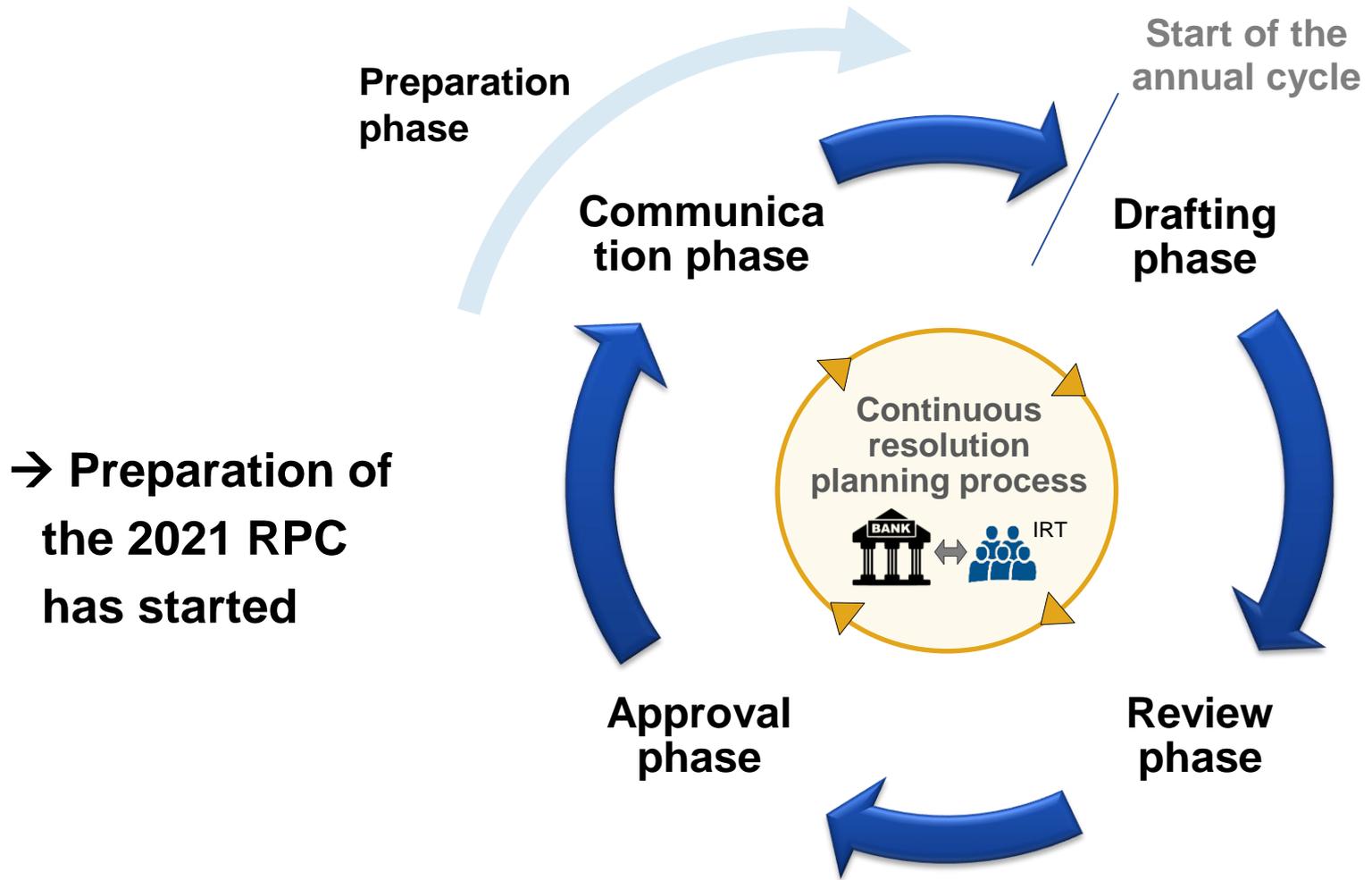
- The uncertainty of the current situation poses **challenges** also for the SRB
- **In order to achieve consistency between data and decision in this current exceptional circumstance:**
  - ❖ 2020 RPC decisions will be based on the end-2019 data (i.e. 15 months after the reference date)
  - ❖ In Q3/2020, the SRB will **collect additional core data** from banks in order to assess the evolution of the key balance sheet metrics and the MREL capacity as of end June 2020 – *topic will be further detailed in the next presentation on the agenda*
  - ❖ The SRB may use such data for potential adjustments in the resolution plans

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# 3. OUTLOOK FOR 2021 RPC PREPARATIONS



### 3. OUTLOOK FOR 2021 RPC

#### MULTI ANNUAL WORK PROGRAMME 2021-2023

- SRB is working on its **Multi-annual Work Programme for 2021-2023**
- Priorities will include:
  - ❖ Completion of the implementation of BRRD2 (including MREL build-up)
  - ❖ Operationalisation of the resolvability assessment
  - ❖ Focus on operational preparedness for resolution and monitoring of banks' progress to become resolvable
- Banks will receive bank-specific **2021 priority letters** in Q4/2020
  - ❖ Common priorities: Bail-in implementation, Valuation data and liquidity in resolution

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## 4. CONCLUDING REMARKS

- The ultimate effect of the COVID-19 outbreak on the global economy and financial markets is still uncertain
- In these exceptional circumstances and considering the novelties in the process, the 2020 RPC represents a **challenge** for Banks and SRB/NRAs necessitating a 'balanced' approach
- SRB will continue to monitor the situation of the banks and stands ready to take the necessary steps/measures to support the EU banking sector to cope with the current challenges
- However, the SRB will not lose sight of its strategic objectives and invites banks to continue to put all the efforts in order to become **fully resolvable**
- The recently published EfB defines the SRB's policy stance as regards resolvability and will be implemented based on the annual RPC using a step-by-step approach towards achieving this objective

**THANK YOU!**

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