

SRB-Banking Industry Dialogue meeting

Resolution planning in the context of the Banking Union

Single Resolution Board

SRB Key Tasks & Resolution Priorities

<u>Mission</u>: to ensure an orderly resolution of failing banks with minimum impact on the real economy and public finances of the participating Member States and beyond

Participating Member State (euro area)Non-participating Member State (non-



- Establish uniform rules and procedures for the resolution of entities
- Establish a credible and feasible resolution regime
- Remove obstacles to resolution in order to make the banking system in Europe safer
- Ensure unified decision-making process for resolution within the Banking Union to foster market confidence

Minimise the cost of resolution and avoid destruction

- of value unless necessary to achieve the resolution objectives
- Provide key benefits for taxpayers, banks, deposit-holders
 and contribute to financial and economic stability in the entire EU

State of progress of setting up the SRB

Q1 2015: setting up SRB, recruitment, installation, rules



Q2 2015: 4 committees created, with participation of NRAs

Committee on Resolution Planning

Committee on Crisis Management

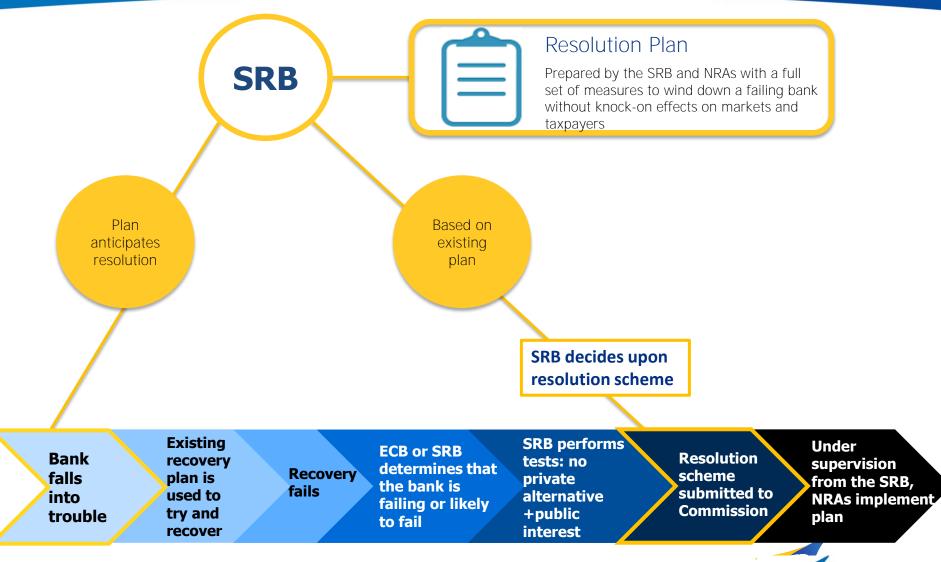


Committee on Cooperation with NRAs

Committee on Contributions

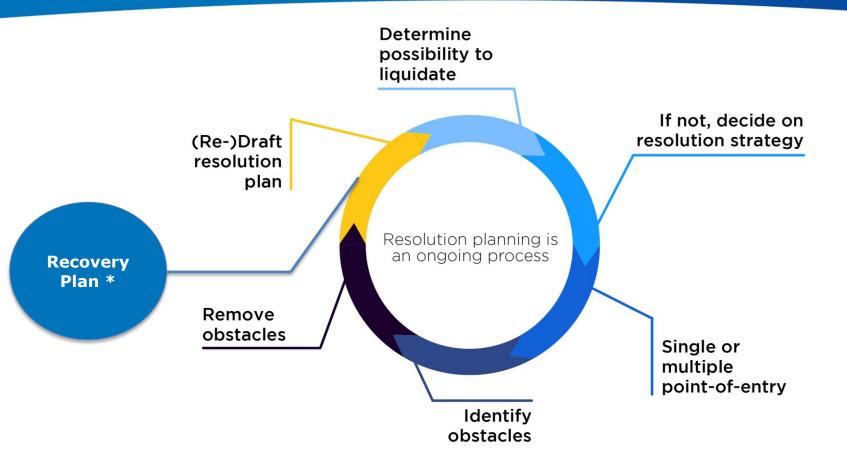


Resolution: planning and action





Resolution planning process



Resolution plans will be drawn up and updated at least annually



^{*} The SRB shall identify any actions in the recovery plan which may adversely impact resolvability

Resolution planning: Building Blocks

Strategic Business Analysis Adequately detailed overview of institution

 Starting point for preferred resolution strategy

Preferred Resolution Strategy

- How the institution or group should be resolved
- Implementation plans for financial and business restructuring

Financial & Operational Continuity

- Funding and liquidity requirements implied by the resolution strategy
- Arrangements needed to ensure continuity of the critical shared services

Resolvability Assessment

- Impediments to resolvability
- Measures to address or remove these impediments



- 1 Management Summary
- 2 Strategic Business Analysis
- 3 Preferred Resolution Strategy
- 4 Financial and Operational Continuity
- 5 Information and Communication Plan
- 6 Conclusion of the Resolvability Assessment
- 7 Opinion of the Institution



Interplay between "Information requirements" and "Assessment framework"

Resolution plan

... must provide all information necessary to <u>identify the preferred resolution strategy</u> and for the <u>removal of impediments</u> to resolvability.

Information requirements

Wide range of information and analyses will be required for the preparation of the resolution plan

To be accumulated by institutions and Resolution Authorities



Assessment framework

Provided information and analyses must be validated and evaluated by Resolution Authorities



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Strategic Business Analysis

Group-, Ownership- & Governance-Structure

Business model, Core business lines Critical functions

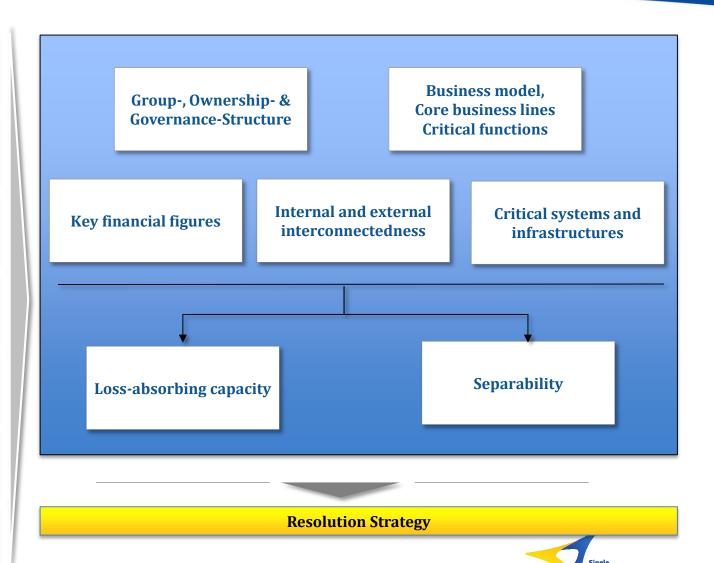
Key financial figures

Internal and external interconnectedness

Critical systems and infrastructures

Loss-absorbing capacity

Separability



Strategic Business Analysis

Group-, ownership- & Which units comprise the group? Who are the owners? governance-Structure How is the group organized? Business model, core business lines, critical What are the core business lines and the critical functions? **functions** What are the main financial components of the group **Key financial figures** entities and the group? Internal and external What internal and external interconnectedness may interconnectedness impair the implementation of resolution tools? Critical systems and Which IT systems / FMI accesses are critical for the infrastructures continuity of critical functions? Which size of losses can the material group entities and **Loss-absorbing capacity** the group absorb? Which business activities should be treated as one **Separability** resolution unit due to their interconnectedness?



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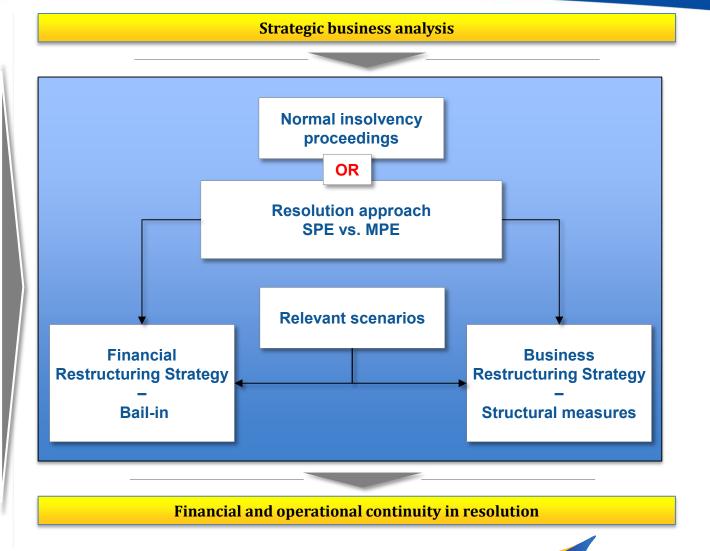
Preferred Resolution Strategy

Normal insolvency proceedings

Resolution approach SPE vs. MPE

Financial restructuring strategy
Bail-in

Business restructuring strategy -Structural measures



Preferred Resolution Strategy

"Normal" insolvency proceedings



Resolution approach SPE vs. MPE



Financial restructuring strategy

Bail-in

How much loss can the bank absorb in case of resolution? Can recapitalization be implemented?

Business restructuring strategy

-Structural measures



How can structural changes be implemented?



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Financial and Operational Continuity

Financial continuity (funding and liquidity sources)

Are there sufficient liquidity and funding sources to implement the resolution strategy?

Operational continuity

Can the institution maintain the critical shared services to ensure critical functions are provided in resolution?

Access to FMIs

Can the institution keep access to critical FMIs, both on its own account and for clients?



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Information and Communication Plan

Governance of information provision



Can the resolution authority obtain information efficiently from the institution or other authorities?

Information requirements and availability



What are the various information sources and their availability before / during resolution?

KEY: Accurate and efficient MIS at the institution is essential at all times, and particularly at point of resolution, for proper execution of resolution tools (e.g. for valuation)

Communication framework



What measures are needed to ensure that all communications are timely, coordinated and consistent?



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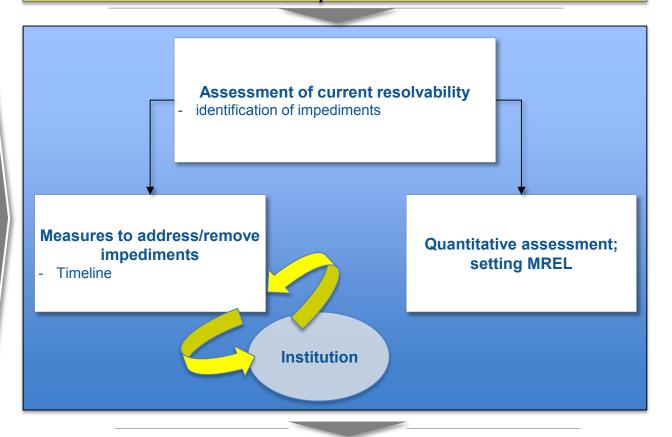
Conclusion of the Assessment of Resolvability

Assessments conducted in Strategic business analysis, Preferred resolution strategy, Financial and operational continuity & Information and communication plan

Assessment of current resolvability

Measures to address or remove impediments

Quantitative assessment; setting MREL



Feedback of the institution in relation to the resolution plan



Involvement of banks in resolution planning

Resolution Authority

- leads process
- needs assistance from other stakeholders

2. RAs directly requests information from institution, assesses all analyses received

Close cooperation between stakeholders is **key**.

1. RAs obtain information already available to CAs, e.g. recovery plan, further supervisory data.

Institution

- sets up internal process to provide information
- informs RA of legal, financial, structural changes



Competent Authority

- shares information with RA



Resolution planning process for Resolution Colleges

European Union: Banks under Resolution College scheme, with SRB as Group-Level Resolution Authority (GLRA)

- IRT (Internal Resolution team with SRB & NRA) drafts resolution plan
- Formal communication to ECB.
- Potential amendments following IRT discussions
- Communication to the Resolution College (RC) members & observers
- Potential amendments following the comments received
- SRB Executive Session for draft approval. The draft approval becomes definitive in case of approval without changes by the RC.
- Formal communication to the members and observers of the RC.
- RC joint decision; approval /amendments.
- Potential EBA mediation
- Potential New SRB Executive Session to approve the resolution plan after RC amendments
- Final RC joint decision



Way forward

- Q4 2015
- Work Programme 2015 and Work Programme 2016
- Publication of SRF templates
- 1st January 2016 SRB assumes full power for resolution decisions

- Q1 2016 publication on parts of Resolution Planning Manual
- **Q1 2016** public consultation on information templates
- The next industry dialogue is planned for March/April 2016





Thank you!