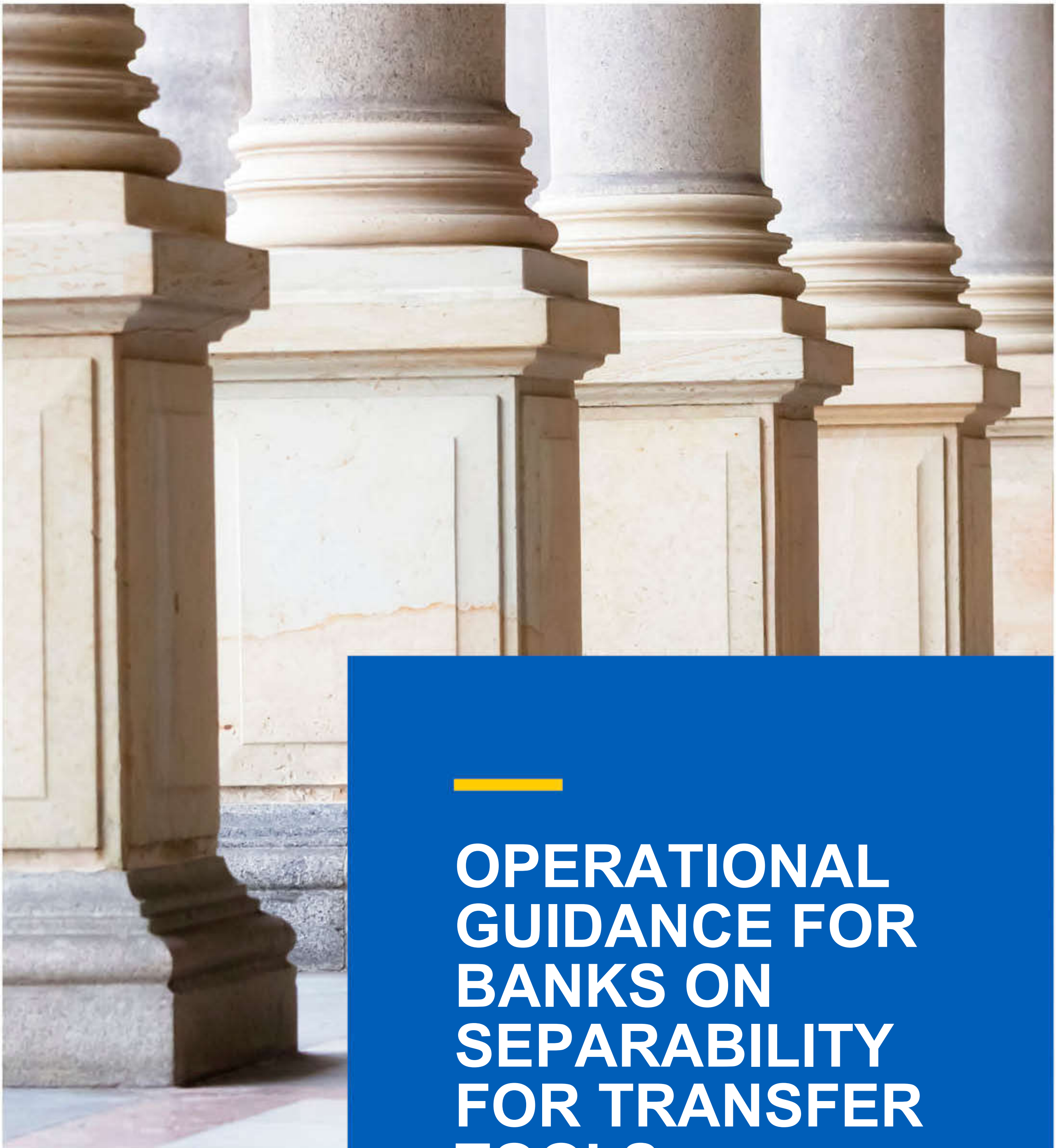

OPERATIONAL GUIDANCE FOR BANKS ON SEPARABILITY FOR TRANSFER TOOLS

Single Resolution Board

Single Resolution Board

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1. Introduction

1.1. Purpose, scope and timeline

In April 2020, the Single Resolution Board published the Expectations for Banks (EfB) document that sets out its expectations towards banks under its remit in order to ensure an appropriate level of resolvability. On a general note, separability is a broad concept relevant to all resolution strategies. It covers several expectations which are key for both resolution planning and bail-in implementation, e.g. business reorganisation plans. Principle 7.2 is particularly relevant for banks for which the resolution strategy envisages a transfer tool. It sets out the expectation for banks to deliver separability analyses by the end of 2023. This principle allows the SRB to access the necessary information and analysis from banks in order to operationalise these resolution tools, and to ensure the appropriate level of separability required to implement a transfer.

This operational guidance helps banks by providing more detail on how to achieve this expectation, and how to concretely deliver the relevant information and analysis, namely through an analytical document, the separability analysis report, and an operational document, the transfer playbook.

In addition, in order to comply with the expected deadline, separability work to operationalise partial transfer tools is also a general working priority during the 2022 resolution planning cycle for relevant institutions[1].

In line with the EfB, while the operational guidance is general in nature, its application to each bank may be adapted to individual specificities, taking into account the proportionality principle and based on a dialogue between each bank and its Internal Resolution Team (IRT). The guidance is not exhaustive and may be subject to further SRB communications related to resolvability requirements for banks, for instance to reflect any remaining alignment with guidelines at the EBA level on resolvability and transferability once these are finalised.

1.2. Definition of separability

Separability is defined as the bank's ability to implement a transfer of i) legal entities, ii) business lines, or iii) portfolios of assets and liabilities at short notice to a third party. Separability allows the SRB to execute, together with the national resolution authorities (NRAs), a market transaction within a reasonable amount of time, in order to ensure the resolution objectives through the bank's transfer, in due course, to a private owner or through an orderly wind-down.

Flexibility during resolution is key for finding a buyer. This can be ensured by preparing for a possible partial transfer in cases with positive market interest and capacity. This means preparing for i) a sale of business

[1] Relevant banks in this guidance refer to banks whose resolution strategy uses a partial transfer tool such as the Sale of Business asset deal, Bridge Institution tool or Asset Separation tool, as either preferred resolution strategy or as variant.

asset deal where the preferred resolution strategy foreseen is a sale of business share deal, unless otherwise approved, or for ii) an asset management vehicle or bridge bank, or, generally, iii) an asset carve-out.

1.3. 2022 working priority expectations

As mentioned, in order to prepare for compliance with the end of 2023 timeline, the SRB sets out, as part of the 2022 resolution planning cycle (RPC) working priority letter to banks, the following expectations:

a. Banks where the preferred resolution strategy (PRS) envisages a partial transfer tool are expected to deliver an **advanced separability analysis report (SAR)** and a **transfer playbook by 31 December 2022;**

b. Banks where only the variant envisages a partial transfer tool (PRS being bail-in or share deal[2]) are expected to deliver a **preliminary separability analysis report** (and no transfer playbook)[3] **by 31 December 2022**;

c. Banks where the PRS is bail-in with no variant might be requested to apply some of the principles envisaged in this operational guidance, on a case-by-case basis if the IRT deems it relevant.

The rest of this operational guidance details the expectations for the content of these two deliverables, and in particular of the separability analysis report, which is relatively specific for the operationalisation of a partial transfer strategy and the effective implementation of the chosen partial transfer tool.

The content of the transfer playbook is similar, albeit simpler, to that of the bail-in playbook on equivalent sections such as governance framework, communication, internal processes and timeline for execution, mitigation strategies for barriers and potential impediments to execution.

2. Banks' deliverables

2.1. Separability analysis report (SAR)

The institution should structure the SAR as an analytical document intended for the resolution authority and for potential investors. It should describe and assess all relevant aspects (financial, legal, operational, business) of the transaction proposed, including a self-assessment of its information capabilities and a high-level business plan for the proposed transfer perimeter in order to easily populate a Virtual Data Room (VDR) for due diligence purposes. This separability analysis will underpin SRB's own analysis and conclusion on resolvability and any next steps or follow-up.

The SAR should be adapted in size and focus to each transfer tool that is part of the preferred or variant resolution strategy. In particular, for the use of the Asset Separation Tool (AST), an institution may identify and

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[2] For banks with bail-in as preferred resolution strategy and sale of business share deal as variant, the preliminary SAR will become an expectation in 2023 cycle, with banks expected to identify a minimum asset core package in case of partial failure of the share deal.

[3] These banks are also expected to deliver a bail-in playbook, according to expectations communicated in the applicable operational guidance.

propose two or multiple perimeters. In this case, each proposed transfer perimeter would require an SAR and a transfer playbook (see more guidance on the latter below); however, these can be more concise documents for each perimeter than those for the Sale of Business (SoB) or Bridge Institution (BI) transfer perimeters, focusing on main differences to avoid repetition.

The SAR should contain the following parts:

2.1.1.PERIMETER IDENTIFICATION

Objective: the institution should present in this section the proposed transfer perimeter, its composition and the main arguments for its proposal.

The institution should use the tool-specific guiding principles provided by the IRT in order to identify the transfer perimeter. These guiding principles (see section 3. Appendix) should reflect i) general resolution objectives, ii) tool-specific objectives and iii) identified interconnections, and should allow for iv) perimeter shifts.

A first layer of the transfer perimeter is identified by the application of i) and ii), i.e. solely based on resolution objectives and tool-specific objectives, resulting in a preliminary transfer perimeter. In the next step, interconnections between the preliminary transfer perimeter and the rest of the institution are identified and assessed (the application of iii) above, detailed also in point 2.1.2.1. below), resulting in a second layer of the transfer perimeter. The interconnections that cannot be removed or mitigated (see more on this below in section 2.1.2.1) in this second layer are added back to the first layer in order to arrive at the final proposed transfer perimeter. This is likely an iterative process, as the second layer of the transfer perimeter might make it necessary to adjust the definition of the first layer, in order to fulfil certain objectives (e.g. to ensure the financial continuity of the transferred part).

The institution should demonstrate in a concise way how the proposed transfer perimeter best fulfils these guiding principles, compared to relevant alternative perimeters, the latter having potentially different approaches to address identified interconnections or other separability aspects. The bank's work will underpin SRB's own analysis and conclusion on the final choice of the transfer perimeter and any relevant adjustments to the transfer perimeter proposed by the institution, and any next steps.

The institution should also support the SRB in assessing any potential perimeter shifts, such as, for instance, that the economic and financial environment may change versus the considerations discussed during resolution planning, or some recovery options are activated. In particular, the institution should perform the SAR for the current structure and for the structure after the implementation of any recovery options (as per EfB 7.2).

2.1.2. SEPARABILITY ASSESSMENT – INTERCONNECTIONS AND OTHER ASPECTS

Objective: the institution should assess i) the interconnections related to the first layer of the transfer perimeter, flagging those needed to be included in or excluded from the proposed transfer perimeter, as well as ii) other aspects that may limit separability.

The institution should identify interconnections between the first layer of the transfer perimeter and the remaining part using the Separability classification in 2.1.2.1. below.

The institution should then assess each identified interconnection (financial, legal, including tax, operational, business) and decide the most efficient and actionable way to address it.

The institution should propose, as a result, the best course of action depending on whether the interconnections make it more difficult to achieve the resolution objectives and whether they can, or cannot,

be removed, or mitigated, during resolution planning, and at what cost. The “hard” interconnections[4], which prove too difficult or too expensive to remove, form the second layer of the transfer perimeter and should be added to the first layer to form the final proposed transfer perimeter.

The work below regarding interconnections for the purpose of the transfer and inclusion into SAR should be based as much as possible on work already expected by resolution authorities and performed by the institution as part of its reporting of financial and operational interconnections.

2.1.2.1 Separability classification and other separability aspects:

a. Financial interconnections for the purpose of the SAR include, without being exhaustive:

- Connections safeguarded by BRRD Articles 76-80;
- Intra-group guarantees, funding and liquidity relationships or cross-holdings, hedges not included in safeguards above.

The institution should assess the financial interconnections identified in a corresponding section in the SAR. The institution should use relevant parts of the analysis already provided to the IRT as part of the Financial and Legal internal interdependencies analysis. On the connections safeguarded by BRRD Articles 76-80, the banks should highlight any arrangements that fall within those Articles, and within those of the related Delegated Regulation (EU) 2017-867. The banks should also flag any arrangements they may consider to be subject to the discretion of the resolution authority[5], as well as any interconnections subject to any specificities due to national legislation, e.g. on covered bonds[6].

The institution should make a proposal to the IRT on these interconnections, in particular those without legal safeguards, such as hedges, funding and liquidity relationships, clearly conclude on whether the institution can remove or mitigate them, or check with the IRT whether they can be removed using BRRD Article 64 powers.

The bank should include details on the expected time to implementation of removal or mitigation of interconnections, cost implications, if relevant, and any foreseen impediments or potential barriers to implementation.

The remaining interconnections that are deemed “hard” or too expensive to remove or mitigate (as per footnote 4) will form the second layer of the transfer perimeter, which will be added to the first layer to reach the final transfer perimeter to be proposed to the IRT.

The institution should also consider in this section other financial aspects that may have an impact on the separability of the transfer perimeter, such as access to currencies or continuity of back-to-back transactions, or roles of the institution in solidarity mechanisms or any existing institutional protection schemes (IPS).

b. Legal interconnections (including tax considerations) for the purpose of the SAR include:

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[4] “Hard” interconnections are considered too costly or too difficult to remove or mitigate when the measures to be taken under SRMR Article 10(11) (g) in order to remove them would not be deemed “proportionate”.

[5] For example, Article 3(3) and 4(3) of that Regulation provide for the discretion of the resolution authority on whether to qualify set off and netting arrangements as falling under the protection of Article 76(2)(c) and (d) of BRRD in cases where those arrangements are not covered by Articles 3(1) and (2) and 4(1) and (2) of that Delegated Regulation.

[6] For example, covered bonds are regulated under a national framework and benefit from different standards regarding over-collateralisation, disclosure obligations and legal guarantees. The cover pool supporting the covered bonds issued under a certain law is usually not transferable to an entity established under a different governing law.

- relevant contracts, for instance those with exclusion clauses such as joint ventures and other partnerships, or those linking instruments together such as joint credit agreements, or those linking loans and other receivables of the bank to the same collateral;
- cross-entity ownership instruments;
- tax linkages (including deferred tax assets and credits);
- legal obligations towards other cooperative members when relevant;
- legal relationship between the entities and any solidarity mechanisms or IPS;
- litigation (entity-related e.g. tax, or product-related e.g. mis-selling, or as a result of resolution action);
- at "functional unit" level - existing service obligations under SLAs or not, employee contracts and collective agreements, including retirement, and contractual provisions attached to each unit's assets and liabilities.

The institution should assess the legal interconnections identified as per the list above through a legal review of existing contracts mapped to the transfer perimeter, which can be an annex to the SAR.

In addition to the elements listed above, the institution should also look at other legal aspects with a potential impact on the transfer, such as its current legal form, its third-country law contracts, litigation and tax implications.

So, the institution should support the SRB in identifying any change entailed by the transfer of the proposed perimeter. This should be either in the articles of association or in the legal form, in case, for instance, an entity is not transferable under its current legal form to an acquirer with a different legal form or there may be conflicting provisions in the article of associations. The SAR should set out a process and the necessary actions to address these issues in a timely way.

The legal review should also highlight third-country contracts, and conclude on resolution resilience (i.e. on the inclusion of resolution resilient clauses and recognition of "stay powers" already required, and, generally, on recognition of resolution powers under the BRRD, already required under OCIR preparations, but, in this case, for contracts relevant to the transfer perimeter). In case of any gaps identified, the bank should include them in its resolvability work plan with a reasonable timeline in order to reach full compliance by the end of 2023.

On litigation, the institution should clearly identify in the legal review sources of litigation and conclude on whether these can be left in the remaining entity or risk being brought along with assets or liabilities included in the transfer perimeter.

The institution should also include a tax assessment in this legal review of its separability with views of the tax impact on the transfer transaction, such as subrogation of tax rights and obligations, including transfers of DTAs /DTCs, on the existence of special tax regimes for corporate operations, and on an efficient and legally sound way to structure the transfer transaction without unnecessary losses for tax reasons.

c. Operational interconnections for the purpose of the SAR include:

- relevant services, staff, operational assets, including IT and other infrastructure;
- FMI service providers.

Based on the institution's service delivery model and its mappings[7], already expected as part of the Identification of Operational Interdependencies and operational continuity guidance, the bank should highlight the relevant operational interconnections identified as having an impact on the transfer perimeter.

The institution should include in the SAR the operational continuity risk of these identified, relevant (i.e. critical and essential)[8] services, operational assets and staff, in particular:

- For identified relevant services considered as having an impact on the transfer perimeter, whether mitigation actions are in place, such as adequate documentation and resolution resilience, in line with operational continuity guidance, and the assessed complexity and time required to achieve resolution resilience and transfer them along with the transfer perimeter;

- For relevant operational assets (IT systems, licences, intellectual property, real estate, etc.): whether mitigation actions and/or contingency plans are in place for those affected by the transfer, in particular for changes or for redesigning systems to allow continuity of IT systems and access to all parties as necessary;

- For identified relevant staff, whether the relevant roles and the required expertise[9] are properly mapped and any liabilities arising from national labour law[10], including on pension rights, are identified, whether mitigation actions are in place to ensure that relevant roles would be adequately staffed in resolution, such as substitution, retention plans and succession measures, and covering also dual-hatting employees.

In addition to the above, which is already required for relevant services, operational assets and staff in the published OCIR guidance, the institution may need to do the same work for other (non-relevant) services, operational assets and staff in the transfer perimeter in order to ensure the full feasibility of the transfer.

Based on its mapping of relevant FMI service providers to its legal entities, critical functions and core business lines, the institution should analyse in the SAR which contracts with FMI service providers would need to be transferred with the perimeter and which would stay with the remaining entity. Continued access will temporarily need to be ensured through a (transitional) service-level agreement or other mitigating actions, such as indirect access for a wind-down entity through the continuing entity. The institution should ensure that its FMI Contingency Plans are sufficiently advanced to ensure continuity of access for the FMI relationships that are included in the transfer perimeter.

d. Business interconnections for the purpose of the SAR include:

    - Cross-organisational unit links (with synergies, cross-selling);

    - Franchise impact caused by:

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[7] These cover the mappings of relevant services, staff and operational assets to critical functions and core business lines needed for the effective implementation of the resolution strategy and any consequent restructuring.

[8] For definition of this terminology, please refer to published OCIR guidance.

[9] The mapping of the required expertise per identified relevant role is an additional requirement to published OCIR guidance to further facilitate separability of relevant staff and support the HR function of the buyer in a transfer.

[10] Such as from the national transpositions of the European Directive 2001/23/EC.

- Perimeter shift to an Asset Management Vehicle or Company (AMV/AMC), on remaining (surviving) institution;
- Assets left over in legacy (i.e. the remaining part of the initial institution in resolution) or transferred to an AMV, on new bridge institution.

The institution should assess the business interconnections identified between the transfer perimeter and the remaining entity to ensure that client relationships are kept together as much as possible to maintain the benefits of existing client synergies and cross-selling and to account for other business considerations on risk, asset quality, cost efficiencies, etc. In case of the AST, the institution should propose the perimeter in such a way as to limit the impact on the franchise value[11] from the perimeter shift to the AMV/AMC on the surviving institution. In case of the BI, the institution should propose the perimeter in such a way to ensure limited franchise impact from the assets left in the legacy entity on the BI's business.

2.1.2.2 Potential barriers to a smooth transfer implementation

The institution should identify potential barriers or constraints to a smooth transfer implementation following the analysis of the interconnections above and of other separability aspects. The institution should reach conclusions on the existence and effectiveness of any mitigation actions planned or already in place, their timeline and inclusion in the institution's resolvability work plan.

2.1.2.3 Financial analysis and draft business plan

The institution should include a historical financial analysis of the proposed transfer perimeter as part of a draft business plan with a particularly detailed description of the various expected costs entailed by the transfer and its preparation.

This description should include in particular the costs of:

- removing interconnections by:
  - cancelling contracts, if possible, such as an insurance joint venture with exclusion clause, or labour contracts, collective or not;
  - establishing new contracts, such as transitional service agreements;
- mitigating interconnections by:
  - substituting contracts where possible, e.g. with counterparties in the EU, or for contracts with resolution resilient clauses;
  - modifying contracts, e.g. re-designing IT infrastructure to support the required data capabilities in section 2.1.4.;
- maintaining interconnections and calculating possible impact when:
  - not terminating labour contracts (including pension rights);

[11] Franchise impact refers generally to a decrease in franchise value. Franchise value can be defined as the present value of the future profits that a firm is expected to earn as a going concern. Profits are those gains beyond what is required to cover all costs, including the cost of capital. In banking, franchise value arises from two main sources, market-related such as regulation and resulting market structure and concentration, and competition, and bank-related such as market share, technology and resulting efficiencies, branch network (positive or negative impact), lending relationships, management and culture. Removal of business interconnections could have a negative impact on bank related sources of franchise value.

- not transferring certain DTAs and DTCs into the transfer perimeter;
- not being able to leave behind certain litigation liabilities in the remaining entity.

The historical financial analysis should also include the proposed business segments to be included, the resulting balance sheet and profit and loss account for the perimeter, and the key performance indicators in terms of resulting profitability, capitalisation and liquidity/funding (including potential funding sources).

The institution should also propose and compare relevant alternative perimeters, which may differ on how interconnections and other financial, legal and operational aspects are addressed. The institution may use the financial analysis above for the different perimeters as the deciding factor for, and support to, the choice of the proposed transfer perimeter. This financial analysis will serve to underpin SRB's own analysis and conclusion on the choice of the final perimeter and any relevant next steps or follow-up.

The draft business plan should be included as an annex to the SAR.

2.1.3. MARKET INTEREST AND CAPACITY

Objective: the institution should provide and assess a list of potential buyers and their suitability.

The institution should propose a list of most suitable potential buyers, assessing their suitability based on:

- the strategic fit of the "transfer perimeter" in terms of the associated client relationships, distribution channels and geographic breakdown with that of each buyer;
- business related indications of appetite for such transactions such as recent M&A activities in the past 24 months, using publicly available information;
- their financial strength and, hence, capacity to purchase the "transfer perimeter" given their available "free capital" for a transaction based on current capital requirements, as well as market access to raise new capital based on recent issuance, using publicly available information.

The institution can, of course, draw on relevant work already performed for recovery planning. This sub-section of the SAR will underpin SRB's own analysis and conclusion on the list of potential buyers and their suitability.

2.1.4. BANK'S INFORMATION CAPABILITIES

Objective: the institution should self-assess its preparedness in terms of information capabilities for implementing the perimeter transfer.

The institution should provide a self-assessment of its capabilities to provide accurate and timely information on the transfer perimeter in resolution planning and at the point of resolution to support the implementation of the transfer tool, as communicated by the IRT.

The institutions should have capabilities in place in order to:

- Identify the first layer of the proposed transfer perimeter (mapping of critical functions and core business lines, governing law and recognition of BRRD transfer powers, etc., information already required in published OCIR guidance);
- Provide to resolution authorities information on and assessment of interconnections related to the perimeter;

- Ensure operational continuity of the transfer perimeter (in particular MIS capabilities allowing for separation of accounting entries and multi-client capabilities);
- Provide valuation-related data (based on the self-assessment already required as part of the Valuation data set guidance and 2021 Working priority, but for the data relevant to the transfer perimeter);
- Support the drawing up of necessary and appropriate due diligence and marketing materials as part of the sales process.

For the last bullet point, the institution should self-assess and demonstrate its capacity to set up and populate a VDR at short notice (according to EfB principle 5.3). In order to comply with this expectation, the institution is strongly encouraged to set up a "searchable repository" in the resolution planning phase for due diligence materials, equivalent to an in-house VDR, to facilitate the implementation of this requirement in case the actual set-up of a VDR becomes necessary[12]. The self-assessment should clearly indicate the current time to production and the planned roadmap to achieve a reasonable implementation time.

Table 1 provides a minimum list of data and documents (in certain granularity) that should be easily available to populate the VDR for both SoB share and asset deals, as well as the AST. The institution should engage with the IRT to agree whether the data is required at once, or certain items are prioritised depending on the type of sale, e.g. collecting data on 'single client view' basis for asset deals. The institution should indicate in its self-assessment any gaps versus this minimum list and the agreed time to deliver the missing data or document.

[12] This is when the bank is detected as failing and it enters the crisis phase. This request is voluntary for the bank before the bank is declared FOLTF. However, the SRB has the powers to instruct the bank to contact potential purchasers in order to prepare for the resolution of the institution, subject to the criteria specified in Article 39(2) BRRD and the requirements of professional secrecy laid down in Article 88 SRMR, once Art 13 (3) "Early interventions measures" conditions are met.

Table 1: Minimum list of data and documents to populate a VDR

- Corporate information (organisational structure, corporate governance, information for shareholders, audit reports, historical and current reports submitted by the supervisor etc.).
- Branch network and employees.
  a. Branch network (detailed info on the No of branches etc.).
  b. Employees (No of employees, No of employees per department/critical function & core business line/subsidiary, types of contracts, cost, pension rights, loans in place)
- Restructuring plan (if any).
- Business plan (ILAAP, ICAAP and other of internal and external planning by the entity).
- Clients/deposits (No and type of accounts, information on term deposits etc.).
- Risk management (risk reports, risk management policies etc).
- Tax (DTAs, DTCs information on material tax risks etc).
- Labour law provisions for transfer/lay off of employees.
- IT contracts and material business SLAs (IT tools and contracts, critical SLAs with service providers etc.).
- Supervisory reporting (ICAAP, ILAP etc.).
- Profit and loss accounts and notes (incl. information on the margins, fees etc.).
- Other assets & liabilities (DGS/SRF claims/liabilities, etc.).
- Financial Information - Minimum Acceptable Info on Loan Data Tape amongst which:
  - Loan data tape by legal entity as at a certain date (loan ID, description of the loan and outstanding amount, collateral information, information on restructuring etc.).
  - Leasing agreements (financial and operational leasing).
  - Letters of guarantee (by category of credit risk).
  - Off balance sheet exposures.
  - Intra-group exposures if any.
  - Summary of hedging procedures if any.
- 'Single client view' financial information.
- Foreclosed assets.
- Liabilities/deposits breakdown (breakdown of type of depositor: retail/ wholesale, individual/SME and covered/non-covered, preferred/non-preferred), LDT.
- Financial information (annual reports, management accounts, FINREP, interbank lending, asset encumbrance, LDT etc.).
- Securities exposures (AFS, HTM, trading, derivatives, government bonds & T-bills, repos etc.).
- Capital (COREP data, Pillar III reports, information on recent capital increases etc.).
- Legal Risks from on and off-balance sheet exposure (provisions, penalisation for rescission of contracts, contingent liabilities, litigations, confidentiality agreements with third parties, assets securitised, exposure from guarantees etc.).
- Subsidiaries, associates, and joint ventures.
- Tangible and intangible assets (Breakdown of non-core assets: outstanding amounts and description).

Source: SRB

The institution should also review in its self-assessment its capability for supporting the production of carve-out financials prepared on a pro-forma basis and, if necessary, of a fact book (mostly financial, tax and legal) for the transfer perimeter for the case of an asset (rather than share) deal, which is a market standard vendor-initiated report in these cases. As for the above, the self-assessment should clearly indicate the current time to production and the planned roadmap to achieve a reasonably short implementation time. Table 2 provides an example of the categories of information that are normally included in a VDR for carve-out financials in market transactions.

Table 2: Example of information request for the preparation of the carve-out financials

Historical financial information	• All (consolidated) financial statements, including balance sheets, profit and loss accounts, notes to the financial statements, disclosures for the historical period (typically of three years). • Management reporting relevant to the Transaction Perimeter for the historical period. • Segmental reporting (if available and applicable) relevant to the Transaction Perimeter for the historical period. • General ledgers for the historical period. • Data tapes for the portfolios in scope of the Transaction Perimeter. • Inventory lists for assets relevant for the Transaction Perimeter (e.g. property, plant and equipment). • List of all carve-out business participations, subsidiaries and branches incl. quota shares, voting rights and other contracts between shareholders.
Projected financial information	• Description of the planning approach. • Business plan for the group or individual entities incl. underlying planning models and documentation.
Tax information	• Overview of the carve-out business related tax group, consolidated tax filing and tax audit status. • Description of carve-out business related legal tax proceedings and tax advance rulings. • Overview of carve-out business related tax losses carried forward availability in the case of change-of-control.
Other documentation	• FTE lists relevant to the Transaction Perimeter. • Description and list of all intra-group carve-out business relationships. • Description and list of significant company contracts. • Any internal reports, e.g. internal audit reports, compliance reports, risk reports, valuation reports, etc. • External reports, e.g. external audit reports or regulatory reports. • Minutes of board meetings and general meetings. • Significant accounting policies and critical accounting estimates for the period under review, including recent changes. • Overview of litigation cases relevant to the Transaction Perimeter. • [resolution specific:] Separability assessment report (SAR).

The capacity of the institution to deliver quality reporting in line with SRB guidance is part of the core resolvability conditions evaluated under the resolvability assessment process and may be subject to appropriate follow-up action according to these principles as applicable.

Importantly, the institution should describe any previous experience with the proposed type of transaction, lessons learnt as well as resulting processes and systems in place that could be beneficial in addressing separability aspects in the proposed transfer transaction or demonstrating its capabilities (e.g. information capabilities).

2.2. Transfer playbook

In order to further operationalise and demonstrate the ability to implement the transfer of the proposed perimeter (including any perimeter shifts), the bank should also produce a transfer playbook.

The institution should structure the transfer playbook as an operational document intended for use by the institution itself, listing the processes needed, organisational units involved and concrete operational steps required in order i) to identify the transfer perimeter, ii) to produce the documents required in the VDR, as well as iii) to effectively implement the resolution transaction, both in the bank's IT systems and in legal terms.

The institution should base the transfer playbook on the proposed transfer perimeter with its identified interconnections (included, removed, mitigated), identified barriers and potential impediments as well as lessons learnt, as per the SAR. The transfer playbook should be aligned and updated together with the SAR.

The institution should include in the transfer playbook the following main elements:

- Governance: the responsible organisation unit(s) or committee(s), identity and position of senior management responsible for overseeing the execution of the separability option, the tasks to be conducted;
- Timeline for implementation;
- Steps and timeline to implement mitigation strategies for barriers and potential impediments to execution as identified in the institution's SAR and its analysis of interconnections and other separability aspects;
- Communication with internal, external, and regulatory stakeholders or as part of the bank's communication plan.

3. Appendix - Guiding principles for perimeter identification

An example of guiding principles for Sale of Business asset deal are included below for illustration. The SRB will communicate guiding principles for the remaining transfer tools as part of the usual resolution planning work with IRTs.

SoB asset deal perimeter identification

The guiding principles for the choosing the transfer perimeter for an asset deal are that it should constitute the smallest possible perimeter that simultaneously:

I. represents a clear set of businesses that are attractive for a third party to acquire (including from a customer relationship perspective);

II. preserves the continuity of the critical functions and also achieves all other resolution objectives; and

III. can be structured in a way that is legally, financially and operationally sound to enable the resolution authority to efficiently execute the transaction in the case of a resolution event.

Generally, the institution should consider including, to the maximum extent possible, the following items:

- assets, rights and/or liabilities belonging to clients (client assets and funds), covered deposits under Directive 2014/49/EU, and for investment firms, investments covered by investment protection schemes under Directive 97/9/EC, in line with the resolution objectives defined in Article 14(2) SRMR;
- liabilities protected under SRMR (according to articles 27(3) on “excluded” liabilities and possibly even 27(5) on “discretionary exclusions”), and any liabilities giving rise to NCWO claims if they remained in the residual bank, based on Article 34(1)(g) BRRD.