

## SRB consultation on Guidelines on resolvability self-assessment

### Comments of the Austrian Banking Industry

#### I. General remarks

The revised Resolvability Self-Assessment imposes an avoidable additional burden on banks, which we view critically. Capabilities now need to be demonstrated across four levels instead of the previous three, accompanied by a substantial increase in the documentation requirements for each individual capability. Additionally, there is currently no executive summary to be prepared by the bank.

While the SRB continuously expands its requirements for resolution planning, the user-friendliness of its online portal "IRIS" remains unchanged and will not be improved, which further increases the administrative burden on institutions.

#### II. Responses to the questions

1. **Format of self-assessment template: Is the Excel format adequate for the bank to provide the information needed to assess the resolvability of the bank to provide justification? If not, please suggest alternatives?**

|    |
|----|
| NA |
|----|

2. **Scope/frequency: Are the envisaged scope of application (at the resolution group level, covering also nonresolution entities) and frequency (yearly) for the submission of the self-assessment report well calibrated? If not, please explain.**

|   |
|---|
| <p>For banks under an MPE strategy it would be appreciated to further specify how the ultimate parent entity is required to coordinate the RSA for all RGs?</p> |
|---|

|   |
|---|
| <p><i>„For banks under an MPE strategy with the ultimate parent entity within the BU, in order to ensure there is a single point of contact and holistic view at the level of the ultimate parent entity, the self-assessment report should be centralised and submitted to the SRB by the ultimate parent entity.“</i></p> |
|---|

3. **Granularity: Is the overall content and the number of capabilities described in the self-assessment template sufficiently detailed and comprehensive to cover the spectrum of progress made by banks? If not, please propose some concrete examples of new capabilities you would suggest introducing:**

|   |
|---|
| <p>Some of the capabilities do not provide the necessary granularity to differentiate between two levels, which makes it difficult to understand the additional capabilities required on a more advanced level.</p> |
|---|

|                     |
|---------------------|
| <p>For example:</p> |
|---------------------|

|  |
|--|
| <p>Principle 5.2 - MIS capabilities to produce the necessary information for valuation:<br/>Level 2:</p> |
|--|

5.2.2.2: The bank has demonstrated that it can generate and extract the SRB Valuation Data Set based on the scope defined by the IRT within 24 hours (including all quality controls).

Level 3:

5.2.3.1: The bank is able to generate, extract and deliver (including all quality controls) the SRB Valuation Data Set within 24 hours.

Principle 5.3 - MIS capabilities to produce the information for the implementation of the resolution tools

Level 3:

5.3.3.1: Data for bail-in execution: The bank demonstrates the ability to provide the bail-in data (in line with the SRB instructions, and complemented by the country specific amendments when applicable) covering all the information related to liabilities that can be subject to bail-in and that rank pari passu with MREL instruments/ liabilities with a sufficient level of quality (completeness and accuracy) to ensure successful bail-in implementation during the resolution weekend.

Level 4:

5.3.4.1: Data for bail-in execution: The bank demonstrates the ability to provide the bail-in data (in line with the SRB instructions and complemented by the country specific amendments when applicable) covering all liabilities that can be subject to bail-in with a sufficient level of quality (completeness and accuracy) to ensure successful bail-in implementation during a resolution weekend.

4. **Advanced capabilities: Level 4 represents advanced capabilities providing more granularity on the extent to which certain banks demonstrate their crisis preparedness. How can these capabilities be set out best to support banks' work on ensuring resolvability? Would you recommend that additional capabilities be added to Level 4? If yes, please detail.**

NA

5. **Variant strategies (I): In order to assess progress on the operationalisation on the variant strategy, would you prefer to reflect such progress in one single column of the self-assessment template covering both Preferred Resolution Strategy (PRS) and Variant Resolution Strategy (VRS) (if applicable) or in two separate columns of the same template? Please explain:**

Following the experiences in the US and Switzerland and considering the upcoming Review of the Crisis Management and Deposit Insurance Framework, the SRB should enable partial transfer strategies as preferred resolution strategy also for larger banks, including for top-tier banks and global significant banks.

PRS and VRS should be kept separate.

-) There are five columns (E-I) to be filled for every capability, having PRS and VDR side-by-side seems unpractical

-) Capabilities for PRS and VRS could differ, so separate columns but identical capabilities might not be appropriate for the assessment.

6. Variant strategies (II): In your view, which resolvability capabilities included in the self-assessment template are the most relevant for assessing the operationalisation of the VRS as compared to the PRS?

Under the assumption that PRS is open bank bail-in and VRS is the application of a transfer tool, all capabilities listed under 7.1 and 7.2. seem more relevant for the VRS.

7. Market transparency - aggregated level: What level of detail would you consider useful for benchmarking (e.g. by business model or bank size or by country)?

Benchmarking by Resolution Strategy (SPE vs MPE).

8. Market transparency - individual level: Banks remain free, at their discretion, to disclose information on their resolvability progress and related activities and/or to make reference to potential authorities' publications. Would you envisage such disclosures, if applicable, for your bank? If not, what considerations/concerns do you have in this regard?

NA

9. Scenarios-based assessment: Do you agree that the self-assessment could be completed under different scenarios or crisis events (e.g. defined by the resolution authority) to achieve better preparedness? Please comment.

No, we do not agree. Crisis preparedness should be assessed independent of concrete crisis events. The underlying thought of crisis preparedness (and in fact resolution planning as such) is to be able to respond to different types of crisis events. The preparedness to address different crisis scenarios through appropriate risk responses (i.e. preventive and/or mitigation measures) is built into the work done for the seven dimensions of the EfB. A self-assessment against a choice of generic crisis events will not contribute to resolution preparedness.

10. Link to testing: Is the self-assessment template adequate to identify the areas that have been tested/ to be tested? If not, please explain.

The requirements acc to 4.2. that *“the bank should detail in the column “Test(s) performed”, any tests conducted as part of the multi-annual testing programme, as communicated to the bank through priority letters or initiated independently by the bank or by the resolution authority (i.e., deep-dives and on-site inspections). For the relevant capabilities where testing, deep-dives or on-site inspections were conducted, the column should at least indicate the following elements:* • type: initiated independently by the bank or requested by the resolution authority; • the method(s) (for example, desktop exercise, walkthrough, fire drill, dry run, management simulation); • when applicable, the scope, which is defined as the coverage of the total tested universe. For example, % of total assets, % of loss-absorbing capacity, % bail-in data points, % valuation data points, % of contracts etc; • the presence of the IRT or any other internal/external independent observer; • the date, and • the findings” should be addressed outside the self-assessment template.

**Reason:**

- ) The amount of information to be provided in column G of the self-assessment template is too big for a concise self-assessment because every single test run from past and present years would need to be reported in great detail.
- ) Testing usually refers to entire dimensions and/or principles. Having a separate cell for every single capability does not seem practicable and/or useful for transparency

**Suggestion:** We propose shortening the documentation requirement for the self-assessment template as such and defining testing as a separate capability for the respective Layers. Comprehensive testing documentation, as envisaged in section 4.2, should be a stand-alone document and referenced solely in column I “Accompanying Document(s)” of the self-assessment template.

**11. Additional comment(s) (max 2000 characters):**

The overall resolvability assessment of banks must reflect the improved resolvability of banks with MPE strategy as compared to SPE strategy. MPE banks are subject to effective requirements as laid down in MPE action plans and monitored by the resolution authorities.

The Board proposes a series of new far-reaching concepts related to the MREL policy “back-door” as part of this consultation on Operational guidance on resolvability self-assessments:

1. The introduction of further layers of “MREL quality” (2.4.3.2 Management buffer, 2.4.4.2 Reliance on deposits) and new discretionary options for authorities (2.4.4.5 Contagion risk) further complicate for investors to assess risks and value bail-in debt.

2. Rewarding banks to meet their entire MREL Target with subordinated liabilities (2.4.4.4 Subordination) puts banks operating under an OpCo model under a cost disadvantage to other banks; at the same resolvability gains to hold such a capacity beyond what is necessary to ensure NCWO compliance are not obvious, as an example.

Most of the proposed changes related to MREL raise serious methodological questions and have far reaching consequences for the industry. On top of that, the resolvability assessment also directly feeds the MREL calibration (MCC reduction, 2024 MREL Policy).

The possibility to leave comments as part of this consultation is very limited only (max. 2000 characters). We kindly ask the Board to continue the well-established industry dialogue and launch a dedicated consultation on these new elements related to MREL as part of a 2025 MREL policy.