

**February 7<sup>th</sup>, 2025**

**FBF ANSWER TO THE SRB PUBLIC CONSULTATION ON THE  
OPERATIONAL GUIDANCE FOR BANKS ON RESOLVABILITY  
SELF-ASSESSMENT**

**GENERAL REMARKS**

We welcome the SRB initiative to propose a guidance on resolvability self-assessment, expecting that such self-assessment will provide greater transparency on criteria used by the SRB to assess banks' resolvability and will foster further dialogue between banks and their IRT.

However, we believe that both the substance and the form of the self-assessment template should be reviewed, in order to be fit for purpose and fulfil the proportionality principles highlighted by the SRB in the consultation.

- We are concerned by the granularity of the capabilities (approximately 250) and the prescriptive approach that has been retained by the SRB for some of them, which could provide the illusion of precision while being hardly appropriate. This is the case for example for capabilities related to communication plan, retention plan or succession plan, where the assessment seems to rely much more (in terms of number of capabilities) on the production of a deliverable (the plan) - that could rapidly become obsolete - than on capabilities (governance, policies, expert staffing, databases, past experience as relevant) that would be needed to produce such a plan in a resolution scenario. We advocate to reduce the number of capabilities, taking more into account proportionality and stick to current expectations and a consistent resolvability assessment over time.
- The level 4 corresponding to 'best practices' should notably be removed and best practices be discussed with the banks through the IRT channel when relevant. The best practices of some banks should not translate to an integral part of the assessment of all banks. Even more since working on some of them may have a deleterious effect on other capabilities by not focusing the institution's efforts on the most critical subjects.

As far as governance is concerned, we'd like to highlight the need for proportionality and consistency between the various requirements: in particular, the internal testing framework and the internal resolvability testing plan should be approved at the same level as the self-assessment, that is the senior executive level. Concerning internal audit (ID 1.3.2.3 to 1.3.4.1), we suggest the SRB to nuance the wording of the capabilities: as far as resolution planning activities are covered by the internal audit, the overall governance for audit activities should apply, with a proportionate and risk-based approach for the review of resolution planning deliveries (including the self-assessment), the reporting of findings and remediations to the audit committee and the board.

We noticed that some capabilities go beyond the Expectations for Banks (EfB) and seem to derive either from existing SRB guidances published without a consultation with the industry or not yet published. In our opinion, for EfB dimensions for which a consultation on a guidance has not yet taken place, the wording of the capabilities in the self-assessment should remain generic at the level of the EfB, until a consultation takes place. A few illustrations are provided below:

- We'd like to express here our doubts about the relevance and usefulness for resolvability of some financial simulations - requested during the resolution planning cycle - of balance sheet and profit and loss metrics in the run-up to resolution and the post resolution phase, such as the ones requested for the estimation of liquidity needs in resolution or the business reorganization plan. The relevance and usefulness of these simulations seem low, due to the multitude of potential scenarios and the high variance of parameters. Whereas we recognize that the capacity to estimate potential liquidity needs in the run-up to resolution and the capacity to build a business resolution plan post-resolution are part of the resolvability, we believe that the modalities requested by the SRB to demonstrate and test these capabilities are not suited to the objective and are open to further discussions with the SRB on this topic.
- Capabilities related to principle 7.1 do not make any reference to the resolution strategy of the bank and in this respect go well beyond the Expectations for Banks and what is needed for resolvability purpose, requesting notably a generic analysis of complexity (without a definition of complexity, which can be subjective) instead of "undue complexity in their structure, which pose a risk to the implementation of the resolution strategy" mentioned in the principle. Other capabilities of this principle are questionable, such as 7.1.3.1 (what is the link between bank resolvability and the resilience of non-banking operations, especially if they are neither critical to the market nor core to the bank?) or 7.1.3.2 (this capability is tested in business as usual when the bank builds financial trajectories in central and adverse scenarios).
- When the main resolution tool is the "open bank bail-in", capabilities related to principles 7.1 and 7.2 should remain proportionate (notably concerning alternative transfer perimeters) and should not imply a full separability analysis of the bank.

The split of capabilities between levels presents some inconsistencies and may not ensure a level playing field between banks. This is for example the case of principle 2.3 "operationalisation of write-down and conversion" where a bank that fulfils its MREL requirement with equity and deposits (without any SNP nor SP debt securities) would reach level 2 as soon as it has operationalized the write-down of its equity, while a bank that fulfils its MREL requirement with CET1, AT1, T2 and SNP debt securities would need to operationalize up to the SP debt securities to reach the same level. The proposed liability scope extension does not consider the differences of balance sheet structure across resolution entities which could lead some banks to have to operationalize well beyond what is necessary to be resolvable, it also disregards the fact that some liabilities may be candidate for discretionary exclusions. For a more proportionate and level playing field liability scope extension L1 should cover CET1/AT1/T2, L2 liabilities enabling to meet MREL requirements, L3 all MREL eligible liabilities and material non-eligible liabilities ranking *pari passu* with MREL

except those identified by the bank as potential candidate for discretionary exclusions; such liability scope extension should also be aligned across execution capabilities within the same level.

Lastly, considering the form, we'd like to highlight that the wording used in the proposed methodology for "assessing to what degree the capability is met" does not seem to us appropriate for a resolvability self-assessment, in particular when using the "compliant" wording for very detailed capabilities that are in most of the cases neither issued from level 1 nor level 2 regulations. We would therefore strongly encourage the SRB to stick to a more nuanced language, avoiding the "compliance" word. As a way of suggestions, we suggest keeping EBA grades "High"; "Medium"; "Low" and split, if needed, the medium grade in "Medium-High" and "Medium-Low" for all capabilities (instead of binary approaches).

## **QUESTIONS LISTED IN THE SRB CONSULTATION PAPER**

**Question 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.**

- Yes
- No (please explain)

Whereas the Excel format may be useful to provide an exhaustive view of the capabilities deployed by the bank, we'd like to highlight the following proposed amendments:

- In column E "assessment", banks should have the possibility to use the full grading scale (with 4 levels), where for some capabilities only 2 levels are proposed
- Column G "tests performed" should be filled at a less granular level than the capability level, otherwise it can be very cumbersome to fill when the testing encompasses several capabilities, which will generally be the case. Furthermore, testing may not be relevant for all capabilities and that this field should be optional for some of them
- The same principle should apply to column I "documentation". Moreover, the Excel format does not seem that appropriate to list all the documentation related to a given principle. A separate word document or shared database may be more appropriate
- Column H "measures to be taken and the timeframe, if not fully met" should in our view be removed from the template. We would prefer, for budgeting purposes and in order to provide to various internal stakeholders an exhaustive view of their work program, to keep the same process as today, with a work program encompassing both measures to be taken and testing objectives. Furthermore, the target to fully meet a capability may not be proportionate for all dimensions.

The SRB could propose a mapping of capabilities with relevant references to key texts (pages and paragraph numbers) from EfB, SRB Guidelines, or key EBA documents.

Lastly, we strongly suggest the SRB to review the granularity and consistency of capabilities, as mentioned in the general comments provided in the introduction.

**Question 2: If "No" is selected in the previous question, please suggest alternative format(s).**

Please refer to proposals provided in question 1

**Question 3: Scope/frequency: Are the envisaged scope of application (at the resolution group level, covering also non-resolution entities) and frequency (yearly) for the submission of the self-assessment report well calibrated? If not, please explain.**

- Yes
- No (please explain)

We believe that updating the self-assessment every two years for banks that are rated high (e.g. over 80%) would suffice.

The SRB should clarify the scoping regarding non-resolution entities. We refer to the parts of the proposed SRB guidance detailed page 12, 1 and 59/60 (definitions) and consider that expectations for the Resolvability Assessment regarding non-resolution entities should be clarified, as in practice the resolution entity is where the resolution would occur. We would like to understand what criteria should be used to confirm the exact scoping of non-resolution entities to consider (by example, would a liquidation entity be in scope) and what is expected precisely regarding these entities by the SRB, with what rationale in mind. Also, the sentence '*The relevance of the specific resolvability dimension for non-resolution entities should be defined in agreement with the IRT.*' should be clarified, namely explaining what that specific resolvability dimension for such a non-resolvable entity is.

In our opinion, the scope is also unclear regarding home/host expectations. In page 12, the SRB states: "*This operational guidance does not cover non-resolution entities where the SRB acts as host resolution authority. In these cases, the SRB will rely on the assessment performed by the home resolution authority and the underlying self-assessment conducted by the bank according to the format of the home resolution authority*". In p.13, the SRB states: "*it is acknowledged that the host resolution authority of non-BU subsidiary of the bank under the SRB's direct remit may identify a need to request an individual self-assessment from such subsidiary. In this case, the host resolution authority will set the appropriate reporting format, and the results of such self-assessment should be considered by the resolution entity among other analysis requested to non-resolution entities while conducting the self-assessment for the resolution group.*"

**Question 4: If "No" is selected in the previous question, please indicate how scope/frequency should be calibrated instead.**

Firstly, as regular “resolvability self-assessment and work programme” submissions include large quantity of overlapping information, we propose to avoid this.

Secondly, the calendar should take into account the Banks’ budgeting process (for some at the end of Q3) and the pluriannual testing programme to synchronise requirement for Year +1 before Year Q3. There should be the possibility for some heavy requests to be spread over 2 to 3 years.

Moreover, the relevance of the requirements for non-resolution entities is unclear and may lead to unnecessary burden for banks.

For banks whose resolution strategy has just changed from liquidation to resolution, the resolvability self-assessment should only be required for those requirements that have to be met according to the gradual phase-in as tailored by the IRT. Only after the respective bank has fully built up the required EfB capabilities, the total scope of the resolvability self-assessment should apply. As stated in the “Operational guidance for banks on resolvability self-assessment”, targeted measures will only be formulated regarding principles for which the phase-in has already started in previous years. A phased-in resolvability self-assessment would allow banks to focus and allocate their resources on the items pursuant to the timeline determined by the IRT. Accordingly, this phase-in could apply not only to switch banks but also to newly authorised banks and banks with a change in remit.

Whereas, for banks that have just switched their resolution strategy from liquidation to resolution, it should be avoided that the regular resolvability self-assessment cycle shortly starts after the initial submission of the first full resolvability self-assessment. E.g., if a bank is required to submit its first resolvability self-assessment report by year-end, this bank should not be required to renew the resolvability self-assessment by 31 January of the subsequent year as it is not expected that new information is available that would materially alter the initial resolvability self-assessment.

**Question 5: 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.**

- Yes
- No (please explain)

As mentioned in our general comments, the resolvability self-assessment template is overly granular. Moreover, granularity should be proportionate, avoiding detailed demonstration and documentation of capabilities already deployed by the banks on dimensions not specific to resolution (limiting the capabilities to the demonstration that these capabilities would still be fit for resolution purposes, with a focus on capabilities specifically needed for resolution purposes) and focusing more on exceptional capabilities.

**Question 6: If "No" is selected in the previous question, please indicate areas that have not been captured by the self-assessment template.**

**Question 7: 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.**

Level 4 capabilities seem to be either "nice to have" or capabilities specific to banks, depending on their organisation (e.g. the deployment of a resolution committee). They may not be suited to every bank, the reason why we propose their deletion. Indeed, the status of the Level 4 capabilities is unclear. Will they apply to all banks, or will the applicability be decided on a case-by-case basis? We see it as problematic that a new category is introduced which at least partially goes beyond the requirements of the law (see especially MREL-related Level 4 capabilities). Capabilities going beyond the EfB requirements (notably, all Level 4 capabilities) should not be a measuring stick for progress towards resolvability and should not be introduced via the RSA template.

**Question 8: 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.**

A single column may be sufficient, especially as the variant strategy is most often to be seen in combination with the preferred one.

**Question 9: 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?**

Capabilities related to dimension 7 seem the most relevant for assessing the operationalisation of the VRS.

**Question 10: 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)?**

It would be nicer to have some more differentiated benchmarking, as currently this simply shows all large banks under SRB's mandate (and separately the LSIs). Given that there are 100+ large institutions everything converges to a mean, i.e. the better performance of some banks is brought down by others, hence it is really difficult to get a detailed picture. Instead, it would be good to have multiple levels organised per



country or groups of countries. A separate heatmap split into pots based on bank size or business model may be useful as well, e.g. how does a bank compare against other Universal Banks of a certain size?

It depends on what the benchmarking is used for. In terms of the SRB providing information, slicing and dicing based on business models, bank sizes and national particularities is welcome. Distinction between G-SIB vs non-GSIB and by country/group of countries would also be welcome.

**Question 11: 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?**

The banking industry is opposed to the publication of its own view of its resolvability. On one hand, because it would require additional work in order to produce a document suited for such disclosures (the resolvability self-assessment template being in our view too technical) and to obtain approvals for such a document. And secondly, because it could introduce unnecessary uncertainty into the market, when the most important thing for analysts is to monitor the compliance with capital and MREL ratios. Besides, a voluntary disclosure on resolvability assessment would entail a level playing field issue.

**Question 12: 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.**

We would strongly advise against scenario-based assessment, which would over-complexify the resolvability self-assessment, due to the multiplicity of potential scenarios with little if no value-added for resolvability assessment.

**Question 13: Link to testing: Is the self-assessment template adequate to identify the areas that have been tested/to be tested? If not, please explain. If "No" is selected as option, a new text box will open where you are invited to indicate areas that have not been captured by the self-assessment report.**

- Yes
- No (please explain)

Yes, there is sufficient room. There is a question on testing against every single capability – asking if this capability has been tested and why (SRB priority, self-initiated). This is a huge effort to check how our tests map back to each and every capability.

**Question 14: If "No" is selected in the previous question, please indicate areas that have not been captured by the self-assessment template.**

**Question 15: Additional comment(s): If needed, please provide any additional comments on the public consultation package.**

**Question 16: If you would like to respond to this questionnaire in a separate pdf document, please upload your file here.**