

Response to Public Consultation

SRB Operational guidance on resolvability testing

7 May 2025

The Association for Financial Markets in Europe (AFME) welcomes the opportunity to respond to the Single Resolution Board's **(SRB) consultation on operational guidance on resolvability testing**¹.

AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society. AFME is the European member of the Global Financial Markets Association (GFMA) a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia. AFME is listed on the EU Register of Interest Representatives, registration number 65110063986-76.

Overarching comments

AFME and its members recognise the importance of testing and thereby demonstrating banks' resolution capabilities. At the same time, we would highlight the need for testing requirements to be reasonably balanced and limited to what is necessary to achieve the required assurance in terms of banks being able to operationalise their resolution strategies. There should therefore remain room for banks and their IRTs to discuss not only the prioritisation and number of tests to be conducted per resolution planning cycle, but also the setup of these tests, even for the more mature levels of capabilities and associated testing. Appropriate time will also be necessary for both banks and IRTs to learn from their experiences.

We would also like to point out that banks can be expected to demonstrate their capabilities while not actually executing resolution actions, be it in test environments. It is key to maintain a good balance between the building of resolvability capabilities and the testing of these capabilities. In a highly moving environment (i.e. new guidances, upgraded reporting, etc.) we would request that testing focuses on mature capabilities, allowing for the necessary time for less mature capabilities to be established and embedded.

The industry also notes the various new requirements that are expected simultaneously, including a new resolvability self-assessment, expected new EBA ITS on Resolution Reporting (expected to overhaul the existing reporting process), resolvability testing, separability and operationalisation of transfer strategies and valuation capabilities. Given the resources required for each of these initiatives, it is impossible for all to be implemented simultaneously. These new

¹ <https://www.srb.europa.eu/en/content/srb-launches-public-consultation-resolvability-testing-banks>

requirements and expectations place a significant burden on the members and the industry would welcome some prioritisation and a road map for implementation across the next 3-5 years.

The guidance would also strongly benefit from the inclusion of a clearly defined scope of application by entity type (i.e. liquidation entity, home or host non-resolution entity, etc.) and by Preferred Resolution Strategy (PRS). It is currently unclear from the guidance whether institutions where the SRB is the host authority are subject to Resolvability Testing and if they are, which principles are required to be completed.

Testing exercises

The Industry would encourage the SRB to clarify the objectives of testing exercises, specifying as clearly as possible what is expected without prescribing the full details of the tests in an overly prescriptive manner. Those objectives and expectations should ensure positive impacts on resolvability, which must remain the primary objective. With clear objectives and expectations in place, it should be left to firms to determine how and when to operationalise the exercises (notably the choice of testing environment and stakeholders). This approach would ensure efficient testing while taking into account firm specific business constraints. The industry is extremely concerned with the possibility for the SRB to require unannounced drills, which, alongside the need for “active involvement of all stakeholders directly involved in the operationalisation of the procedure” could significantly disrupt the going concern business and obligations, for example in times of closure of the books and annual reporting. Moreover, local labour law concerns might exist that limit such testing exercises to business hours.

More broadly, the requirement to include the active involvement of all stakeholders involved in the procedure is, in many cases, impractical and unfeasible, given the need to maintain BAU activities and the wide set of stakeholders who may be involved. As such, we suggest that firms are afforded greater flexibility to establish the appropriate individuals to participate in testing exercises.

A particular concern for firms is the setting up of testing environments which will add a great deal of unnecessary complexity. The guidance as consulted would be disproportionately burdensome and costly, for instance in the case of the duplication of banking systems (e.g. for accounting), and entirely at odds with the current European initiative to simplify regulations and requirements. In addition, the SRB should consider whether producing the information for 24 hours (one day) instead of 24 hours split in 3 days (i.e. 8 hours) is necessary considering the time and operational steps can be proved with the latter option. While 24 hours may be more closely aligned to the lead time for an operational resilience event, in practice bank resolution events tend to evolve over periods of weeks or months, therefore a 24-hour turnaround time appears unnecessarily onerous.

Another major concern is data confidentiality. Given the sensitivity of the information and data that will be manipulated during these exercises, no information should be communicated outside the scope of the test.

Third Country headquartered firms

Furthermore, the guidance does not account for the Group-wide testing activities undertaken at third country headquartered firms where these also test the resolvability capabilities of the EU subsidiary, nor does it articulate how testing programmes, as communicated by the IRT, will account for this Group-wide testing. The SRB should make it clear that they do not expect Group-wide testing activities with EU subsidiaries participation to fully comply with all aspects of the guidance.

In the case of subsidiaries of third country firms subject to a Single Point of Entry resolution strategy, such testing is consistent with the strategy and is an important element of internal resolvability assurance measures. Those AFME members in this category of firms are extremely concerned about the following:

- The burden and feasibility the additional and prescriptive form of testing set out in the guidance will impose, particularly given the SRB's existing expectation that local staff should be engaged in Group-wide testing of the preferred resolution strategy.
- Having the IRT observe or receive information on Group-wide testing exercises, if such exercises were to include sensitive or confidential information regarding other Group entities.

Timing and number of tests

The industry considers the SRB's proposal to provide multiannual testing programme by IRT to banks in Q3-Q4 (the timing should be more precise) in year Y too late for the tests to be organized in year Y+1 and integrated within any bank's budget. Banks would require sufficient lead time to process the request and the prepare required internal resolvability testing plan (which is considered to be a duplicative request), compatible with the multiannual testing programme set by the IRT. To be able to cost tests and integrate them into the budget and planning for the following year, we recommend having the first elements ready for early Q2 and a final version of the testing plan at the beginning of September. In any case, it is important to have this information before the SRB priority letter. This is extremely important for the testing exercises to be conducted in 2026.

Moreover, the testing plans should be relatively stable over the 3-year exercise span in order to be useful for planning and budgeting purposes.

Additionally, we propose a postponement of the first multi-annual testing programme by a year to allow banks to duly complete the first iteration of the new resolvability self-assessment requirement, which would clearly guide the testing activities, and their prioritization by IRT. We strongly echo what has been outlined by the SRB (see the [press release](#) associated with the resolvability testing consultation) that there is a natural feedback loop between resolvability assessment and testing, and therefore, testing priorities are determined based on the outcome of the resolvability assessment.

We would also ask the SRB to limit the number of tests to three per year. As already required in previous consultations, we stress the need for effective coordination between authorities, among which the SSM, the SRB and the EBA, as well as third country home resolution authorities where relevant, to avoid conflicting requirements and the overburdening of involved teams whose main tasks remain to run the bank. In particular, we would suggest that the SRB coordinates with the ECB/SSM, when possible, to agree on testing exercises that could also serve Recovery Planning purposes (in particular when it will come to test Separability and Transfer capabilities). More generally, given the number of tests that are already requested by other European regulators on fields such as operational resilience, we strongly encourage authorities to simplify by promoting combined exercises. In the case of subsidiaries of third country banks, we would request that the testing plan be discussed and coordinated with the home resolution authority(ies) and take account of the testing and assurance measures of the home jurisdiction.

We would urge opting for a risk-based approach when considering testing. The intensification of testing from desktop to dry runs should be based on risk indicators and not on the success of less onerous testing. Drill tests seem inadequate considering the necessary planning of the relevant teams' workload they would require and could put at risk business or regulatory processes if

poorly managed. In addition, a risk-based approach would involve focusing more on the resolution strategy in the testing plan and would avoid addressing remote dimensions such as BRP.

Others

In terms of the independent observer the industry feels that this might be relevant for some tests, but not for all tests, especially IT tests. The independent observer's role should be limited to certain critical subjects, especially as it can be needlessly burdensome to resource.

We would also like to stress our concern as to the role and availability of Internal Audit. Internal Audit applies a risk-based approach and audit of resolution planning activities should follow this approach and remain commensurate, especially in relation to the audit of other risk areas of the bank. In this respect, banks believe that i) there is no need for a dedicated audit plan on resolvability testing (which is intrinsically linked with other resolution planning activities), ii) Internal Audit should be responsible for determining if and when there is a need to audit resolvability testing activities and observing testing exercises, on a risk-based approach and based on their existing audit cycles. In any case, Internal Audit may be available no more than once a year for an independent silent observer role and once every three years for a resolvability audit, including testing matters.

For G-SIIs, OSIIs and large banks, the SRB's request for management and board intervention for all tests is considered disproportionate in view of the highly operational nature of most resolvability testing. The validation of the testing framework should remain the responsibility of the executive level (managerial function of the management body, or senior management, depending on the importance of the tested dimension for resolvability and the nature of the test). The frequency of reporting to management or the Board on testing outcomes, as well as the testing areas reported, should remain balanced, risk-based and aligned with the overall governance of the bank. Their intervention should only be requested if and when necessary and we consider it would be more efficient to let banks manage this process according to their governance and internal split of responsibilities.

Below we provide our comments on the questions listed in the consultation.

Multi-annual work programme: IRTs will engage with banks on the development of the multi-annual testing programme.

Question 1: Is the template for communicating the multi-annual testing programme (Template A) adequate for banks to trigger a discussion with IRTs on the upcoming three-year testing priorities?

We would support limiting the number of tests to three per year for a given bank. In the context of a global articulation of tests requested by regulators around different themes (ECB, BdF, etc.), having all relevant capabilities tested in the 3-year period is excessive depending on the resolution strategy / situation of a given bank. The use of a given test for several regulators should be encouraged to limit the impact on banks' BAU operations.

We understand that the testing sections in Resolvability Self-Assessment are to be applicable at principle level, we would suggest updating Template A to reflect this. It is unclear from the guidance which principles per individual dimension/sub-area are due to be completed first and most importantly, how many tests/principles are to be tested per year. The number of tests annually should consider the complexity of the required testing, and we note that it would not be

feasible to commence work on all tests simultaneously. We would suggest including a column reflecting priorities within Template A, thereby allowing for the concerned entity to commence execution of testing based on prioritised areas. Due to the fact that resolvability testing is a process and may encounter challenging areas specific to a given institution, the timeline of test execution should be flexible and risk based to allow proper care when exercising such on a continuous basis taking into consideration BAU obligations. As highlighted in our overarching comments, we would suggest that for institutions where the SRB is the host authority, the guidance should account for Group-wide testing.

We also note that it is unclear from the guidance, in reference to Template A, what the difference is between a bank-led test and authority-led test. If IRT participates in tests only as an observer and if such is pre-agreed, what would constitute an authority-led test? The general guidance only mentions bank-led testing which is due to be outlined within the internal resolvability testing plan (Section 6) developed by banks, which is compatible with the multi-annual testing programme. It is, moreover, unclear if the internal resolvability testing plan is to be prepared by banks only with respect to IRT bank-led tests.

Regarding the indication of the month of test in the template, we consider that it is in the banks remit to decide on the 'when', taking into account business activity (that is and remains the first priority of the involved teams) and best use of available internal resources. If maintained, the timing of the test should be discussed and agreed upon beforehand with the bank.

In the same vein, the indication of the testing method should not rest solely in the SRB's remit. We would encourage the SRB to set reasonable objectives for the test and let the bank propose the best framework to achieve said objectives. If the testing method proposed by the bank does not satisfy the objectives, then the SRB would have grounds for comments and provide improvements requests.

It is important that scenarios remain focused on the capability subject to testing, e.g. the distinction between fast-moving and slow-moving scenario when testing liquidity resources seems irrelevant. In a slow-moving scenario, the bank may have used its buffers to compensate for a long-lasting crisis, but on the other hand its liquidity needs will be lower either due to measures implemented by the bank or because some clients would have reduced their activity with the bank. In a fast-moving scenario, the decrease of the buffers may be much more rapid and at the end the situation can be very similar to the one of a slow-moving scenario. What would really matter for the test is the situation at the time of resolution, not what happened before.

Testing methods: the Operational Guidance sets out different testing methods, including a description of what is expected of each test and when it should be used.

Question 2: Is the description sufficient for banks to understand each method used to perform the tests?

Generally yes, but the difference between a desktop exercise and a walkthrough could be further articulated in the guidance. We would emphasise that dry-runs and drills, if poorly timed or coordinated, raise a lot of concerns: please refer to our introductory general comments (see "overarching comments" section) and comments on test environments (answer to question 6). We would urge the SRB to limit the request of drill test as much as possible given the potential for intervening with the normal running of the bank. Real time expectations are excessive in many situations and for most of the areas. In relation to dry-run requirements, simulations cannot always be performed in real time (e.g. 1 month for Business Reorganisation Plan preparation).

Finally, the involvement of Senior Management and Board is for the most part not necessary and disproportionate given the often very operational nature of the testing. Banks should be responsible for managing resources, timing, stakeholders and governance relevant for each testing activity.

Test environments: Banks are expected to develop test environments, as part of their Management Information Systems (MIS), to conduct certain types of tests. In this context:

Question 3: Do you see the need for further guidance for setting up test environments?

Answer: Yes (please elaborate)

The need for IT environment should not materialize through the duplication of existing IT systems. Banks should be given the opportunity to demonstrate their capabilities before any test environments are required.

With regards to paragraph 41, we would encourage the SRB to clarify what is expected from “Performance testing tools”.

Question 5: Do you see any challenges in meeting the deadline of December 2026 to develop test environments?

Yes, we consider the SRB's expectations to be challenging to meet. Please refer to question 6 below for further details on our specific concerns.

We would also encourage the SRB to limit testing environments to a few targeted capabilities in line with a bank's resolution strategy. Given the extent of systems utilised by some firms, it is unreasonable to expect so many testing environments to be developed and it may be unfeasible to have these established by December 26. More specifically for decentralized cooperative groups single MIS are not always available notably for OCIR or FMI. Making environment tests are all the more complex.

Question 6: Do you have any other observations related to test environments?

The industry is very concerned by the current drafting in the SRB's guidance in relation to setting up test environments. In particular, we suggest that less elaborate but still adequate means of testing are considered on a case-by-case basis, before requiring the blanket establishment of test environments.

Based on the current interpretation of the guidance, the SRB seems to be asking banks to duplicate their banking in order to be able to carry out tests with the possibility of integrating different scenarios and reconciling with production. Most of the information system used for the management of bank's day to day operations are currently not designed to allow for a testing environment and the introduction of scenarios that can only be simulated and not effectively implemented in the MIS or in a test environment.

Developing such functionality upstream seem to be excessive, both in terms of the implementation timetable and given the scale of the developments that would be required to run these simulations. Just as it is not possible downstream to perform in a test environment all

accounting closing steps to measure the impacts of a scenario or a resolution tool on the distortion of the balance sheet and/or the evolution of accounting or prudential own funds, this again can only be simulated (excel based). Moreover, it is not considered necessary to introduce extensive testing environments, the accounting practices within banks for extensive types of transactions are well developed and in use every day.

What should be avoided is for banks to be required to replicate their entire IT system, from the front office to the accounting, for testing a crisis event and a bail-in. The SRB cannot expect banks to go that far, as this would mean that they would have to implement even more sophisticated systems than those already in production. This seems excessive, and instead the approach should be to tailor and minimize the testing requirements for each of the elements underpinning a certain capability. The industry recommends that dry runs should only involve the reasonable testing of already operational and strictly resolution related capabilities. We would also encourage the SRB to confirm the notion of proforma as excel based simulations for the balance sheet, the P/L and the own funds updates.

A testing environment is less necessary or relevant if the output deliverable is an excel sheet (which is the expected format given the potential short timeframe during the bail-in weekend).

Furthermore, these test environments cannot be maintained permanently. They are generally complex to set up and require the assistance of numerous IT and business resources.

It is understood that resolvability self-assessment is not due to include scenarios. The resolvability self-assessment and resolvability testing is completed based on the chosen preferred resolution strategy (PRS) and variant strategy, where applicable. For the chosen PRS, the resolution authority considers possible scenarios and crisis events upon its identification. In our view, using a scenario-based resolvability testing is challenging as it is unclear what type of scenario would lead to resolution. Alternatively, the introduction of scenarios could be an enhancement to the first rollout of any test environment or existing IT environments, where applicable, and allow for proper planning of expected updates of the IT system going forward upon completion of cost/benefit analysis.

Testing scope

For the industry, not all dimensions are relevant for testing, such as the BRP. Testing the BRP is questionable, given the remote and speculative nature of the exercise. In addition, BRP does not require the completion of its steps in an urgent manner as would be the case for valuation or Bail-in capabilities. Furthermore, there is little point in testing the update of the BRP analysis report since the BRP production process has been described and tested already in the frame of the budget and other stress tests. Similarly, there is no point in testing the update of liquidity drivers, which should be stable over time, or collateral valuation parameters whose methodology applies at all times.

The possibility for the IRT to change test assumptions at the last minute or even during the test also seems excessive. It will be very difficult for banks to adapt, and for them to change their resources' allocation (as reminder, in BAU, the priority of most involved teams is and remains the business activity), if this is communicated too late. We would encourage the SRB to only be a passive observer.

As already mentioned, the proposed test should be relevant in terms of resolvability and should be consistent with what has been planned by the banks. We would question the need to require the simulation of different strategy than the one planned by the Bank. It would be unreasonable to require banks to test all the possible scenarios; it is important to focus on what is realistic for

the bank in accordance with the authorities. We would recommend that the IRT should initially test what already exists, and that the sophistication of the tests and the changes in assumptions should only be introduced progressively and selectively, in proportion to the associated risks.

For the industry, it also seems unnecessary and excessive for the IRT to propose tests for entities in liquidation. Again, it is important that the SRB makes a cost/benefit analysis before drafting the multiannual testing plan. We fail to understand how relevant it would be to involve dedicated teams to work on liquidation matters.

The data on which tests will be performed may only be the operationally available ones. The assumption of the guidance is that the reference date for data to be used “on the fly” is D-1. There are many data points that are not maintained with this frequency. The assumption is not compatible with the way information systems operate. This requirement will never be met and must be removed from the guidance.

A full update of accounts, both at consolidated and individual levels, is not possible within 24 hours. The mere observation of the current delay to issue consolidated accounts in a BAU situation, where everything is simpler than in resolution and the reference date is the end of a quarter, shows that several weeks are needed to issue accounts also taking into account reconciliation with regulatory reporting.

For banks that are not currently in scope for the IRT, we propose that clear guidance is included on expectations when a bank becomes in-scope, including any transition periods.

Testing exercise template: when preparing a test, the bank is expected to provide a breakdown of the test to the IRT in advance, explaining how it will be organised.

Question 7: Do you have any comments to raise as regards the testing exercise template (Template B)?

We would recommend further clarification to the template as the current interpretation is that it should be completed by the bank in advance but elements in the template are referring to parts of the test as if made in the past (i.e. for Output ‘which documents were prepared’). We understand that what the bank did in the test is the focus of the Outcome report. The expected added value for the SRB of Template B should be clarified and the wording in the template revised accordingly. As is, it looks overly administrative and in any case should be simplified. We submit that Template B is a good illustration of the type of administrative burden EU institutions and regulatory bodies should avoid.

Template B and C, which are required to be completed per each conducted test seem overly detailed and overlapping. We propose that templates B and C are simplified and merged into one template, preferably in excel format. We also would propose that Template D is combined with Templates B and C to reduce the administrative burden on banks.

Question 8: Do you have any comments with regard to the outcome report template (Template C)?
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The template seems administratively burdensome and granular. Please see our response to question 7.

Question 9: Do you have any comments to raise as regards the daily summary?

Requesting a daily summary of actions when the IRT cannot wait for the outcome report is not feasible when the teams are already busy with the test itself. We consider such request as very burdensome. The SRB should enable banks to handle tests and deliver the outcome through a simplified and straightforward outcome report and the request should be removed.

Independent observer: an independent observer, such as an internal auditor, is encouraged to attend some of the more complex tests and produce a separate independent observer report.

Question 10: Is there any need to elaborate further on the role of the independent observer?

Answer: Yes (please elaborate)

We consider that recommending including Internal Audit as an independent observer in the tests is excessively prescriptive and may breach the internal governance structure of the "three lines of defence" model defined in line with the principles set out by the ECB and the SRB.

The requirement for Internal Audit to participate in a test and to assess whether the test has been performed in accordance with IRT expectations assigns the responsibility of performing systematic control tasks to the third line, without considering the possibility of articulating this role through other independent control functions.

Furthermore, it is also required to provide assurance by Internal Audit on the resolution testing in which it would have participated in. In this sense, we believe that the clear separation of responsibilities between the Entity's control functions in this matter, allows Internal Audit, as the third line of defence, to provide independent risk-based assurance on the resolution testing and its control model, while preventing conflicts of interests.

Moreover, it is not clear when Internal Audit may participate as an independent observer. In paragraph 35.b) it is required to participate in the case of more complex tests but in paragraph 51.c) states that in principle, the independent observer role should be filled by internal audit, without limit the participation to more complex tests.

Question 12: Do you have any comments to raise as regards the independent observer report template (Template D)?

No

External consultants: banks may rely on an external consultant to assist with resolvability testing. Moreover law firms are likely to participate in some of the resolution procedures in relation to bail-in, etc.

Question 13: Do you see a need for further guidance as regards circumstances when the external consultants could or could not be engaged for testing purposes?

If "Yes" is selected as option, a new text box will open where you are invited to elaborate.

Answer: No

Answer: Yes (please elaborate)

Question 15: Do you see any other tasks that could be appropriately undertaken by an external consultant?

No

Governance expectations

Question 16: do you see the need for further guidance on governance expectations related to testing?

Answer: Yes (please elaborate)

We note that in general policies are not subject to approval by the Board of Directors and we strongly suggest that this is not necessary for an internal policy on testing. We would suggest leveraging on the existing governance as regard to Resolution Planning within banks rather than requiring new reporting to Boards.

Specific testing areas

Question 18: do you see the need for further guidance on any of the specific testing areas (Part 2 of Operational Guidance)?

Answer: Yes (please elaborate)

GENERAL REMARKS ON PART II – Specific testing area

We note that principles outlined as sub-areas in resolvability testing are mapped to resolvability self-assessment – tables at the beginning of each tested “Heatmap capabilities” provide for principle number. However, these don’t appear to be exhaustive.

Furthermore, clarifications in the guidance could be made with respect to:

- Whether “Part 2 – Specific testing areas” provides for all principles which are expected to be tested.
- How exactly specific testing areas relate to multiannual testing programme, i.e. are the specific testing areas required to be covered within the first multiannual testing programme as a priority or is the guidance complementing those dimensions and principles which are due to be identified for testing by IRT in template A.

We also note the following inconsistencies between testing sub-areas and RSA principles:

- Principles/capabilities outlined under sub-areas are inconsistent with respective RSA dimensions, i.e. within bail-in area in the RT, the sub-areas are mapped capabilities to MIS

dimension. Also, Liquidity and OCIR areas have capabilities from Governance and MIS dimensions.

- Most of the specific testing areas which are due to be tested are level 1 capabilities, however, some are level 2 and level 3 capabilities (i.e. bail-in). Moreover, plans for testing capabilities at level 4 which according to RSA are not mandatory. We find this confusing as this is not in line with the RSA guidance, where level 1 capabilities are subject to completion first across the dimensions and principles.
- Specific testing deliverables do not align with the RSA capabilities - are outside of the RSA scope and therefore are additional requirements, i.e. 'Proforma financial and regulatory statements post- resolution', 'Tax impact report'. It is moreover unclear how these are to be mapped to RSA in order to update IRT with resolvability progress.

We would suggest a clear alignment of tested principles (sub-areas) with RSA in order to allow a proper completion of RSA reflective of actual testing activities.

Bail-in

The expected granularity of the updated financial data to be produced, among other the specific templates from FINREP and COREP statements within 24 hours and with a D-1 reference date, is unrealistic. Moreover, it is essential to bear in mind that the feasibility of making any pro forma financial statement is also highly dependent on the specific resolution scenario and on the granularity of inputs that the authorities provide at the time.

Additionally, the notion of pro forma is vague: the industry does not understand why a testing environment would be necessary if the output is pro forma financial statements under excel (as it should be given the tight time window during the bail-in weekend or the bail-in phase). We would appreciate confirmation that these proforma financial statements won't need to be extracted from the systems and that they will be computed on excel sheets.

Also note that external parties, notably some CSDs such as Euroclear bank for external bail-in testing, currently have no test environment of their own.

MBDT: according to §76, the IRT could require multiple submissions of the MBDT. If the MBDT can be retrieved once, there is no reason that it could not be retrieved a second time. It is exactly the same process. Moreover,, banks will need to be informed in advance of the timing of any testing on MBDT to alert the staff of potential constraints (to be available potentially late at night if need be, in particular).

We also note that in paragraph79, the provision of FINREP F01.01, F01.02, F01.03 and COREP C01.00 are new requirements.

Business Reorganisation Plan

The industry considers that the Business Reorganization Plan ('BRP' hereafter) is not an area mature enough to be prioritized in terms of testing. As of today, no guidance has been published by the SRB as regards Reorganization. As a result, the work performed so far by the industry would require for harmonization and the level of advancement of banks in the BRP AR preparation is relatively heterogeneous. As already voiced in the frame of the previous consultation on the resolvability self – assessment, some concepts related to this area have no regulatory references and would require further clarifications before being subject to testing.

Testing of the following sub-areas: governance arrangements and operational steps

In terms of testing methodology for the principle # 7.3.1.1.1 (1), banks consider that:

Governance arrangements related to the BRP preparation and validation, as described in the BRP Analysis Report ('BRP AR' hereafter) consistent with the regulatory framework, could be tested through desktop exercises and walkthroughs. Testing governance arrangements via other methodologies presented in the consultation would be disproportionate.

The operational process related to the production of the BRP (including data gathering process, operation of MIS & production of financial projections) is tested on a regular basis in a BAU context in the context of the budget process and other stress test exercises. In addition, banks have all experienced periods of systemic or idiosyncratic stress situations, where adjustment of budget trajectories have to be handled within tight deadlines. Hence, banks consider that their capabilities relating to this sub-area is already demonstrated and that it would be unnecessary to add such testing exercises.

Testing of the following sub-areas: simplified BRP

Paragraph 89 suggests resorting to dry runs (and among others drills) to test the banks' capabilities to provide a simplified Business Reorganisation Plan, which is expected to include financial projections.

Again, banks consider that they shouldn't have to demonstrate their capabilities to produce a BRP and the related financial projections (see above).

In addition, the preparation of a BRP, even a simplified one, is highly resource-intensive and would involve many teams over an extended period of time. In particular, teams from accounting & financial departments, the involvement of which would be essential for the preparation of financial projections, have numerous calendar constraints all along the year, among which quarterly closing; hence, it is difficult to envisage a testing exercise without prior warning and it is very unlikely that those teams could be available for the successive weeks required. If banks were entering into Resolution, managing the crisis and preparing such report would obviously be prioritized, with internal resources being reallocated to this task whereas it is not possible in Resolution Planning. Hence paragraph 89 should be reconsidered, in particular with regards to the timelines.

Finally, banks are requested to provide a BRP AR as part of the yearly deliverables submitted to the SRB. We would challenge the added value (i.e. very burdensome with little impact on the banks' resolvability because it is very likely the resolution scenario will be different to the one simulated) of testing of the preparation of the BRP as described in paragraph 91. The Industry has identified inconsistencies and would welcome further clarifications on the purpose of the simplified BRP testing : on one hand, this exercise would be meant to demonstrate the long-term viability of the Core-Bank defined (in an official manner for the first time in the 01Q25 draft Operational Guidance on Resolvability Self- Assessment and in this draft Guidance page 47), as a minimalist and theoretical view of the institution at the end of the Reorganisation Period, independent from any scenario. This definition is in line with the approach used for the BRP AR, which is also prepared absent any scenario. On the other hand, it is explained in the first sections of this draft Guidance that testing exercises shall be scenario-specific, which should lead at the end of Reorganisation Period to an institution different from the Core Bank as defined in the BRP AR.

FMI access

The need for a specific test environment for FMI or FMI intermediary access should be reconsidered. Given the fact that multiple entities may be involved, such test environment is not feasible.

With regard to paragraph 97: the involvement of each FMI or FMI intermediary in each banks' resolvability testing would likely introduce a significant resource burden for these organisations. The subject of FMI or FMI intermediary involvement should be a subject for coordination at the instigation of the SRB or NRA, where necessary with supervisory authorities in other jurisdictions, not for individual banks.

Some specific deliverables (3.6 & 3.7) are requested but are not part of the FMI testing requirements for 2025, and some requirements for the 2025 testing as detailed recently by the SRB are not mentioned in the consultation. The testing sub area is defined at principle level and all the principles (4.4, 4.5, 4.6) are in scope for testing. These include the capabilities in all the levels- Level 1 to 4. In our view the Level 4 capabilities should not be tested as this is not a mandatory capability for banks according to the RSA.

We note that the SRB considers involvement of FMIs in testing exercises as best practice (either full participation or in selected areas). Furthermore, it is expected that findings are shared with FMIs, and a bilateral approach should be taken when addressing identified shortcomings. Involvement of FMIs for testing with the bank should not be required to be organised by the bank as this is unfeasible and, as noted above, overly burdensome for FMIs if they are willing to engage in testing with every single bank at all. Would the SRB consider cooperation with all stakeholders to understand if it can plan and implement a simulation exercise similar to the SIMEX² events carried out in the UK, or any operational resilience testing conducted by ECB (i.e. cyber resilience stress test). Such cross-market exercise would ensure collective response tools are in place and FMIs are approached directly once by a collective of parties. Cooperation between the ECB and the SRB, which would provide of extension of operational resilience capabilities from operational stress events through recovery to resolution, would ensure market wide financial stability stemming from operational resilience of the financial system in significant systemic stress.

The reference date is expected to be "the day before the day of the test, where banks should rely on the latest available data and consider the current date and current circumstances when performing a walkthrough or other tests." We consider these deadlines and reporting dates too short and unattainable.

Liquidity

Banks are used to run stressed liquidity scenarios and producing the associated reporting without the need to demonstrate their capabilities in a specific resolution related scenario.

An intraday treatment is not relevant in reference to the two hours delay mentioned in paragraph 105. A daily exercise during the Covid period was deemed sufficient by the ECB.

OCIR

We would challenge the need for a specific test environment for OCIR access. Specific disruption or incident testing exist regarding operational continuity and resolution itself does not change the nature of what must be tested in various fields already covered. We consider that existing

² SIMEX – a major market-wide simulation is managed by the Bank of England in partnership with UK Finance, the financial sector and the other UK financial authorities (HM Treasury and the Financial Conduct Authority).

testing, notably done for other regulators, should be an important basis for the SRB, before establishing specifics for resolution testing.

“MIS for OCIR : In this regard, the banks must be able to generate in an automated manner the relevant data within a specific timeline agreed with the IRT, in principle not exceeding 4 hours” : the 4 hour timeframe can be challenging depending on the perimeter of the test and is also not aligned with timelines for other data requests including for bail-in data points with a 24hr timeline. It is important to keep in mind the different structures of banks and such 4-hour timeframe cannot be complied with by smaller banks (e.g. cooperative banks).

The requirement to provide reconciliation tables for every test with the golden source systems is not feasible given that for large banks many entities exist with multiple systems and many services defined.

Solvent Wind Down

Regarding the capacity to execute the wind-down, we consider that banks already demonstrate the applicable governance. Testing the closure of a desk or a wind-down of several desks is not realistic nor justifiable in our view.

Regarding paragraph 122, providing the data at any date is unrealistic in our estimation. SWD plans are produced with a consistent set of data at a given date in the past (end of quarter data), not at any date. Consequently, flexibility in the date to test the capacity to execute should not be confused with the capacity to have SWD data refreshed at that same date.

We would question and challenge the need for a testing environment here. We would be concerned with the request in §120 “to develop a test environment capable of running tests where there is a need to generate data for a bespoke scenario and to test the execution of the SWD plan”, if it means replicating the operational monitoring tools, with the capability to inject stressed parameters as well as assumptions about the wind down of individual positions, would have a disproportionate cost compared with the capabilities developed so far. Which correspond to the way banks would plan a solvent wind down in real life and would probably not be flexible enough to support all kind of resolution scenarios.

Question 20: Additional comments

If you have any additional comments, please provide them here

(2000 character(s) maximum)