

OPERATIONAL GUIDANCE ON RESOLVABILITY TESTING FOR BANKS

PROPOSTA DOMANDE PER CONSULTATION

1. **MATP:** The template appears to be rather clear in its first draft. Nonetheless, the Bank deems it would be useful to include a dedicated section where the IRT could provide a brief description of how the test is to be carried out through a narrative explanation on the high-level expectations to be satisfied. This may prove useful in particular for linked tests: for example, where IRT should require a Bail-in testing on MIS and internal execution, to be linked with a test on OCIR governance arrangements, the Bank would expect a narrative explanation of the test in its whole in order to best clarify to the Bank how each component should be linked.
2. **Testing Methods:** The distinction between a Desktop Exercise and a Walkthrough does not seem so clear, given that many features are common. The Bank interprets that the new testing method “*Desktop Exercise*” was introduced in order to allow Banks to conduct a preliminary test before a walkthrough, i.e. a sort of “pre-walkthrough testing method”. If confirmed, to address such need, the Bank deems that the first step to prepare for a walkthrough should be an instead an “operationalization” of the capability, i.e. the definition of the operational process needed to actually execute the procedure provided by the capability. Accordingly, the “pre-walkthrough testing method” could be conceived not as a “desktop exercise” but rather as a set of sessions aimed at the production of an operational procedure which could be used at a later stage as a basis for walkthrough exercises.
3. **Testing Environments:** Yes. Excluding the Bail-in and liquidity testing areas, it is not clear for other areas what kind of testing environments are expected. More in detail:
 - **FMI:** “*it is highly recommended to perform such exercise in a testing environment*”. Sub areas are requiring respectively to identify and map accesses to FMIs and test governance arrangements and portability/substitution of FMIs: in this respect, testing environments could be used to simulate changes in accesses to FMIs and portability, while identification, mapping and governance would not need a testing environment;
 - **OCIR:** the Bank understands that the testing environment should only be used for simulation of operational incidents, while for other types of tests no testing environment should be used;

On a general basis, additional guidance is needed on which kind of testing environments and which features are expected from each.

5. **Challenges:** given the multiple requests on MIS stemming from MBDT, Expectations on Valuation Capabilities, possible changes to Resolution Reporting and additional requests from Resolvability Self-Assessment guidance, this additional requirement does increase the effort needed in the next year on the Bank side. Moreover, given the extent of investments required, the Banks would need more precise requirements on the type of features expected. If this is not known in advance on SRB side, it could prove more effective to conduct desktop exercises and walkthroughs in the first phase with the aim of better defining empirically the complete set of tests and to experience the actual need of testing environments and their features.
6. Please refer to answer 5
7. **Testing Exercise template:** the Bank generally agrees with the content of the Testing Exercise template. Nevertheless, it is worth to mention that the information required under *Planned sessions*

may be rather challenging to provide ex-ante: sessions calendar should be defined at a higher level, especially in case of walkthroughs and desktop exercises. These in fact are tests where the added value comes from the critical thinking and brainstorming among participants, that in many cases may need to deep dive some aspects or may need to involve other competent structures. For such type of activities, it is hard to provide a predefined plan of session with limited time.

- 8. Outcome report:** the Bank generally agrees with the content of the Outcome Report template. Nevertheless, some information seems to be really detailed and may be redundant: for example the tracking of all documents to be used for each session and the list of activities may prove less useful and would probably make exercises unduly heavier to report (for example in case of walkthroughs and desktop exercises, where participants would be focused on the critical discussions that may in certain cases be less structured, having to report the single inputs/outputs/activities would be unnecessarily burdensome). Moreover, for Bail-in, reporting methodologies to calculate covered deposits, close out amounts, etc, would be out of scope of a test reporting: this would rather be information to be required one off to Banks in other contexts (e.g. WTN).

15. External Consultants: no additional role envisaged

16. Governance Expectations: Yes. It should be clarified what are the expectations on the role of the member of the management body responsible for Resolution, which according to the guidance “is expected to brief the Board about resolvability testing during the Board meeting after each test”. It should be noticed that the member of the Board (usually CEO) would not be always involved in testing, given that these are operational activities that are not deemed adequate for such a role. Accordingly, the Bank deems it would be more appropriate that the senior level executive, that actually leads Resolution Planning activities could brief once or twice per year the management on testing exercises carried out.

18. Yes

20. Additional Comments: please refer to the separate pdf document uploaded (point 21)

21.

OCIR

1. **Provision of relevant data in 4 hours:** the SRB should specify what specific information it expects to be produced within 4 hours and on which reference date. Considering that the Bank has already consolidated and shared an OCIR process with the SRB that could not be executed on an on-demand basis, if SRB confirms that this is the expectation, an adequate adjustment period is necessary.
2. **Data Reconciliations:** SRB should clarify whether (i) banks are expected to reconcile their perimeter against data sources (with any justifications for exclusions, e.g. on contracts excluded from Resolution) or if (ii) the reconciliation is expected solely in terms of informational attributes
3. **Loss of staff member(s):** how the Bank will be expected to demonstrate the adequacy of its contingency arrangements regarding the “loss of staff members(s)”?
4. **Joint test:** point 114 states that:

“To make tests in Continuity of services and OCIR governance more realistic and optimise the use of banks’ resources for testing, it is suggested to bundle them with tests on other dimensions”.

Considering, for example, a joint test between Bail-in Execution and OCIR, the Bank interpretation is that the authority expects that the Bank should be able to test the contingency measures to be adopted for the Bail-in execution in case of unavailability of the IT application specifically implemented for this purpose. Is this interpretation correct?

BAIL-IN

1. **Tax impact report:** the Bank would like to have more information on how the tax impact report should be structured
2. **Joint test and reference dates:** as indicated in point 76, if:
 - MBDT starts on 21.11.2025
 - the data should be submitted on 24.11.2025

Will the internal/external execution simulation start from 25.11.2025? If the exercise were to conclude, for example, on 28.11.2025, should the pro-forma balance sheet be dated 28.11.2025?

3. **Pro-forma balance sheet submission timeline:** what are the expected timelines for the submission of the pro-forma balance sheet and all the required material (e.g., 1 month from the conclusion of the exercise)?

FMI

1. **Timelines for producing information on Critical/Essential FMI service providers:** The Guidance on the Testing Programme does not clearly specify the timeline required for producing information related to FMI Critical/Essential. On the basis of what is stated in:
 - a. The Working Priority Letter received by Banco BPM, which requests the dry-run on FMI within 24 hours, and
 - b. The Guidance on Self-Assessment (*Capability 5.1.2.2*), which requires the Bank to be able to produce “*accurate and complete information related to critical and essential FMI service providers*” in “*at best, within less than one business day, but no more than two business days.*”

The Bank would like to have clarifications on the official expectation on the timeline for the deliverables production (24h, 48h, or otherwise)

2. **Other clarifications:** a series of information already outlined in the Guidance on FMI Contingency Plan is requested (e.g., list of material upcoming settlement or delivery obligations). Although Banco BPM monitors such information (as reported in its FMI Contingency Plan), the production of such information has never been requested. In that sense, it should be clarified:
 - a. What details the Bank should provide. For example, should it represent the amount of upcoming payments expected (according to the classification available in Bank’s internal IT systems) or is the liquidity requirement expected at the level of each FMI?

- b. What is the time horizon that should be considered for these requests?
- c. Which FMIs should be considered for producing this information (e.g., only critical and/or essential)?

BRP

1. **Extensive testing:** the production of the simplified BRP must take place within 1 or 3 months depending on the type of testing, drill and dry run testing exercise respectively. Differently from other tests, which take place in a short timeframe (e.g. few days), this test lasts for a long time. Given the nature of the deliverable to be produced, a critical issue is certainly the use of many bank resources to be dedicated to this medium-term activity, which would certainly impact the daily activities in BaU. Therefore, it would be necessary to highlight the strong impacts this activity would have on the Bank's BaU, seeking to understand in what terms the BRP would be 'simplified' (topic already identified in the EBF questionnaire).
2. **Maximum Financial Impact (MFI):** SRB introduced a new concept of 'Maximum Financial Impact' which is different from the 'Maximum Reorganization Capacity' since the latter is limited to impacts in terms of RoE and Cost-to-Income (as highlighted in the definition in the Guidance on Self-Assessment). In this context, it should be clarified whether the concept of MFI prevails or replaces the MRC (with consequent impact on the Guidance on Self-Assessment).
3. **Operationalization of the BRP process:** it is currently unclear whether the Authority's expectation is that **banks will operationalize the BRP process** through the definition of a **formalized procedure, accompanied by a detailed timeline** - similar to other documents such as the Bail-in Playbook - to be tested during the testing exercises. Therefore, a clarification would be useful to understand the level of operational level expected to be tested during the testing exercises.
4. **Updating the BRP when testing:** given that BRP is being updated on a continuous basis, the Bank expects that the test would be indeed an update of the latest available BRP, taking into account latest available data and involving the structures that would produce the actual business plan in case of Resolution.

LIQUIDITY

2. 3.1 - Estimation of liquidity and funding needs in resolution:

- a. Can SRB specify whether banks are required to develop MIS capabilities and related testing environments to identify and estimate the dynamics of key liquidity drivers in resolution, and in general for estimating liquidity needs in resolution?
- b. Can SRB specify if there is a link between the request to perform testing activities under Principle 3.1 and the following specific capability (level 4) required within the SRB Guidance on Resolvability Self-Assessment (i.e. 3.1.4.1): *"The bank can recalibrate existing model parameters and assumptions underpinning the liquidity estimations within the day and reflect rapidly changing market conditions in its estimations"*

- c. Within what timeframe does SRB expect banks to be able to identify and/or update and estimate Key Liquidity Drivers? Furthermore, which specific activities does SRB expect to be tested during the testing exercises?
- d. Can SRB specify which activities Banks are expected to test during dry-run exercise to assess that the governance arrangements are *“adequate to be able to estimate their liquidity needs in line with the operational guidance notes and to take actions to address them in a crisis situation”*?
- e. With regards to the specific deliverable “Key liquidity drivers in the context of the estimation of the liquidity position in resolution”, what information on Key Liquidity Drivers Banks are expected to share with IRT/SRB following dry-run exercises?
- f. Can SRB specify whether the *“Output of the quantification methodology: Quantification of liquidity and funding needs”* refers to the updating of the qualitative/quantitative scenarios defined in the documentation under Principle 3.1 - Estimation of liquidity and funding needs in resolution?

3. 3.2 – Measurement and reporting of the liquidity situation in resolution

- a. Does SRB plan to foresee a time-period to allow banks to enhance the MIS developed to produce JLTs that consider different stress scenarios and variables? Furthermore, all data points required within the JLT should be produce according to the assumed stress scenarios or only a sub-perimeter?
- b. Will the calibration (i.e. severity) of the scenario underlying the production of the data points required in the JLT, and the related parameters, be communicated by the SRB/IRT prior to the start of the tests?

4. 3.3 – Identification and Mobilization of collateral in resolution

- a. Should the deliverable required in the 2025 Working Priorities ‘Annex Collateral Timing Table’ be considered a deliverable related only to Principle 3.3, or to Principle 3.2, or both? Should Banks be required to update the ‘Annex Collateral Timing Table’ each time the JLT is required to be fed withing testing exercise?
- b. Accordingly, does SRB expect that the *“Specific deliverable - Note on the assumptions and methodology for the valuation of collateral”* should be updated and provided each time a JLT test is performed?