

EBF_046763
5 May 2025

EBF response to the SRB PUBLIC CONSULTATION ON THE OPERATIONAL GUIDANCE FOR BANKS ON RESOLVABILITY TESTING

GENERAL REMARKS

EBF welcomes the SRB Guidance on Resolvability Testing (hereinafter: Guidance) which is expected to be balanced, simple and pragmatic depending on the specificities of banks. European banking industry acknowledges the reason for testing its resolution capabilities in order to demonstrate and, where necessary, improve its (operational) resolution readiness.

However, European banks wish to underline the importance of some flexibility when applying this Guidance, the framework of which appears to be too rigid. In principle, we believe that testing requirements should not needlessly go beyond what - in reasonable terms - is minimally required to demonstrate a given capability. In other words, testing should be as proportionate and efficient as possible, because banks are concerned about certain disproportionate testing requirements, e.g. in terms of their set-up, scope, involvement of senior management and level of granularity. For instance, banks should be able to leverage on the existing IT environment test, avoiding the development of specific testing environment to resolution. We consider that the SRB should capitalise on the future testing learning curve from 2025 onwards before prescribing any significant changes and investments on testing platforms. Banks multi-annual testing programme is in the SRB's remit, in the frame of clear and relevant objectives fitting the purpose of resolvability; however, how banks do it (notably with what kind of testing environment, with what stakeholders) and when in a given year, notably taking in account business constraints is to remain in banks hand.

We strongly believe that these testing guidelines should function as indicative rather than minimum ones. Besides, in the coming years sufficient flexibility should remain for IRTs and banks to propose and discuss on a case-by-case basis the most efficient set-up and methodology of adequately testing and demonstrating each of the various dimensions and capabilities. Against this backdrop, IRTs should not intervene during the exercise unless the exact nature of IRT participation in the exercise has been agreed in advance.

It is essential to maintain a good balance between the building of the resolvability capabilities and the testing of these capabilities, with the former being the most prominent in a highly dynamic environment (i.e. new guidance, updated reporting)

A risk-based approach needs to navigate the definition of the testing and such risk-based approach should consider some key indicators, such as the compliance to MREL. In the same vein, the calendar should be also well-balanced taking into account the level of complexity and burden of various forms of testing (desktop, walkthrough, dry-run).

QUESTIONS LISTED IN THE SRB CONSULTATION PAPER

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?

First of all, we appreciate the broader involvement of interested parties as per Section 4, paragraph 15 “in discussion with the bank and key stakeholders, including the prudential supervisor” in the preparation of the multi-annual testing programme by the IRT, rather than the currently in place unilateral approach. However, EBF members would welcome a better understanding of the exact process and timeline in the drafting of the multi-annual testing programme. For instance, will banks receive an initial draft version having the opportunity for comments and feedback, or will the framework be shared once, as a final version with no opportunity to respond?

Moreover, for Template A, pg. 2 – for the table “Tests expected for [year 1]”, the Guidance clearly states that the “IRT will identify (...)” the appropriate entries for each row. Then, for Template B – “Testing exercise”, the same rows are listed in another table, albeit in a different format. Furthermore, for the majority of the rows it requires that “banks should identify(...)” these fields. The interplay between Templates A (IRT to complete) and B (Banks to complete) is unclear, and as it stands it implies that banks will simply transpose into a specific template information that has already been identified and completed by the SRB in another template.

Another concern emerges from a potential misalignment of this three-year testing horizon with bank’s internal planning cycles, namely the existing internal risk management and resolution planning cycle, and/or the testing plan schedule of Internal Audit functions.

More specifically, we note that a three-year multi-annual testing cycle in which the first year is assessed and the remaining two years are rolled over into the next 3-year cycle has certain inherent challenges. One challenge is that, at the end of year- 1, the “update of the programme and communication” for remaining years’ testing programme and the inclusion of an additional year in the testing programme will result in the following: banks having progressed with significant and complex workstreams without having received feedback from the SRB on work already delivered and submitted to it.

All the more, since the Guidance states that these multi-annual testing programmes will be “communicated to the banks in Q3/Q4 of the preceding year with the priority letters”, the aforementioned challenge is increased when such communications will be made in Q4 rather than in Q3.

More in general, it is important that the multi-annual testing programmes are received as early as possible so banks can engage internal (including internal audit) and external resources timely and effectively. Additionally, the SRB should allow sufficient time for the banks to plan their first tests in 2026, given that the multi annual testing programme (and thus the internal resolvability testing programme) will only be available in Q4 2025.

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?

We appreciate the additional guidance provided on testing methods. However, we would point out that some tests may rather involve a mixture of different methods if certain parts of processes / areas in test scope are e.g. less mature than others. This possibility to deviate from one method or mix methods does not seem to be represented in the guidance, which could be the most appropriate way to perform tests.

The Guidance establishes the expectation for tests to be performed in real time with some processes (e.g. the provision of the Minimum Bail-in Data Template (MBDT) and pro-forma financial and regulatory statements) requiring a data submission within 24 hours. While banks are aware that these timelines need to be strictly adhered to in a resolution event, it is also feasible - and should thus be generally preferred - to demonstrate the timely submission of data when allocated over three consecutive business days (8 hours each). Where an independent observer is used, the function can assure authorities that banks are adhering to the 24-hour time limit. Currently, such an extension could only be granted by the IRT with regards to the MBDT submission on a case-by-case basis as outlined in paragraph 75. Notably, such an extension is currently not explicitly included in chapter 1.5 (specifically paragraph 79).

While national labour and labour protection laws would be waived in an actual resolution event as the applicable conditions for exemptions would be met, compliance with the respective national laws would need to be ensured in the case of resolvability tests which are performed in BAU. It is also possible that within one institution different national labour and labour protection laws apply and need to be complied with, given that relevant teams are located across different jurisdictions which further increases complexity. In addition, different applicable time zones of relevant units need to be considered. The legal constraints outlined below similarly exist in all Member States. For illustrative purposes, Germany is used as a reference.

- **Maximum working hours.** Labour laws generally define the maximum daily working hour limit, e.g. 8 hours in Germany which can be extended to 10 hours only in exceptional cases. Real-time tests which are to be performed within 24 hours may necessitate an extension of these limits which would require a pre-approval. Maximum working hours are, for example, likely to be breached when testing the bail-in processes which due to their scope require close interaction and collaboration between the different divisions due to the interdependencies between their input and outputs.
- **Mandatory rest periods.** Labour laws further require the adherence to uninterrupted rest periods following the end of daily work, e.g. 11 hours in Germany. The performance of real-time tests, especially on short notice as part of a drill, could risk impeding to comply with these rest periods, especially when testing the bail-in processes (see description in the paragraph above).
- **Night work.** Where the real-time testing of procedures, e.g. bail-in, is requested, staff would need to work during the night. In those instances, a pre-approval needs to be obtained from the workers council in Germany and staff is entitled to a separate compensation (in additional payment and extra time) which places an additional financial burden on banks. Moreover, the maximum working hours and mandatory rest periods outlined above need to be ensured.
- **Restrictions of weekend and holiday work.** In addition, it should be noted that labour laws in Germany restrict working on weekends and holidays with limited exceptions which are also subject to stringent conditions. While these conditions would be met in the event of a resolution and thus approved by relevant parties (e.g. the workers council), this would not be the case when testing resolution process in business-as-usual.

Among the testing methods, as reported in the guidance, the “drill test” is described as a targeted dry-run performed with limited forewarning to institutions, focusing on specific steps in a procedure or set of procedures.

Drills can be a helpful tool to demonstrate that banks are able to arrange the start of the resolution operational steps in a short time but the execution per se of the steps can also be demonstrated during a walkthrough or dry-run. In addition, adherence to the aforementioned labour protection laws is essential. However, this would be particularly challenging in light of the envisaged limited forewarning, the meaning of which could be a critical point.

In addition, under paragraph 26¹, communicating the intent to test in a specific quarter should not be optional for the IRT; hence, we suggest replacing 'may' with 'will'.

Another risk which could arise as a consequence of the limited forewarning is related to the potential specific limited availability of organisational units whenever they could be committed on the execution of other high priority activities (i.e. ECB stress

¹ “the bank may be made aware of the intent to test capabilities using a drill during a specific quarter through the multiannual testing programme.”

test, other planned regulatory deadlines) or conflicting business-as-usual activities (e.g. scheduled releases) . This being said, EBF members wonder what kind of consequences could arise in case of unavailability of some internal organisational units because of concurrent requests from other authorities.

The level of distinction between desktop exercise and walkthrough is not clear-cut enough, and could be further articulated in the Guidelines, if, for example, the staff that needs to be involved for a dry-run is occupied with certain going concern 'peak' or other important workloads (e.g. bail-in playbook exercises during issuance program updates). Possible mitigants could be bank's veto-rights, earlier pre-announcement to selected group of people.

Therefore, real time (as foreseen in playbooks/documents) is not feasible given that only business hours should be considered.

- Current description of desktop exercise includes elements of a walkthrough (e.g. discussions, facilitator), while the description of walkthrough exercise includes elements of a dry-run (e.g. practical demonstration)
- Drill requirements are not proportionate, because no previous warning can have serious commercial impact (e.g. bail-in playbook during issuance programs). Possible mitigants could be bank's veto-rights, earlier pre-announcement to selected group of people.

Furthermore :

•Page 10:

As a general comment it seems that the three methods described are graded from desktop (as the weakest method) to walkthrough (mid-level method) to dry-run (strongest method) and that the end-goal should be to test, through the dry-run method, all capabilities. We believe a desktop/walkthrough exercise in certain cases could suffice to demonstrate a given capability. A dry-run may not be needed if the bank has demonstrated its operational capability through a walkthrough.

- Page 10 (20.a) iv)): *"The IRT may define the number of sessions or may leave it up to the bank; the number of sessions should be reasonable"*.

Comment: The bank should comply with the IRT expectations and accordingly design the exercise. The IRT may seek for giving feedback on the Testing exercise template. The number of sessions does not define the quality of the exercise. The bank should be the one managing the resources and timing in their organization and therefore deciding the sessions. The IRT may clarify the purpose for them to define the number of sessions and what they want to achieve.

- Page 12 (25, a)ii)): *"unless specified by the IRT in advance and during the exercise, the simulation should run in line with what is foreseen in the applicable playbook"*.

Comment: The guidance is at some point contradictory given that seemingly it will only be an observer but could specify some aspects during the exercise but leaves the room for unexpected interventions to change the test with unexpected injects. We believe this would only confuse stakeholders and the resolution function that

had prepare and is coordinating the exercise. In turns, the IRT should ensure that the design of the exercise sent to the IRT with template B 'Testing exercise' fits their expectations. We believe the IRT could request the entity - in advance of the exercise- to include unexpected injects during the testing but should not amend the flow during the proper exercise. The design of the exercise may take several weeks and strong efforts of coordination among areas, in addition the entity needs to fulfil the new 'Template B testing exercise' which is quite demanding and the IRT should take this into consideration.

- Page 12 on Operational simulations (25, a) vi): *"relevant stakeholders, including senior management/Board of Directors"*.

Comment: senior management/Board of Directors should not always be required to participate in the dry-run, especially considering the often very operational nature of the resolution capabilities that are to be tested. Their involvement should only be considered when this is relevant and if this genuinely adds value in terms of demonstrating a given capability. Furthermore, the structure/governance of the bank should be taken into consideration to evaluate the requirement of participation. The IRT should also consider that these stakeholders are already participating in other simulation exercises, coordination among authorities is vital for the Business As Usual (BAU) activities of the bank.

- Page 13 (25, a) viii): *"banks should organise themselves during the simulation as they would in real resolution"*.

Comment: as for other section it should be changed to "where necessary, banks should organize themselves during the simulation to the extent possible in a manner that sufficiently approximates how banks would organize themselves in real resolution".

- Page 13 (26, a) i): The specific day in which the drill should start will be defined by the IRT and communicated to the resolution team within the bank 24 hours in advance of the drill.

Comment: we believe disrupting bank's activities unexpectedly for simulation exercises is unnecessary. Resources will not be available due to business activities (even less senior management/Board of Directors- as per v)), and this could impact customer services. Business is key for the resolvability of a bank. In a resolution scenario, of course, resolvability will be a priority for the entity and those resources will be tasked with relevant functions to resolve the entity. The IRT should concentrate to ensure the design of the exercises is fit for their overall expectations. The limited forewarning could severely hamper a thorough preparation (e.g. preparatory materials, booking of testing facilities) and could see major resource constraints (staff mobilization, 'war rooms', IT support for testing environments etc.).

- Page 15 (27, a) iii): Management simulation: We would request to leave the time spent on the simulation and the number of sessions up to the discretion of the bank. Furthermore, the requirement that there should be *"as few sessions as possible, to try to be as close to a real crisis event as possible"* needs to be rephrased. The

current phrasing is vague but enforceable, leaving it up to the IRT what amount of sessions should be required. Suggestion to replace this requirement by: *"the bank should aim for as few sessions as possible."*

- Page 15 (vi): Management simulation: *"banks may use templates prepared in advance"*.

Comment: We would suggest replacing the word 'templates' by 'documents prepared in advance'. Templates may not be available for the management simulation as they may not execute operational steps requiring templates prepared in advance. However, playbooks may consider other documents to be used, for example draft agendas to discuss within the specific forums.

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?

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

Answer: No

Answer: **Yes** (please elaborate)

In line with paragraph 28e and previous discussions, testing environments should only be required if no other testing method or instrument can be used to confirm the bank's resolution capabilities or where serious risks or obstacles to the bank's resolvability are posed. This approach is indeed much appreciated as it takes into account that (i) in many cases resolution capabilities have been built on business-as-usual (BAU) capabilities which are well-established and (ii) the set-up of testing environments (especially interfaces between front, middle, and back-office systems) is technically difficult and costly. To avoid potential misinterpretations, we suggest that this expectation is also clearly reflected in Chapter 7 of the Guidance.

For example, paragraph 36 could be further enhanced as follows: *Banks are expected to have management information systems and, where relevant, testing environments, so to meet the expectations set out in Part 2 of this Guidance. Where testing environments are deemed necessary for this purpose, the following principles need to be considered.*

The established procedures for test environments in business-as-usual can be relied upon for resolvability testing purposes and should thus be used as a benchmark. The industry is very concerned that the SRB's test environment expectations could be interpreted as a requirement to duplicate banks' IT systems and thereby build a "shadow bank" in order to be able to carry out tests with the possibility of integrating different scenarios and reconciling with production. This would mean that banks would have to implement and maintain even more sophisticated systems than those already used in production. We believe that such a replication of banks' IT systems to test a crisis event and a bail-in is not necessary

to demonstrate banks resolution capabilities for the reasons outlined in the following.

Most of the information systems used for the management of bank's day to day operations are also not designed to allow for the introduction of **scenarios** that can only be simulated and not effectively implemented in the MIS or in a test environment. Developing such additional functionality would be highly 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 to perform 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 in a test environment, this again can only be simulated (e.g. excel based). It is further not clear what exactly the meaning of "The test environment should be able to handle scenarios", namely what kind of "scenario" it is referring to and how banks are expected to "handle" it. In addition, the capacity to input different scenarios in the different tools from the entity would be very costly and is unnecessary as this would not be used in a resolution scenario.

Regarding the **testing of procedures** covering affecting multiple IT systems, the established BAU testing process should be followed which does not foresee the testing of entire process chains. Thereby, the appropriateness of process chains can be sufficiently demonstrated by testing its individual components, including the input and output interfaces which is common practice for testing IT process chains. For example, the bail-in process naturally covers various systems, sources and interactions between these systems such as financial, accounting and reporting systems. In line with the established approach outlined above, the SRB can be assured that the functionality of the bail-in process can also be demonstrated by testing its individual components. Therefore, what the SRB is demanding is not realistic. For example, banks cannot 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. The industry recommends that dry runs should only involve the reasonable testing of already operational and strictly resolution related capabilities.

The scope of application of the test environment expectations needs to consider the nature of banks' resolution capabilities. EBF members would appreciate if the IRT would outline for which test areas they anticipate banks to establish a test environment. Actual test environments are only deemed relevant for a limited set of resolution-related capabilities. Therefore, the requirements should be generally formulated with a certain degree of optionality. If the bank can demonstrate resolvability through walkthroughs (i.e. screenshots) for the execution of the operational steps of the playbooks, it should not be necessary to invest in testing environments for all steps. It should be also noted that in some instances, test activities can be performed in the bank's production environment without the risk of affecting the business continuity of the production environment. This is, for

example, the case for the MBDT which can only be reliably prepared and tested in the productive environment under real data and procedural conditions. This process has been confirmed through the successful completion of previous testing activities. We would also like 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 even 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).

For resolution capabilities for which test environments are deemed necessary to meet the expectations set out in Part 2 of the guidance document, expectations need to be proportionate and reasonable. For example, in paragraph 39, the validation of test environment through the audit function is misleading as chapter 7 described the characteristics and objectives of test environments which affect the responsible business units. The validation procedure should be aligned with the well-established BAU approach without reference to the **audit function**. Therefore, we suggest that the paragraph is being revised as follows: Banks are expected to document the specifications of their test environments and to re-assess them regularly to ensure that they are working properly. In addition, the reference to testing environments should be removed in paragraph 35a).

With regards to the **data stored** in the test environment, paragraph 37d should clearly state that different test data sets could be deemed suitable to achieve the testing objectives depending on the pre-agreed testing strategy. In line with the general approach for the set-up of test environments for resolvability testing purposes, banks would determine on a case-by-case basis whether data stored in test environment would be either copied (e.g. periodically once/twice per year, to a specific reference date) from production environment or be specifically/artificially constructed. Therefore, we also suggest revising paragraph 38 as follows: "test environments should be updated taking into account developments in the production environment -where relevant-, to the extent that this is necessary for the purposes of dry run exercises as scheduled in the banks' testing program."

Besides this, **test environments do not need to be maintained permanently** to achieve the resolvability testing objectives. Please also refer to our response to question 5 which outlines the suggested approach by EBF members for the set-up of test environments for resolvability testing purposes. Generally, test environments have to be opened specifically under particular conditions and closed again after the test, so as not to hinder or endanger the production process in line with the established standard procedure. They are generally complex to set up and require the assistance of numerous IT and business resources. Finally, banks point out that some CSDs, such as Euroclear bank for external bail-in testing, have no test environment of their own.

Considering the arguments outlined above, the industry believes that there should be room to discuss less elaborate but still adequate solutions for testing

environments that allow the banks and IRTs to test and sufficiently demonstrate the relevant capabilities.

Finally, the following questions have been raised:

- Can the bail-in, valuation and LAFIR datasets have production data or do we need to transpose from the scenario and reflect it on the data?
- Does the SRB expect to test freezing and write-down and conversion of all possible instruments within the environment?
- Does the tool used for the projections have to reflect all options conducted henceforth in the system?
- Does the SRB expect that external interfaces have a prepared “answer” in the testing system so as to having an end-to-end process?
- Does the balance sheet need to reflect the starting and ending position according to what was executed?
- Is it acceptable to update all the general data, copying them from the production system to a specific reference date i.e. dry-run reference date as scheduled in the testing plan)?

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

EBF members argue that test environments should not be considered as an expectation to be implemented *ex-ante* for all resolution dimensions and/or testing areas but only where this is clearly necessary. In this respect, no specific unique deadline should be imposed under this guidance. We suggest the following rewording of point 40 “*Banks are expected to have test environments in place coherently with the multi-annual testing programme requested by the IRTs and approved internally*”.

Some challenges have to be addressed in the setting up of a specific environment in parallel with the production one. The setup requires a specific demanding (financed) project with all the activities are planned. A preliminary valuation of the main challenges to be addressed is:

- cost: operational setting up, including maintenance and periodic updates procedures defined for the testing environment, can turn out to be expensive, in terms of budget and resources needed (staffing, third parties support, software and hardware);
- the technical setting up of the environment and the execution of all the testing to assure the completeness of all the capabilities could last several months, involving the effort of many organisational units in order to check data and procedures quality;
- as a consequence of the above points, at this stage the complete activation of the testing environment (in respect of all the requirements defined in the guidance) at end of 2026 is considered as risky and not actually achievable.

In line with the expectation regarding the role of MIS and test environments outlined in paragraph 28e, a requirement to develop test environments by

December 2026 as reference date would not be reasonable at all. Banks will be required to be able to plan and allocate resources/budget for developments. Where test environments are deemed necessary to meet the expectations set out in Part 2 of the guidance document, these would be set-up in line with the requested testing exercises in line with the multi-annual testing programme.

We believe testing environments should not be necessary if the bank is able to demonstrate through desktops/walkthrough its operational capability.

The timeline in December 2026 for all testing environments does not seem feasible, in particular, for the following reasons :

- The Resolution budget for 2025 does not encompass what is needed for this type of environment;
- In order to just conceptualise the project, a full inventory of applications, data and components are needed in order to make the necessary approach for building the environment;
- Each bank will probably need to use an internal or external consultancy to support in conceptualising this project due to the length and scope, afterwards they will need to hire another set of consultants in order to build the environment that will in turn need more storage, infra-structure and processing capacities and also tools to maintain it updated;
- A team to maintain the environment will also need to be created as this is even more challenging than a Disaster Recovery environment;
- The Resolution teams will need divested or additional resources to manage testing as this will be for a few years a quite lengthy process;
- To maintain these systems in an IT perspective it is also necessary to have an area with people to specifically manage it;
- Interfaces to keep data updated will also be necessary to develop, something that will take time;
- To create the necessary infra-structure additional licences might need to be acquired;
- Contracts with third-party suppliers will need to be amended as the new environment will reflect additional software, hardware and overall maintenance.

We do not support scenario-based assessments and testing as it would be disproportionately burdensome. The establishment and maintenance of sophisticated test environments as outlined in paragraph 7.1 impose significant financial and operational burdens. The costs associated with developing, updating, and securing these environments, along with the potential disruption to daily operations, are substantial and could negatively impact banks' overall efficiency and resource allocation.

Taking into consideration the general timelines and suggested postponement of the first multi-annual testing programme timeline, as well as the extensive workstreams that banks have already in place in order to comply with a set of other existing or upcoming legislative and regulatory requirements (e.g. DORA, RDARR, NIS2, PSD3 & PSR, the new AI Act, the Cyber Resilience Act, the Cloud Outsourcing Guidelines,

FiDA etc.), we propose to cancel the requirement of comprehensive new test environment interface until an actual testing learning curve has been gained by both the SRB and banks. As currently outlined, this expectation seeks to achieve some rather ideal outcomes, without giving any consideration at all to the required resources (in quantitative terms) and the high degree of dedicated subject matter knowledge (qualitative aspect) to adequately address the complexities and interdependencies of a vast array of I.T. systems.

Taking all the above into consideration, we would suggest rephrasing Section 7, in order to ensure that its requirements are implemented in an appropriate and proportionate manner.

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

We would consider it more appropriate if banks were granted the discretion to choose the test infrastructure and approach in the manner best-fitted to test the specific processes, rather than a rigid guidelines requirement to establish test environments, which may require significant IT investment beyond what would be necessary for adequate demonstration of the relevant capabilities. All banks have been building Resolution capabilities in the past five (5) years and the investment in IT development for MIS datasets. The investment that is now related to a testing environment will be as much - if not bigger- as the MIS investment and needs to be spread throughout several years in order not to overburden the budget and available capacity.

We ask for restraint on imposing scenario-based testing requirements as these bear the risk of being disproportionately burdensome. The establishment and maintenance of sophisticated test environments as outlined in paragraph 7.1 impose significant financial and operational burdens. The costs associated with developing, updating, and securing these environments, along with the potential disruption to daily operations, are substantial and could negatively impact banks' overall efficiency and resource allocation.

For SWD, we do not see the rationale for a testing environment (see Article 120). The SWD process is based on a given stock, issued from the production environment, on which we could apply a scenario. Duplicating the environment to reflect all changes would be extremely expensive and disproportionate with regards to the goals.

Point 37c: We see that a real-time data stream requirement is unreasonable. Essentially, this would allow IRTs to demand complete and unfeasible renewal of MIS systems as playbooks touch data streams between core banking systems, general ledger systems and solvency calculation among others (all of which can be considered to be part of the process that produce inputs for generating results to accounting books).

Point 39: When the testing environment is a one-off copy of the production environment, we do not see the need for auditing.

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)?

Firstly, we would appreciate if the IRT would indicate how early in advance of testing the IRT expects to receive the breakdown. Does the IRT intend to respond with actionable feedback to test breakdowns, and if so, how far in advance of testing would banks receive such feedback?

Secondly, in some cases it may be beneficial to inform the IRT on test preparations in advance of the test, in particular for more complex tests where feedback and direction from the IRT is instrumental in defining and planning tests. However, this creates additional overhead to the effort for planning and preparing for tests. Depending on when Template B is required (see above), it may not be possible to answer all questions (e.g. dates and times of planned sessions, activities to be covered, name/function/department of participants). We would appreciate if the use of Template B to brief the IRT was made optional and/or reduced in scope and complexity.

The template (read together with Part 1 – Chapter 5. Testing methods) explicitly prevents banks from using a ‘facilitator/moderator’ during any variant of a ‘dry run’. We understand that dry runs are intended to simulate an actual crisis in real time as closely as possible, and that in a real crisis, there is no facilitator/moderator. However, even in a lifelike simulation, there will be always “rules to the game” regarding the limits of the test – certain elements will be tested, and some will not. Someone (e.g., a facilitator/moderator) needs to ensure these rules are clear to everyone and being enforced during the exercise to have a meaningful test. Removing such a role leads to confusion and chaos, thus being counterproductive.

In addition, all the tables contained in Template B seem to be used by the bank in preparing the key elements of each testing exercise. It is not clear whether the scenario of Template B would be merely a copy of the one received from IRT through Template A. In other words, EBF Members wonder whether the bank could elaborate the scenario provided by the IRT in Template A and propose some limited changes (explaining reasons) through Template B?

The template is extremely granular – appearing as an additional administrative burden for banks-in some sections requesting very specific details or similar information repeated across the various sections thus creating administrative workloads. For example :

- Reference documents are requested in the i) "Basic outline of the test"; ii) for each of the "planned sessions" and iii) in the "Preparation for the test" when the list of material are again requested.
- Staff involved in the session and respective role (names, functions and departments).

Outcome report template: Banks are expected to prepare an outcome report at the end of each test, where key findings are outlined, as well as action plans to address those findings.

Question 8: Do you have any comments with regard to the outcome report template (Template C)?

The Guidance outlines that the outcome report should be submitted via IRIS. EBF members wonder whether this is a rigid requirement or there is a degree of flexibility allowed, e.g. submission based via email instead if appropriate.

EBF Members would suggest using the term "observation" instead of "finding". The term "finding" is usually used by audit (3rd line of defence) to address shortcomings identified during audit procedures. In order to describe deficiencies and also opportunities for improvement identified during the testing by the test performing unit (1st / 2nd line of defence), this very term can be misleading. Also, please kindly consider the relevant response provided under Question 10.

The term session is a bit unclear in what level of granularity it is expected to define sessions. For example, is Internal execution a session, or does it need to be broken down into smaller steps?

We would appreciate some clarity regarding template B, namely which fields are the minimum ones common to all testing areas and which ones are specific to which testing areas.

Furthermore, Template B and C, which are required to be completed per each conducted test are not only very demanding and overly detailed but also overlapping. We suggest the simplification of templates B and C and merging these into one template, preferably in excel format.

One member reported that the SRB had communicated a new, specific template and format for producing an 'Outcome report' in its 2025 Working Priorities letter. However, it is noted that the format included in this Operational Guidance for Outcome reports is substantially different. More specifically, the Outcome report in this Operational Guidance has changes in some fields (both phrasing changes, and moving their location in the document), and it also includes additional fields which were not contained in the Working Priorities letter Annex 2 template. These discrepancies between the SRB's Working Priorities letter and the Operational Guidance introduce unnecessary complexity and uncertainty into banks' resolution planning processes. The misalignment in format, phrasing, and required fields

forces banks to reassess and potentially redo work that was initially structured in accordance with the template provided very recently to banks i.e., in January 2025. This not only consumes additional time and resources but also disrupts internal workflows, and increases the operational burden on bank staff. Moreover, such changes undermine predictability, which is essential for effective regulatory compliance and strategic planning. We would welcome more consistency, transparency, and alignment across the communications and templates issued by the SRB.

Daily summary: IRTs may request a daily summary of actions performed during a given day, when the IRT needs an understanding for the resolution plan of what testing was performed, but cannot wait for the outcome report, or when it considers that intervention may be needed in the middle of the test to alter the conditions of the test.

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

We understand from the template of the Multi-annual testing program that the IRT would always define before the testing exercise which daily summaries they will require. If not, the IRT should leave reasonable time to provide the daily report (e.g. COB next day, depending on the complexity of the daily report to be submitted). Banks may provide the IRT with a short daily summary of actions performed during testing, in limited and relevant cases where the IRT considers this necessary. This should be communicated well in advance of the test so this can be adequately planned for.

Paragraph 49 suggests that not being able to wait for the outcome report is a prerequisite for requesting a daily summary. It would be helpful to get some guidance in what situations the IRT cannot wait for the outcome report. It is also unclear whether the IRT has to provide a justification for such a request.

Also, we believe that it can be done through minutes for the exercise and evidences.

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. In this context:

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

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

Answer: No

Answer: Yes (**please elaborate**)

This consultation question states that independent observers are "encouraged" for "some of the more complex tests". We wonder whether our understanding that this would imply that banks can freely choose to involve independent observers based on their own judgement of complexity is correct.

The Guidance refers to both “*independent observer*” and “*independent silent observer*” – are these two terms interchangeable?

We note that the workload for the independent observer would seem quite significant if they are to provide “thorough assessment of whether the exercise was conducted in line with expectations [...]”, meaning significant time will be needed to assess all documentation and process steps, covering all items in the testing exercise template. This would amount to a high effort of checks and controls that is not possible without significant time spent. We appreciate the value that an independent observer can provide but are concerned about the incommensurate level of effort and documentation needed. Hence, we suggest the following amendment to paragraph 62 c): Include an appropriate assessment of whether the exercise was conducted in line with expectations [...].

We would suggest using the term “observation” instead of “finding” to describe the deficiencies identified during the test observance. The term finding is usually used to address shortcomings identified by audit as part of internal audits and published via audit reports. According to chapter 6.3 we understand that the independent observer activity is different compared to a regular internal audit, hence the term used to describe the observed weaknesses and also strengths as independent observer should be unambiguous. Furthermore, the Global Internal Audit Standards require a collaboration with the audited management when addressing findings to identify potential effects, significance of the issue and root causes when possible. When developing recommendations, internal auditors must discuss these with the management of the activity under review and apply certain quality assurances. This is not feasible in the defined period of 4 weeks for the submission of the observer report. Also, we see this in conflict with the role as silent independent observer which only allows for addressing observations.

Regarding paragraph 61, we would appreciate stating that this means an own report per separate function / consultant acting as independent observer e.g. one independent observer report by the internal audit function not per auditor observing. The Global Internal Audit Standards state encouraging communication among the audit team and reviewing of audit work as fundamental element of the quality assurance process of an internal audit function.

The banks are particularly concerned about the role of internal audit, given that internal auditors apply a risk-based approach and that the audit of resolution planning activities should follow this approach and remain proportionate, 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) the bank audit team department should be responsible for determining if and when there is a need to audit resolvability testing activities and observe silently testing exercises, on a risk-based approach and with no prescriptive approach (in terms of frequency or areas) set by the SRB. On the other hand,

considering the role of silent observer, recruiting external consultants poses a number of problems: they represent a high cost for the bank, it won't be easy to find people with the right expertise and a critical eye to make relevant observations, they may be conflicted about selling projects later on, and multiplying the number of firms if the bank is already working with a firm on operationalization complicates processes. Banks will therefore undoubtedly favour in-house resources out of audit to ensure the relevance of analyses and cost control.

Additionally, on the involvement of the Internal Audit, we consider that the recommendation to include it as an independent observer could be deemed as excessively prescriptive, breaching the internal governance structure of the “three lines of defence” model defined by entities according to the principles set out by the BCBS, the ECB and the SRB .

The requirement for Internal Audit to participate in a test and to assess whether it has been performed in line with IRT’s expectations, assigns the responsibility of performing a systematic control task to the third line (when it could be done through other independent control functions). 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 interest. The potential for conflict of interest is further increased by internal audit obligation to ensure coverage of the institutes activities and processes in general. By assigning specific tasks within testing process to internal audit this creates potential overlaps with audit’s activities as independent third line and may require additional coverage by third parties to fulfil internal audit’s obligations with regard to coverage of the institutes activities and processes in general.

The current drafting of the guideline does not properly take into account the three lines of defence approach as it assigns, by default, the role of independent observer to Internal Audit, and defines it as mandatory in each testing exercise . This approach may have a negative impact on the independence with which the third line covers the resolution framework, since it implies its integration in the systematic development of control tasks, without considering the possibility of articulating this role through other independent functions.

Furthermore, 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 limiting the participation to more complex tests.

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

We note the requirement for the independent observer to also provide an overall assessment of the outcome report, where this role is played by Internal Audit. This

would seem to be excessive effort and we question the benefit of having this additional step included, also against the backdrop of a 1-month window to prepare both reports.

We also notice that both the outcome report template (Template C) and the independent observer report template (Template D) are required to describe any deviation from the testing exercise template. We do not see the benefit of essentially the same question being asked twice.

The independent observer report should not have the same deadline as the Outcome Report (i.e. within 1 month), particularly when Internal Audit functions are involved. This is due to the fact that the independent observers are required to also review the Outcome Report. If both documents are produced simultaneously by the bank, it is highly likely that similar information and issues would be flagged in both documents. We suggest the extension of the deadline with at least 1 month for the Independent Observers report.

Similar to the above comment on Outcome Reports, the Independent observer report template specified in Template D also differs slightly from the template specified by the SRB in its most recent 2025 Working Priorities Letter.

External consultants: banks may rely on an external consultant to assist with resolvability testing. In this context:

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)

The SRB seems concerned that banks might rely excessively on consultants to meet various periodic (e.g. approximately 3 years) testing requirements, risking insufficient capacity to operationalise capabilities in an actual resolution scenario. This concern has led to very prescriptive requirements on what consultants can and cannot do. This significantly impacts banks' autonomy in managing their business operations, particularly in terms of staffing. Furthermore, "consultant" is not a clearly defined concept, potentially including any form of freelancer or temporary staff. This could trigger detailed discussions on, for instance, labour law. We believe that SRB's concern could be better addressed in a more principle-based way. Such an approach could still leave IRTs with ample opportunity to address any individual cases that might be of concern.

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

Governance expectations

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

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

Answer: No

Answer: Yes (please elaborate)

SRB request for management and board intervention is disproportionate given the operational nature of 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). The frequency of reporting to the management or Board on testing outcomes, as well as the testing areas reported, should remain proportionate, risk-based and aligned with the overall governance of the bank.

The Guidance indicates that banks approve an "internal policy" on resolvability testing. It appears that banks should be able to select the most appropriate type of internal document for this task, e.g. procedure document. We note that in general policies are not subject to approval by the Board of Directors and we question why this is necessary for the internal policy on testing. The sign-off procedure for the internal policy on testing should follow the established business-as-usual approach. The same paragraph (6.1. 28. a) refers to both an "internal policy" and an "internal regulation" – we would appreciate a bit of clarity on whether these terms are being used interchangeably.

Banks are required to develop an internal testing plan that is compatible with the multi-annual testing programme sent by the IRT. This seems quite duplicative. Similarly, we question the need to elevate this plan, itself derived from the multi-annual programme, to the Board of Directors for approval.

Moreover, the Paragraph 28 (c) should be amended to better specify that the activity described in this Paragraph may be done by either a member of the management body or a senior-level executive. Furthermore, in the case of activity done by a member of the board, the reference to the "oversight" should be deleted because it could lead to individual responsibility that is not in line with the collegial responsibility of the board.

We would appreciate if the IRT could outline the extent and frequency it expects the member of the management body and/or senior-level executive to report to the Board of Directors on resolvability testing. We do not consider it necessary for this reporting to encompass findings and follow-up actions, these being already subject to governance within the bank. We do not consider it feasible for the member of the management body to brief the Board after each and every test – this level of granular detail and frequency is not appropriate for such a senior forum, particularly if there are multiple tests completed per year. We would consider an annual or semi-annual briefing more appropriate, in line with the frequency for the work programme preparation and update as is currently the case. In addition, where for example less detailed/invasive tests are being performed, there might not be the

need to immediately report to the Management Board, e.g. a very detailed full bail-in execution test versus a desktop walkthrough of some other processes that are less directly critical to the bail-in execution. We would consider it appropriate for the Management Board annually or bi-annually to receive a list of recently performed tests.

We would appreciate more information on training plans on resolution matters and the extent to which these must also cover resolvability testing.

In this regard, we have the following remarks on page 16 (28):

- a) This section mandates that the internal resolvability testing framework and internal resolvability testing plan is approved by the Board of Directors.

We believe the IRT should consider the governance of each bank for the approval of those documents, as the BoD may not be the appropriate forum.

- b) *"to brief the Board about resolvability testing during the Board meeting after each test"*. We believe this is excessive and could be performed once a year with the summary of all testing performed and its lessons learnt etc.

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)?

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

Answer: No

Answer: Yes (please elaborate)

We would appreciate to understand for which testing areas the IRT expects banks to have test environments in place.

Concerning the bail-in testing area, we would appreciate if the SRB could clarify what exactly is meant by "reference date" and if there is room to agree on an alternative date with the IRT.

Bail-in:

- 24-hour notice testing exercises may, in many cases, be challenging and/or operationally disruptive. For employees working on commercial trades of clients, it is not proportionate to interrupt their work and drop everything out of their hands when they are working on trades for clients and the bank. Please also refer to our response to question 3 for a more detailed explanation.
- FINREP and COREP templates were previously not part of the requested data submissions for resolution purposes. An introduction of a requirement to submit these templates within 24 hours and with a D-1 reference date as part of a testing guidance is unrealistic considering the granularity of the requested templates. Some stress test required by the EBA to prepare FINREP templates take approximately 3 months, these are already very heavy exercises. We don't see how some of these templates could be provided within 24 hours with a D-1 reference date.

Besides this, we fail to understand how these templates would be necessary to have during the resolution weekend. Our understanding is to be able to prepare pro forma of a high balance sheet but most of all to be able to compute the prudential own funds taking into account the LAA notified in the NIA (National Implementing Act notifying the resolution and the resolution tool(s) to be implemented). However, other information and detailed financial statements could rather be part of the Valuation 2 and Valuation 3 phases. These 2 valuations do not need data with 24h of freshness and should be part of the Valuation expectations.

- More generally speaking, it is very important for the banks to understand the rationale for each requirement for them to answer to most adequately and accurately to the requirement. We would welcome more information on these requirements that are surprising being very burdensome. A good practice is also to have in mind a cost/benefit analysis that could be shared with the banks as made by the EBA.

- The interruption of certain activities (and associated risk) outside of an actual crisis and/or resolution scenario would be hard to justify.

- Point 69: The reasoning for this demand is not understood – bail-in process and data is considered to be a one-time terminal process. In our understanding, bail-in process would not be run multiple times in resolution. Should IRT wishes to test bail-in capabilities more regularly, so be it, but the interval should be months – not days. The process itself is demanding while chaining multiple 24-hours exercises (requiring the same personnel) is unreasonable.

Business reorganisation plan (paragraph 87 – 94):

EBF wonders how the “simplified BRP” compares to the BRP *Analysis Report*.

- Timeline for testing is not feasible (3-month dry runs and 1-month drills). The related costs would be disproportionate.
- For dry runs, banks question the reason for shortening the timeline from 3 to 1 month for more complex test.

For the industry, not all dimensions are suitable for testing, such as a BRP capabilities. Testing BRP capabilities is questionable, given the remote and speculative nature of the exercise.

We note that unlike the resolution execution weekend for which many aspects need to be determined and execution in a short timeframe, for the development of an actual BRP pre and post resolution the timelines are arguably less constraining in many respects. Furthermore, there is no point in testing the update of the BRP analysis report if it's up to date. Similarly, there is no point in testing the update of liquidity drivers, which should be rather stable over time, or collateral valuation parameters whose methodology applies at all times. We see a bit of a conflation between testing and a periodic review /update process of a given document (such as the BRP – Analysis report).

Consequently, banks suggest excluding from the scope of the testing guidance:

- Principle 7.3.1 BRP, for which no operational guidance and a consultation have not yet taken place, and
- Principle 3.1 Liquidity needs in Resolution, where the SRB guidance issued in April 2021 (it was supposed to be updated in 2022) is expected to be reviewed.

Specific deliverables – simplified BRP (*paragraph 90 – 94*): Firstly, the requirements listed here describe a fully-fledged BRP. It does not become explicit at any point where simplifications were applied. Secondly, while it is fully understandable that it is necessary to test the respective governance arrangements and operational steps to create a BRP, it is not justified which purpose such a detailed Test-BRP serves content-wise. We strongly suggest focusing on testing BRP procedures but not BRP content.

FMI access:

- Direct involvement of FMIs in purely bilaterally discussed and conducted testing exercises seem impractical and inefficient as many banks deal with the same FMIs. We would encourage a more coordinated role for the authorities in this area to avoid unnecessary duplication of work on both the banks' and FMI / FMI intermediaries' side.

paragraph 97 & 98: We would like to reiterate that the pre-condition for any envisaged joint bank / FMI testing exercises as part of the multi-annual resolution test programme is that such expectations are also addressed to the FMIs by their regulators. This also includes the bilateral engagements to discuss the main findings and potential shortcomings of testing exercises with FMIs where these have not been directly involved.

In addition, we would like to point out that FMIs are already proactively testing, e.g. business continuity, with banks at least on a bi-annual basis, using various scenarios and dedicated test environments. These existing initiatives further decrease the likelihood of FMIs agreeing to additional joint resolution specific testing exercises in line with a multi-annual test programme, for the implementation of which banks are responsible, unless such expectations are also placed specifically with the FMIs.

In addition, any FMI related tests specified in the multi-annual test programme need to take into account that FMI related data is sources from diverse sources, including data acquisition via query functionalities provided directly by the FMIs, thus requiring an active participation of these FMIs which would need to be pre-agreed with the relevant regulators beforehand.

- 3.4 FMI involvement in testing. We argue that the requirement for banks to involve FMI's into testing is not practical. Should there be industry-wide testing arranged by the SRB, where -if not all but- several banks would run the FMI testing simultaneously with some of the FMI's?

Liquidity:

We would like to ask the SRB to maintain the necessary flexibility for banks on how to run such scenarios. Banks have made substantial investments in infrastructure to align liquidity reporting across various liquidity stress testing scenarios. Rebuilding such liquidity in resolution scenarios in the pre-described JLT templates is not meaningful, since this template would not be used to manage liquidity in a real stress event.

On Identification and mobilisation of collateral, we acknowledge the testing guidance for marketable assets. However, we would like to remind the SRB that most banks still facing issues with regard to non-marketable assets. Some National Central Bank in Europe are not actively engaging with the banking industry on the setup of the required infrastructure.

Regarding the horizontal dry-run tests (i.e., JLT), we remain concerned about the requirement “*for the submission of information multiple times a day* (e.g., two hours after the reference date).” As mentioned in previous consultations and industry workshops, this requirement poses substantial challenges for the banking industry. Most globally operating banks usually consolidate all relevant data feeds into an overarching reporting engine and therefore simply extracting data while processes are still running, is technically not possible. Moreover, any data extraction during the day poses significant risks of material misrepresentation of the real-time liquidity situation. Banks which are active in the Cash, Clearing and Custody business, usually make large outbound payments early in the day and receive the incoming throughout the day, i.e., the position at the end of the day might be entirely unchanged. Taking a midday snap gives a false impression of the ‘liquidity risk’ of the bank.

Finally, we are concerned about the operational challenges of drills conducted during periods of reduced staffing (e.g. holidays) which may not accurately reflect our resolution readiness as key personnel may be unavailable to perform essential tasks.

EBF members would appreciate clarifications on the following :

- how “Estimation of liquidity and funding needs in resolution” differs from the regular Liquidity and Funding deliverables? and
- how the “Measurement and reporting of the liquidity situation in resolution” differs from the Joint Liquidity Exercise?
- Point 105. The requirement for the submission of the data multiple times a day is not seen feasible if this refers to delivering Joint Liquidity Template multiple times a day basically with real time data.

Operational Continuity and Resolution (OCIR):

- EBF members wonder where the requirement to produce OCIR data within four hours stems from?
- Handling of operational incidents should be tested.

Paragraph 112 notes that *"Specific tests on the delivery of OCIR data can be performed at any time, since the OCIR-related information should always be up to date."* This statement is made in reference to the Expectations for Banks (*'banks are expected to have comprehensive, searchable and updated (with an adequate frequency) MIS/databases'*). There is a notable difference between 'adequately frequent' updated database (as per the EBF) and being 'always up to date' (as required in this guidance). The premise that all banks have MIS/databases in place which are always up seems unrealistic at this point in time.

Paragraph 113: The distinction between supervisory responsibilities and resolution authorities' responsibilities must remain clear. Overcoming an operational incident is a typical supervisory requirement which is tested under various supervisory rules, such as BCM, DORA etc.

Solvent Wind-down (paragraph 120 – 123)

- We ask to leverage on existing test environment rather than being requested to develop a new one.
- We find it difficult to understand how to test the execution of the wind-down without disrupting the run of business. We understand the need for desktop and walkthrough exercise, but executing dry-runs and drills would be disruptive.

Paragraph 120: The development of a test system or a test infrastructure for the purpose of a test for SWD is inappropriate in terms of time and effort. The SRB should specify which trading activities are to be tested, which are not part of the regular business operations and which insights the SRB expects from these tests. In this context, it should be made clear that processes from regular business operations, which can also be applied to a SWD, are not tested. Regular business operations are sufficient as proof.

Paragraph 122: We consider tests in the sense of a dry-run to be inappropriate due to the time horizon for implementing the wind-down strategies of the trading book portfolios. In our opinion, a desktop exercise or walkthrough is more than sufficient for testing individual elements of a SWD plan or playbook.

It seems the range of applicable principles/sub-areas are left to the sole discretion of IRTs. It is unclear from the guidance which principles per each dimension/sub-area are due to be completed first and most importantly, how many tests/principles are to be tested per each year. It is impossible to assess such an impact at this stage without such information. We note that it would not be feasible to commence work on all tests at the same time. Taking into consideration already burdensome, detailed, demanding a very detailed resolvability self-assessment (RSA) process, it would be immensely beneficial to ensure that a proportionate resolvability testing approach is taken using appropriate prioritization of sub-areas based on the risk-based approach and achievable workload to maintain progress.

Testing areas from Part I are inconsistent with Part II. Moreover, there is unclear mapping to RSA. A number of direct or indirect cross-references to RSA introduces operational burden and lack of clarity.

Question 20: Additional comments

If you have any additional comments, please provide them here

(2000 character(s) maximum)

There are some principles that are less suitable for bank-driven testing. When checking the actual requirements for all principles as per the Expectations for Banks, it is clear that banks cannot be expected to test certain principles given that these are essentially business-as-usual running processes and/or being demonstrated by regular reporting, submissions or other bank activity/initiatives. For example:

- 1.2 Governance for resolution activities
- 1.3 Quality assurance and internal audit
- 2.2 Cross-border recognition of resolution actions
- 2.4 Sufficient MREL
- 2.5 High quality of eligible instruments
- 4.1 Identification and mapping of interconnectedness
- 4.2 Assessment of operational continuity risk
- 5.0 Governance arrangements for information purposes
- 7.1 Structure, complexity and interdependencies

Banks will have established these capabilities, which are running on an ongoing basis, demonstrating effectiveness. We do not consider it feasible to perform e.g. a “test audit” and we consider that the IRT can assess banks’ capabilities for these principles without testing.

- Various definitions are not used in the document, to name but a few :
 - Back-to-Back Booking Transaction
 - Combined Buffer Requirement
 - Eurobonds
 - FMI Intermediaries
 - FMI Report
 - Indirect Holding
 - Intra-Group Provider
 - Inverted-Pyramid Structure
 - Liquidity Coverage Ratio
 - Substantive Impediment Procedure
 - Third-Country contract
 - Total Loss Absorbing Capacity
 - the terms “Board of Directors” and “Management Body” are both used throughout the document, while only the latter is defined in the glossary.

Part 1-General Guidance- Introduction (page 6), paragraph 10: *"The SRB Operational Guidance on Resolvability Testing for Banks is a living document that will be periodically reviewed and, where appropriate, amended, taking into account accumulated experience on preparing, implementing and assessing tests and multi-annual testing programmes"*.

Comment: We agree this Guidance should be a living document, but the 'periodic' review of the document should be reasonable. Any future improvement where guidance is not yet publicly issued should not impact the results of the resolvability assessment (heatmap) of an entity in the current year. We also encourage the SRB to publish consultations before updating the guidance.

Part 4- Multi-annual testing programme [hereinafter: MATP] (page 9), paragraph 16: *"The multi-annual testing programme will span a three-year period and will cover all relevant capabilities set out in the EfB."*

Comment: It should be clarified whether all capabilities will need to be tested every 3 years.

Part 4- Multi-annual testing programme (page 9), #18: *"The multi-annual testing programme will be reviewed annually, considering developments from the previous year, based on the bank's self-assessment report and the resolvability assessment conducted by the IRT."*

Comment: When the bank receives for the first time the MATP (especially when received in Q4 of the previous year), enough time should be left for the preparation of the first testing exercise. In addition, annex with the indications and details to perform the testing, that is usually received some months/weeks after the working priority letter, should be received with enough time for been able to prepare the test and inform stakeholders.

#14 *"The multi-annual testing programme to be performed by each bank earmarked for resolution, including host cases where relevant"*.

Comment: We expect that the testing programme will be defined at the resolution group level and aligned ex-ante also with other NRAs part of the same Resolution Group. This is particularly important for SPE Groups where - EU Non-Banking Union subsidiaries not under SRB's direct remit – shall follow the same Group multiyear testing program (thus avoiding additional testing programs defined by NRAs at the local level). In this regard, we note that scope of application of the resolvability testing guidance should be included in the document rather than leaving it to the sole discretion of IRTs. It is unclear, from the scope section, whether institutions where the SRB is the host authority are subject to Resolvability Testing. Therefore, we would welcome more clarity on whether non-BU entities are in scope of Resolvability Testing.

#29 Point 29 d): *"Level of detail: the internal resolvability testing plan should at least include the following items" v) "Timeline for following up on each test: for the first year, the timeline estimated to follow up on each test, including relevant milestones"*.

Comment: Based on previous tests experience, the follow-up mitigation actions as a result of a test, including timeline and milestones to follow up are a direct consequence of the testing outcomes. It is not clear why the SRB requires to define such timeline/milestones *ex ante* in the testing program when banks are not aware of the testing outcomes.

#28. "*Banks' training plans on resolution matters are expected to include sessions on resolvability testing.*" This suggests a new requirement to create and maintain such 'training plans', apparently consisting of multiple "sessions" of which at least one should cover "testing".

#29. The guidance within this paragraph refers to resolvability testing plans with specific characteristics (a)-(e). If the resolvability testing plans are going to be a replica of the multi-annual testing programme prepared by the SRB then, our understanding is that these characteristics/ details would be dictated by the IRT/ NRA with no allowance for input by the banks?

#44. "The bank and the IRT may agree on the IRT's participation in the test, as an observer "under certain modalities. These modalities are seemingly contradictory. On the one hand IRT can only observe remotely in complete silence. On the other hand, they have the authority to make major changes to the test ("by changing its assumptions or to add new elements"). This dual role could create confusion and disrupt the testing process.

#67. "*The reference date of the data used for the exercise, at the earliest, should be **the day immediately before the test.***" This raises the bar set by SRB's November 2024 MBDT guidance, in which the reference date for providing the data was left more to IRT discretion (i.e., par. 22: "*the business day determined by the resolution authority and notified to the relevant entity in the request*"). We would think this testing Guidance should align here with the underlying MBDT guidance.

#78. Based on the Guidance, the deliverable of the *pro forma* financial and regulatory statements post-resolution should be based on the latest financial figures/data, as close to resolution as possible. However, these paragraphs do not take into account the possibility of price-sensitive information which could be included in these most recent figures. Not all people involved in testing / dry-runs should have access to this type of price-sensitive information. This causes restrictions both internally and externally. That should be addressed in these paragraphs.

In line with this is Template A: based on what figures will IRT determine the scenario, scope of bail-inable instruments and level of losses and balance sheet depletion?

Part 2-Specific Testing Areas – Liquidity – 4.1 Testing sub-areas

Page 37: two heatmap references are not clear (i.e. 3.1.1.22 and 13.1.3.1.3.1). Also, on page 38 the 1.2.2.3 reference doesn't seem to exist.

#111. Par. text: "*A testing environment is needed in those cases where the simulation of an operational incident cannot be achieved through the production*

environments used in BaU. For example, when the testing involves specific procedures for the activation of remedial actions, such as the substitution of a disrupted service with an alternative service or a backup solution and the replacement of staff members or operational assets, the systems in place may not allow to carry out a test. It is unclear to use what sort of 'testing environment' SRB would be looking for here. For instance, banks use many relevant suppliers. We fail to see how one could build a 'testing environment' that could meaningfully test swapping one supplier for another.

#114. Par. text: *"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. In these cases, the reference date shall be aligned with the one for the other tests."* This paragraph rightfully acknowledges that combining tests for several dimensions can be beneficial. However, additional guidance would be welcome on (i) what other regulatory prescribed tests could be leveraged on (e.g. DORA/BCM) and (ii) how these would tie into test from a resolvability perspective.