Single Resolution Board

SRB Bi-annual reporting note to Eurogroup – May 2026

This Eurogroup reporting note provides an update on the resolvability of banks under the SRB's remit and the work the Single Resolution Mechanism (SRM) is carrying out to improve operational readiness of its resolution authorities. The note analyses the current debate on competitiveness from a crisis management standpoint and touches upon operational resilience and new risks.

1. Resolvability update and operational crisis readiness

Assessing resolvability is a core task of the SRM. The SRB's Expectations for Banks (EfB), introduced in 2020 and fully phased in by end-2023, set out the capabilities needed to ensure effective resolution across seven dimensions.

Since 2020, banks have steadily improved their resolvability, along these dimensions, and are better prepared to deal with an existential crisis.

It should be noted in particular that all banks, be they under the SRB's remit or the national authorities' one have now met their MREL targets. These buffers protect depositors and taxpayers by ensuring that losses are borne by shareholders and creditors.

After this first phase, the SRB is shifting from tracking progress on the different building blocks to assessing whether banks are resolvable in practice. In line with revised EBA Guidelines, it has updated its resolvability assessment methodology, supported by new guidance on banks' self-assessments and a multi-annual testing programme to ensure a consistent, transparent and operational approach across the Banking Union.

Readiness is not only required from banks. Resolution authorities have also strengthened their capabilities.

Operational crisis readiness refers to the ability to translate plans into timely and effective action in a crisis, ensuring swift and decisive intervention while preserving stability and protecting public funds. It is a continuous capability requiring familiarity with banks' business models, risks and strategies, and the ability to operate under real-time constraints.

It rests on three elements: strong governance framework for decision-making and coordination; robust operational tools and systems; and well-prepared staff, supported by training and simulation exercises. Together, these ensure credible and effective execution of resolution.

2. Resilience as a key ingredient for competitiveness

The European Commission's consultation on the competitiveness and integration of the EU banking sector[1] provides a timely opportunity to reflect on the EU framework.

Over the past decade, the Banking Union has significantly strengthened the resilience of European banks and of the system. Institutions are now better capitalised and more resolvable, and European citizens can count on a robust crisis management framework. Stability and competitiveness are closely linked: there is no competitiveness through-the-cycle without financial stability, and a strong resolution and deposit insurance framework is essential to sustain confidence among depositors, investors and market participants in bad times.

The Banking Union has delivered stability so far, yet it remains incomplete. Remaining fragmentation – for instance in depositor protection and in the allocation of capital and liquidity - weighs on integration and efficiency. Completing the Banking Union is therefore necessary to continue to deliver stability in face of future challenges, and to support competitiveness.

In particular, the SRB believes it is important to deliver on the following objectives[2]:

[1] https://finance.ec.europa.eu/regulation-and-supervision/consultations-0/targeted-consultation-competitiveness-eu-banking-sector-2026_en

[2] SRB reply to the Commission's targeted consultation on the competitiveness of the EU banking sector, https://www.srb.europa.eu/en/content/srb-publishes-its-response-commission-consultation-eu-banking-sector-competitiveness

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2a. A complete Banking Union

The CMDI framework has now introduced improvements in the resolution framework, allowing a broader scope of banks subject to resolution, with the potential support of their deposit guarantee schemes.

Even if this step is definitely positive, the third pillar of the Banking Union, a more integrated European deposit protection, is still missing while it is a key component of the architecture of the Banking Union. It ensures that a national DGS can never be overwhelmed by a bank failure. Its absence is a key concern for some Member States. As a consequence, these Member States tend to oppose the reduction of the fragmentation within the Banking Union. In that sense, delivering such a European deposit protection framework would facilitate cross-border banking and cost-effectiveness for the private sector by further reducing the need for national requirements within the Banking Union.

2b. A reinforced toolkit for liquidity in resolution

The Banking Union framework for liquidity in resolution is strong but incomplete. Over the past decade, banks have significantly improved their capabilities under the SRM's guidance, including their ability to mobilise collateral in a crisis. However, private measures may prove insufficient in tail events, and a predictable public backstop would strengthen confidence in the system's resilience.

The current framework allows the use of the Single Resolution Fund (SRF) to provide liquidity, with available resources of around EUR 81 billion. However, these resources may not be sufficient in the event of the failure of one of the biggest EU banks or of several banks simultaneously. This is why the SRF needs to be backstopped.

The revision of the European Stability Mechanism Treaty would provide an additional EUR 68 billion in crisis situations. Its ratification is therefore urgent to establish the European Stability Mechanism's Common Backstop to the SRF. In the current volatile environment, credible funding in crisis is more important than ever. This backstop should ultimately be complemented by a broader public liquidity backstop to address potential needs of the largest international banks.

2c. A less fragmented Single Market

Boosting the resolution framework through a public liquidity backstop and reinforcing depositor protection could help move toward a Banking Union with less national frictions.

In fact, after more than ten years of common supervision and resolution, banks and authorities still operate through a significant set of national safeguards that limit the benefits of the Single Market.

Many of these safeguards are driven by crisis management considerations and are based on the lessons learned from the Great Financial Crisis. In that sense, they were designed to respond to legitimate concerns, which have been considerably reduced by the establishment of the Banking Union and could be further diminished by its completion.

A more complete crisis management toolkit could provide the level of trust needed for regulators and supervisors to reduce the pre-positioning of capital and liquidity at the subsidiary level. In turn, this greater flexibility to allocate funds would be a win-win, enabling more integrated management of financial resources within banking groups while giving authorities greater room to deploy those resources in a crisis scenario.

Increased harmonisation should not be limited to purely sectoral regulation. There are many other elements that could impede a more integrated banking industry- in particular, national insolvency rules. National insolvency regimes remain a structural obstacle to a fully integrated Banking Union. Divergences in insolvency regimes can create level-playing-field concerns, complicate resolution planning and generate legal uncertainty in cross-border cases.

2d. A more integrated banking sector

Banks need sufficient scale to thrive in a demanding competitive environment where technology is a key success factor. A less fragmented Single Market, via the reforms mentioned above, can help sustain more

consolidation across the Banking Union. At the same time, consolidation should not come at the cost of creating institutions that are "too big to fail."

In this context, resolution planning is one important element in ensuring safe consolidation. A well-developed resolution framework ensures that mergers—whether domestic or cross-border—do not increase systemic risk, as authorities focus on maintaining or improving the resolvability of the combined entity. This provides a credible alternative to bailouts and underpins market confidence, particularly in a context of constrained public finances.

2e. A simpler capital stack

One of the key issues under debate is the complexity of the capital stack, covering both going concern requirements (micro and macroprudential) and gone-concern requirements (MREL). Simplifying this framework raises fundamental questions about how capital is allocated—between going and gone concern, across risks, and across different bank business models.

Any simplification must therefore consider how prudential, resolution and macroprudential elements interact in practice, ensuring that changes to one layer do not weaken the others. As such, reforms should be approached **holistically** rather than through a standalone recalibration of MREL.

Within this framework, MREL ensures that banks exiting the "resolution weekend" can meet prudential requirements and regain market confidence. It reflects both loss-absorption needs and the capital required immediately after resolution. Changes to prudential or macroprudential buffers directly affect MREL, as the ability to restore capital after failure is central to resolvability and to maintaining confidence in both crisis and normal conditions.

Against this backdrop, the SRB favours simplifying MREL but without lowering the system's resilience, maintaining compliance with international standards and ensuring a sufficient level of capital after resolution.

As regards the MREL calibration formula, the SRB suggests to explore a more standardised, simpler approach, splitting the MREL requirement into two steps, inspired by the supervisory Pillar 1 / Pillar 2 approach:

- First, MREL should continue mirroring supervisory own funds requirements, with adjustments for the resolution strategy and tool.
- Second, the resolution authorities should retain discretion to set an add-on to address any gaps in the banks' resolvability, to ensure crisis readiness.

3. Emerging risks

The risk environment in which banks operate is evolving rapidly.

International developments highlight that these emerging or evolving risks, when they materialise, can have significant impacts on financial stability, market functioning and confidence. In this context, cyber, operational disruption and geopolitical risks can materially affect bank resolvability by increasing both the likelihood of failure and the feasibility and complexity of executing resolution.

The SRB remains vigilant to possible transmission channels linked to financial innovation and broader market developments.

For example, on ICT and cyber resilience in resolution, the SRB is cooperating closely with the ECB on the identification of minimum viable bank functionalities and the development of a scenario-based approach. The scenario-based approach permits authorities to identify gaps and potential actions under specific circumstances. The SRB also implemented DORA, which brought the effect of ICT risk on operational continuity into the scope of IRTs' assessments. Furthermore, the SRB is a member of the EU-SCICF (EU systemic cyber incident coordination framework), to coordinate the authorities' response in case of a systemic cyber incident.

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4. Conclusions

Significant progress has been achieved over the past decade in strengthening the resilience of the Banking Union. Banks are now better capitalised, more resolvable, and supported by a robust and increasingly operational resolution framework. This has reduced the likelihood and impact of crises, while protecting taxpayers and reinforcing market discipline.

However, resilience is not a static achievement. It requires continuous adaptation to a changing environment. While the core of the banking system has become stronger, important gaps remain—most notably the incomplete nature of the Banking Union and the persistence of fragmentation, which continue to weigh on integration, efficiency and competitiveness.

Completing the Banking Union, strengthening liquidity in resolution, and reducing barriers to cross-border banking are therefore important steps for a more competitive Europe

At the same time, the nature of risk is evolving. New risks raise new challenges for resolvability and crisis management. These developments require further analytical work, closer cooperation across authorities, and continued engagement at the international level.

Ensuring that resilience keeps pace with these changes is essential. Waiting for the next crisis to reveal remaining weaknesses is not an option.