

7TH SRB – BANKING INDUSTRY DIALOGUE MEETING **RESOLVABILITY ASSESSMENT**

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DEFINITION OF RESOLVABILITY



An institution shall be deemed resolvable if it is feasible and credible to either liquidate it [...] or to resolve it [...] while avoiding, to the maximum extent possible, any significant adverse consequences for financial systems, [...] and with a view to ensuring the continuity of critical functions carried out by the entity'

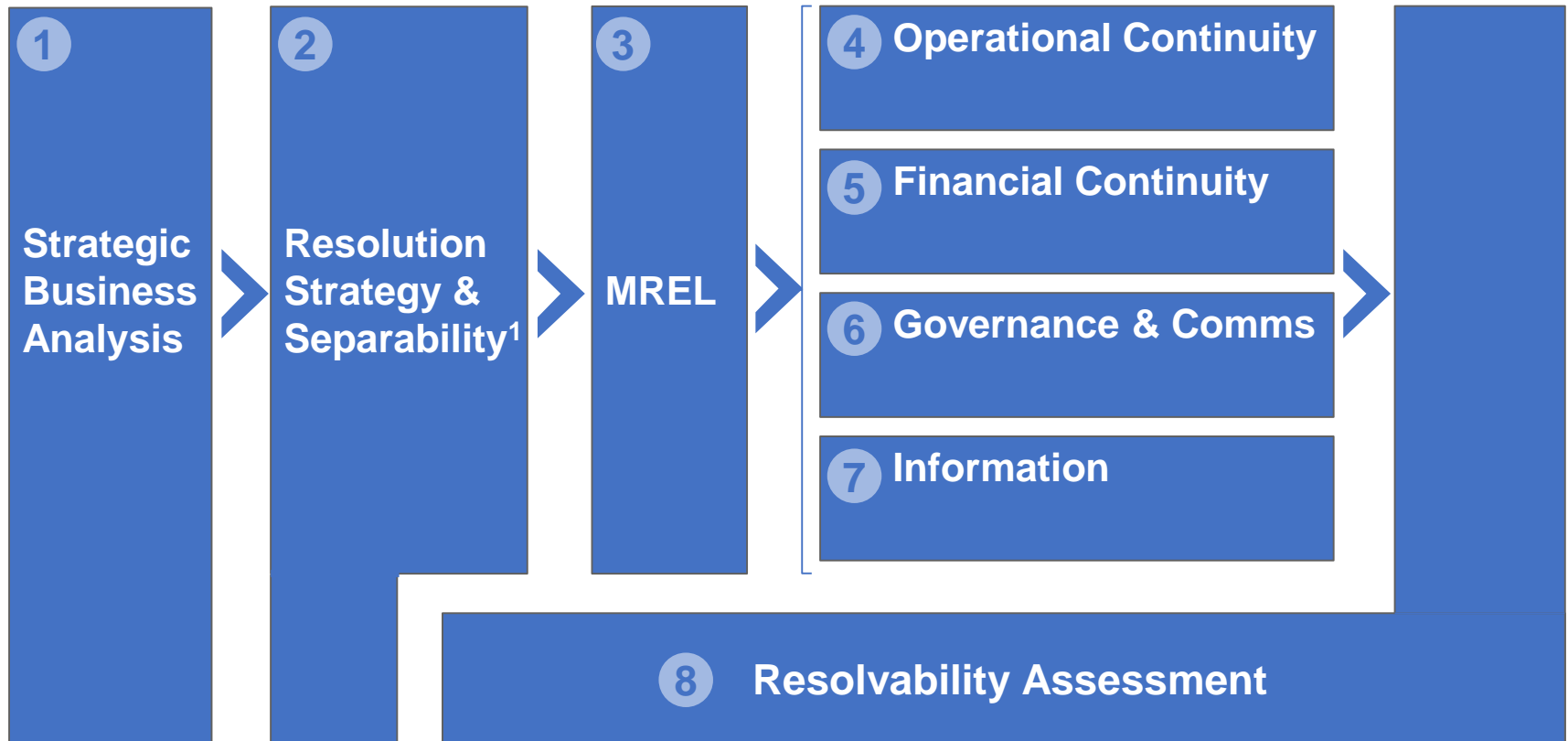
BRRD Art.15(1)



- ✓ *SRB will decide on the preferred resolution strategy, calibrate MREL buffers, and assess resolvability*
- ✓ *Banks will implement the measures needed to achieve resolvability, including a resolvability assessment report.*

OVERVIEW OF RESOLVABILITY ASSESSMENT ELEMENTS

Resolution Planning Process



Resolvability assessment tests all elements of the resolution strategy

1. Separability analysis will be embedded into the process for developing the resolution strategy:

RESOLVABILITY ASSESSMENT CRITERIA

- | | | |
|----------|---|--|
| 2 | Resolution strat. & separability | Institution's legal entity structure and intra-group interconnectedness do not present an obstacle to the realisation of the resolution strategy |
| 3 | MREL | Institution is compliant with external and internal MREL requirements set for the group and key subsidiaries, respectively |
| 4 | Operational Continuity | Institution has identified and mitigated all material risks to operational continuity in resolution, including access to key FMIs |
| 5 | Financial Continuity | Institution has the capabilities to monitor and forecast financial needs in resolution, and identify, mobilise and monitor the available resources to meet these needs |
| 5 | Governance & Communications | Institution has clearly defined governance procedures to support timely decision making in resolution, and a clear plan to engage internal and external stakeholders |
| 6 | Information | Institution has the systems and infrastructure to produce the information required to implement the resolution strategy |

ASSESSMENT APPROACH

Resolvability Assessment Approach



- ① Sufficiency of **information** provided by the firm to perform the resolvability assessment
 - ✓ Is the information adequate to identify any and all impediments to resolvability?
- ② **Impact** of an impediment on the resolution strategy
 - ✓ Given the selected resolution strategy, what would be the impact of identified impediments?
- ③ **Likelihood** that impediment persists at time of resolution
 - ✓ Are identified impediments likely to be remediated in the short-medium term?

- **Priorities for banks in the 2018 resolution planning cycle**



➤ **Overall, it is the duty of each bank to implement the measures needed to achieve resolvability**

RESOLVABILITY ASSESSMENT: PRIORITIES IN 2018 PLANNING CYCLE (2/2)

Legal structure, funding structure and loss absorbing capacity

- identify and remove sources of undue complexity in legal structure
- develop plans for achieving a sufficient amount of appropriate loss-absorbing instruments in the right location

Technological and operational capability for providing relevant information and supporting the implementation of resolution measures

- deliver complete and accurate information for resolution planning
- consider capacity to identify and provide information needed for valuations and on unencumbered assets
- consider operational and procedural steps, e.g. for write-down and conversion of liabilities.

Operational continuity in resolution and maintaining access to FMI service providers

- identify (and map) services necessary for critical functions and CBL
- set up repository of SLAs and contracts with critical service providers and assess their resolution-resilience
- identify (and map) critical FMI services

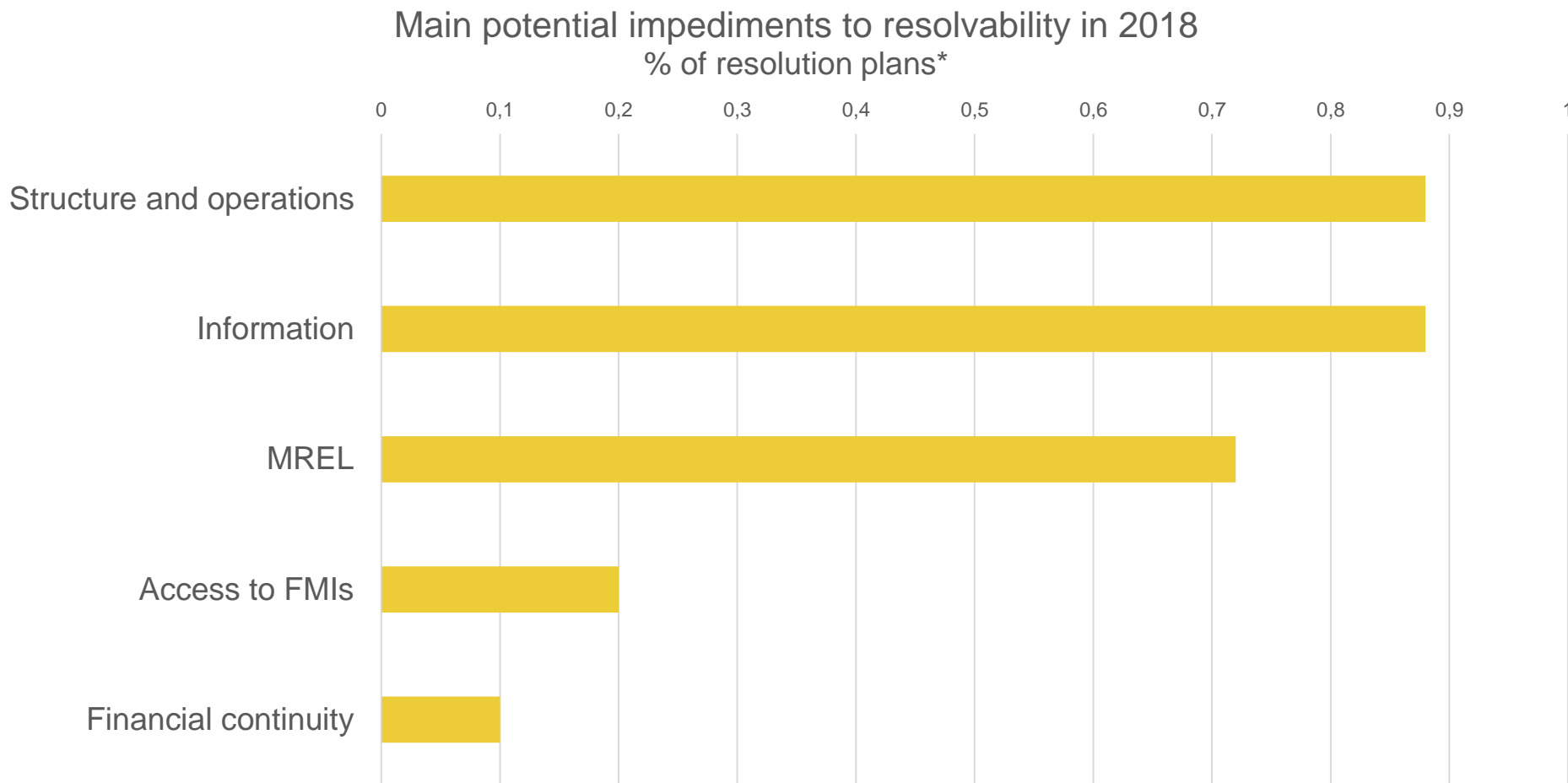
Liquidity in resolution

- improve capacity to manage liquidity during resolution

Communication towards authorities and key counterparties

- develop comprehensive communication plan, ensure clear governance structure, develop internal detailed procedures supported by playbooks

PRELIMINARY FINDINGS FROM 2018 RESOLUTION PLANS



* Out of 50 plans (banks without resolution college)

- **Main elements of resolvability assessment in 2019**
- Letter with 2019 priorities for banks, in Q1 2019
- Publication of SRB resolvability expectations for banks, foreseen for Q1 2019
- Continue working with banks to strengthen their resolvability throughout 2019:
 - ✓ adopting MREL decisions and setting MREL target levels for over 530 individual entities,
 - ✓ enhancing the operationalisation of resolution tools, including ensuring separability in case of transfer strategies or for business reorganisation post-resolution
 - ✓ ensuring operational and financial continuity in resolution,
 - ✓ strengthening the banks' resolution reporting capabilities, in particular on resolution valuation.

THANK YOU!

