# SRB – BANKING INDUSTRY DIALOGUE MEETING

MREL and the Capital Requirements Regulation 2

Tuesday, 18 June 2019

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# WHERE ARE WE TODAY

MREL decisions: The SRB continues the journey to resolvabilty:

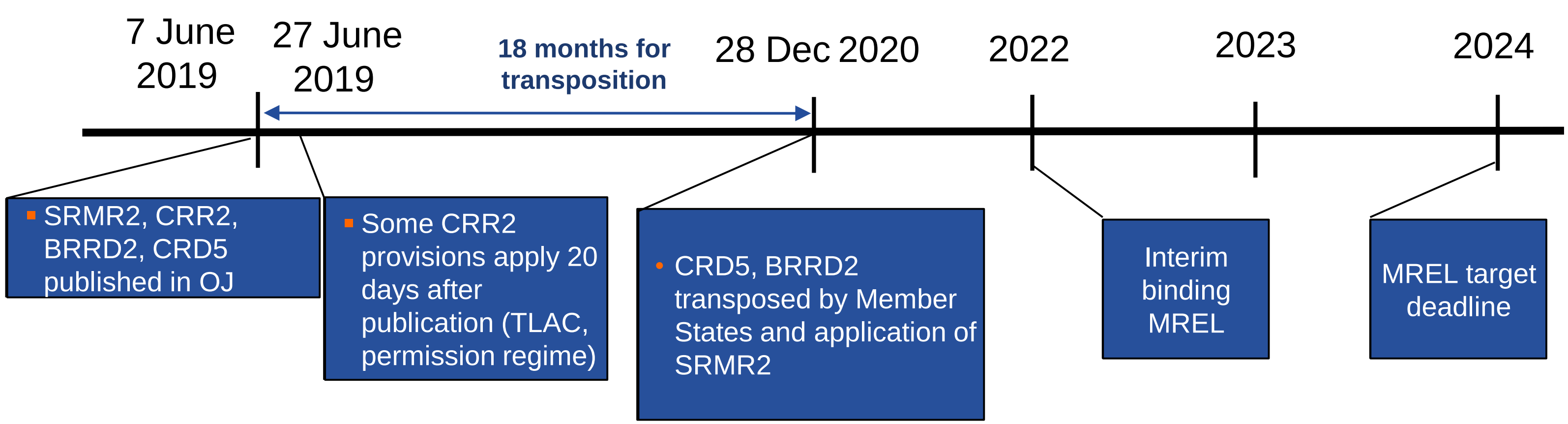
- 2018 cycle:
  - first wave of resolution plans (non-college banks): 45 MREL decisions adopted until now based on the 2018 Policy (conso)
  - second wave of resolution plans (college banks): around 200 MREL decisions to be adopted by the end of 2019 (conso and individual)
- 2019 cycle: new decisions (conso and individual) by the beginning of 2020

# BANKING PACKAGE - CAPITAL REQUIREMENTS REGULATION

New provisions from CRR2 will enter into force on 27 June 2019, 20 days after the publication of the Banking Package in the Official Journal of the EU:

- TLAC requirement for G-SIIs headquarted in the EU
- Internal TLAC for material subsidiaries of G-SIIs headquarted outside the EU
- Permission regime for redemption of eligible liabilities
- Contractual recognition clauses for own funds governed by third country law

The SRB will publish a **policy statement** on its website.

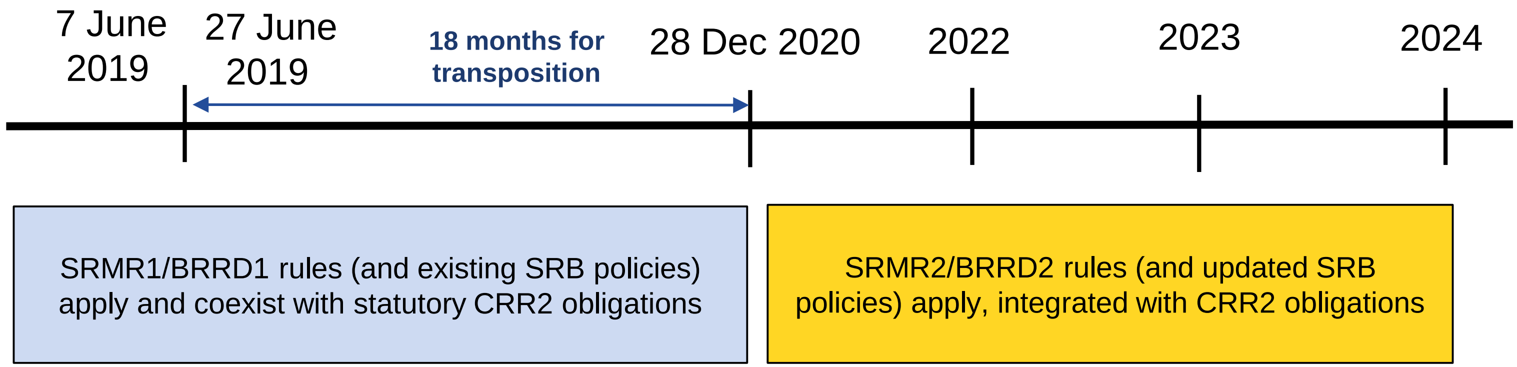


# BANKING PACKAGE - CAPITAL REQUIREMENTS REGULATION

Until the transposition of BRRD2, MREL decisions issued by the SRB, including any applicable transition periods, will be based on the current legal framework of SRMR1/BRRD1, implemented via the SRB 2018 MREL policy.

Resolution entities of G-SIIs and material subsidiaries of third country G-SIIs will be subject to the CRR2 statutory TLAC and internal TLAC requirements and to the binding SRB MREL decisions based on BRRD1/SRMR1 **in parallel**.

Resources eligible for TLAC requirements are also eligible for BRRD1/SRMR1 MREL.



## BANKING PACKAGE - CAPITAL REQUIREMENTS REGULATION

### TLAC requirements (1/2)

External TLAC for EU G-SIIs:

- 16% TREA / 6% LREM until 31 December 2021
- 18% TREA / 6.75% LREM from 1 January 2022

Internal TLAC for material subsidiaries of non-EU G-SIIs: 90% of the external TLAC

New eligiblity criteria introduced in CRR2, subject to grandfathering

**TLAC obligations do not require legal decisions by the SRB and will coexist with SRMR1/BRRD1 decisions until the full Banking Package enters into force**.

## TLAC requirements (2/2)

Allowances for senior instruments at SRB‘s discretion, to be applied consistently with the current SRB NCWO policy that will be the basis for SRB‘s decisions :

- up to 2.5%/3.5% TREA, or
- where excluded liabilities ranking pari passu or lower in insolvency do not exceed 5% of the amount of the own funds and eligible liabilities of the institution

The conclusions based on the current SRB NCWO policy will be reassessed in the 2020 resolution planning cycle as a result of a refined methodology concerning NCWO.

**Disclosure**: CRR2 obliges institutions to disclose their TLAC capacity on a quarterly basis, as part of their key metrics. Further details specified in the legislation shall be disclosed semi-annually.

## Permission regime for eligible liabilities

All institutions are required to seek approval from the SRB to call, redeem, repay or repurchase eligible liabilities instruments before they reach their contractual maturity.

Two types of permissions:

- an instrument-by-instrument permissions regime
- a general prior permissions regime

The permissions regime applies to G-SIIs and institutions with MREL decisions (except liquidation strategies).

Banks need to submit an application to the SRB, specifying which type of permission they seek, with specific documentation requirements to be communicated as part of resolution planning activities. The SRB will issue a decision to the bank and monitor the use of permissions.

# BANKING PACKAGE - OTHER PROVISIONS

The other provisions of the Banking Package will impact many aspects of the MREL determination, in particular:

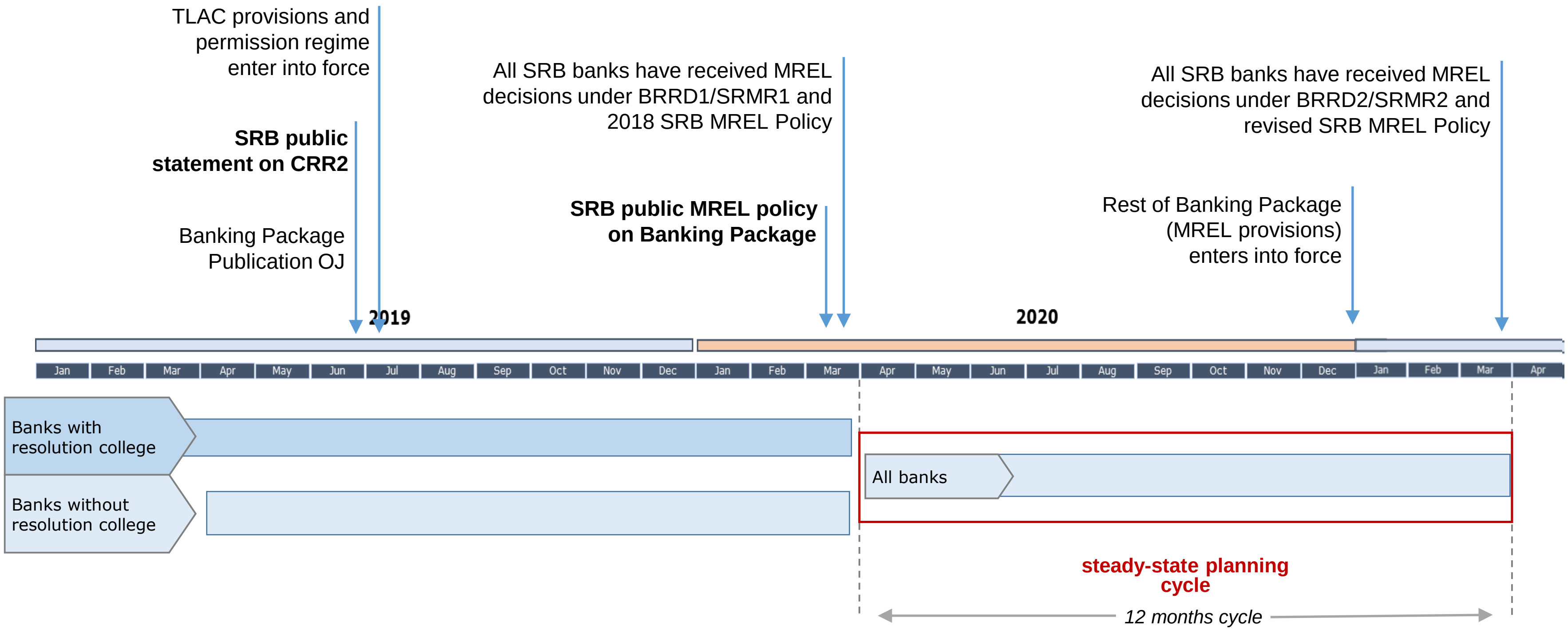
- MREL calibration is revised
- Subordination rules are enhanced
- Internal MREL is defined, etc.

The SRB intends to publish by the end of 2019/ beginning of 2020 its final SRMR2/ BRRD2 MREL policy, which will form the basis for MREL setting under the new framework.

**The direction of travel is clear. Banks are expected to start anticipating the application of the rules now to comply with the new framework in due course.**

# IMPACT ON RESOLUTION PLANNING

The SRB will implement its final SRMR2/BRRD2 MREL policy for all institutions in the resolution planning cycle starting in 2020. The SRB estimates that these MREL decisions will be communicated to banks at the beginning of 2021.



# DATA COLLECTIONS 2019: WHERE DO WE STAND

- **LDR 2019**
  - 136 banking groups in the scope
  - Close to 900 reports requested from 684 entities (97% collection rate over a 2 month collection period)
  - Room for improvement for some banks to meet the deadline: collection rate as of 31 March remains to be improved (35%).
- **Quarterly data collection on issuances to be enhanced**
  - It kicked-off with the reporting period Q4-2018 and focuses on stock and quarterly flows of MREL-eligible liabilities and own funds.
  - 82 banks in the scope

# IMPACT ON RESOLUTION PLANNING ?

**Reporting**

The new provision of the Banking Package will change the SRB reporting needs:

- Additional data on internal MREL and loss absorbing capacity for resolution planning (set intermediate MREL targets) and monitoring.
- EBA mandated to draft implementing technical standards (ITS) on templates, to be finalised by around mid-2020.
- SRB needs to bridge the gap in the transitional period
- SRB will frontload future EBA ITS templates by launching a new data collection exercise in the transitional period

## THANK YOU!

For more information, please contact:
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