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Mr Sven Giegold MEP
European Parliament
Bât. Wiertz 06U015
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Re: Reply to written Question Z-038/2019 by MEP Sven Giegold

Dear Mr Giegold,

I would like to thank you for your question Z-038/2019, which was forwarded to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, on 22 July 2019.

Since its foundation the Single Resolution Board (SRB) has continuously improved its resolution planning process with the ultimate goal that all banks under its remit become resolvable. For the current resolution planning cycle (2018/2019) the SRB drafted, in cooperation with national resolution authorities (NRAs), 109 resolution plans for significant banking groups and contributed to five resolution plans for institutions where the SRB is the host authority. MREL targets at consolidated level will cover most banks under the SRB's remit: 93 binding decisions at consolidated level and 249 binding decisions at individual level are expected to be adopted by the end of the current resolution planning cycle. Moreover, the SRB has continuously developed its resolution framework, policies for the operationalisation of the resolution tools, the MREL policy and its crisis readiness framework. All this has now been consolidated in the SRB's Internal Resolution Planning Manual that provides guidance to the SRB's Internal Resolution teams (IRTs), and also by analogy to the NRAs for their activities towards LSIs. In parallel, the SRB is also developing a document outlining the SRB's expectations towards banks which complements the current Internal Resolvability Assessment Framework. This document is not intended to create legally binding obligations and does not substitute the legal requirements laid down in the relevant applicable EU and national laws, but it clarifies the general expectations regarding the steps, initiatives and capabilities which banks have to take to ensure that they become resolvable. It provides at the same time transparency for the general public about the SRB's expectations regarding resolvability. In 2019, the SRB also further worked on the operationalisation of its policies, notably on the operationalisation of bail-in, operational continuity and access to FMIs, for

application in the 2020 resolution planning cycle. This work is feeding into the banks' specific detailed annual work programs that the SRB started to define in 2018 and that are addressed to banks' senior management to ensure sufficient awareness and attention. These work programs include clear tasks and milestones and are followed up by the IRTs to ensure progress to resolvability.

According to Art. 10(3) SRMR an entity shall be deemed resolvable if it is feasible and credible for the SRB to either liquidate it under normal insolvency proceedings or to resolve it by applying to it resolution tools and exercising resolution powers while avoiding, to the maximum extent possible, any significant adverse consequences for financial systems, including circumstances of broader financial instability or system wide events, of the Member State in which the entity is situated, or other Member States, or the Union and with a view to ensuring the continuity of critical functions carried out by the entity. Following this provision and pursuant to Article 23 of the Commission Delegated Regulation (EU) 2016/1075, resolution authorities shall assess resolvability based on two consecutive stages: the former being an assessment of the credibility and feasibility of the liquidation of the Group under 'normal' insolvency proceedings and the latter being an assessment of the credibility and feasibility of the selected resolution strategy, while avoiding any significant adverse consequences, *inter alia*, for the financial system and the real economy. In the second stage, where normal insolvency proceedings would not meet the resolution objectives to the same extent, the SRB defines a preferred resolution strategy for which it also assesses its credibility and feasibility, having regard to potential impediments to the implementation of the strategy.

The SRB has repeatedly emphasized that it considers the work on resolvability as an iterative process between the SRB and banks, and believes that it is primarily for the banks to make themselves resolvable. The SRB assesses the resolvability of banks, and any potential impediments to resolvability, based on several factors, such as governance, loss absorption and recapitalization capacity, liquidity and funding in resolution, operational continuity and access to FMIs, information systems and data requirements, separability and restructuring as well as communication.

In order to ensure consistency and a level-playing field for all banks, these provisions will be explained in the document "Expectations for banks" thereby making all banks under the SRB remit fully aware of the general expectations regarding the required steps and initiatives to ensure that a bank is resolvable. These general expectations will be tailored, taking into account the proportionality principle, through a dialogue between each bank and the responsible IRT and form the basis for the annual bank specific work program addressed to bank's senior management at the beginning of the year. Moreover, IRTs may request additional information and analyses throughout the respective resolution planning cycle which are relevant for resolution planning and to improve the resolvability of individual banks. It is envisaged to open this document for consultation with the industry in the last quarter of 2019, and to publish the final version in 2020.

The SRB will support, monitor and guide banks in the ongoing resolvability assessment process. Where the SRB identifies impediments banks are expected to propose possible measures to address or remove those impediments. In particular, the SRB will assess whether the actions taken by banks are sufficient to mitigate or eliminate impediments to

resolvability in a timely manner. If, pursuant to an assessment of resolvability, the SRB determines that there are substantive impediments to resolvability that are not adequately addressed by the bank, it will initiate a procedure to remove or address those impediments under Article 10(7)-(11) SRMR.

It is important to note that the objective of reaching resolvability is a dynamic process, which must be regularly re-assessed in the light of changing market conditions and bank-specific situations. The build-up of the amount of minimum requirements for own funds and eligible liabilities (MREL) is an important indicator to measure resolvability; however, other factors such as the ability to access funding in resolution, to ensure operational continuity or to access financial market infrastructures in resolution must be taken into account as well. In order to evaluate resolvability it is thus of utmost importance, that all aspects of the resolution strategy in a specific situation can be fully implemented in practice at the point of non-viability. This iterative process must therefore be continuously monitored and assessed. Besides, certain banks may have to undertake considerable efforts to achieve resolvability, which must be phased-in over time. As long as banks are making credible progress towards this goal, categorically declaring a bank "not resolvable" may only slow down the progress in this regard. The SRB considers this approach an effective and promising way forward, which is in line with international practice. Only when banks do not respond and engage proactively with the SRB, formal measures will be necessary. Until today this has not been the case.

For this reason, until now the SRB did not inform EBA about an institution not being resolvable in line with Article 10 (3) SRMR. In this context it should be noted, that the notification to EBA as such would not restore the resolvability of an institution.

The SRB will strive to continuously develop the resolution framework, so that all banks under its remit are eventually fully resolvable in practice.

Yours sincerely,

Elke KÖNIG

Chair

In absence,



Timo LÖYTYNEN

Vice Chair