SRM Boardroom Dialogue: Achieving resolvability

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AGENDA

1. Findings from 2017 resolution plans of SRB banks
   > Priorities for banks in 2018

2. SRB approach to resolvability

3. Impact on banks
   > Information readiness
   > Operational continuity
1. FINDINGS FROM 2017 RESOLUTION PLANS OF SRB BANKS
Priorities for banks in 2018 resolution planning cycle (1)

✓ Ensuring the legal and funding structures of the group facilitate the implementation of the PRS
  • 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

✓ Developing the technological and operational capability for providing relevant information to resolution authorities and for supporting the implementation of resolution measures
  • deliver complete and accurate information for resolution planning purposes (EBA and SRB templates)
  • consider information needed by independent valuer for resolution-related valuations, and capability to support these processes
  • consider capacity to identify and provide up-to-date information on unencumbered assets
  • consider the operational and procedural steps the bank would have to take, e.g. processes and procedures for write-down and conversion of liabilities.
1. FINDINGS FROM 2017 RESOLUTION PLANS OF SRB BANKS
Priorities for banks in 2018 resolution planning cycle (2)

✓ Ensuring operational continuity in resolution and maintaining access to FMIs and FMI intermediaries, ahead of, and during resolution
  • identify (and map) all services necessary for the provision of critical functions and CBL
  • set up of a repository of all SLAs and contracts with critical internal and external service providers, which should be resolution-proof
  • identify (and map) all critical FMI services (from FMIs and FMI intermediaries).

✓ Liquidity in resolution:
  • improve capacity to manage liquidity during resolution (e.g. dedicated crisis management organisation, MIS and collateral optimisation processes...)

✓ Facilitating communication towards authorities and key counterparties ahead of, and during, resolution
  • develop comprehensive communication plan, ensure clear governance structure, develop internal detailed procedures supported by playbooks.

✓ Overall, it is the duty of each bank to implement the measures needed to achieve resolvability
2. SRB APPROACH TO RESOLVABILITY
Developing a consistent approach

- SRB and NRAs are working on a common approach for the Banking Union, based on:

**Assessment**
- Categories from BRRD and Delegated regulation 2016/1075
- Methodology for assessing
  - impact on resolution strategy and
  - likelihood of impediment remaining in short to medium term

**Prioritisation**
- Findings from 2017 planning cycle
- Heat map derived from 2018 assessment (prioritise impediments with medium-high to high severity)

**Interaction between IRTs and banks**
- Procedure for IRTs to follow after assessment of impediments
- Develop dialogue with banks on resolvability
- It is expected that banks act on the identified impediments and report progress
3. IMPACT ON BANKS
Example 1: Information readiness

• Inadequate Management Information systems
  > Lack of timely information essential for resolution planning and execution: liabilities, critical services...
  > Lack of timely information necessary for valuation purposes

• Comprehensive MIS
  > Opportunity to develop coherent comprehensive MIS, taking into account overall needs of the bank
  > Potential medium to long-term advantages: better quicker information ⇔ more informed decision-making
3. IMPACT ON BANKS
Example 2: Operational continuity

• **Threats to operational continuity**
  > Absence of centralised storage (repository) of contracts
  > Limited attention paid to formalising intragroup relationships (SLAs)
  > SLAs and contracts without clauses protecting continuity in case of resolution

• **Accessible resolution-proof contracts**
  > Opportunity to develop coherent comprehensive overview of and streamline contractual relationships
  > Potential medium to long-term advantages: access to contracts ⇔ optimise establishment of relationships throughout the group
THANK YOU

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