



Press breakfast – Elke König

21 January 2016 - Treurenberg

Ladies and Gentlemen,

Thank you for joining us today, and a very warm welcome to the Single Resolution Board, and to our new premises, here in the heart of Brussels and the heart of Europe. I would also like to thank you for your ongoing interest in the work of the SRB, the second pillar of the Banking Union.

Although we are still currently located in three different premises in the European quarter, our plan is to move to our new building end of March this year. The building is well suited to our needs. It is actually located just next to one of the ancient walls of Brussels, dating back to the 13th century. It was Henry the First, Duke of Brabant, who came up with the idea of building a rampart to protect the wider Brussels area. I

find the analogy very appropriate, considering our ultimate role in protecting taxpayers and preserving financial stability.

Having started with a small taskforce at the beginning of last year, we have grown to about 130 expert staff members at the moment drawn from almost every EU Member State and we are due to grow to around double that number by the end of this year. We will continue our recruitment and aim to have around 300 staff by the end of 2017. This building will provide us with the right working environment to make sure we deal effectively with resolution planning and - if need be - the resolution of a failing bank so that there is no - or at least only - minimal impact on the real economy and no impact on European taxpayers.

As of the first of January, the SRB has gained full resolution powers. You have covered that in your reporting. This full resolution power also means that the full set of rules under the Bank Recovery and Resolution Directive (BRRD) became effective, meaning that - like in any other business - shareholders and creditors bear the burden if a bank falls into trouble.

This morning, I would like to sketch out for you what the SRB intends to achieve in 2016, how the SRB will make sure it is ready for bank resolutions, how we will work together with others to achieve our goals and, finally, what we will do to build up, and use, the Single Resolution Fund – as a last resort only. But, let's start by looking at the progress we have made so far.

We have all worked *very* hard and continue to work hard to build this Agency. The team spirit and the nature of a lot of our work is clearly that of a start-up. Before joining the Board, I was working for an organisation with 2500 people and a hundred years of experience. When I first arrived at the SRB, there were only 25 of us and less than 100 days of experience! For us "Start-up" was not just a buzzword. And to be clear: I see it as a great chance for the SRB and for the Banking Union. We have 6 Board Members at the SRB and I know we all share the same sentiment – and you will get the chance to discuss with them later.

We have made tremendous strides since then. During Q2 2015, we set up *four* Committees to deal with different work areas: Resolution Planning, Crisis Management, Contributions to the

Single Resolution Fund and the cooperation between the SRB and National Resolution Authorities. We also actively participated in the ongoing dialogue with international bodies, such as the FSB, and we continue to do so.

We recruited almost half of the entire target SRB staff within the last 12 months and set up the internal organisation of the Board in its Executive Session and in its Plenary Session, and worked on our policies – more on that later.

Our work was necessarily quite quickly not just inward - but also outward-looking: We recently held our second industry dialogue, bringing together more than ninety stakeholders, including representatives from EU-level and national banking federations from Banking Union countries, as well as representatives from the European Commission, the European Banking Authority, the European Central Bank and National Resolution Authorities. At the same time, in early January, we published the list of banks falling within our remit, which you can find on our new website.

Our core business so far has been – and will remain in 2016 - drafting resolution plans for the banks under our remit and we

will follow the procedures foreseen in the BRRD and international commitments to complete those plans in 2016. As you know it is up to the banks to draft recovery plans, but up to us to create resolution plans for the banks. This goes right to the heart of our work. Planning for, and removing obstacles to, resolution is the best safeguard and the most effective way to make sure that we know very well in advance what to do when resolving a failing bank, without the need to make the use of the Fund. This way we have a realistic chance to make using taxpayers' money to bail out bankers a thing of the past. Through effective planning of resolution work, we can make sure that we strengthen the Banking Union and contribute to financial stability.

Planning will help us determining the right tools - so that we can remove obstacles well in advance of any crisis and take the best action possible when a bank is in trouble.

Planning will also support the SRB's preparations when firms enter resolution. Previous resolution planning will inform the SRB's considerations of the resolution strategy, which will also take into account up-to-date information on the firm, and prior

work to remove obstacles will support the SRB in selecting the optimal resolution strategy.

The BRRD gives a clear set of rules. Therefore, there will be more consistency and proportionality in the way we deal with banks in the future, both when planning for resolution and also where firms enter resolution.

We will publish a condensed version of our internal Resolution Planning Manual which aims to align data collection and evaluation as well as procedures and the exchange of information. The manual will help the NRAs and us to prepare resolution plans, understand the key decision-making processes, ensure consistency as well as proportionality and, prepare to carry out resolution schemes. In publishing the summary or guide later this year, we will help the banks, the financial markets and of course also you, the financial journalists, to better understand how the new rules work.

Another activity this year is also setting Minimum Requirements for own funds and Eligible Liabilities, or MREL, for entities and groups directly supervised by the ECB and for cross-border groups. These minimum requirements were introduced by the

Bank Recovery and Resolution Directive and have to be decided upon on a case-by-case basis for each bank, not just banking groups.

In 2016, the Board will concentrate on determining MREL for parent level entities, i.e. banking groups, while we will determine MREL for individual institutions within these groups in 2017 only. In determining MREL, we will take into account the core features of the proposed international standard on Total Loss Absorbing Capacity, TLAC, for Global Systemically Important Banks, or G-SIBS. The setting of MREL by the SRB is at the heart of ensuring that we can fulfil our mission to make sure that the burden of a resolution is borne by the shareholders and creditors and not by the general public. It's part of the toolbox that allows us to restore the principles of the market economy to the banking sector. Though it is only one topic, it is easily understandable that without a minimum MREL ready – no resolution strategy will work.

Though the BRRD does not fix a minimum quantitative requirement for MREL, it is reasonable to expect that the SRB will generally set MREL for the banks under its remit – that is

the major European banks – at not less than 8% - but on a case by case basis possibly well above. Those of you who want to take a very close look at this topic can find a presentation on our website.

As important as quantity – if not more – is the composition of MREL. Here we still have a job ahead of us to reconcile the global TLAC standard and the European MREL requirements, but we are making good progress on this. The key point will always be whether the bank will be resolvable at short notice – the famous resolution weekend.

For this year, we have a number of challenges ahead of us which, I am sure, will make the year extremely interesting!

The Bank Recovery and Resolution Directive spells out a clear order for bail-in, with liabilities being bailed in according to their rank, not the status of the holders of the liabilities. And – as a general principle, in any resolution scheme - we will have to ensure that that no creditor will be worse off than under normal insolvency proceedings.

The notion of unpredictability and complexity in Europe sells well but becomes less true. The BRRD, in principle, requires that the clear and transparent creditor hierarchy is followed in bail in. And the SRB will insure this. This is one of the reasons to have a resolution planning manual.

We at the SRB take very seriously our duty to address the moral hazard that may come with the failure of a bank. One of the key functions of resolution planning is to improve discipline within the markets and make banks stronger by requiring better quality capital, better protection of depositors and safer and more transparent structure, to mention only some topics.

Although we hope we won't face any *more* crises, especially as we will have carried out effective planning precisely to *avoid* crises, we will, nevertheless, revise the first version of both our Crisis Management as well as our Resolution Planning Manual in light of best practice identified over time. This is so that, just in case there *is* a crisis situation, we, and all our partners, know what to do and when, and we can keep a cool head.

As we work with many partners, cooperation with others remains a priority for 2016 and beyond. We *all* want to make

sure we remove obstacles, and this can only be achieved in close cooperation with our partners in the Euro-zone, but also beyond. Our main partners are the National Resolution Authorities and we strive to create a culture of cooperation with these authorities, building on the close ties forged in 2015. Our co-operation with National Resolution Authorities is not just lip service, we rely on each other as resolution planning always has to take into consideration the national legal framework and the insolvency laws.

We will continue to have an open and transparent dialogue with members of the European Parliament, elected into office by European voters and to whom we are accountable. And we will continue to strive to work closely with the European Central Bank as the supervisor of most of the banks under our remit and, of course, with the European Commission and the European Council, which will closely be involved – should a resolution weekend take place. There will also be even more links with the financial community going forward, and with the media to keep journalists like you up to date with what we are doing. Transparency and a clear understanding of the

regulatory framework and, in particular, of course, of resolution tools like bail in, are essential.

We will set annual targets for contributions to the Fund and calculate how much each individual institution needs to pay.

Timo, the SRB Vice-Chair will talk you through those details in a minute.

Our four committees will in 2016 continue to work shoulder to shoulder with relevant stakeholders to make sure we face our challenges head on and get our work done.

I often compare our work to that of the public services, namely the police and the fire brigade. If there is an acute problem we work like a fire brigade – putting out the fire and minimising the damage. But outside of concrete bank failures our work is more like that of the police; discouraging wrong developments by the knowledge that we are there and have the means to counter those developments. By the way, we hope that the normal will be private solutions – not resolutions. Just like normal insolvency proceedings should always come first while a resolution should remain an exception.

This all seems like a tall order for a small, and very new, organisation. How will we manage you might ask?

In 2016, we will continue to identify the skills and profiles we need to carry out our work and will recruit motivated and talented people intensively, getting new colleagues up to speed quickly. It seems like a mammoth task but wasn't it Frederick Douglass who said: "if there is no struggle, there is no progress"? I am confident that, with the support of the right people, the right tools and the right environment, we *will* make progress and we *will* achieve our goals. One could argue that my new year's resolution is to make the orderly resolution of failing banks a reality or more precisely a realistic possibility!

Thank you and now I will hand over to the SRB's Vice-Chair, Timo Löyttyniemi, who will go into further detail on the Single Resolution Fund, which I am sure you are eager to hear about.

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