



SRB Conference 2018

"10 years after the crisis: are banks now resolvable?"

Introduction and Welcome Speech

Dr Elke König

09:00 – 09:15

CHECK AGAINST DELIVERY

[Introduction]

Good morning ladies and gentlemen,

I would like to welcome you to the third Single Resolution Board Conference. Thank you for joining us here in Brussels.

On behalf of the Single Resolution Board – as well as my fellow Board Members present today – I wish to welcome each and every one of you to this event. Some of you have participated in previous editions of this conference while many of you are here taking part for the very first time.

May I also welcome in particular our panellists and our speakers at today's conference. **Vice-President of the European Commission, Valdis Dombrovskis** will be present with us later in the day, as he is currently flying in from Indonesia to be with us and deliver a keynote speech. We will also hear from **Mr Burkhard Balz**, former MEP and ECON Committee Coordinator, who recently joined the executive board of the German Bundesbank. He too joins us straight from the IMF meetings. **Ms Jelena McWilliams**, Chair of the Federal Deposit Insurance Corporation will be our first keynote speaker, in line with our tradition of having the Chair of the FDIC address the conference. Unfortunately she had a last minute conflict in her schedule, so we also stick to this conference's tradition of having one keynote address by video!

[Ten Years On]

All of the newspapers have referred to the financial crisis in recent weeks and months and clearly the Banking Union, and in particular the SRB, are part of the European response to that banking crisis.

Casting our minds back to 2008, our economy was in turmoil, the financial industry was in meltdown, and headlines of bank bail-outs were to be seen across the continent. There was little talk back then of 'bank resolution' or 'bail-in', yet in just 10 years, these are terms that are part and parcel of the financial and banking sectors today. These are more than just terms however; they are crucial elements in the SRB's work to preserve financial stability and ensure that **taxpayers' money** remains protected when handling the failure of systemically important banks.

Ladies and gentlemen, those who were present here just over 12 months ago, will perhaps remember that the title of last year's conference was '**Building Resolvability Together**'. This year, we are not putting that theme to one side, since resolvability can only happen with the cooperation of all of our stakeholders – industry, the national resolution authorities and the European and international institutions – but rather we are adding to that theme, and asking the following question:

Ten years after the crisis, and four years after the setting up of the SRB, **are banks now resolvable? Well, it is clear that we are in a better place today than we**

were five years ago, but there **is no** clear-cut answer to that question.

We have had one resolution case to date, and I will come back to that in a moment. What **is** clear, is that the finance world is constantly evolving – **resolution planning is a long term project; it is a marathon, not a sprint**. We have to pace ourselves to ensure we stay the course. When necessary, we have to take pit stops, refuel, rehydrate and make sure we are going in the right direction so that we can arrive at the finish line – that is, to make all banks resolvable.

[Focus for 2019]

As we continue that marathon or journey towards making banks resolvable I want to share with you some of the priorities of our work in the coming year.

In 2019, we will carry on the work to strengthen resolution plans. With the exception of one group that is currently under restructuring, **I am pleased to say to you here this morning, that for the first time since the inception of the Board, all SRB banking groups will be covered by a resolution plan in 2019**. Our tasks will increasingly focus on tailoring resolution

strategies to a bank's structure and business model, and identifying and addressing impediments to resolvability. A key tool to achieve resolvability is, and will continue to be, **MREL**. 2019 will see sizeable progress in the definition of MREL requirements, including the location of MREL.

This year, we will continue to determine **MREL** targets at the consolidated level, and we will set individual targets. We will also continue the work on identifying **impediments** and developing solutions together with the industry and with the NRAs.

With regard to resolution planning for less significant institutions or LSIs, where the SRB has an oversight role, the SRB expects the NRAs to identify and thus foresee a notable increase of notifications from NRAs concerning the adoption of LSI resolution plans in 2019. Ensuring consistency and close cooperation with NRAs will be of essence to achieve progress in this area next year.

The **Single Resolution Fund or SRF** will continue to grow to just short of 33 billion in 2019. The amounts will be invested to ensure value protection and high liquidity.

The SRB is also confident and hopeful that progress can be made on the important third pillar of a **harmonised deposit guarantee scheme** (EDIS) in order to complete the Banking Union. The harmonisation of insolvency regimes remains essential. Currently, the SRM framework for resolution is faced with 19 or more different insolvency procedures in the Banking Union. While it is challenging to reconsider long-standing national jurisprudence, it is only by harmonising national bank insolvency procedures that we can ensure a smooth functioning of the framework.

[2019: Brexit]

And now to the '**B**'-word: Brexit. This is going to be another challenge in the coming year, and it will no doubt have an impact on our core business.

Brexit will see all bond issuances under UK law move to 3rd country issuances. Only if there are adequate contractual clauses will these instruments be MREL eligible in the future.

Incoming banks – that is those that set up as a legal structure in the Banking Union - need to ensure that their EU operations are sufficiently equipped to be resolvable

in case of crisis. The SRB is closely following the political negotiations and no matter what the outcome is, we stand ready to work hard to ensure financial stability is maintained in the year ahead.

[Banco Popular]

And now ladies and gentlemen, to another 'B'-word. Banco Popular.

The post-resolution work in the Banco Popular case is ongoing.

As you may be aware, in August we launched the first phase of the 'right to be heard' procedure. This phase allowed those affected by the resolution wishing to submit comments on our preliminary decision, to register for an eligibility check. In total, we received about 12,000 [twelve thousand] expressions of interest in this phase.

This morning, I am pleased to announce that Phase 2 – in which eligible parties can provide their comments - will open on November 6th and will run for a period of three weeks. Further information on

the second phase will be available tomorrow morning on the SRB's website.

[Conclusion]

In these weeks, as we mark the ten year anniversary of the financial crash, a recurring question is 'whether we would be able to withstand a similar crisis to the one we experienced in 2008?'

I suppose the truth is that nobody knows. However we do know that much of the architecture of the Banking Union is in place, even if it is not yet complete. At some point, we may have another crisis, but we have put solid measures in place to deal with failing banks. The SRB together with its partners at national and international level is committed to that work going forward.

And speaking of going forward, we now have to move on with today's agenda. I have the pleasure to introduce you to our host, **Mrs Melinda Crane** who once again will act as our moderator for the day.

Not only is she an experienced moderator, well capable of inciting dynamic debate, but Mrs Crane is also, during her day-to-day work, the Chief Political Correspondent at

Deutsche Welle television. Her academic qualifications are in law and political economy. She has given numerous speeches, moderated events and discussions for a wide range of international organisations and firms, and she is of course familiar to many of you from previous years' conferences.

I am sure that Mrs Crane will not only be able to spark interest in our conversations today - but she will also use her journalistic skills to ensure that we provide all of you present here today with a rich insight into the state of play in making all banks resolvable.

Mrs Crane, the floor is yours.