SRB-Banking Industry Dialogue meeting

Resolution planning in the context of the Banking Union

Single Resolution Board
**SRB Key Tasks & Resolution Priorities**

**Mission**: to ensure an orderly resolution of failing banks with minimum impact on the real economy and public finances of the participating Member States and beyond

- Establish **uniform rules and procedures for the resolution of entities**
- Establish a **credible and feasible resolution regime**
- **Remove obstacles** to resolution in order to make the banking system in Europe safer
- Ensure **unified decision-making process** for resolution within the Banking Union to foster market confidence
- Minimise the cost of resolution and avoid destruction of value unless necessary to achieve the resolution objectives
- **Provide key benefits** for taxpayers, banks, deposit-holders and contribute to financial and economic stability in the entire EU

[Image: Map of Europe with labels for participating and non-participating Member States, and icons for SSM (Single Supervisory Mechanism) and SRM (Single Resolution Mechanism).]
State of progress of setting up the SRB

Q1 2015: setting up SRB, recruitment, installation, rules

Q2 2015: 4 committees created, with participation of NRAs

- Committee on Cooperation with NRAs
- Committee on Resolution Planning
- Committee on Crisis Management
- Committee on Contributions
Resolution: planning and action

Resolution Plan
Prepared by the SRB and NRAs with a full set of measures to wind down a failing bank without knock-on effects on markets and taxpayers.

SRB decides upon resolution scheme

SRB

Plan anticipates resolution

Based on existing plan

Bank falls into trouble

Existing recovery plan is used to try and recover

Recovery fails

ECB or SRB determines that the bank is failing or likely to fail

SRB performs tests: no private alternative + public interest

Resolution scheme submitted to Commission

Under supervision from the SRB, NRAs implement plan
Resolution planning process

Resolution plans will be drawn up and updated at least annually

* The SRB shall identify any actions in the recovery plan which may adversely impact resolvability
Resolution planning: Building Blocks

**Strategic Business Analysis**
- Adequately detailed overview of institution
- Starting point for preferred resolution strategy

**Preferred Resolution Strategy**
- How the institution or group should be resolved
- Implementation plans for financial and business restructuring

**Financial & Operational Continuity**
- Funding and liquidity requirements implied by the resolution strategy
- Arrangements needed to ensure continuity of the critical shared services

**Resolvability Assessment**
- Impediments to resolvability
- Measures to address or remove these impediments
Resolution Planning: Overview

Main Components of Resolution Plan

1. Management Summary
2. Strategic Business Analysis
3. Preferred Resolution Strategy
4. Financial and Operational Continuity
5. Information and Communication Plan
6. Conclusion of the Resolvability Assessment
7. Opinion of the Institution
Interplay between “Information requirements” and “Assessment framework”

**Resolution plan**

... must provide all information necessary to identify the preferred resolution strategy and for the removal of impediments to resolvability.

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**Information requirements**
Wide range of information and analyses will be required for the preparation of the resolution plan

To be accumulated by institutions and Resolution Authorities

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**Assessment framework**
Provided information and analyses must be validated and evaluated by Resolution Authorities
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Strategic Business Analysis

- Group-, Ownership- & Governance-Structure
- Business model, Core business lines
- Critical functions
- Key financial figures
- Internal and external interconnectedness
- Critical systems and infrastructures
- Loss-absorbing capacity
- Separability

Resolution Strategy
<table>
<thead>
<tr>
<th>Topic</th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group-, ownership- &amp; governance-Structure</td>
<td>Which units comprise the group? Who are the owners? How is the group organized?</td>
</tr>
<tr>
<td>Business model, core business lines, critical functions</td>
<td>What are the core business lines and the critical functions?</td>
</tr>
<tr>
<td>Key financial figures</td>
<td>What are the main financial components of the group entities and the group?</td>
</tr>
<tr>
<td>Internal and external interconnectedness</td>
<td>What internal and external interconnectedness may impair the implementation of resolution tools?</td>
</tr>
<tr>
<td>Critical systems and infrastructures</td>
<td>Which IT systems / FMI accesses are critical for the continuity of critical functions?</td>
</tr>
<tr>
<td>Loss-absorbing capacity</td>
<td>Which size of losses can the material group entities and the group absorb?</td>
</tr>
<tr>
<td>Separability</td>
<td>Which business activities should be treated as one resolution unit due to their interconnectedness?</td>
</tr>
</tbody>
</table>
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Preferred Resolution Strategy

- Normal insolvency proceedings
- Resolution approach SPE vs. MPE
- Financial restructuring strategy – Bail-in
- Business restructuring strategy – Structural measures

Strategic business analysis

- Normal insolvency proceedings
- Resolution approach SPE vs. MPE
- Relevant scenarios
- Financial Restructuring Strategy – Bail-in
- Business Restructuring Strategy – Structural measures

Financial and operational continuity in resolution
Preferred Resolution Strategy

- "Normal" insolvency proceedings: Is a liquidation under normal insolvency proceedings feasible and credible?
- Resolution approach SPE vs. MPE: What is the appropriate resolution approach for the group?
- Financial restructuring strategy - Bail-in: How much loss can the bank absorb in case of resolution? Can recapitalization be implemented?
- Business restructuring strategy - Structural measures: How can structural changes be implemented?
Resolution Planning: Overview

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Financial and Operational Continuity

Financial continuity (funding and liquidity sources)

Are there sufficient liquidity and funding sources to implement the resolution strategy?

Operational continuity

Can the institution maintain the critical shared services to ensure critical functions are provided in resolution?

Access to FMIs

Can the institution keep access to critical FMIs, both on its own account and for clients?
Resolution Planning: Overview

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Information and Communication Plan

- Governance of information provision
  - Can the resolution authority obtain information efficiently from the institution or other authorities?

- Information requirements and availability
  - What are the various information sources and their availability before / during resolution?
    - **KEY:** Accurate and efficient MIS at the institution is essential at all times, and particularly at point of resolution, for proper execution of resolution tools (e.g. for valuation)

- Communication framework
  - What measures are needed to ensure that all communications are timely, coordinated and consistent?
# Resolution Planning: Overview

## Main Components of Resolution Plan

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Conclusion of the Assessment of Resolvability

Assessments conducted in Strategic business analysis, Preferred resolution strategy, Financial and operational continuity & Information and communication plan

Assessment of current resolvability
- identification of impediments

Measures to address/remove impediments
- Timeline

Quantitative assessment; setting MREL

Institution

Feedback of the institution in relation to the resolution plan
Involvement of banks in resolution planning

Resolution Authority
- leads process
- needs assistance from other stakeholders

Institution
- sets up internal process to provide information
- informs RA of legal, financial, structural changes

Competent Authority
- shares information with RA

1. RAs obtain information already available to CAs, e.g. recovery plan, further supervisory data.
2. RAs directly requests information from institution, assesses all analyses received

Close cooperation between stakeholders is key.
European Union: Banks under Resolution College scheme, with SRB as Group-Level Resolution Authority (GLRA)

- IRT (Internal Resolution team with SRB & NRA) drafts resolution plan
- Formal communication to ECB.
- Potential amendments following IRT discussions
- Communication to the Resolution College (RC) members & observers
- Potential amendments following the comments received
- SRB Executive Session for draft approval. The draft approval becomes definitive in case of approval without changes by the RC.
- Formal communication to the members and observers of the RC.
- RC joint decision; approval /amendments.
- Potential EBA mediation
- Potential New SRB Executive Session to approve the resolution plan after RC amendments
- Final RC joint decision
Way forward

- **Q4 2015**
  - Work Programme 2015 and Work Programme 2016
  - Publication of SRF templates

- **1st January 2016** SRB assumes full power for resolution decisions

- **Q1 2016**
  - Publication on parts of Resolution Planning Manual
  - Public consultation on information templates
  - The next industry dialogue is planned for March/April 2016