



**Single
Resolution Board**

28/11/2016 | **Industry Dialogue : State of Play on MREL**

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Agenda



1. Background
2. Updated SRB Approach for 2016
3. Aggregated Informative Targets and Shortfalls
4. Liability Data Templates: Update and Timeline
5. 2017 and beyond

1. Background

Regulatory Environment

- > EU Commission Delegated Regulation on MREL came into force in May 2016
- > EU Commission Legislative Proposal (banking reform package) published on 23rd November 2016
- > EBA Interim report on MREL published on 19 July, and final report to be transmitted to EU Commission on 6 December 2016

Resolution Planning & Exchanges with Banks

- > Informative MREL on 65 major banking groups (for which the SRB drafted resolution plans)
- > MREL workshops with banks started in June (new wave from November onwards)

2. Updated SRB Approach for 2016

The MREL Journey Started Early 2016

- > Legal basis and References
 - Art. 12 SRMR requires the SRB to determine MREL for entities under its remit
 - SRB methodology is based on BRRD and EU Commission Delegated Regulation
- > Priorities for 2016



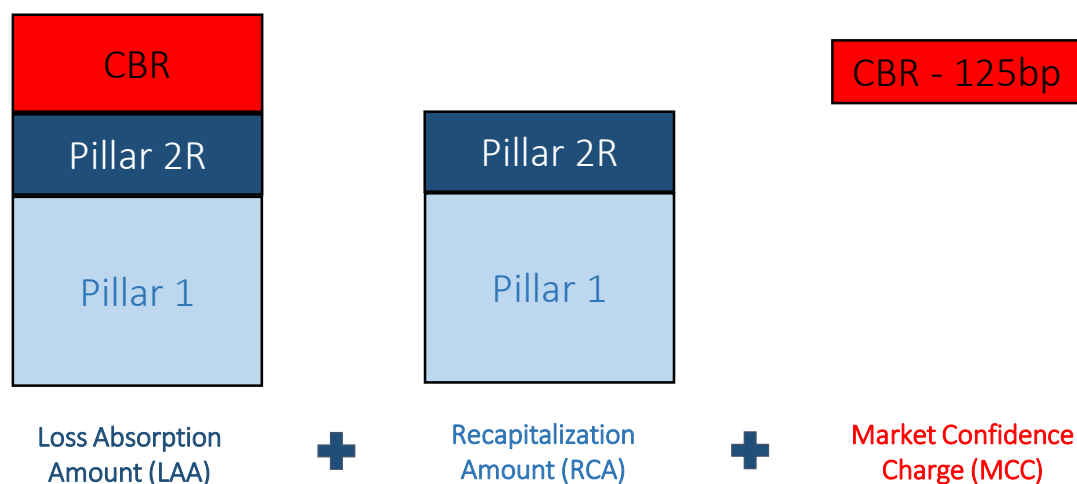
> Timeline



2. Updated SRB MREL Methodology for 2016

Key Features of SRB MREL Methodology for 2016 (1/2)

- Informative MREL Targets in 2016 = Mechanical sum of three amounts



- > Basel 1 floor: applicable for LAA and RCA determination
- > 8 percent “benchmark”: case by case analysis where targets are less than 8 percent total liabilities and own funds
- > Partial subordination for G-SIIs: as per TLAC at 13.5% + Combined Buffer Requirement

2. Updated SRB MREL Approach for 2016

Key Features of SRB MREL Methodology for 2016 (2/2)

- New SREP Methodology
 - > Pillar 2 split into two components: requirement and guidance;
 - > Stacking order clarified: Pillar 2 sits above the Pillar 1 total capital requirement; Pillar 2 guidance sits above the buffer requirements;
- Bank Specific Analysis still to be conducted
 - > Resolution strategy: informative MREL targets do not consider bank specific analysis and assume open bank bail-in. Additional work needed for transfer strategies (sale of business, AMC, bridge bank) and strategies based on recapitalization of a smaller group;
 - > Business model and risk profile: case-by-case analysis in calibrating the capital post-resolution (dialogue with the ECB);
- Assessment of MREL Eligible Instruments as per Art. 45 BRRD
 - > As a starting point in the 2016 methodology the SRB considered: all liabilities regardless their holding structures (incl. retail investors), term deposits > 1 year, national rules for subordination in relation to G-SIIs;
 - > And did not consider: structured notes, liabilities issued by SPVs, and third-country issuances.

2. Updated SRB Approach for 2016

Communication Policy

- Dialogue with banks on informative MREL targets in 2016
 - > Non-binding and non-enforceable
 - > No expectation for compliance, but orientation for the next steps
 - > No formal communication in 2016

- Engagements with banks
 - > Workshops with banks
 - > On-going dialogue

3. Aggregated Informative Targets and Shortfalls

Estimated Banking Union Impact based on our Sample

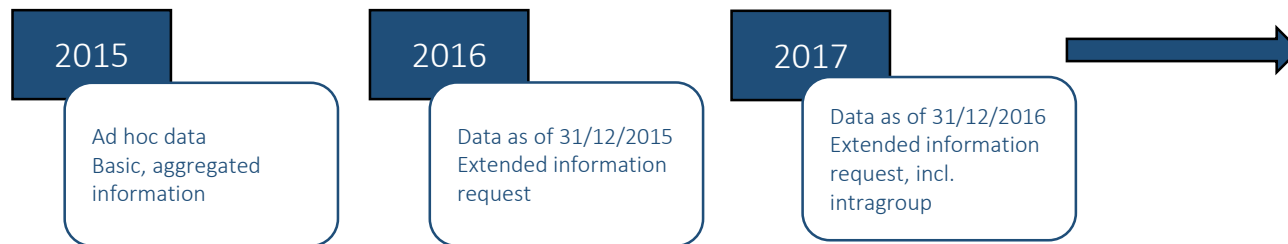
- Implementation of the 2016 SRB approach
 - > Mechanical approach not reflecting resolution strategies and risk profiles
 - > Does not take into account further case-by-case adjustments foreseen by the legislation
 - > Does not take into account the recent EU Commission legislative proposal;
- Horizontal analysis performed at SRB level for all major banks for which the SRB drafted resolution plans (except MPE strategies)
- Informative targets and shortfalls
 - > Informative targets: average 27% of total risk exposure amount (TREA)
 - > Shortfalls: 112bn EUR, representing on average 7% of TREA (for banks with shortfall)
 - > 8% “benchmark” not binding: two cases
- No one-size-fits-all answer foreseen

4. Liability Data Templates: Update and Timeline

Objectives of the LDT

- > Providing a view on liability structure and loss-absorbing mechanisms
- > Setting the adequate MREL requirements at different levels (solo, consolidated)
- > Being able to check compliance with the MREL decision in the future
- > Having a first set of detailed information to operationalise bail-in in real cases

Future of the LDT: will be composed of eight main elements



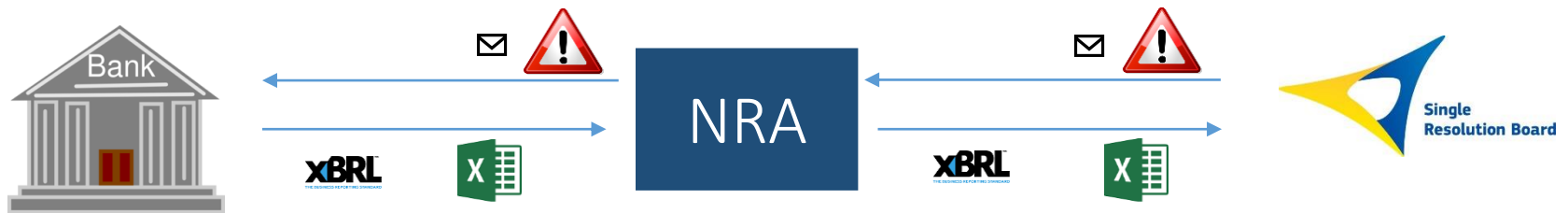
Identification (T00.01)
Liability structure (T01.00)
Own funds (T02.00)
Intragroup: Liabilities (T03.01) Guarantees received (T03.02) Guarantees provided (T03.03)
Securities (T04.00)
Deposits (T05.00)
Financial liabilities (T06.00)
Derivatives (T07.00)
SFT (T08.00)

- > The SRB is working in cooperation with NRAs, the ECB and the industry

4. Liability Data Templates: Update and Timeline

Finalisation of the LDT by end 2016

- > Format: Excel or XBRL (taxonomy expected Q1 2017), submission via a secured Data Collection Portal ; error reports if re-submission is needed
- > Deadline for submission: 15 May 2017 based on data as of 31 Dec 2016
- > Data quality checks by NRAs and SRB



5. 2017 and Beyond

Outstanding work expected in 2017 and beyond to adjust the methodology, including case-by-case analysis and future pieces of legislation

- > Cooperation with NRAs and ECB;
- > Interplay with EU Commission proposal

Several key topics to be addressed, among which

- > Tailoring requirements to the resolution strategy (MPE, partial recapitalization strategies, risk profile);
- > Solo requirements and internal MREL
- > Subordination
- > Eligibility of deposits
- > Tailored and consistent approach for transition periods

On-going discussions to prepare the ground for binding MREL targets

- > The discretionary choices made in determining informative targets for 2016 do not necessarily reflect the future choices the SRB will make when determining binding institution specific MREL requirements



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THANK YOU

For more information, please contact:

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