

SRB – BANKING INDUSTRY DIALOGUE MEETING

SRB Expectations for banks – Highlights of Industry consultation

Monday, 16 December 2019

Presenters: **Sebastiano Laviola, Bostjan Jazbec**



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2. Focus on bail-in execution, operational continuity access to FMIs



Single Resolution Board – Industry Dialogue

1. MAIN OUTCOMES OF THE INDUSTRY CONSULTATION



MAIN COMMENTS RECEIVED



Banks welcome that:

1. The SRB consulted the industry on a major policy development
2. The Expectations are consolidated in a single reference document
3. Resolvability is approached as a gradual process
4. Expectations will be phased-in
5. Expectations will be tailored to individual banks in a dialogue with IRTs, applying proportionality

Banks highlight some key topics/ areas of focus:

1. Challenges for implementation of some Expectations
2. Need for further operational guidance
3. Areas where information is available with other authorities (supervisors)



KEY TOPICS/ AREAS OF FOCUS



▶ **Liquidity and funding in resolution:**

- ▶ The framework could be burdensome if the exercise is extended to all “material legal entities in the perimeter of the resolution group”
- ▶ Greater clarity requested on:
 - methodological approaches to be applied;
 - when and why branch specific liquidity capabilities would be expected.
- ▶ Request to leverage on liquidity modelling, stress testing, reporting and collateral mobilization capacities developed for supervisory purposes

▶ **Loss absorbing capacity:**

- ▶ Challenges in implementing contractual amendments for recognition of bail-in powers and stay clauses
- ▶ Request for further operational guidance on bail-in playbooks



KEY TOPICS/ AREAS OF FOCUS



- ▶ **Operational continuity and access to FMIs:**
 - ▶ Request not to include “essential services/ FMIs” on top of “critical services/ FMIs”
 - ▶ Difficulties to negotiate resolution resilient clauses, especially with large providers
 - ▶ Challenges on the need for the intragroup service providers to be subject to financial resilience requirements and request for additional clarity (OCIR)
 - ▶ Assessment of portability should only apply in case of transfer strategies (FMIs)

▶ KEY TOPICS/ AREAS OF FOCUS

▶ **MIS capabilities for Valuation:**

- ▶ Request for further operational guidance specifying the frequency, timing, and format of the SRB Dataset for Valuation
- ▶ Request to leverage on internal modelling and reporting capabilities developed for supervisory purposes (Anacredit) and on banks' existing data governance and quality assurance framework

▶ **Separability and restructuring:**

- ▶ Challenges to describe ex-ante reorganization measures and request to rely on recovery options to restore long-term viability
- ▶ Some banks commented that a separability assessment is not necessary in the case of open-bank bail-in
- ▶ Ex ante re-structuring and reduction of complexity have to be applied in an proportionate way



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2. FOCUS ON BAIL-IN EXECUTION, OPERATIONAL CONTINUITY ACCESS TO FMIS

BAIL-IN OPERATIONALISATION : EXPECTATIONS 2019 - 2020

Communication to banks via priority letters and IRT workshops

All SRB banks were expected to prepare a bail-in playbook detailing the operational steps to practically implement a bail-in decision at the level of the point of entry

- ▶ In 2019, the focus was put on
 - ▶ liabilities identification process
 - ▶ provision of granular data
 - ▶ internal execution
- ▶ Banks received guidance from IRTs, e.g. dedicated annex to the 2019 priority letter and workshops with IRTs
- ▶ IRTs assess the bail-in playbooks delivered by the banks based on a consistent approach and provide feedback
- ▶ In order to efficiently implement bail-in, quality of Management Information Systems (MIS) remains a key issue

BAIL-IN OPERATIONALISATION : EXPECTATIONS 2019 - 2020

Communication to banks via Expectations for Banks, priority letters and IRT workshops

Expectations re Bail-in operationalisation include internal and external execution of bail-in:

▶ Internal execution

- ▶ Based on the IRTs' feedback, banks are expected to fine-tune their playbooks concerning the liabilities identification, data provision and internal execution in 2020
- ▶ Banks should continue their work on MIS and, in coordination with IRTs, consider national specificities to ensure bail-in readiness

▶ External execution

- ▶ Identify stakeholders involved (CSDs, National Numbering Agencies, operational agents, regulated markets and market authorities...)
- ▶ Describe capabilities to extract necessary information at short notice and support operational agents throughout execution process.
- ▶ Outline for the type of instruments and markets the different phases of the execution

Bail-in playbook is a living document: progress in 2020 should be reflected in the playbook

OPERATIONAL CONTINUITY EXPECTATIONS 2019 - 2020

Communication to banks via priority letters and IRT workshops

Banks were expected to establish a comprehensive work programme and appropriate governance arrangements to ensure that all potential impediments to the preferred resolution strategy are appropriately addressed.

Banks were expected to set up dedicated workstreams to address core resolvability conditions including Operational Continuity.

Operational Continuity expectations included:

- ▶ Identification and mapping of interconnectedness
- ▶ Analysis of risks to operational continuity in resolution
- ▶ Mitigation measures

OPERATIONAL CONTINUITY EXPECTATIONS 2019 - 2020

Communication to banks via Expectations for Banks, priority letters and IRT workshops

Operational Continuity expectations include:

- ▶ Identification and mapping of interconnectedness
- ▶ Analysis of risks to operational continuity in resolution
- ▶ Mitigation Measures
 - ▶ achieving resolution-resilient contracts
- ▶ Management Information Systems
 - ▶ critical services information and contract repository
- ▶ Governance Arrangements

For 2020, additional operational guidance is provided in the priority letters to banks.

ACCESS TO FMIS EXPECTATIONS 2019 - 2020

Communication to banks via priority letters and IRT workshops

Banks expected to set up workstreams to address core resolvability conditions

Expectations re continuity of access to FMI services included:

- ▶ **Identification and Mapping, in the FMI Report (since 2017)**
 - ▶ All FMIs and intermediaries providing payment, clearing, settlement and custody services
 - ▶ Mapped to legal entities, critical functions and core business lines.
- ▶ **FMI Contingency Plan**
 - ▶ Approach to maintain access to FMI services necessary for the continuity of critical functions and core business lines,
 - ▶ Based on clear understanding of conditions for continued access, including potential financial and operational requirements the bank may face

ACCESS TO FMIS EXPECTATIONS 2019 - 2020

Communication to banks via Expectations for Banks, priority letters and IRT workshops

Expectations re continuity of access to FMI services include:

▶ **FMI Report**

- ▶ Identifying and mapping
- ▶ Monitoring, reporting (and MIS capabilities)

▶ **FMI Contingency Plan**

Operational playbook explaining how the bank would meet substantive obligations under rulebooks and contracts, including heightened requirements,

Demonstrating the bank also meets SRB expectations:

- ▶ Assessing the impact of discontinued or degraded access
- ▶ Understanding and meeting the requirements for continued access
- ▶ Governance and communication
- ▶ Customer portability

Additional operational guidance provided in Priority Letter 2020 and workshops

▶ OUTLOOK

- ▶ The SRB will review industry comments in detail
- ▶ The outcome of the consultation will be published together with the final Expectations for Banks document on the SRB website in Q1 2020
- ▶ Banks are expected to follow the Expectations for Banks in their Progress Reports

THANK YOU!

For more information, please contact:
SRB-INFO@srb.europa.eu

