



**SMALL AND
MEDIUM-SIZED BANKS:
RESOLUTION PLANNING
AND CRISIS MANAGEMENT
FOR LESS SIGNIFICANT
INSTITUTIONS
IN 2023 AND 2024**

About this publication

This report provides an overview of the state of play of resolution planning and crisis management in respect of the less significant institutions (LSIs) under the direct responsibility of the national resolution authorities (NRAs). Many colleagues from across the Single Resolution Mechanism (SRM), in particular from the NRAs, have played an active role in writing this report. The SRB's special thanks go to all of them for their support.

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Abbreviations

BU	Banking Union
BRRD	Bank Recovery and Resolution Directive
CBR	Combined buffer requirement
CSD	Central securities depository
CSDR	Central Securities Depositories Regulation
CCP	Central counterparty
CCP RRR	CCP Recovery and Resolution Regulation
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
ECB	European Central Bank
EfB	Expectations for Banks
EMIR	European Market Infrastructure Regulation
EU	European Union
FMI	Financial market infrastructure
FOLTF	Failing or likely to fail
FSB	Financial Stability Board
G-SIB	Global systemically important bank
GDP	Gross domestic product
GLRA	Group-level resolution authority
IPS	Institutional protection scheme
LAA	Loss absorption amount
LRE	Leverage ratio exposure measure
LSI	Less significant institution
MREL	Minimum requirements for own funds and eligible liabilities
NCA	National competent authority
NRA	National resolution authority
PIA	Public interest assessment
PIA SWE	Public interest assessment under system-wide events
RPC	Resolution planning cycle
SOs	Simplified obligations
SRB	Single Resolution Board
SRM	Single Resolution Mechanism
SRMR	Single Resolution Mechanism Regulation
SSM	Single Supervisory Mechanism
TREA	Total risk exposure amount

Key takeaways

- ▶ Less significant institutions (LSIs), with the exception of cross-border LSIs, are under the direct responsibility of national resolution authorities (NRAs), with SRB oversight ensuring **effective and consistent application of the Single Resolution Mechanism (SRM) Regulation¹ and high standards in resolution planning and crisis management** both horizontally – across the LSIs in the 21 participating Member States – and vertically – between the LSIs and SRB banks within these Member States.
- ▶ This is the second report published by the SRB. It focuses on the status of the 2023 resolution planning cycle (RPC), and sets out the progress made by NRAs in terms of coverage and standards of LSI resolution planning. In the 2024 RPC, NRAs will focus on the remaining issues to foster LSIs' resolvability and their own crisis preparedness. This includes ensuring that the preferred and, where applicable, variant resolution strategies can be credibly and feasibly implemented.
- ▶ In terms of structure, about three quarters of LSIs consist of cooperative and savings banking networks. Of the remaining 500 LSIs, some have special business models such as custodians, investment banks or financial market infrastructures (FMIs). In total, NRAs have **earmarked 70s LSI for resolution** in case of failure due to the presence of critical functions and for financial stability reasons.
- ▶ All LSIs concerned have ensured compliance with their binding minimum requirements for own funds and eligible liabilities (**MREL**) targets as of 1 January 2024. In several cases, NRAs extended the MREL transitional periods in line with legal requirements, mostly due to a change of resolution strategy. The cumulative shortfall in the total risk exposure amount (TREA) against these postponed deadlines is EUR 2.8 billion. The respective NRAs, in collaboration with the SRB, perform regular MREL monitoring.
- ▶ **No substantive impediments to resolvability** were formally identified in the 2023 RPC; however, some LSIs with a resolution strategy might face potential impediments. NRAs continue to phase in and proportionately implement the SRB's **Expectations for Banks** and its resolvability assessment (heatmap) approach.
- ▶ **NRAs and the SRB are enhancing LSI crisis preparedness and management** through discussions about best practices and by developing SRM procedures. The **first SRB-led LSI crisis simulation** regarding a fictitious LSI earmarked for resolution was concluded in February 2024. This exercise tested cooperation among SRM authorities, taking into consideration the distribution of competences between the SRB and NRAs regarding the decision to take a resolution action requiring the use of the Single Resolution Fund (SRF) with respect to a bank under the NRA's direct responsibility.

¹ Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010.

LSI oversight and cooperation with NRAs

The Single Resolution Board (SRB) and national resolution authorities (NRAs) hold complementary roles within the Single Resolution Mechanism (SRM). In principle, less significant entities and groups – except for groups with credit institutions established in more than one participating Member State – remain under the direct responsibility of NRAs, which perform their resolution planning and crisis management activities using their own resources and decision-making procedures. Conversely, in addition to assuming direct responsibility for significant entities and cross-border groups (SRB banks), the SRB is tasked with ensuring that the SRM as a whole functions effectively and consistently.

In its oversight function, set out in the SRM Regulation (SRMR)² and further specified in the Cooperation Framework between the SRB and NRAs³, the SRB ensures the consistent application of high resolution standards and guarantees a level playing field across LSIs in different Member States, as well as across banks under its own direct responsibility and the NRAs' responsibility. The oversight activities are structured vertically across country desks for all participating Member States, and across several horizontal domains relating to the development and monitoring of relevant processes and policies.

The procedures and practices of LSI oversight respect the division of responsibilities between the SRB and NRAs, and take into account the principle of proportionality. The policies developed for SRB banks are also applicable to LSIs, where relevant and in a proportionate way.

The SRB and NRAs cooperate on LSI oversight in a structured manner, on both a bilateral and multilateral basis. Before adopting resolution measures with respect to LSIs under their direct responsibility, NRAs give the SRB the opportunity to express its views on the notified draft decisions. The SRB also receives regular and ad hoc information from NRAs on the performance of their relevant tasks. As an example of structured bilateral cooperation, since 2019, the SRB has been meeting annually with each NRA in order to discuss all their planned resolution measures before formal notification in a forthcoming cycle.

In addition, regular multilateral cooperation is ensured through the SRB Resolution Committee (CoRes) and its Substructure on LSI Oversight, involving representatives of all NRAs, the European Commission's DG Financial Stability, Financial Services and Capital Markets Union (FISMA), and ECB Banking Supervision's DG Specialised Institutions & LSIs (SPL). The substructure serves as a preparatory forum for

² Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010.

³ Decision of the Single Resolution Board of 17 December 2018 establishing the framework for the practical arrangements for the cooperation within the Single Resolution Mechanism between the Single Resolution Board and National Resolution Authorities.

applying SRB resolution standards to LSIs, discussing the main issues impacting on the performance of the resolution tasks with respect to these banks, and exchanging resolution best practices between the SRB and NRAs. Some of the main discussion topics concerned the monitoring of NRA resolution planning activities and staffing resources, MREL setting and compliance, and the phasing-in of the SRB resolvability assessment policy with respect to LSIs.

The 2023 RPC has also marked progress towards more knowledge sharing and collaboration in the area of LSI crisis preparedness. This included the first dry-run exercise testing the failure of an LSI requiring the use of the SRF, and therefore the adoption of the resolution scheme by the SRB. The exercise has contributed to the ongoing development of a dedicated handbook guiding the cooperation process between the SRB and the NRAs in crisis cases for banks earmarked for resolution that are under NRAs' direct responsibility, also taking into account the potential intervention of the SRF, and the identification of future actions required for strengthening crisis readiness in line with the SRM Vision 2028.

1. The LSI sector in the Banking Union

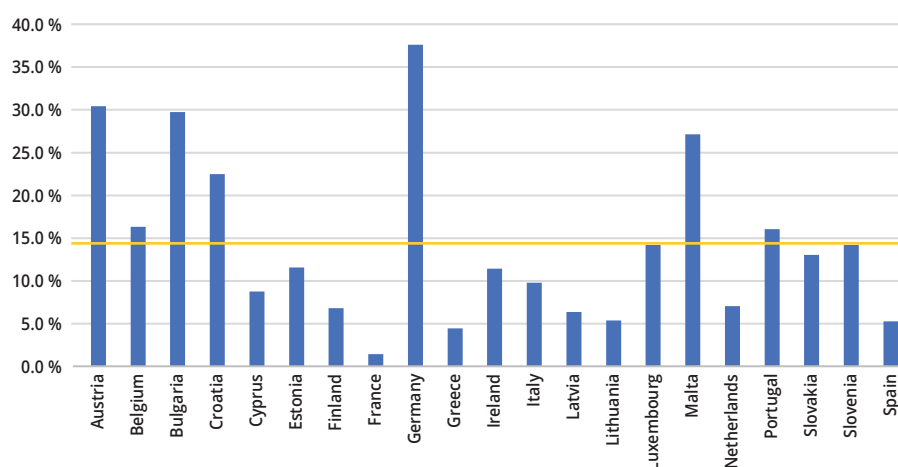
1.1. LSIs in national economies and banking sectors

The European banking industry has a diverse and dynamic LSI sector that contributes to the real economy. As at 1 January 2024, there were a total of 1 915⁴ LSIs at the highest level of consolidation.

The aggregated LSI total assets amount to around EUR 4.9 trillion, or a third of the combined gross domestic product (GDP) of the 21 participating Member States. The LSI sector accounts for 14% of total banking assets. The share of LSI assets in a country's total banking assets deviates considerably, due to structural differences across Member States. LSIs contribute to the largest share of the national banking sectors in Germany (38%) and Austria (30%), mostly due to the LSIs belonging to the cooperative and savings bank sectors, as well as in Bulgaria (30%) and Malta (27%).

The relevance of the LSI sector in terms of national GDP is highest in Luxembourg (168%), reflecting the financial orientation of the national economy. Similar to the role of the LSI sectors in the national banking sectors, the ratio of the LSI sectors' total assets to GDP is high in Austria (78%), Germany (73%) and Malta (65%). The LSI sectors in France, Greece and Lithuania are smallest with respect to both the national banking sectors and GDP.

Figure 1. National LSI sectors to national banking sectors



Source: SRB calculations based on the ECB as at 31 December 2023.

⁴ This figure excludes some LSIs that – whilst on the ECB's 1 January 2024 list of supervised banks – were in the process of being wound down or for which resolution planning was required. Cross-border LSIs under the SRB's remit have also been excluded.

1.2. LSI size and business models

In terms of their size, the vast majority of LSIs have total assets below EUR 10 billion. These are mostly retail banks and diversified lenders belonging to the cooperative or savings bank networks. There is a distinctive category of large LSIs – between EUR 20 and 30 billion – consisting of car finance, retail banks, diversified lenders, central savings and cooperative banks. Exceptionally, there is a category of LSIs that exceed EUR 30 billion, such as those that exceeded the threshold but have not yet been reclassified by the ECB as significant, as well as one central securities depository with a banking licence, which has total assets of EUR 165.4 billion⁵.

Table 1. LSI size

	Number of LSI/LSI groups	Aggregated total assets (m EUR)	Average size (m EUR)
> EUR 30 bn	4	270 955	67 739
EUR 20-30 bn	15	378 517	25 234
EUR 10-20 bn	78	1 074 796	13 779
EUR 1-10 bn	857	2 765 212	3 227
< EUR 1 bn	961	381 895	397
Total	1 915	4 871 375	2 542

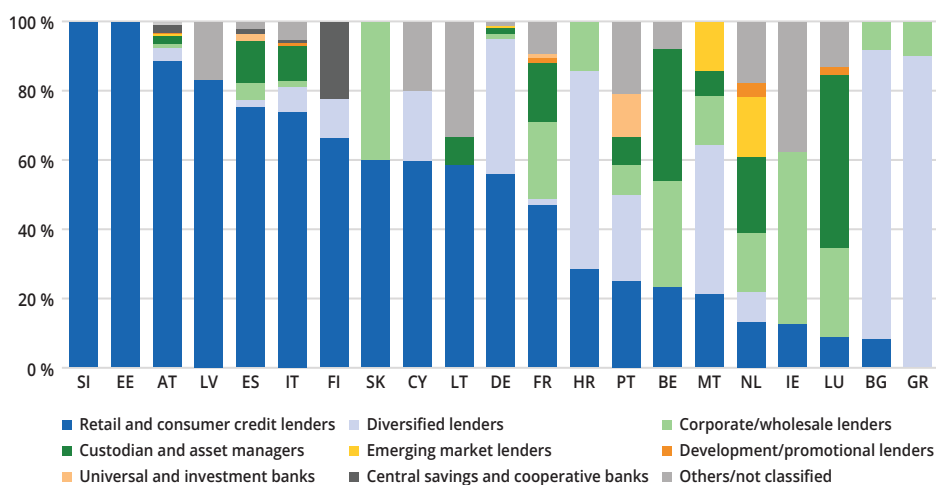
Source: SRB. Note: Data as at 31 December 2023; business models according to the ECB classification.

Having evolved over a long time, the business models of LSIs vary significantly among the different Member States. Retail banking remains the predominant business model, but LSIs are also present in many market segments, ranging from corporate lending and asset management to more specialised products such as car finance and custodian services, according to the classification by ECB Banking Supervision. The LSI sector also includes FMIs with a banking licence, and more recently, it has witnessed the emergence of digital-only banks.

Figure 2 presents the breakdown of the number of LSIs by business model and Member State, as provided in the ECB Annual Report on Supervisory Activities 2023⁶ and reported by the national competent authorities following a standardised classification menu.

⁵ Supervised entities that meet one of the criteria under the SSM Regulation – and therefore qualify as significant – may nevertheless be classified by the ECB as less significant because of particular circumstances in accordance with the fifth sub-paragraph of Article 6(4) of the SSM Regulation and Article 70 of the SSM Framework Regulation.

⁶ ECB Annual Report on supervisory activities 2023.

Figure 2. LSIs business model classification

Source: ECB Annual Report on supervisory activities 2023.

Note: Most of the primary banks in the cooperative and savings bank networks have a 'Retail and consumer credit lenders' business model.

1.2.1. Cooperative and savings LSIs

The evolution of the European cooperative and savings bank sector has resulted in different levels of consolidation between the central body and the affiliated entities, which can be classified into three models: (i) non-consolidated networks – the participating institutions have remained independent entities, coordinating on a voluntary basis; (ii) consolidated groups – the participating institutions have become consolidated from a prudential and resolution perspective, but retained their status; and (iii) single entities – all entities in the network have merged into a single institution.

Up to 1 500 LSI entities (mostly retail and consumer credit lenders) in the Austrian, German, Italian (South Tyrolean) and Spanish banking sectors participate on a stand-alone basis in non-consolidated cooperative and savings bank networks. Owing to their size, these networks are important players on the national markets in Austria and Germany. LSIs contribute substantially to the aggregated total assets of these cooperative and savings bank groups. It should be noted that the consolidation trend in cooperative and savings bank networks continues, albeit at a moderate pace. While the number of primary banks is expected to decrease, it does not affect the architecture of the network.

1.2.2. Foreign-owned LSIs

The second most widespread category of LSIs, after the entities participating in the cooperative and savings bank networks, is LSIs with majority foreign (non-Banking Union) ownership (around 140 institutions). Out of 22 non-EU global systemically important banks (G-SIBs), with the exception of two Canadian groups, 20 are present in the Banking Union. Most UK- and US-headquartered G-SIBs are present in the form of significant institutions. In contrast, owing to the size of their Banking Union subsidiaries, all eight Chinese and Japanese G-SIBs ensure their presence in

the Banking Union through their LSI subsidiaries. In addition, a number of LSIs are extensions of banking groups headquartered in non-participating Member States. Further foreign ownership may manifest itself through ownership by third-country individuals, investment funds and industrial groups.

1.2.3. Financial market infrastructures

Central securities depositories (CSDs) and central counterparties (CCPs) are key components of the financial system. A financial, legal or operational problem in any of the institutions that perform critical functions in the clearing and settlement process may be a source of systemic disturbance for the financial system as a whole. Five such institutions are classified as less significant, under the NRAs' direct responsibility. These entities are subject to double licensing – as credit institutions under the Capital Requirements Regulation (CRR) and as FMIs under either the European Market Infrastructure Regulation (EMIR) or the Central Securities Depositories Regulation (CSDR), whereby banking services play only an auxiliary role to the main function (CCP or CSD).

1.2.4. Digital-only LSIs

Traditional retail banking has been increasingly challenged to move towards a more digital approach. Several credit institutions in the Banking Union have adopted a digital business model. By definition, these are small newcomer banks within the LSI sector. While covered by a generic 'fintech' umbrella, these banks demonstrate a wide diversity in terms of business models and ownership. In terms of business models, digital LSIs offer their products and services to both retail and institutional clients. Notably, some LSIs offer Banking-as-a-Service (BaaS) platforms, whereby fintech start-ups can launch their financial product offerings under these LSIs' banking licences. Elsewhere, an LSI provides reference accounts to clients who wish to deposit their funds in banks participating in deposit-aggregator platforms. According to the ECB, in 2023, six new banking licences were granted, most of which were for fintech entities.⁷

⁷ ECB Annual Report on supervisory activities 2023.

2. LSI resolution planning

This chapter focuses on the NRAs' resolution planning for LSIs under their direct responsibility.

2.1. Resolution planning coverage in the 2023 RPC

Resolution planning for LSIs is conducted on an annual basis, broadly following the timeline of the resolution planning cycle (RPC) for SRB banks (starting on 1 April and ending on 31 March). In the 2023 RPC, there were 1 939 LSIs at the highest level of consolidation for which resolution planning was required, while in the 2024 RPC, the number decreased to 1 915.

Table 2. Number of LSIs at the highest level of consolidation, for which resolution planning was required

Member State	2023 RPC	2024 RPC
Austria	345	326
Belgium	12	12
Bulgaria	13	13
Croatia	14	14
Cyprus	5	5
Estonia	5	5
Finland	9	9
France	72	70
Germany	1 145	1 145
Greece	9	9
Ireland	8	8
Italy	116	115
Latvia	6	5
Lithuania	10	11
Luxembourg	43	42
Malta	14	14
Netherlands	23	22
Portugal	23	23
Slovakia	5	5
Slovenia	5	5
Spain	57	57
SRM total	1 939	1 915

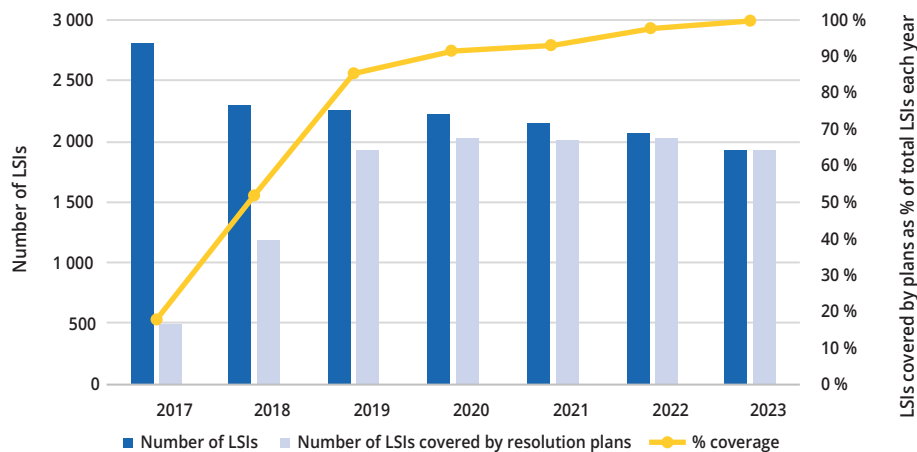
Source: NRAs.

The LSI sector is characterised by dynamism, for instance due to mergers in the cooperative and savings bank sectors, and by other corporate events. The original planning of the 2023 RPC envisaged the number of LSI plans at 1 999, which declined in the course of the 2023 RPC.

Moreover, the 2023 annual assessment by the ECB resulted in two LSIs being reclassified. A German LSI was classified as significant because its assets exceeded EUR 30 billion, and a Lithuanian LSI was taken over by the ECB in view of factors such as the institution's large cross-border presence in European markets, its rapidly growing balance sheet and the substantial increase in its client numbers in different Member States.⁸ These two entities are significant institutions as of 1 January 2024. At the same time, the German and Lithuanian NRAs drew up and adopted resolution plans for these entities in the course of the 2023 RPC, and hence both institutions are included in the scope of this report.

LSI resolution planning coverage has grown steadily in each RPC since the SRM was established, reaching 97.4% in the 2022 RPC and 99.5% in the 2023 RPC. In practical terms, full LSI resolution planning coverage is achieved, meaning that NRAs have resolution plans for all LSIs under their direct responsibility, with only minor exceptions⁹. Likewise, full resolution planning coverage is projected in the 2024 RPC (which will conclude on 31 March 2025).

Figure 3. LSI resolution planning coverage



Source: SRB Annual Report 2023.

⁸ ECB Annual Report on supervisory activities 2023.

⁹ Resolution planning is substantially covered for all Member States, with some exceptions due to contingent reasons. All nine of these cases were justified by the NRAs concerned, with the main reasons being: i) ongoing changes in the corporate structure of the relevant LSIs (M&A transactions) or expected winding down, ii) the recent establishment of some LSIs and the lack of the necessary data, such as recovery plans or SREP scores, and iii) ongoing administrative procedures, and similar objective reasons.

2.2. Simplified obligations

This section introduces the simplified obligations (SOs) applicable to resolution planning contained in the EU resolution framework (Article 4 BRRD, Article 11 SRMR and the Commission Delegated Regulation on simplified obligations¹⁰). Overall, out of 1 869 LSIs with a liquidation strategy, **97.1%** (or 1 814) **are eligible for SOs**. No LSI earmarked for resolution was considered eligible for SOs.

The methodology to assess the eligibility of LSIs for SOs is set forth in Commission Delegated Regulation (EU) 2019/348 (the 'DR') and involves a two-step assessment consisting of a quantitative test and a qualitative assessment. Article 1(2) DR sets the default threshold of 25 basis points (bps) for the quantitative assessment; and five NRAs apply it. The remaining NRAs adjust the default threshold, mostly upwards, in line with Article 1(3) DR.

As a next step in assessing the eligibility for SOs NRAs conducted the qualitative assessment according to Article 2 DR, and established that the failures of the LSIs concerned would not have a significant negative effect on financial stability. The combination of both quantitative and qualitative assessments as required by the DR, in combination with the adjustment of the quantitative thresholds to reflect national specifics, explains the wide range of LSIs eligible for SOs.

NRAs comply with the legal requirement set out in Article 1 DR, whereby they assess the eligibility for SOs on a regular basis, at least every 2 years. Specifically, eight NRAs do so on an annual basis. These assessments can be stand-alone decisions encompassing several LSIs, or part of simplified resolution plans. Apart from the decreased frequency of the updates to the resolution plans for LSIs eligible for SOs, other simplifications relate to the contents of the resolution plans and resolvability assessment.

2.3. Resolution planning for specific types of LSIs

As described in Chapter 1, the LSI sector has a very heterogeneous structure according to the entities' size, business model, geographical scope of operations, and so forth. This Chapter focuses on specific categories.

2.3.1. Resolution planning for banks with resolution colleges

Some LSIs are part of a cross-border banking group. In order to facilitate resolution planning, resolution authorities establish resolution colleges, as per Articles 88 and 89 BRRD, in line with Commission Delegated Regulation (EU) 2016/1075.

The Cooperation Framework between the SRB and NRAs¹¹ includes specific provisions regarding the cooperation between the SRB and NRAs before any formal

¹⁰ Commission Delegated Regulation (EU) 2019/348 of 25 October 2018 supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the criteria for assessing the impact of an institution's failure on financial markets, on other institutions and on funding conditions.

¹¹ Decision of the Single Resolution Board of 17 December 2018 establishing the framework for the practical arrangements for the cooperation within the Single Resolution Mechanism between the Single Resolution Board and National Resolution Authorities (SRB/PS/2018/15).

position is taken. Specifically, NRAs are expected to provide their contribution regarding the resolution college to the SRB for feedback and technical suggestions at staff level, in order to coordinate before the resolution college. Following the resolution college, before signing the final documentation (joint decisions), NRAs submit them to the SRB for formal assessment as per the regular practice.

In terms of the specifics of resolution planning, in addition to the two-step notification process designed to ensure that the SRB and NRAs speak with one voice at resolution colleges, the timelines are defined by the group-level resolution authority (GLRA).

The SRB's LSI oversight function ensures coordination among NRAs if they participate in the same resolution colleges, but also liaise with the competent resolution units if a resolution college concerns both SRB banks and LSIs.

2.3.2. Resolution planning for cooperative and savings bank networks

One key unifying feature of cooperative networks is that the central entity is owned and controlled by the local/regional entities participating in the respective network. In the non-consolidated networks, all entities in the network are considered on a stand-alone basis; there is no consolidated accounting and all of them are treated individually from a supervisory and resolution perspective. These networks have Institutional Protection Schemes (IPS), which provide contractual or statutory liability arrangements to protect their members from liquidity and solvency shortages. The entities that are IPS members have access by law to some of the benefits applicable to consolidated groups. In terms of resolution planning, in non-consolidated networks, every entity is considered on a stand-alone basis; correspondingly, external MREL targets are set for all the network members.

2.3.3. Resolution planning for financial market infrastructures

As specified in Section 1.4.2, some LSIs also perform the functions of FMIs, such as CCPs and CSDs. In this respect, Annex I to the FSB's Key Attributes of Effective Resolution Regimes for Financial Institutions¹² explicitly provides for resolution planning for systematically important FMIs, highlighting their specific circumstances from a resolution perspective.

In the EU, the **CCP Recovery and Resolution Regulation** (CCP RRR)¹³ lays down a specific recovery and resolution regime for CCPs. To avoid duplication of resolution planning for entities under the scope of both EMIR and the CRR, the CCP RRR excludes such entities from the scope of the BRRD¹⁴ and the SRMR¹⁵. Hence, resolution planning under the BRRD and the SRMR is not applied to LSIs with a CCP licence.

¹² Key Attributes of Effective Resolution Regimes for Financial Institution.

¹³ Regulation (EU) 2021/23 of the European Parliament and of the Council of 16 December 2020 on a framework for the recovery and resolution of central counterparties and amending Regulations (EU) No 1095/2010, (EU) No 648/2012, (EU) No 600/2014, (EU) No 806/2014 and (EU) 2015/2365 and Directives 2002/47/EC, 2004/25/EC, 2007/36/EC, 2014/59/EU and (EU) 2017/1132 (Text with EEA relevance). In force since 12 August 2022.

¹⁴ Article 1(3) BRRD as amended by Article 93 CCP RRR.

¹⁵ Article 2(2) SRMR as amended by Article 94 CCP RRR.

In contrast, the **CSD Refit Regulation** (CSDR-Refit)¹⁶ does not provide for a specific recovery and resolution regime for CSDs. Under Article 22a(7) CSDR-Refit, *'Where a resolution plan under Directive 2014/59/EU, or a similar plan under national law with the aim of ensuring the continuity of a CSD's core services, is established and maintained for a CSD, the resolution authority or, where no such authority exists, the competent authority shall inform ESMA of the existence of such a plan. Where the recovery plan and the resolution plan under Directive 2014/59/EU, or any similar plan under national law, contain all of the elements listed in paragraph 2, the CSD shall not be required to prepare the [orderly wind-down] plans.'*

However, there are no other provisions concerning resolution planning for CSDs. Hence, there is no exception similar to the one provided for by the CCP RRR, and CSDs with a CRR licence (CSD-banks) fall under the BRRD and the SRMR. The current CSDR-Refit provision that CSDs whose recovery or resolution plans include compulsory elements of the orderly winding-down plans do not have to prepare the latter plans means in practice that resolution plans for CSD banks are prepared under the SRMR/BRRD approach.

2.3.4. LSIs as part of insurance groups

Several LSIs are part of international insurance groups and rely on the insurance component for funding. In this respect, there is a risk of exogenous shock stemming from the operations of the parent insurance groups, which would affect the respective LSIs. The insurance groups are outside the Banking Union's remit.

This topic should also be examined through the prism of the ongoing legislative initiative. In September 2021, the European Commission published a legislative proposal for a new EU Insurance Recovery and Resolution Directive ('IRRD') as part of its comprehensive review package of Directive 2009/138/EC ('Solvency II'). The IRRD will create a harmonised recovery and resolution planning framework for EU (re)insurance undertakings and their groups. The aim of the framework is to provide a credible set of resolution tools to intervene sufficiently early and quickly if (re) insurers are failing or likely to fail. The proposal adopts the 'pre-emptive' approach whereby insurance companies must submit plans to the supervisory authorities, which would be given powers to implement resolutions. The proposal also sets out a range of tools for resolutions.

While this proposal is largely inspired by the BRRD, there are many differences, reflecting the different nature, complexity and issues of (re)insurance undertakings. In the European Parliament, the Committee on Economic and Monetary Affairs (ECON), which is in charge of the file, adopted its report in July 2023. The co-legislators reached an interinstitutional provisional agreement on 14 December 2023, which the ECON Committee approved on 29 January 2024. The next steps include the adoption of the text by the Parliament's plenary session and by the Council.

¹⁶ Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012.

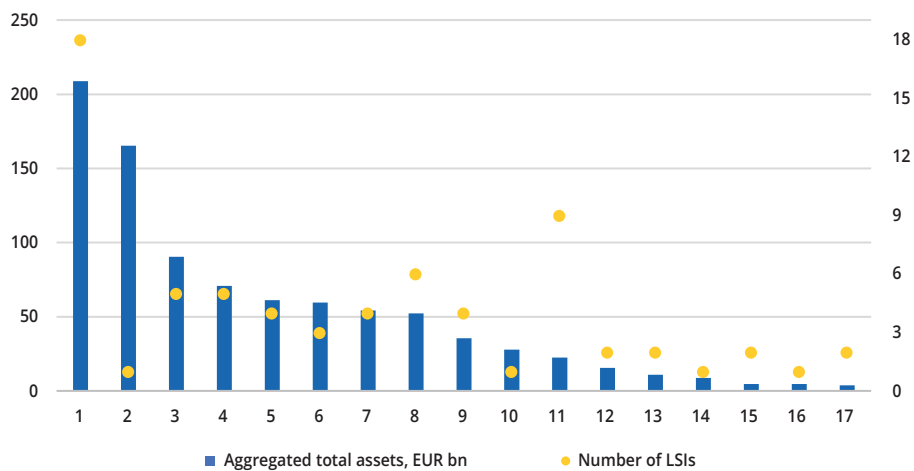
3. LSIs with a resolution strategy

The chapter is devoted to the 70 LSIs with a positive PIA conclusion, earmarked for resolution by the respective NRAs.

In the 2023 RPC, **17 NRAs** earmarked **70 LSIs for resolution**. It should be noted that 1 of the 70 LSIs included in the 2023 RPC was reclassified as an SI on 1 January 2024. It is included in the sample since the 2023 resolution plan for this entity was prepared by the respective NRA before the reclassification.

As at 31 December 2023, the **total assets of the 70 LSIs** reached **around EUR 900 billion**. With the exception of two outliers, the total assets range between EUR 150.3 million to EUR 29.8 billion, with an average of EUR 9.958 billion.

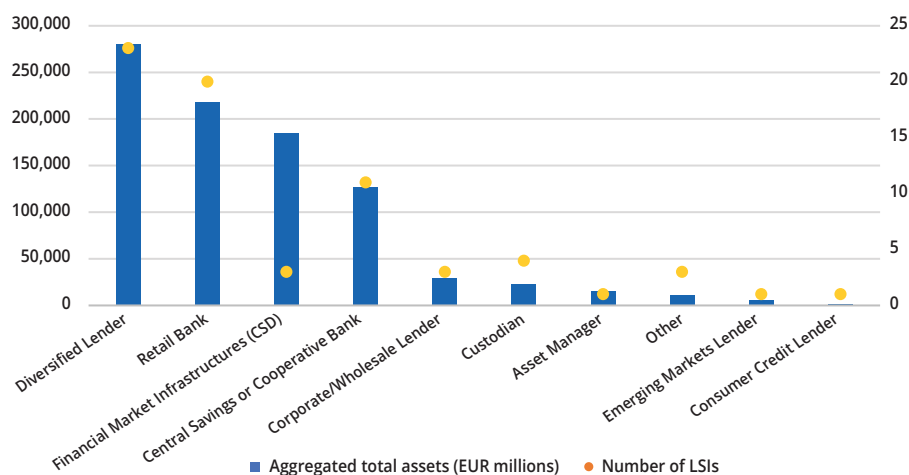
Figure 4. 70 resolution LSIs by Member State, with aggregated total assets



Source: SRB calculations based on the data provided by NRAs.

When considering business models as defined by ECB Banking Supervision, LSIs earmarked for resolution predominantly consist of diversified lenders and retail banks, collectively representing more than two thirds of the LSIs earmarked for resolution. They are followed by central savings or cooperative banks and seven special-business-model LSIs, which are either custodian banks or CSDs. The remaining nine LSIs are either corporate/wholesale lenders, consumer credit lenders, asset managers, emerging market lenders, or classified as 'other'.

Figure 5. 70 resolution LSIs by business model and aggregated total assets (as at 31 December 2023)

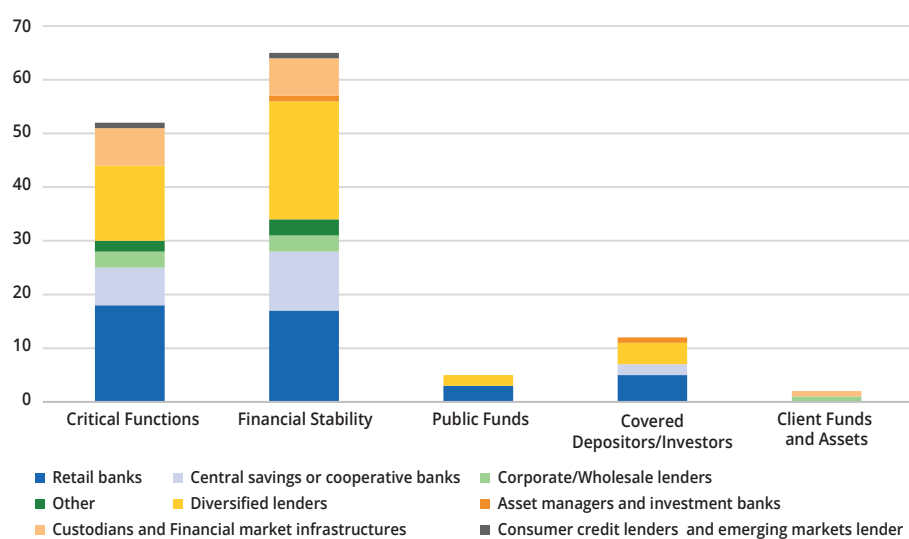


Source: SRB calculations based on the data provided by NRAs and ECB Banking Supervision.

3.1. Resolution objectives

Most of the plans notified in the 2023 RPC refer to the same resolution objectives as in the previous iterations to (preliminarily) conclude that resolution is in the public interest. Ensuring the continuity of critical functions and avoiding significant adverse effects on financial stability remain the two predominantly invoked resolution objectives. The remaining three resolution objectives were relied upon to a much lesser extent, and only in combination with the above.

Figure 6. Resolution objectives



Source: SRB calculation based on the data provided by NRAs and ECB Banking Supervision.

3.1.1. Critical functions

For 53 out of 70 LSIs, a positive PIA is based on the need to ensure the continuity of critical functions. The critical functions identified relate to several categories.

Deposit-taking and lending are mostly deemed critical for retail banks and diversified lenders. Moreover, these banks are prominent providers of services in the category of ‘payment and cash services, custody and clearing’, which are also provided by the central savings and cooperative banks.

Likewise, financial market infrastructures (CSD) and custodians perform critical functions in the category of ‘payment and cash services, custody and clearing’.

Lastly, as expected and given the LSIs’ size and types of business model, capital market and wholesale funding are critical functions in only a few cases.

Table 3. Critical functions as a justification for resolution

ECB business model classification	Number of LSIs	Deposits	Lending	Payment and cash services, custody and clearing	Capital markets	Wholesale funding
Retail bank	19	17	11	14	–	1
Diversified lender	14	10	7	10	–	2
Central savings or cooperative Bank	7	4	–	7	2	1
Corporate/wholesale lender	3	1	2	2	–	1
Financial market infrastructures (CSD)	3	–	–	3	–	–
Custodian	4	–	–	4	–	1
Other	2	1	–	1	–	–
Consumer credit lender	1	–	1	–	–	–
Total	53	33	21	41	2	6

Source: SRB calculations based on the data provided by NRAs. The breakdown numbers exceed 53, as one LSI may have several categories of critical functions.

3.1.2. Financial stability

Financial stability considerations were mentioned to justify a positive PIA for 66 out of 70 LSIs, either in conjunction with critical functions¹⁷ or independently. Methodologically, financial stability was identified through one or a combination of three contagion channels: economic importance, direct contagion, and indirect contagion. These were considered under either idiosyncratic or system-wide event scenarios, or both.

Among the 66 LSIs justified for resolution due to financial stability considerations, 52 were found to pose a risk under at least an idiosyncratic scenario (i.e. either

¹⁷ This section looks at financial stability and its interplay with critical functions (the other three objectives are excluded for analytical purposes).

solely under an idiosyncratic scenario or under both idiosyncratic or system-wide events). The remaining 14 LSIs posed a risk only under a system-wide event.

In the smaller sample of 17 LSIs that do not perform critical functions and financial stability is the sole argument, 12 LSIs were earmarked for resolution only on the ground of system-wide events.

3.2. Preferred and variant resolution strategies

All but one LSI follow a single point of entry (SPE) approach, under which only the parent company would be the direct target of resolution powers.

3.2.1. Preferred resolution tool

NRAs opt mainly for bail-in (37 LSIs) and sale of business (SoB) (32 LSIs) as the preferred resolution tool (PRT)¹⁸. While bail-in is the PRT for around 80% of the SRB banks¹⁹, it is the PRT for around 53% of LSIs. The higher share of SoB is only partly explained by the presence of LSIs with specific business models for which bail-in is not suitable. Within the SoB tool, preference is given to a share deal (27 LSIs).

Bail-in is prominently favoured for banks with traditional business models (such as central savings or cooperative banks and lenders), while SoB is the PRT mostly for banks with special business models (such as asset managers, custodians and financial market infrastructures), reflecting the specifics of such institutions.

Table 4. Preferred resolution tools in the 2023 RPC

ECB business model classification	Number of LSIs	Bail-in	SoB	BI
Central savings or cooperative bank; Consumer credit lender; Corporate/wholesale lender; Diversified lender; Emerging markets lender; Retail bank	59	34	24	1
Asset manager; Custodian; Financial market infrastructures; Other	11	3	8	–
Total number of LSIs	70	37	32	1

Source: SRB calculations based on the data provided by NRAs.

3.2.2. Variant resolution tool

Of the 70 LSIs earmarked for resolution, NRAs have set a **variant resolution tool (VRT) for 36 LSIs**. Sale of business is the VRT for bail-in in 11 cases, and in 1 case for the bridge institution; while bridge institution is chosen in 19 cases as the main VRT for the sale-of-business strategy. Bail-in as the VRT to the sale of business was defined for five cases.

¹⁸ In instances where NRAs identified a combination of tools within the preferred resolution strategy but adequate operationalisation was provided only for one tool, the more actionable resolution tool is reported here as the preferred resolution tool.

¹⁹ Resolvability of Banking Union Banks: 2022.

3.2.3. Operationalisation of resolution tools

The operationalisation of resolution tools, both preferred and variant, has been identified as one of the key priorities for the 2023 RPC and onwards. This entails work on the use of the bail-in tool, alone or in combination with other resolution tools, as well as developing capabilities so that transfer tools can be implemented. Progress is assessed against the deliverables (i.e. bail-in playbooks, separability analysis reports and transfer playbooks) that the NRAs deemed applicable when drafting the resolution plan.

As regards the **bail-in operationalisation**, the majority of LSIs were assessed as having achieved advanced progress across the relevant aspects, including governance, communication, identification of instruments, data provision, and execution.

In general, further work is required regarding the **operationalisation of transfer tools** and its relevant aspects of governance, communication, identification of transfer parameters, assessment of market interest and capacity, and information capabilities.

Regarding **separability for partial transfer tools**, LSIs were assessed as having achieved the most progress with respect to assessing financial interconnections, as compared to legal, operational and business interconnections. Further work is also necessary as regards the LSIs' ability to resolve separability conflicts.

3.3. Resolvability assessment

This section provides a preliminary overview of the resolvability assessment work performed with respect to LSIs. It is based on the information available to the SRB during the drafting phase of the 2023 resolution plans, during which the SRB policy on resolvability assessment – including the so-called 'heatmap' approach – has been applied by the majority of NRAs with respect to LSIs under their direct responsibility that have been earmarked for resolution. While following a proportional and phased-in approach, NRAs are expected to ensure the resolvability of the LSIs concerned in the course of the 2024 RPC (excluding the LSIs for which a delayed phase-in period is envisaged according to Article 12k SRMR).

3.3.1. Phase-in of the Expectations for Banks by NRAs

The SRB has adopted a broadly uniform phase-in approach for implementing the Expectations for Banks (EfB)²⁰ to all resolution banks under its direct responsibility by the end of 2023. Conversely, in line with the proportionality principle, NRAs follow different phase-in timelines with respect to LSIs under their responsibility.

In line with the enforcement of the MREL requirements as of 1 January 2024 (see Chapter 4 for more details), NRAs have phased in the loss-absorbing and recapitalisation capacity dimension for the majority of LSIs. Due to less complex

²⁰ SRB Expectations for Banks.

structures, reflected by the absence of subsidiaries, and operating mainly in national markets, the Efb principles related to cross-border instruments and internal MREL compliance were deemed applicable to fewer LSIs.

The separability and business reorganisation principles were also deemed irrelevant for a number of LSIs, given that the open bank bail-in is their PRT, and no VRT has been designed so far.

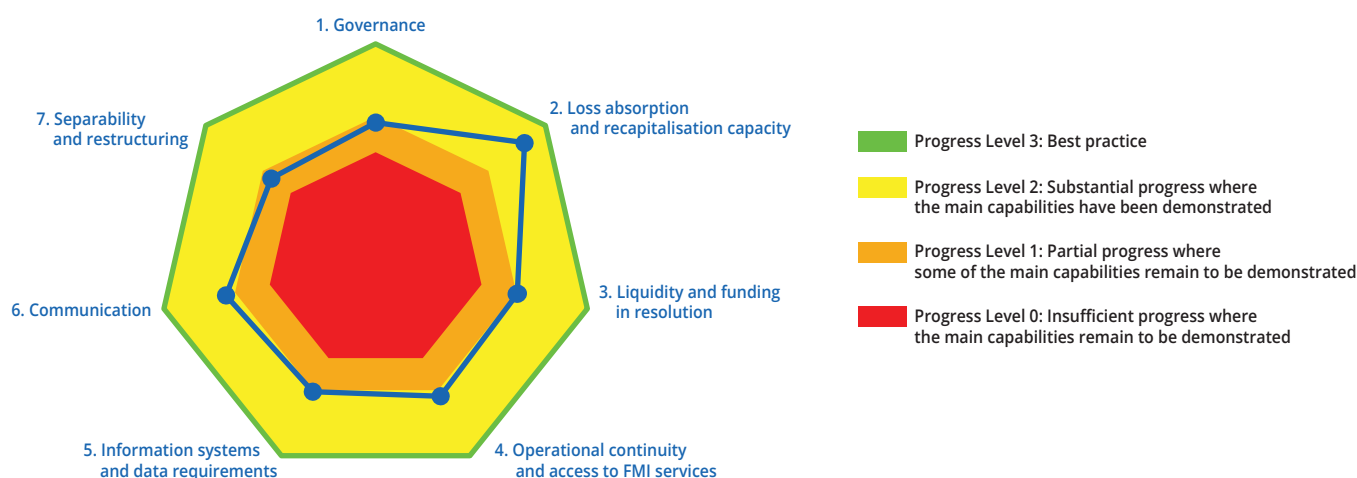
Broadly mirroring the phase-in approach for SRB banks, Efb Principles 1.4 (Testing and operationalisation), 3.2, 3.3 (Liquidity and funding in resolution), and 7.2 and 7.3 (Separability and restructuring) tend to be phased in at a comparatively later stage.

3.3.2. Progress on the resolvability capabilities prioritised by NRAs

LSIs with a resolution strategy need to demonstrate that they are able to absorb losses and recapitalise to avoid recourse to public funds. Therefore, the NRAs have geared banks' efforts towards strengthening their loss-absorbing and recapitalisation capacity, first and foremost through the build-up of MREL, while taking the necessary measures for the swift execution of the bail-in tool in a crisis.

Figure 7 illustrates the progress made by those LSIs for which a heatmap assessment has been already applied, and with respect to those resolvability capabilities that have been prioritised by their respective NRAs in 2022-2023. This progress is assessed in line the SRB resolvability heatmap, which defines four impact and four progress levels, ranging from insufficient progress to best practice. The conditions related to loss absorption and recapitalisation capacity, and to a lesser extent communication, appear the advanced for the LSI concerned.

Figure 7. Aggregated resolvability progress scores for LSIs²¹



²¹ Summary of the results for the sampled banks, based on NRA reported information.

4. MREL setting and compliance

This chapter provides detailed information on MREL targets for liquidation LSIs with an upward adjustment to LAA, and on MREL targets and the composition of MREL capacity for the 70 LSIs earmarked for resolution.

4.1. MREL setting

4.1.1. MREL targets for liquidation LSIs

For all LSIs with a liquidation strategy, NRAs set MREL targets as equal to the loss absorption amount (LAA), in line with the BRRD and the SRB MREL Policy. Furthermore, 6 NRAs adjusted the LAA upwards for 25 LSIs earmarked for liquidation. The application of the upward adjustment is justified by the banks' high amounts of covered deposits, the possible impact on financial stability, and the risk of contagion to the financial system (indirect contagion effect through pressures on the national deposit guarantee scheme (DGS) in case of extraordinary contributions that the liquidation of those LSIs may generate). Most of these add-ons correspond to the full CBR for the $MREL_{TREA}$ targets (2.5%) and 50% of the CBR for $MREL_{LRE}$ targets (1.25%).

4.1.2. MREL targets for resolution LSIs

NRAs set full MREL targets for LSIs earmarked for resolution, i.e. LAA plus the recapitalisation amount and the market confidence charge. NRAs set both external and internal MREL targets for nine LSI banking groups, including credit institutions as material subsidiaries.

Within the sample of the MREL targets for the LSIs earmarked for resolution, the average (external) $MREL_{TREA}$ target (without CBR) was 21.6%, and when CBR is included, the average $MREL_{TREA}$ target reached 25.2%. This is slightly below the average $MREL_{TREA}$ value (CBR included) for the SRB banks (27.7%)²².

When the MREL targets for the SRB banks and LSIs are compared according to the preferred resolution strategy, a high level of consistency can be observed. For institutions with a bail-in strategy, the average $MREL_{TREA}$ (CBR included) target is 27.5% for SRB banks and 27.00% for LSIs, and for the institutions with the SoB strategy, it is 23.7% (SRB banks) vs 23.16% (LSIs).

²² MREL Dashboard Q4 2023.

Table 5. MREL targets set for resolution LSIs, %

Target	All LSIs (70)	Bail-in (37 LSIs)	SoB (33 LSIs)
MREL _{TREA} (without CBR)	21.6	23.0	20.2
MREL _{TREA} (including CBR)	25.2	27.0	23.2
MREL _{LRE}	6.0	6.6	5.3

Source: LSI resolution plans.

Note: for analytical purposes, one LSI with the bridge institution as the PRT is included in the SoB category.

4.1.3. Extension of MREL transitional periods for resolution LSIs

In accordance with the SRB MREL Policy and Article 12k SRMR, NRAs may set a transitional period that ends after 1 January 2024 on the basis of the following criteria: (a) the prevalence of deposits and the absence of debt instruments in the funding model; (b) access to the capital markets for eligible liabilities; and (c) the extent to which the resolution entity relies on CET1 capital to meet the requirement referred to in Article 12f SRMR. Moreover, in the case of ‘switch banks’, when NRAs changed the institutions’ strategy from liquidation to resolution, the NRAs concerned extended a transitional period to allow these entities to comply with higher MREL targets.

Therefore, transitional periods that end after 1 January 2024 have been set for 22 resolution LSIs. For three LSI groups, these extensions are valid for both external and internal MREL targets. For two LSIs, the transitional period expired on 1 April 2024 (with the respective compliance). Therefore, by the end of the 2023 RPC, the extended transitional periods concerned 20 resolution LSIs. Of these, two complied with the final MREL target by 1 January 2024. Effectively, the transitional period is **relevant for 18 LSIs**, of which 1 has become an SI, i.e. 17 LSIs.

4.2. MREL compliance

Throughout the whole 2023 RPC, the SRB’s LSI Oversight function collaborated with all NRAs concerned in regularly monitoring compliance with the MREL targets of 1 January 2024. All LSIs with a target date of 1 January 2024 complied with the MREL target.

As of 31 December 2023, the cumulative shortfall against the final targets to be met between 2024 and 2028 amounted to **EUR 2.8 billion** in MREL_{TREA} (or 5.6% TREA weighted average). A small number of LSIs face an MREL shortfall in terms of both TREA and LRE (for them, the MREL_{TREA} shortfall is always higher than the MREL-LRE shortfall). The cumulative MREL_{LRE} shortfall reached EUR 141 million (or 0.6% LRE weighted average), and there are no LSIs with only an MREL_{LRE} shortfall. The NRAs concerned expressed confidence that the LSIs would reach the target by the end of the transitional period.

Table 6. MREL_{TREA} and MREL_{LRE} shortfalls of 17 LSIs, as at 31 December 2023, m EUR

Due by date of*	No of LSIs	MREL _{TREA} (incl. CBR)	MREL _{LRE}
1 January 2025	8	1 029.5	74.8
1 January 2026	4	778.2	26.5
1 January 2027	3	656.8	-
1 January 2028	2**	379.8	39.3
Total net shortfall	17	2 844.2	140.6

Source: Q4 2023 LSI MREL monitoring and 2023 LSI resolution plans for two 'switch banks' in the 2023 RPC.

Note: totals and subtotals in the table may not add up owing to rounding.

* Each due date includes several LSIs with different transitional periods.

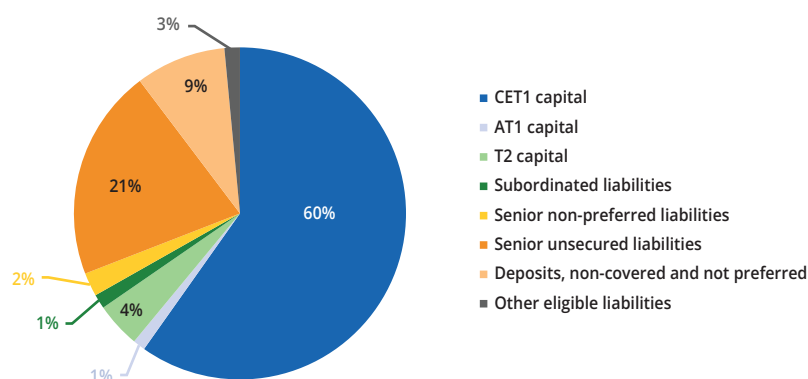
** Two switch banks were not included in the Q4 2023 LSI MREL Monitoring. The respective information is retrieved from the 2023 resolution plans with 31 December 2022 as a reference date.

4.3. MREL resources – own funds and MREL-eligible liabilities

According to the latest available data as at 31 December 2023, the MREL capacity of the LSIs earmarked for resolution²³ was EUR 102 billion, and was made up mainly of Common Equity Tier 1 (CET1) with 60%, followed by senior unsecured liabilities (21%). Overall, own funds represent 65.4% of MREL capacity, while MREL-eligible liabilities make up the remaining 34.6%.

For most LSIs, CET1 capital is the main source of MREL-eligible instruments used to comply with their (external) MREL requirements.

Figure 8. Net MREL-eligible instruments of LSIs earmarked for resolution, as at 31 December 2023, in %



Source: SRB calculations based on the data provided by NRAs, as at 31 December 2023.

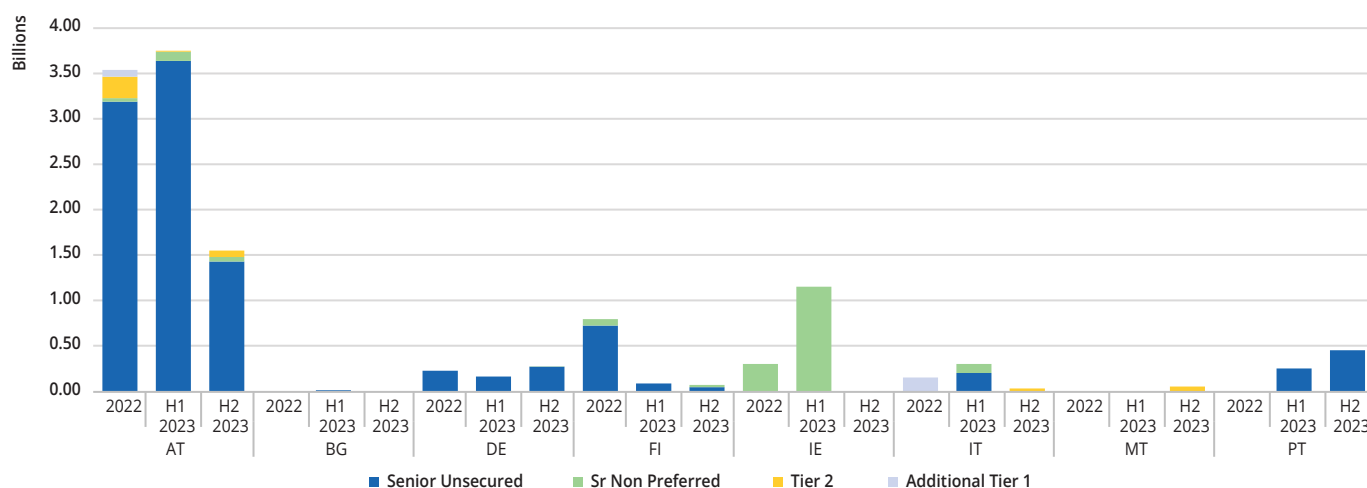
²³ The sample consists of 66 LSIs, as 4 LSIs were not included in the scope of the Q4 2023 MREL-TLAC reporting for LSIs performed in Q1 2024 (three switch banks and one entity that became an SI on 1 January 2024). In the case of nine LSI banking groups, when NRAs set both external MREL targets for the groups and internal MREL targets for material subsidiaries, only the data at group level (corresponding to the external MREL) was used.

4.4. Market access

Overall bond issuance in 2023 by the LSIs earmarked for resolution was around EUR 8.1 billion, in comparison to EUR 5.8 billion in 2022, representing a 40% increase. The majority of issuances (70%) took place in the first half of the year. Austria made up 65% of overall gross issuances, followed by Ireland (14%).

According to the analysis performed by the SRB, considering input from NRAs and financial intermediaries, there are inherent difficulties for small and medium-sized banks (total assets of EUR 20-50 billion) in accessing the financial market. Given their relatively small size, such banks face high structuring costs and limited investor appetite. Moreover, the issue of continued market access throughout the funding horizons of LSIs remains relevant. As a result, it can be expected that most LSIs will rely on own funds to comply with the MREL requirements.

Figure 9. Gross issuances by type of instruments in 2023 by LSIs earmarked for resolution, m EUR



Source: SRB calculations based on Bloomberg data. Private placements are excluded.

Please note that Bloomberg's classification by type of bonds takes into consideration the contractual definition of the bonds, and might not be fully aligned with the definition of MREL-eligibility.

5. Crisis preparedness and management

Over the years, the SRB has developed a crisis monitoring and management function with respect to LSIs under the direct responsibility of NRAs. This includes ensuring due information exchange with NRAs, own risk monitoring, and cultivating effective cooperation with ECB Banking Supervision. In 2023 and 2024, the SRB's LSI oversight activities have reflected the SRB's shifting focus towards crisis-enhancing crisis preparedness. In particular, the work has advanced as regards better understanding and further improving the relevant capabilities of resolution authorities.

5.1. LSI crisis simulation

The first SRB-led LSI crisis simulation ('dry run') concluded in February 2024. This testing exercise concerned a failing LSI requiring the use of the Single Resolution Fund (SRF), and therefore the adoption of the resolution scheme by the SRB, in accordance with the SRMR.

The fictitious bank and crisis scenario were designed to represent one of 70 LSIs earmarked for resolution, in terms of both business model and balance sheet. The resolution strategy relied on a transfer tool preceded by bail-in, reflecting the importance of transfer strategies for resolving smaller banks, and highlighting the potential challenge of meeting the funding needs in resolution. The exercise focused on raising awareness about the required cooperation between the stakeholders involved, promoting crisis readiness at national level, and disseminating the knowledge gained in the process within the SRM.

The SRB coordinated the organisation of the LSI dry run, involving active participants – the Spanish, Italian and Portuguese NRAs and the European Commission – which contributed to drafting or reviewing the LSI dry-run documentation; and observing participants – the remaining 18 NRAs and ECB Banking Supervision – which took part in preparatory meetings and received relevant documentation.

Overall, the LSI dry run was perceived as an important exercise, which should be continued to actively involve further NRAs in the future. In addition, the exercise highlighted some important aspects of cooperation between SRM authorities in resolving an LSI. The work of the SRB's LSI oversight function will focus on those elements. In particular, the next steps will include finalising dedicated procedural guidance and considering developing LSI-focused crisis documentation, in line with the SRM Vision 2028²⁴ and the SRB Multi-Annual Plan 2024-2028²⁵.

²⁴ SRM Vision 2028.

²⁵ SRB Multi-Annual Plan 2024-2028.

5.2. Crisis cases in the 2023 RPC

Two LSI crisis cases materialised in 2023 in one Member State – Luxembourg. The SRB was cooperatively involved in the crisis monitoring process, and the established process for notifying a non-resolution decision was broadly followed by the Luxembourg NRA, allowing for the smooth handling of the cases from an LSI oversight perspective.

Fortuna Banque s.c.: While in the process of winding down business operations, which began in August 2022, the operational processes put in place by the bank made it no longer possible to ensure temporal adequacy between cash inflows. This led to the failing or likely to fail (FOLTF) declaration by the Luxembourg national competent authority (NCA) and the negative PIA assessment by the Luxembourg NRA. On 12 October 2023, the Luxembourg NRA informed the public²⁶ that the Luxembourg Tribunal d'arrondissement (District Court) had on that day ordered the dissolution and winding up of the LSI.

East-West United Bank S.A.: Similarly, the FOLTF declaration and the negative PIA assessment by the Luxembourg authorities came in the particular context of the cessation of banking activities of East-West United Bank S.A., as publicly announced in August 2023. The bank's dissolution and winding up were later ordered by the Luxembourg Tribunal d'arrondissement (District Court) on 7 February 2024²⁷.

Consequently, the unavailability of deposits in both cases triggered the intervention of the Luxembourg DGS, the Luxembourg Deposit Guarantee Fund, in order to pay out the covered deposits. Moreover, in both cases, the judicial liquidation of these banks triggered the activation of the Luxembourg investor compensation scheme, the Investor Compensation Scheme (SII).

5.3. Global challenges and vulnerabilities

The macro-financial and geopolitical environment may pose a challenge for many banks in the near future. The 2023 FSB Annual Report²⁸ refers to the rising interest rates. The cost of financing remains substantial, at a time when debt is at very high levels across the government, corporate and household sectors. This is likely to lead to credit quality challenges, which may affect both banks and non-bank investors. High interest rates and an uncertain growth outlook also create the potential for higher volatility in asset prices. This could generate significant spikes in collateral and margin calls, inducing fire sales of assets.

This report continues to draw attention to the subject of fintech and digital. The implications of digitisation in financial services on the LSI sector can be considered from two perspectives: (i) the digitisation of internal processes and technology outsourcing; and (ii) the emergence of fintech start-ups and fintech banks ('neobanks') as newcomers to the regulated banking sector.

²⁶ Press release concerning Fortuna Banque s.c. and Press release concerning the judicial liquidation of Fortuna Banque s.c. Activation of the Luxembourg Investor Compensation Scheme (SII).

²⁷ Press release concerning East-West United Bank S.A. and Press release concerning the judicial liquidation of East-West United Bank S.A. Activation of the Luxembourg Investor Compensation Scheme (SII).

²⁸ Promoting Global Financial Stability: 2023 FSB Annual Report.

There is a rising trend of banks' reliance on external technology providers, ranging from email systems to key financial applications. This is known as 'ICT as a service', whereby credit institutions rely on off-the-shelf solutions offered by commercial parties rather than developing their proprietary applications. Driven by efficiency considerations, this development of outsourcing key IT functions to the same third-party providers generates an IT concentration risk for players outside the scope of the BRRD.

The issue is of particular relevance for LSIs that do not always have sufficient resources to develop in-house IT solutions. Commercial companies providing software and other technological support (e.g. cloud services) to the global financial system are few and far between, which can create systemic risks. In other words, the whole national LSI sector may rely on two or three technology companies ('bigtech') for their software service requirements, with all the involved risks. As with any other firm, LSIs may be victims of cyberattacks – coordinated efforts to breach the bank's digital security systems (DDoS attack, malware, phishing, etc). There is also a risk of the core banking system failing, i.e. a significant breakdown in the software and hardware infrastructure used to support the primary banking operations (project failure, physical damages, etc). Both types of incident could trigger a fast-moving crisis scenario, as is the case for other types of operational incidents.

As a rule, fintech banks are established and grow as digital start-ups, which over time enter the financial sector and acquire a banking licence (either directly or through the acquisition of an already established bank). The growth mindset inherent to start-ups seeking to transform to 'scale-ups' defines massive client acquisition as the core objective. Institutions have to ensure that they apply a high level of know-your-customer (KYC) and anti-money-laundering (AML)/counter-terrorist-financing (CTF) requirements, while at the same time scaling their client acquisition. Fintech LSIs must ensure that governance and capital requirements follow the growth fuelled by massive customer acquisition. Another apparent difference with respect to more traditional business models is the source of funding. While most traditional banks would normally rely on retail deposits, fintechs rely on venture funding, focusing on driving valuations upwards, which is again linked to massive client acquisition.

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