



**Single
Resolution Board**

Resolution Planning in Practice

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4 October 2017



AGENDA



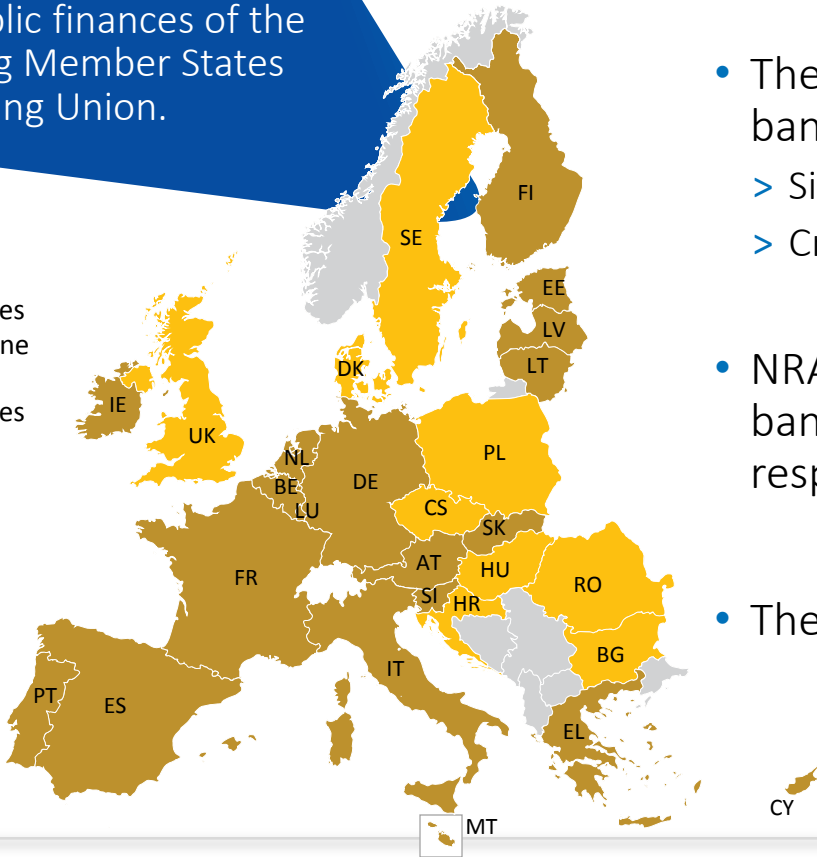
1. Introduction SRB
 - > Mission
 - > Tasks & Responsibilities
2. Preparing Resolution Plans
 - > Ongoing process
 - > Multi-annual process
 - > Horizontal issues
 - > Key elements
 - > Focus on: critical functions
 - > Focus on: preferred resolution strategy
 - > Focus on: resolvability assessment
 - > Focus on: MREL
3. Questions & Answers

INTRODUCTION SRB

Mission

ensure an orderly resolution of failing banks with minimum impact on the real economy and the public finances of the participating Member States of the Banking Union.

- Member States in the Eurozone
- Member States not in the Eurozone



- The SRB together with the National Resolution Authorities (NRAs) form the SRM
- The SRB is directly responsible for \pm 140 banking groups:
 - > Significant banks
 - > Cross-border banking groups
- NRAs are directly responsible for all other banks. SRB could 'take over' direct responsibility
- The SRB closely cooperates with the NRAs

INTRODUCTION SRB

Tasks & Responsibilities

Business as usual

Prepare for resolution

- Develop resolution plans and set MREL
- Assess resolvability and remove obstacles
- Manage the Single Resolution Fund



Recovery stage

Triggers for resolution

- ECB and/or SRB determine if a bank is Failing or likely to fail
- ECB and/or SRB determine if alternative measures are possible
- SRB determines if resolution is in the public interest



Resolution stage

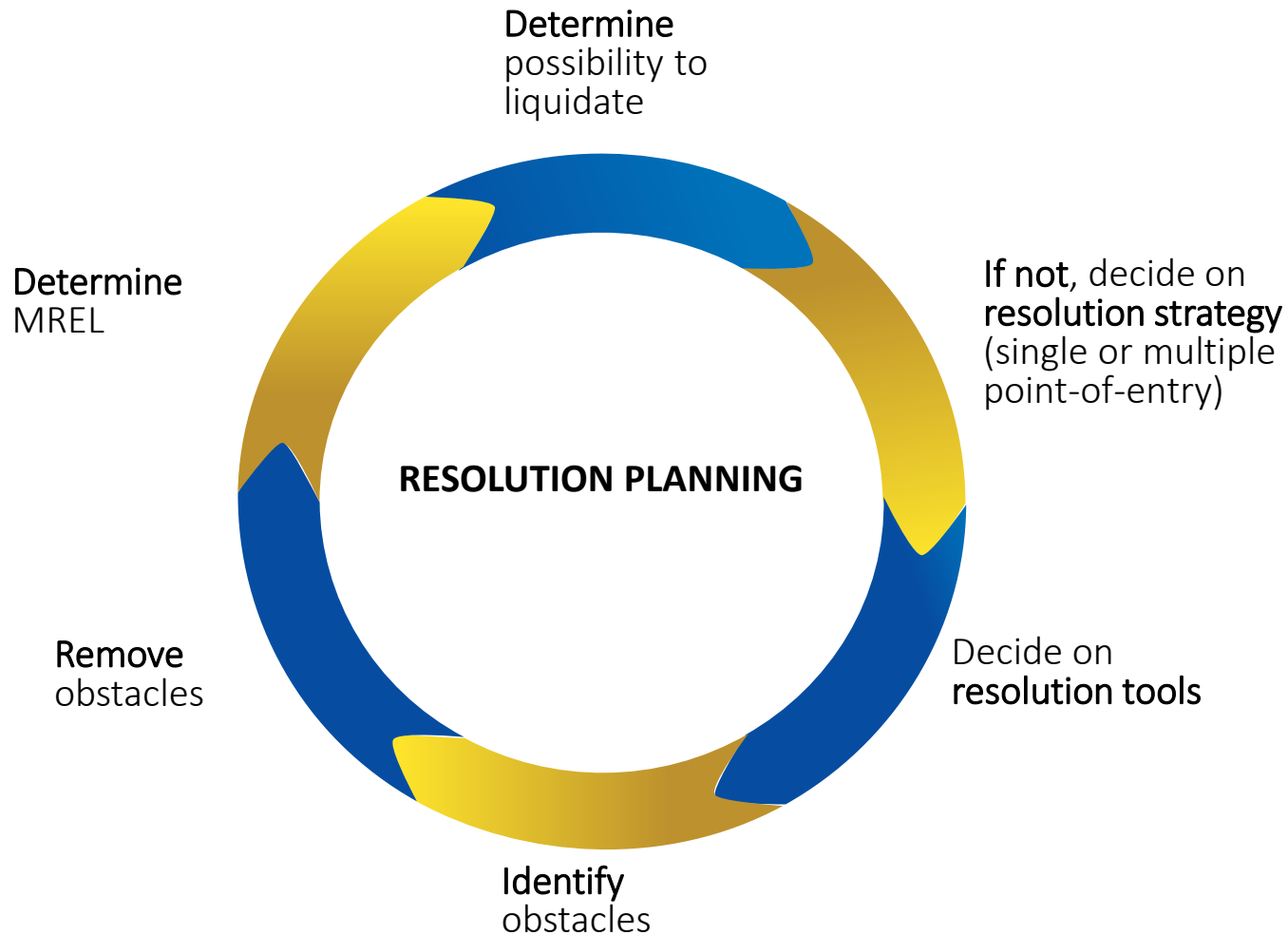
Enact resolution schemes

- Determine resolution actions to be adopted (based on resolution plan & market circumstances)
- Valuation to determine the extent of the write down or conversion
- Valuation to check the no-creditor-worse-off principle



PREPARING RESOLUTION PLANS

Ongoing Process



PREPARING RESOLUTION PLANS

Multi-Annual Process

Transitional Plan	Phase 2 Plan	Phase 3 Plan
<p>2015 (36) and 2016 (33 plans)</p> <p>Foundation for resolution plans, drafted by NRAs in 2015 and by the SRB, together with NRAs, in 2016.</p> <p>Chapters include:</p> <ul style="list-style-type: none"> •Strategic business analysis •Preferred resolution strategy •First identification of impediments to resolvability 	<p>2016 (59 plans) and 2017</p> <p>Based on the Resolution Planning Manual. Informative MREL at consolidated level were communicated separately</p> <p>Chapters include:</p> <ul style="list-style-type: none"> •Updated TRP-chapters •Additional chapters: financial & operational continuity, information & communication •First resolvability assessment 	<p>2017</p> <p>More advanced plans, with binding MREL at consolidated level.</p> <p>Chapters include:</p> <ul style="list-style-type: none"> •Updated Phase 2-chapters •Based on new SRB Templates and Methodologies (i.e. critical functions, access to FMIs, operational continuity)



PREPARING RESOLUTION PLANS

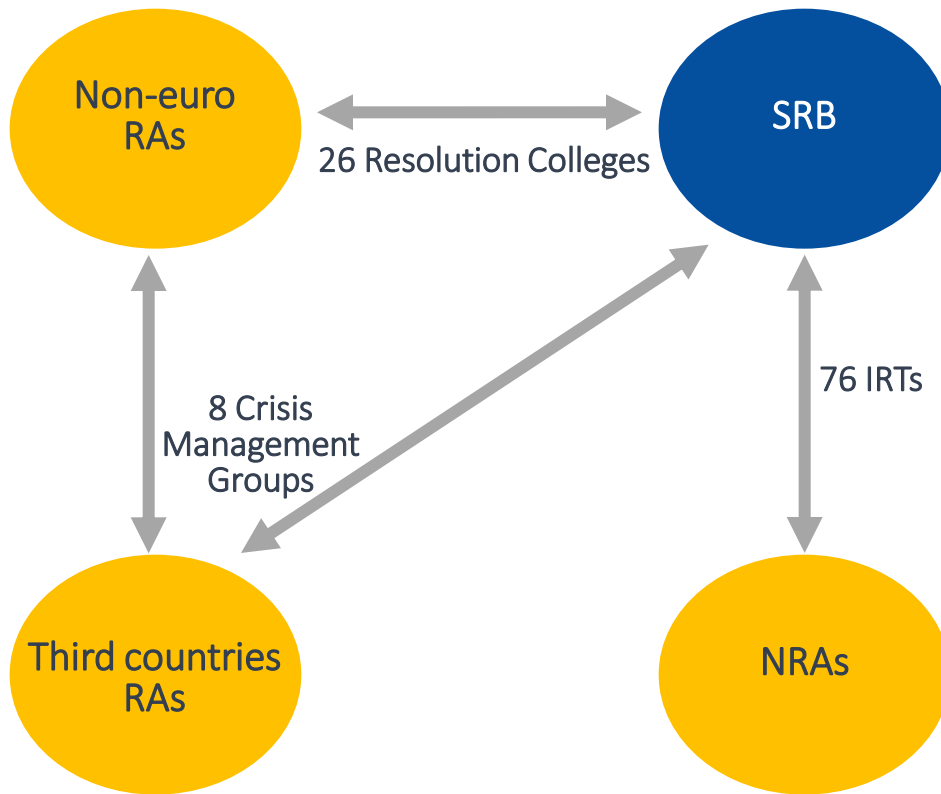
Horizontal Issues

- Addressing horizontal policies and operational issues
- Bringing together NRAs and observers within the SRM
- Coordinating work through sub-structures (taskforces, experts' networks)
- Deliverables feed into next iterations of resolution plans (Phase 3, Phase 4, etc.)



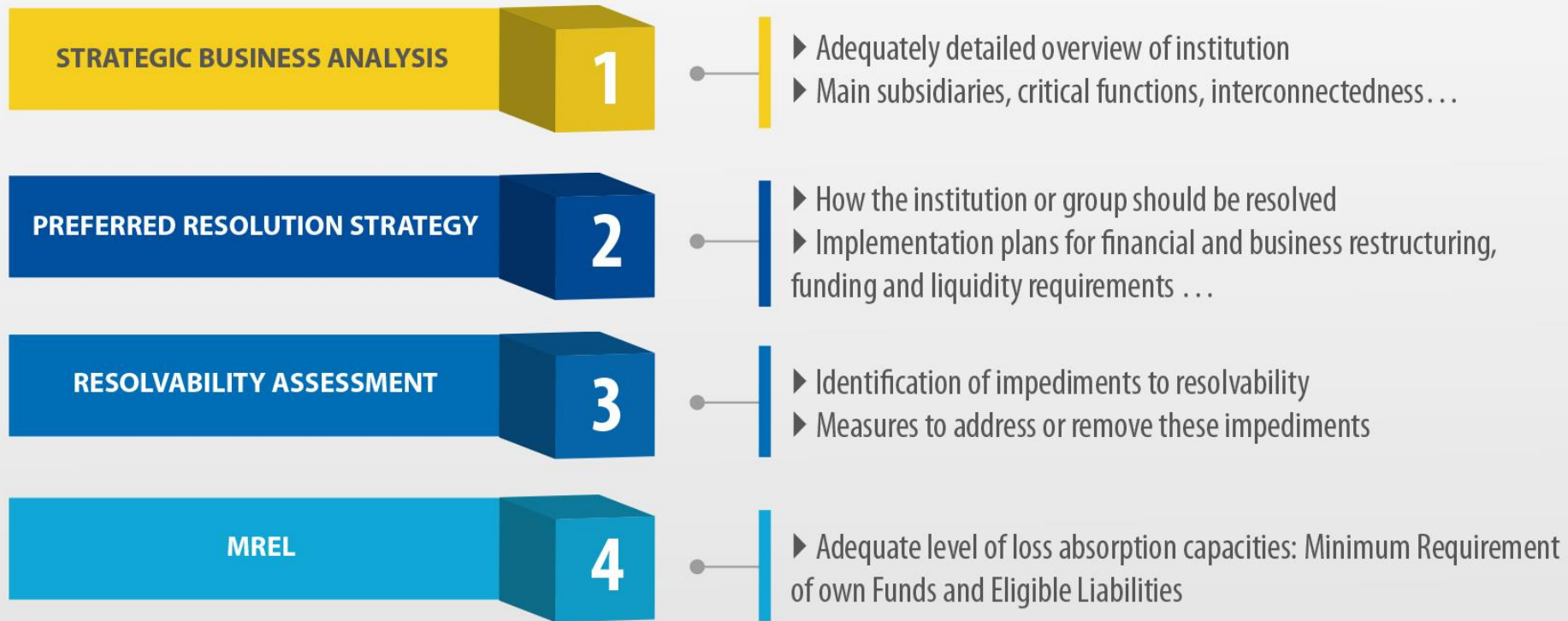
PREPARING RESOLUTION PLANS

Interactive Process



PREPARING RESOLUTION PLANS

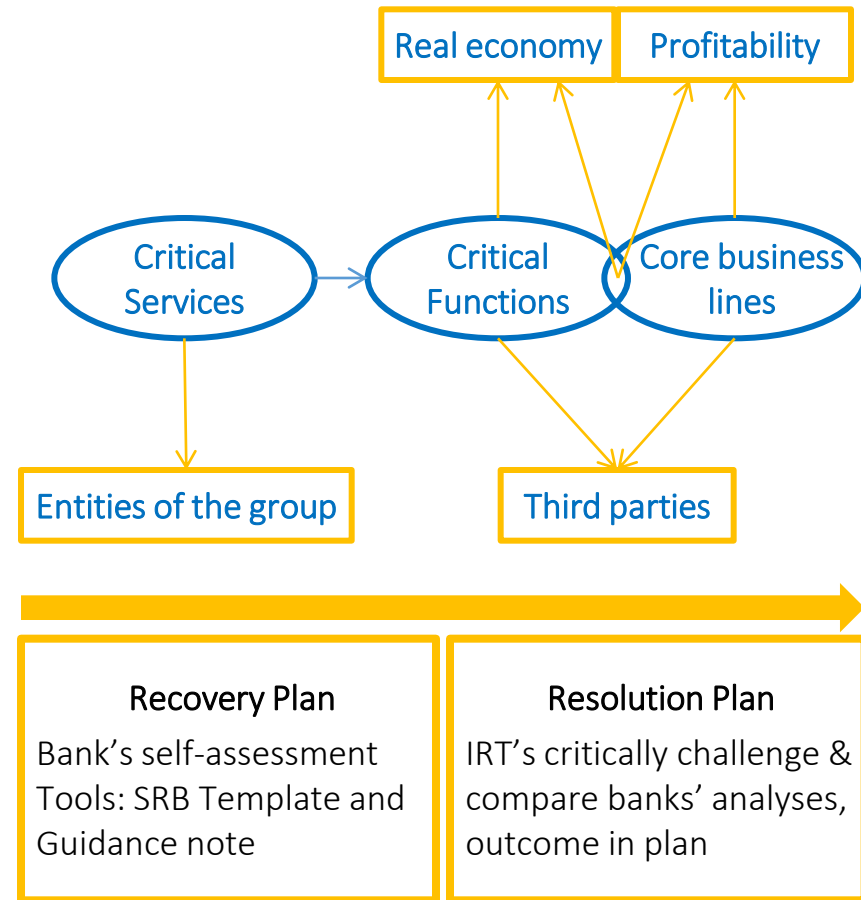
Key Elements



PREPARING RESOLUTION PLANS

Focus on: Critical Functions

- Critical functions are:
 - > Provided to third parties AND
 - > A sudden disruption would have a material negative impact on third parties, give rise to contagion or undermine general confidence of market participants
- Key role in resolution plans
 - > Input for separability analysis, preferred resolution strategy and tools, financial & operational continuity
 - > Input for quantum & location loss-absorbing capacity
- The SRB developed a common approach for identifying critical functions:
 - > Harmonized methodology for assessing criticality
 - > Harmonized indicators behind methodology
 - > No fixed thresholds for criticality
 - > Methodology & indicators summarized in template and guidance note



PREPARING RESOLUTION PLANS

Focus on: Preferred Resolution Strategy & Tools

- Resolution authorities assess if the bank is eligible for resolution
 - > Are normal insolvency proceedings credible?
 - > Are normal insolvency proceedings feasible?
- If so, resolution authorities need to select the appropriate resolution strategy and tools
 - > Which strategy and tool(s) are suitable?
 - > Are these strategy and tool(s) necessary?
 - > Are these strategy and tool(s) proportionate?
 - > Resolution always needs to be compared to insolvency
- Eligibility for resolution is time-dependent
 - > market circumstances, mergers, business restructuring, etc.
 - > Recent cases: different outcomes



Normal insolvency proceeding credible & feasible?

Assess if one or more of the objectives is at risk:

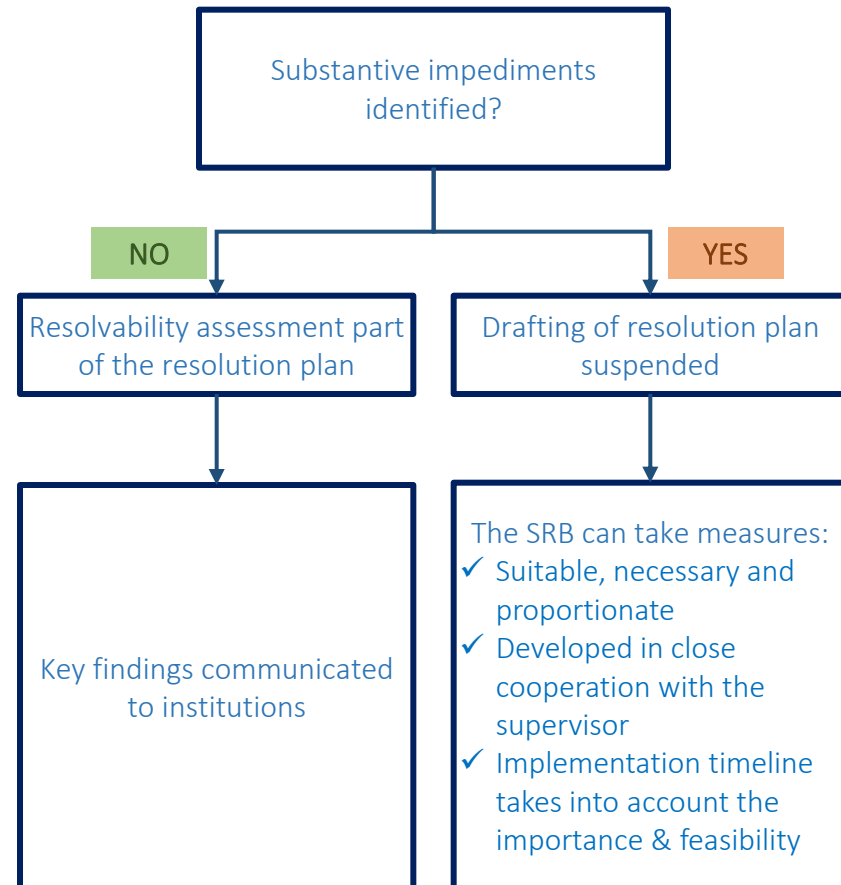
1. Ensure the continuity of critical functions
2. Avoid significant adverse effects on financial stability
3. Protect public funds
4. Protect covered depositors and investors
5. Protect clients funds and assets

Resolution Strategy	Resolution Tools
1. Single Point of Entry	1. Sale of business
2. Multiple Point of Entry	2. Bridge bank
3. Hybrid Strategy	3. Asset separation
	4. Bail-in

PREPARING RESOLUTION PLANS

Focus on: Resolvability Assessment

- The preferred resolution strategy also depends on the outcome of the resolvability assessment
- The outcome of the resolvability assessment impacts the further resolution planning process
- Examples of the potential impediments identified last year:
 - > Insufficient loss absorbing capacity
 - > Operational continuity, such as continuity of access to FMIs
 - > Inability to provide information in time
 - > Execution of bail-in
 - > Funding during/post resolution
 - > Group structure (i.e. lack of a Holding Company)
 - > Cross-border issues



PREPARING RESOLUTION PLANS

Focus on: MREL

- **The SRB is making good progress in refining its MREL policy and developing MREL targets for the banks under its remit.**
 - > The SRB developed and requested the Liability Data Template:
 - Providing a view on liability structure and loss-absorbing mechanism
 - Assisting in setting the adequate MREL requirements at different levels (solo, consolidated)
 - Enabling to check compliance with the MREL decision in the future
 - Having a first set of detailed information to operationalise bail-in in real cases
 - > In 2016, the SRB organised numerous workshops with banks, including discussion of informative (non-binding) MREL targets.
 - > Publication: Approach taken in 2016 and next steps, 17 February 2017, available on [SRB website](#)
- **In 2017, the SRB has started to develop binding targets for major banking groups, which resolution colleges will discuss in the fourth quarter.**
 - > The SRB aims to develop MREL requirements for these groups in late 2017/early 2018.
 - > MREL requirements are set on the basis of the current legal framework.



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THANK YOU