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Online Seminar – Banking on bail-in
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Quantity:

- ✓ very different banks in Europe. They could be resolved using a different mix of tools (eg write-down and sale of business/assets and liabilities), not simply open bank bail-in (as assumed for G-SIBs)
- ✓ MREL to factor in whether a smaller balance sheet in resolution is likely, and the feasibility and credibility of an external purchaser (**which makes market integration all the more important because it provides more potential purchasers**)
- ✓ **beware: this does not mean that MREL should be equal to capital requirements when a sale of business is feasible and credible. MREL should be set to cater for the likely “funding gap” in the sale**

- “Normal insolvency proceedings” for banks as a “national black box”:
 - ✓ Uncertainties and national differences which are relevant for resolution planning and resolution actions (eg NCWO; definition of liabilities).
 - ✓ Need to harmonise minimum features
- In the current legal setting a **cross-border bank lives as one single group, and dies with separate legal entities**:
 - > Guarantees between parent and subs across borders are subject to high uncertainties in a crisis. Hence the requests from host authorities for full capitalization and fully fledged internal MREL levels (ring fencing)
 - > The “intragroup financial support” of the BRRD missed the opportunity to address this legal problem
 - > Need to introduce a **European legal regime/charter for cross-border banking groups**, to give **legal certainty** and remove **legal obstacles** to the assumption that **the parent will support the sub in case of crisis** (ie upstreaming losses and downstreaming capital)

- In the weeks after the resolution decision the bank subject to resolution will record outflows, and struggle to access unsecured funding.
 - ✓ This lack of trust is in fact a “market failure” because the bank is now well recapitalized and viable. Maybe one day this “perception problem” will disappear because resolution will be considered as an “trustworthy restructuring”
 - ✓ Until that day, public facilities to access liquidity (not capital support!) are crucially needed
 - ✓ Need for a *predictable path*: the clearer the use of the facilities, the least the facilities will be used (trust and proper market functioning restored)
- Use of liquidity in the recovery stage (or is it rather run-up to resolution?):
 - ✓ Supervisory authorities and resolution authorities to discuss this, and **the possible impact on resolvability** (eg higher magnitude of the final loss in resolution as well as lack of liquidity in resolution)