



**Single
Resolution Board**

12/06/2018 | SRM Boardroom Dialogue: Achieving resolvability

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AGENDA



1. Findings from 2017 resolution plans of SRB banks
 - > Priorities for banks in 2018
2. SRB approach to resolvability
3. Impact on banks
 - > Information readiness
 - > Operational continuity

1. FINDINGS FROM 2017 RESOLUTION PLANS OF SRB BANKS

Priorities for banks in 2018 resolution planning cycle (1)

- ✓ Ensuring the **legal and funding structures** of the group facilitate the implementation of the PRS
 - identify and remove sources of undue complexity in legal structure
 - develop plans for achieving a sufficient amount of appropriate loss-absorbing instruments in the right location

- ✓ Developing the **technological and operational capability for providing relevant information** to resolution authorities and for supporting the implementation of resolution measures
 - deliver complete and accurate information for resolution planning purposes (EBA and SRB templates)
 - consider information needed by independent valuer for resolution-related valuations, and capability to support these processes
 - consider capacity to identify and provide up-to-date information on unencumbered assets
 - consider the operational and procedural steps the bank would have to take, e.g. processes and procedures for write-down and conversion of liabilities.

1. FINDINGS FROM 2017 RESOLUTION PLANS OF SRB BANKS

Priorities for banks in 2018 resolution planning cycle (2)

- ✓ Ensuring **operational continuity** in resolution and maintaining access to FMIs and FMI intermediaries, ahead of, and during resolution
 - identify (and map) all services necessary for the provision of critical functions and CBL
 - set up of a repository of all SLAs and contracts with critical internal and external service providers, which should be resolution-proof
 - identify (and map) all critical FMI services (from FMIs and FMI intermediaries).

- ✓ **Liquidity in resolution:**
 - improve capacity to manage liquidity during resolution (e.g. dedicated crisis management organisation, MIS and collateral optimisation processes...)

- ✓ Facilitating **communication** towards authorities and key counterparties ahead of, and during, resolution
 - develop comprehensive communication plan, ensure clear governance structure, develop internal detailed procedures supported by playbooks.

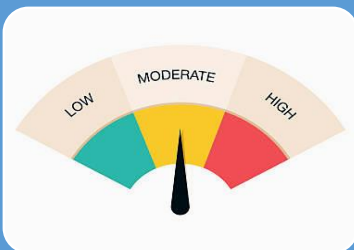
- ✓ Overall, it is the duty of each bank to implement the measures needed to achieve resolvability

2. SRB APPROACH TO RESOLVABILITY

Developing a consistent approach

- SRB and NRAs are working on a common approach for the Banking Union, based on:

Assessment



- Categories from BRRD and Delegated regulation 2016/1075
- Methodology for assessing
 - impact on resolution strategy and
 - likelihood of impediment remaining in short to medium term

Prioritisation



- Findings from 2017 planning cycle
- Heat map derived from 2018 assessment (**prioritise** impediments with medium-high to high **severity**)

Interaction between IRTs and banks



- Procedure for IRTs to follow after assessment of impediments
- Develop dialogue with banks on resolvability
- It is expected that banks act on the identified impediments and report progress

3. IMPACT ON BANKS

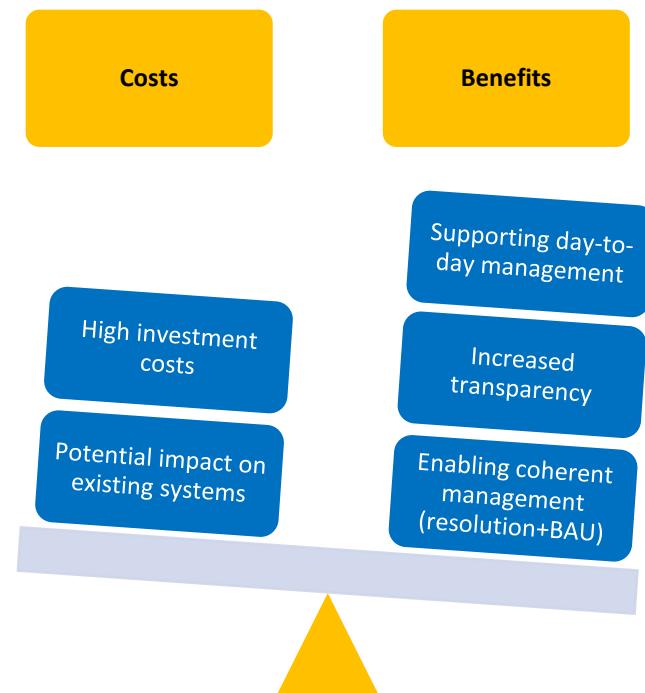
Example 1: Information readiness

- **Inadequate Management Information systems**

- > Lack of timely information essential for resolution planning and execution: liabilities, critical services...
- > Lack of timely information necessary for valuation purposes

- **Comprehensive MIS**

- > Opportunity to develop coherent comprehensive MIS, taking into account overall needs of the bank
- > Potential medium to long-term advantages: better quicker information ↔ more informed decision-making



3. IMPACT ON BANKS

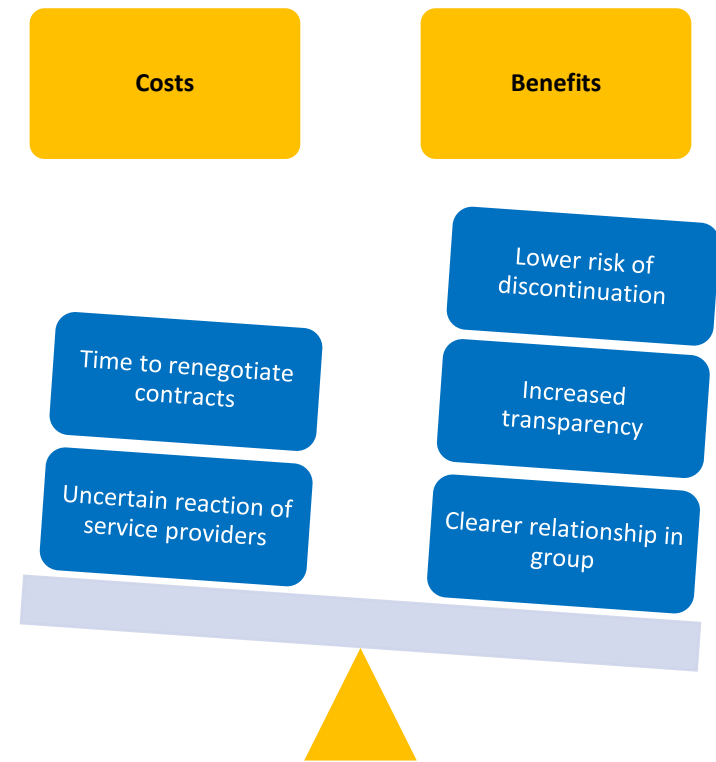
Example 2: Operational continuity

- **Threats to operational continuity**

- > Absence of centralised storage (repository) of contracts
- > Limited attention paid to formalising intragroup relationships (SLAs)
- > SLAs and contracts without clauses protecting continuity in case of resolution

- **Accessible resolution-proof contracts**

- > Opportunity to develop coherent comprehensive overview of and streamline contractual relationships
- > Potential medium to long-term advantages: access to contracts ⇔ optimise establishment of relationships throughout the group





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THANK YOU

For more information, please contact:

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