



**Single
Resolution Board**

Resolution planning: Legal framework and practical experience

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TABLE OF CONTENTS



1. SRB's mission & tasks
2. Resolution planning
3. Credibility & feasibility of insolvency proceedings
4. Identification of preferred resolution strategy
5. Determination of MREL
6. Impediments to resolvability
7. Adoption of the resolution plan
8. Practical experience and challenges

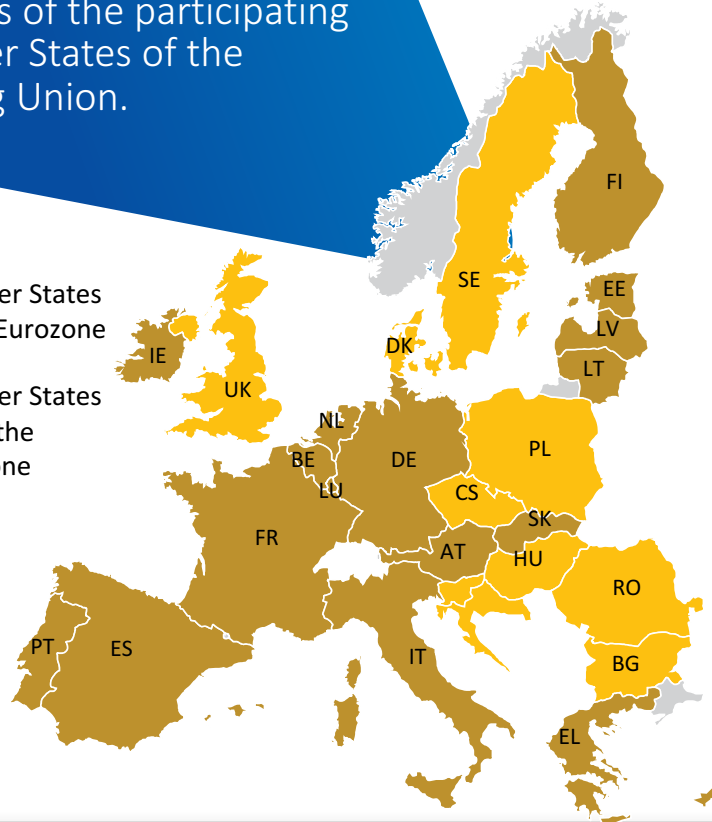
SRB'S MISSION & TASKS

The mission of the SRB

is to 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

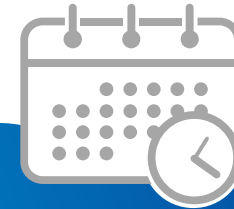


- The SRB together with the National Resolution Authorities (NRAs) forms the Single Resolution Mechanism.
- The SRB is directly responsible for:
 - Significant banks
 - Cross-border banking groups
- SRB's main tasks:
 - Resolution planning
 - Resolution action
 - Single Resolution Fund (SRF)

RESOLUTION PLANNING



RESOLUTION PLANNING IS AN ITERATIVE PROCESS



Resolution plans are to be drafted and updated **at least annually**

CREDIBILITY & FEASIBILITY OF INSOLVENCY PROCEEDINGS

1. Insolvency proceedings are credible when there is no material adverse impact on:
 - ✓ financial market functioning and market confidence;
 - ✓ financial market infrastructures;
 - ✓ other financial institutions;
 - ✓ the real economy and in particular the availability of critical financial services.
2. Insolvency proceedings are feasible when the entity:
 - ✓ has systems that are able to provide the information required by the deposit guarantee scheme, **including on covered deposit balances**;
 - ✓ is capable of supporting the deposit guarantee scheme's operations, **by distinguishing between covered and non-covered balances of deposits accounts**.

IDENTIFICATION OF PREFERRED RESOLUTION STRATEGY

RESOLUTION APPROACH

Single point of entry approach

The application of resolution powers by a single resolution authority at the level of a single parent company or of a single institution subject to consolidated supervision

Multiple point of entry approach

The application of resolution powers by two or more resolution authorities to regional sub-groups or entities of a bank

FSB Guidance on developing effective resolution strategies



Different **tools** can be used to **safeguard public interests**, including the continuity of the bank's critical functions and financial stability, at minimal costs to taxpayers.

SALE OF BUSINESS

Part or all of the shares or other instruments of ownership or assets, right and liabilities can be sold to a private purchaser

BRIDGE BANK TOOL

Part or all of the shares or other instruments of ownership or assets, right and liabilities can be transferred to a temporary entity.

RESOLUTION TOOLS

Assets, rights and liabilities can be transferred to an asset management vehicle, totally or partially publicly owned, if liquidation of the assets could cause market disruption.

ASSET SEPARATION TOOL

Liabilities can be written down and converted, placing the burden on shareholders and creditors of the bank rather than on the public.

BAIL-IN

DETERMINATION OF MREL

- In order to ensure the effectiveness of the bail-in tool, entities should at all times meet a *Minimum Requirement for own funds and Eligible Liabilities*, expressed as a percentage of the total liabilities and own funds.
- MREL should not exceed the amount sufficient to ensure that losses are absorbed and the capital requirements of the relevant entities restored to enable them to continue being authorised and to operate with sufficient market confidence.

The MREL determination is done on a case by case basis according to certain criteria:

- *size, business model, funding model & risk profile*
- *extent of possible DGS contribution;*
- *possible significant adverse consequences for the financial system in case of failure of the entity*

Eligible liabilities are included when:

- *issued and fully paid up*
- *not owed to/secured to/guaranteed by the entity itself*
- *their purchase not funded directly or indirectly by the entity itself*
- *maturity is of ≥ 1 year*
- *not arising from a derivative*
- *not arising from covered or preferred deposits*

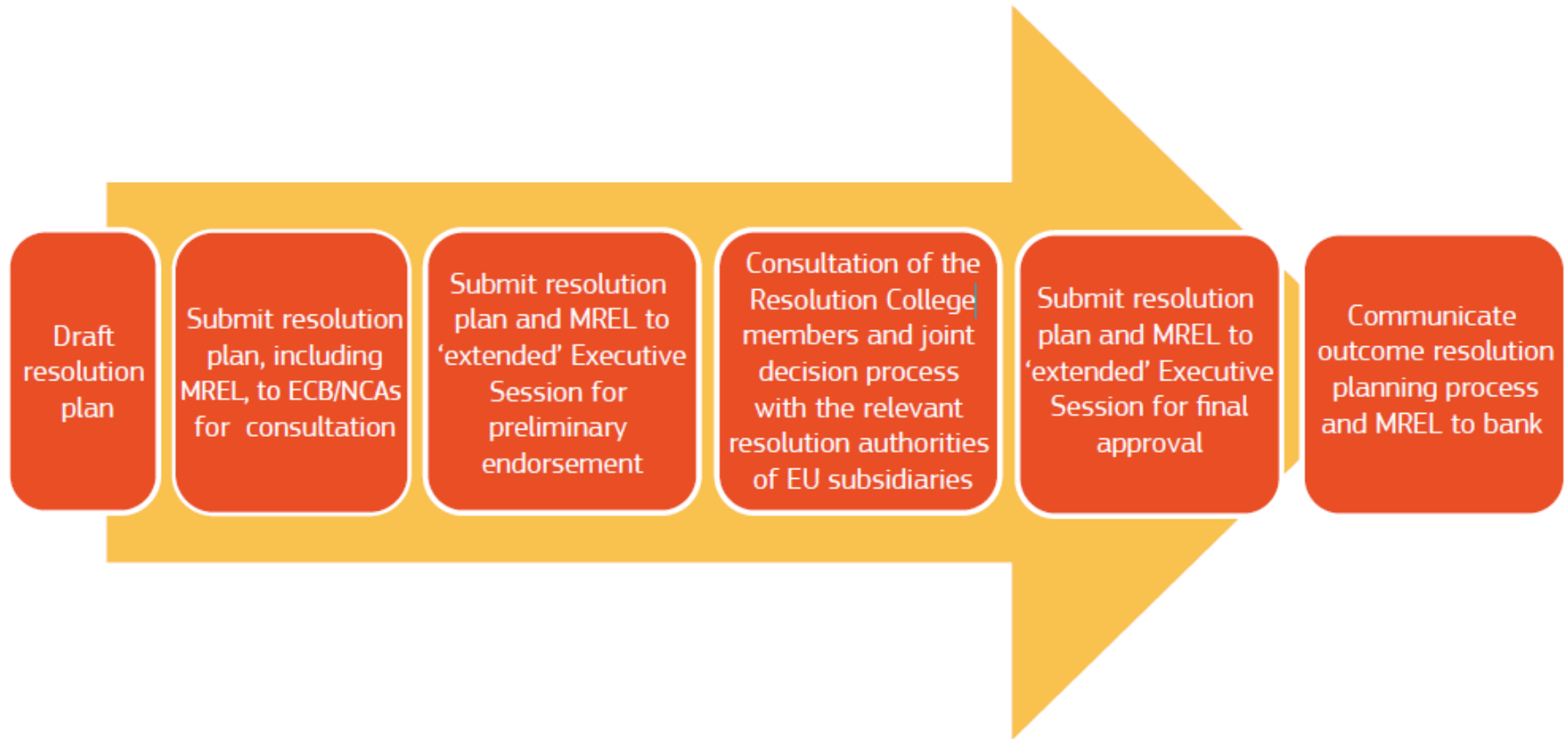
IMPEDIMENTS TO RESOLVABILITY

- Identification of impediments to resolvability:
 - structure and operations; financial resources; information; cross-border issues; legal issues.
- Measures to address impediments to resolvability include, *inter alia*, to require:
 - the revision of any intragroup financing agreements or drawing up of SLAs;
 - the divestment of specific assets;
 - the limitation/termination of specific activities;
 - changes to legal or operational structures of the entity;
 - the issuance of eligible liabilities or taking any other steps to meet the MREL requirements.

Procedure:

1. *Identification of substantive impediments, after consulting the supervisor*
2. *Preparation of report addressed to the bank, in cooperation with the supervisor*
3. *Proposal of possible measures by the bank within four months*
4. *Assessment of the effectiveness of the proposed measures by the SRB, after consulting the supervisor*
5. *If negative assessment, requiring the bank to take specified measures*

ADOPTION OF THE RESOLUTION PLAN (INVOLVING RESOLUTION COLLEGE)



PRACTICAL EXPERIENCE AND CHALLENGES

1. Information exchange and data quality
 - Banks
 - Supervisory authorities and other relevant EU and national authorities
2. Cooperation and institutional arrangements
 - At the level of EU institutions
 - Within the Banking Union
 - Wider EU
 - Third countries
3. Novelty and uncertainty
 - Precedent and new legal environment
 - Expertise



**Single
Resolution Board**

THANK YOU

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