



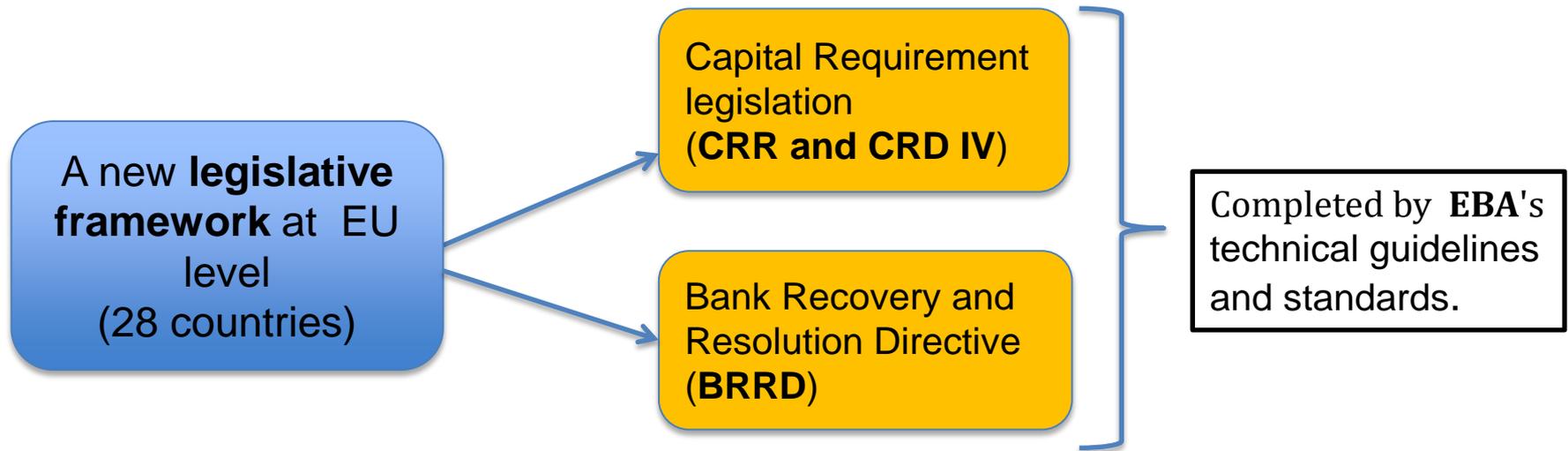
NBB / Bruegel – The Impact of Supervisory Reform on the Banking Sector

Resolution

Dominique LABOUREIX – Single Resolution Board – Board Member

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The Financial Crisis Called for a Strengthened EU Legislation



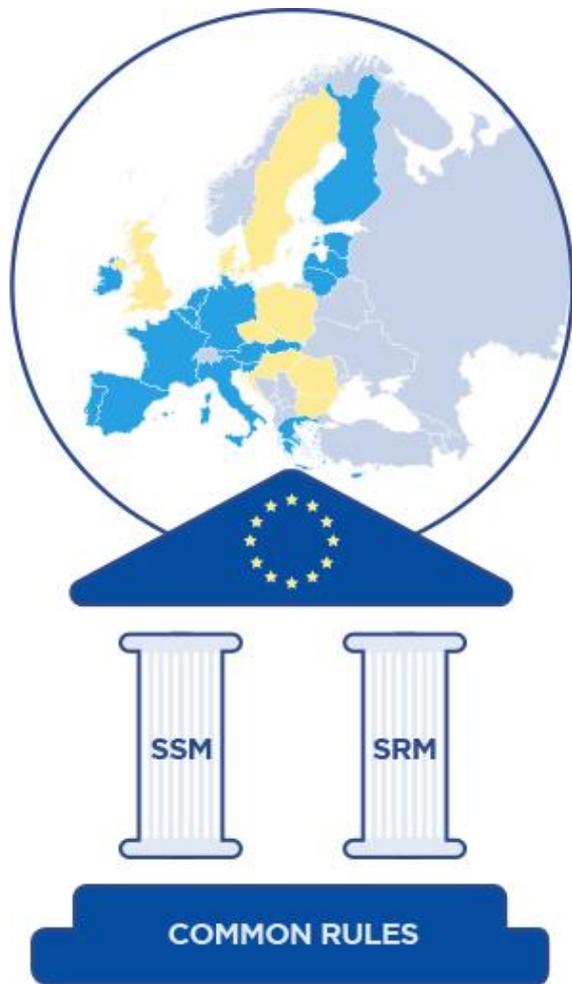
The Financial Crisis highlighted that:

- The European legislative framework for capital requirement needed to be strengthened and harmonized (CRR and CRD IV).
- A new legislation was needed for Crisis management (BRRD).

The Banking Union: a new Institutional Framework

● Banking Union/Eurozone (19 Member States)

● Other EU Member States (9 MS not in Eurozone)



ECB/SSM & SRB : Both the ECB/SSM and the SRB are working closely together, sharing information and consulting with each other i.e. on the resolution plans for the major banks in the participating member states.

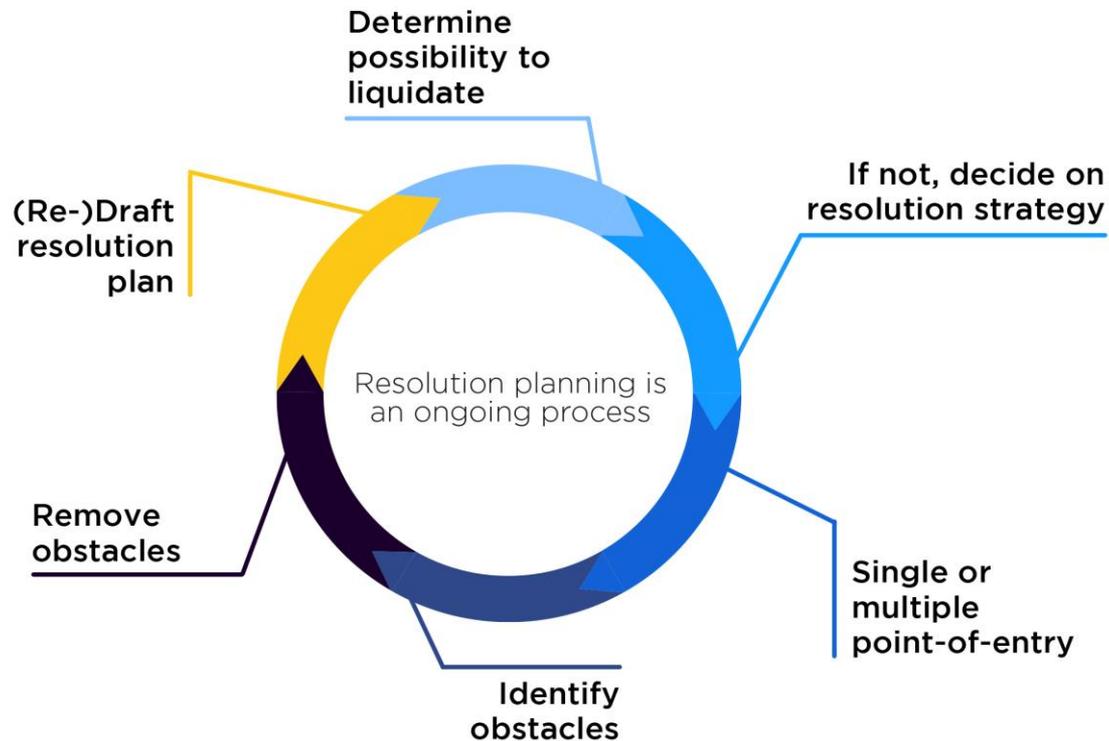
National Authorities: The national authorities will remain largely responsible for the supervision (NCAs) and the resolution (NRAs) of the smaller and less significant banks. For the bigger banks, the NRAs will implement decisions taken by the SRB at a national level in accordance with national laws.



SRB Priorities for 2016

- **Review and completion** of the resolution plans already started in 2015.
- **Resolution plans** to be drafted for all the major banks under the direct responsibility of the SRB.
- **Two manuals** to be completed: resolution planning and crisis management.
- **Internal Resolution Teams (IRTs) and resolution colleges** to be set up to frame the cooperation between the SRB and the National Resolution Authorities.
- **Key policy issues** (e.g. MREL) to be dealt with.
- The **Single Resolution Fund (SRF)** to be established and to be gradually built up over 8 years as of 2016.
- **Last but not least**: If necessary, the SRB has to be **ready to manage a crisis** and take resolution actions.

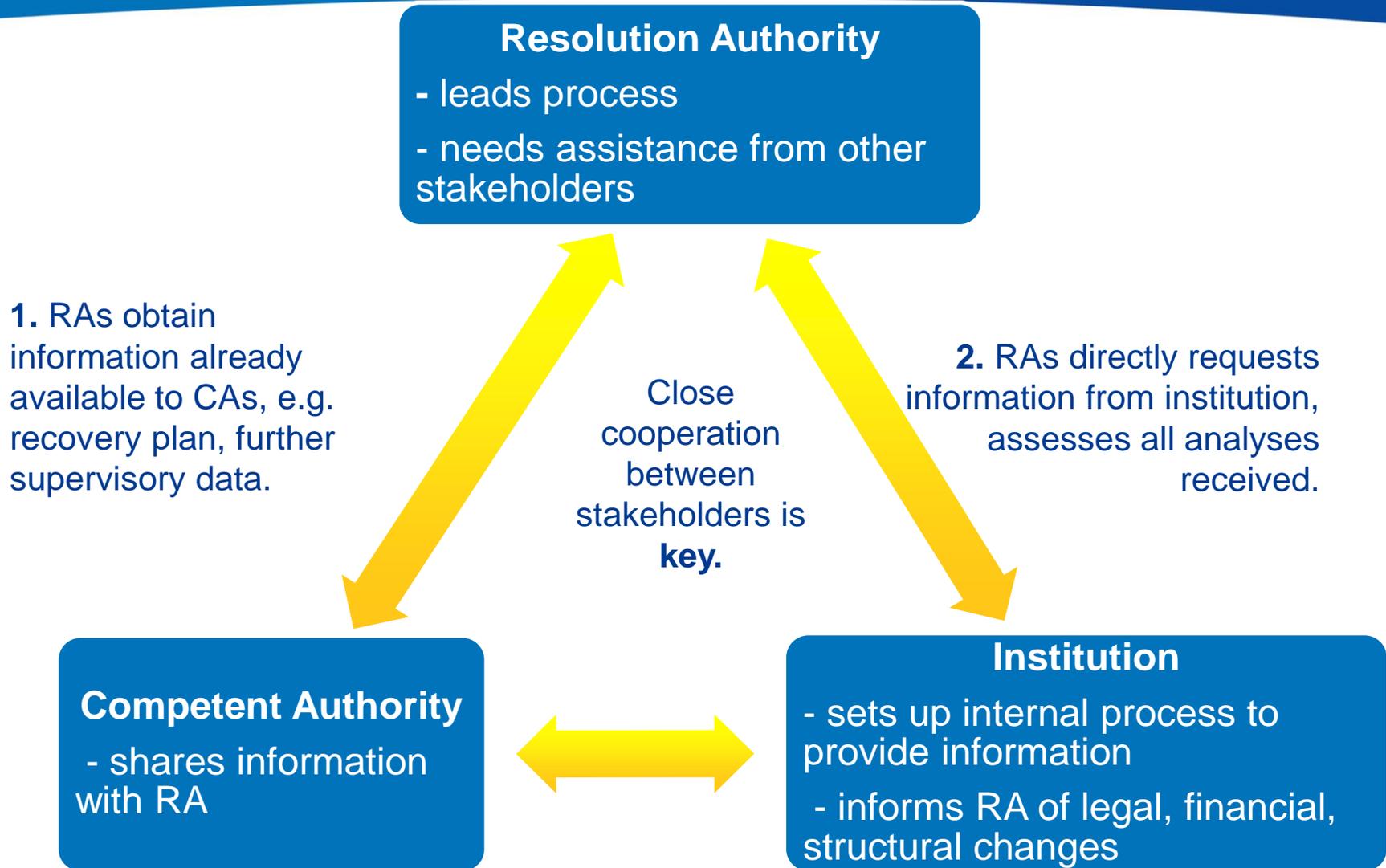
Focus on Resolution Planning



Implications:

- **Practical aspects:** Need for appropriate management information systems for banks to be able to deliver the flow of relevant information and need for contacts with IRT members.
- **Structural aspects:** Possible changes to the structure of the bank in 'going-concern' to remove obstacles to resolvability.

Involvement of Banks in Resolution Planning



Focus on MREL (1/2)

SRB's approach to MREL in 2016

- MREL decisions in 2016 will focus on setting the final target and on determining an appropriate implementation timeline for the consolidated MREL of the Union parent entity.
- Decisions about MREL for subsidiaries will be made in a second stage.
- The Board considers that a tailored approach based on individual implementation plans is preferable to setting a uniform transition period for all banking groups. Nevertheless, the Board will set compulsory interim steps where appropriate.
- Close cooperation with the ECB/SSM is essential to MREL decisions and their implementation.
- Based on a preliminary assessment, an MREL target of not less than 8 % of total assets – but on a case-by-case basis possibly above – would generally be required for the banks under the SRB's remit.
- Given that MREL requires a case-by-case analysis and will be based on individual decisions, the Board currently considers that it would not be appropriate to publicly disclose its decisions.
- The Board recognises the importance for investors to obtain the information necessary to assess and price the risk of investing in bail inable debt instruments.

Focus on MREL (2/2)

Practical implications

- As a practical 1st step, the SRB held an Industry dialogue on January 12th to outline its approach to MREL in 2016.
- The SRB also intends to engage in bilateral meetings with banks.
- A data gathering exercise will take place in early 2016 in order to:
 - Provide an **overview of the liability structure** of the institutions.
 - Get relevant data to **set MREL at consolidated level** for the EU parent entity and beyond.
- **A dedicated process for adopting MREL decisions** is to be built in the coming months, involving:
 - For groups operating within the Banking Union: establishment of IRTs, approval of a resolution plan by the Executive Session of the Board with the involvement of NRAs and other parties.
 - For groups with banking activities outside the Banking Union: establishment of a Resolution College, with a joint decision process.