



**Single  
Resolution Board**

# **SINGLE RESOLUTION BOARD & SINGLE RESOLUTION MECHANISM**

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Completing the Banking Union - Ljubljana, Slovenia

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# A CRISIS OF HISTORIC PROPORTIONS

2007 

- “Bing bang” & deregulation
- Lehmann brothers

## Banks too big or too interconnected to fail

- The threat of bank failures meant that the health of government finances became more important than ever
- What started as a banking crisis became a sovereign debt crisis

2008  BANK CRISIS  
2009

- Banks failed in Europe
- Market losses
- EU governments came to the rescue
- Damage to the taxpayer
- Ensuing economic crisis & recession
  - > GDP damage
  - > General Unemployment soared
  - > Youth unemployment rose

## POLICY CHALLENGES & RESPONSES

### Decisions to end era of implicit tax payer guarantees & bail outs

- Crisis prevention (regulatory & supervisory initiatives)
- Crisis control and mitigation (joint strategy from policymakers)
- Crisis resolution (stress test, restructuring)

MARCH 2009

 EU Commission endorses the *de Larosière* recommendations and calls on EU leaders to move fast on financial market reform and show global leadership at G20 in April.

# GLOBAL & EUROPEAN MEASURES TO END BANK-SOVEREIGN DOOM-LOOP

G20

**2014**  
Financial stability  
Board

Key attributes of Effective  
Resolution Regimes


1. Scope
2. Resolution authority
3. Resolution powers
4. Set-off, netting, collateralisation, segregation of client assets
5. Safeguards
6. Funding of firms in resolution
7. Legal framework conditions for cross-border cooperation
8. Crisis Management Groups (CMGs)
9. Institution-specific cross-border cooperation agreements
10. Resolvability assessments
11. Recovery and resolution planning
12. Access to information and information sharing

EU

**2015**  
Financial stability  
Board

- Need for financial reforms
- Building resilient financial institutions
- Ending too-big-to-fail
- Building a more resilient financial system

BANKING UNION & BRRD \*

**2014/2015**  
Single Supervisory  
Mechanism - ECB 

National Competent  
Authorities (NCAs)

- Supervision of around 4,900 banks within participating Member States
- Respective supervisory roles and responsibilities are allocated based on significance of the supervised entities.

  
**PILLAR 1**

**2015/2016**  
Single Supervisory  
Mechanism - SRB 

National Resolution  
Authorities (NRAs)

- Closely involved in the resolution process
- Assist the SRB in preparing its actions
- In charge of implementing the resolution decisions in line with national company and insolvency law.

  
**PILLAR 2**

European Deposit Insurance Scheme

  
**PILLAR 3**

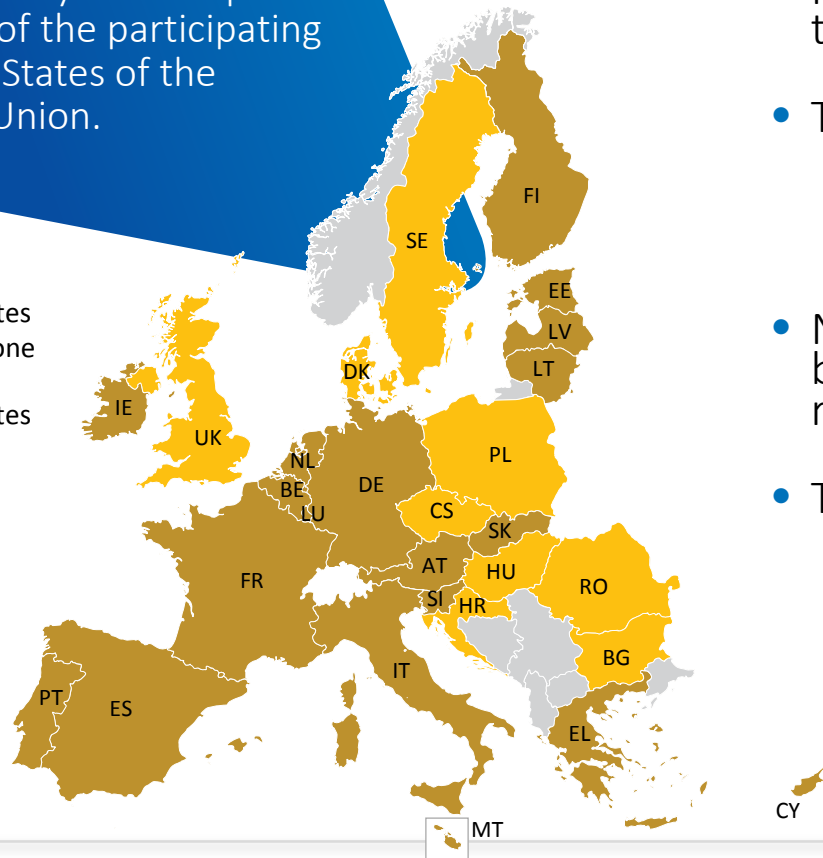
\* The EU Bank Recovery and Resolution Directive is fully in line with the FSB) recommendations. It delivers a comprehensive bail-in tool that ensures that shareholders and creditors bare the cost of bank failure, minimising the burden on taxpayers

# SRB MISSION & DIVISION OF TASKS WITHIN THE SRM

## 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 SRM.
- The SRB is directly responsible for:
  - 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.

# SRB OBJECTIVES & TOOLS

## Objectives

- **Ensure resolvability** of the 150 globally systemic important banks in the Banking Union
- **Ensure continuity** of critical functions in case a bank must be resolved
- **Protect taxpayers** from potential future bail-outs and make more industry pay its own way in resolution
- **Safeguard financial stability** at Member State or higher level
- **Protect depositors**
- Make sure creditors get treated no worse than in insolvency

**RESOLUTION PLANS**

**ELABORATE & ENACT RESOLUTION SCHEMES**

> resolution action with all resolutions tools

**TOOLS**



**OBSTACLE REMOVAL**

**SRF**

Collect contributions to the resolution Fund

**MREL & TLAC**

Setting of Minimum Eligible Required Liabilities (MREL) in parallel with Total Loss Absorbing Capacity (TLAC)

## PROTECT AND CONTROL

# WHAT IS A RESOLUTION AND WHAT ARE THE RESOLUTION TOOLS?

## RESOLUTION

**occurs** at the point when the authorities determine that

- a bank is failing or likely to fail,
- there is no other private sector intervention that can restore the institution back to viability within a short timeframe and
- normal insolvency proceedings would cause financial instability.

## RESOLUTION

**means** the restructuring of a bank by a resolution authority, through the use of resolution tools, to ensure the continuity of its critical functions, preservation of financial stability and restoration of the viability of all or part of that institution, while the remaining parts are put into normal insolvency proceedings.



Different **tools** are 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

The sale of business tool allows for the total or partial disposal of the entity in a financial transaction.

### BRIDGE BANK TOOL

Part or all of the business is transferred to a temporary entity totally or partially publicly owned.

HELP TO  
PROTECT  
MARKETS AND  
CITIZENS FROM  
FUTURE CRISES

Assets whose liquidation could cause market disruption can be transferred to an asset management vehicle, totally or partially publicly owned.

### ASSET SEPARATION TOOL

Equity and debt can be written down, converted or bailed-in, placing the burden on shareholders and creditors of the bank rather than on the public.

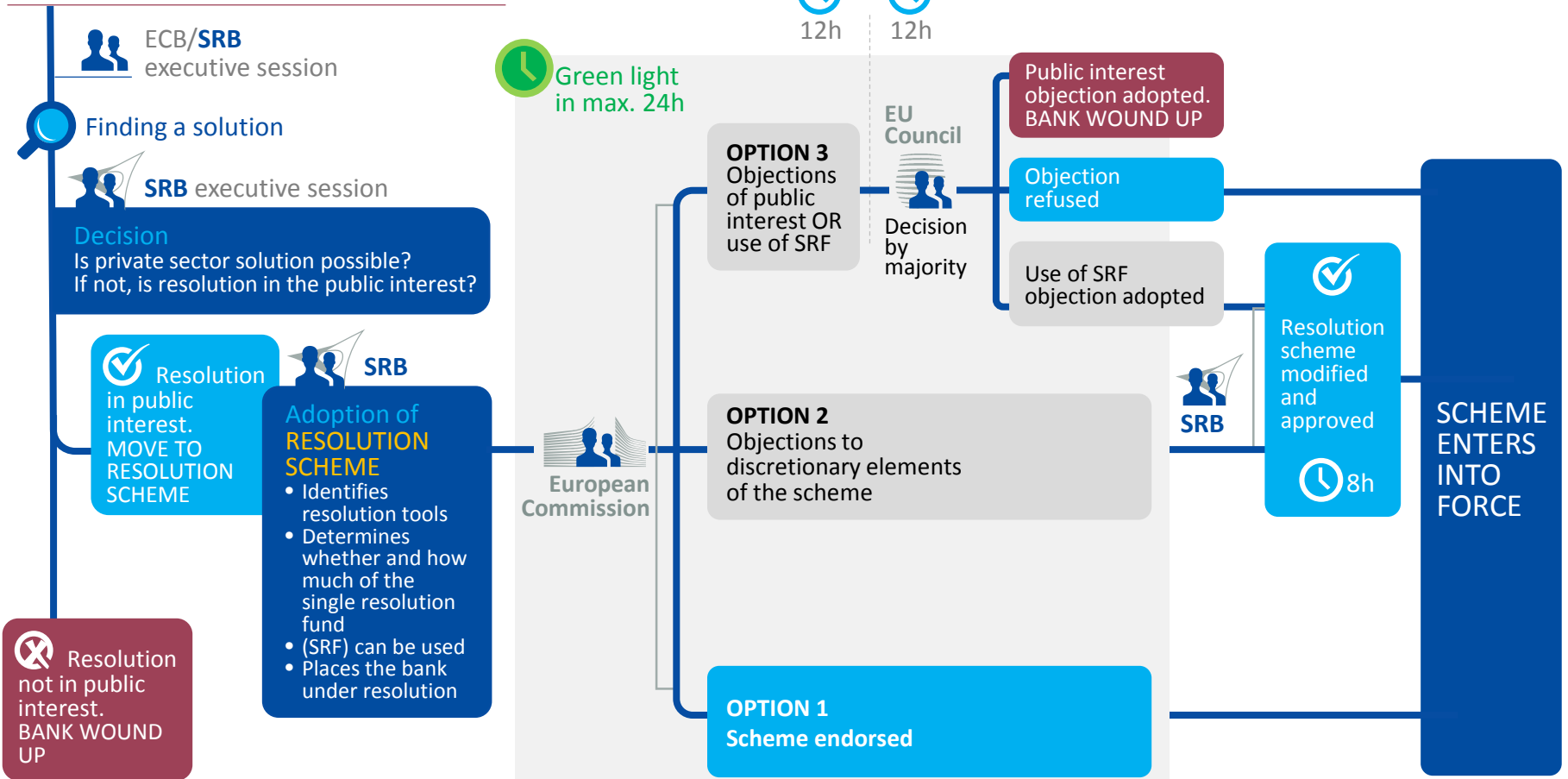
### BAIL-IN

# SINGLE RESOLUTION MECHANISM

## Resolving failing banks



**BANK IDENTIFIED AS FAILING OR BEING LIKELY TO FAIL**





# RESOLUTION PLANNING & RESOLUTION PROCESS



**BANK FALLS  
INTO TROUBLE**

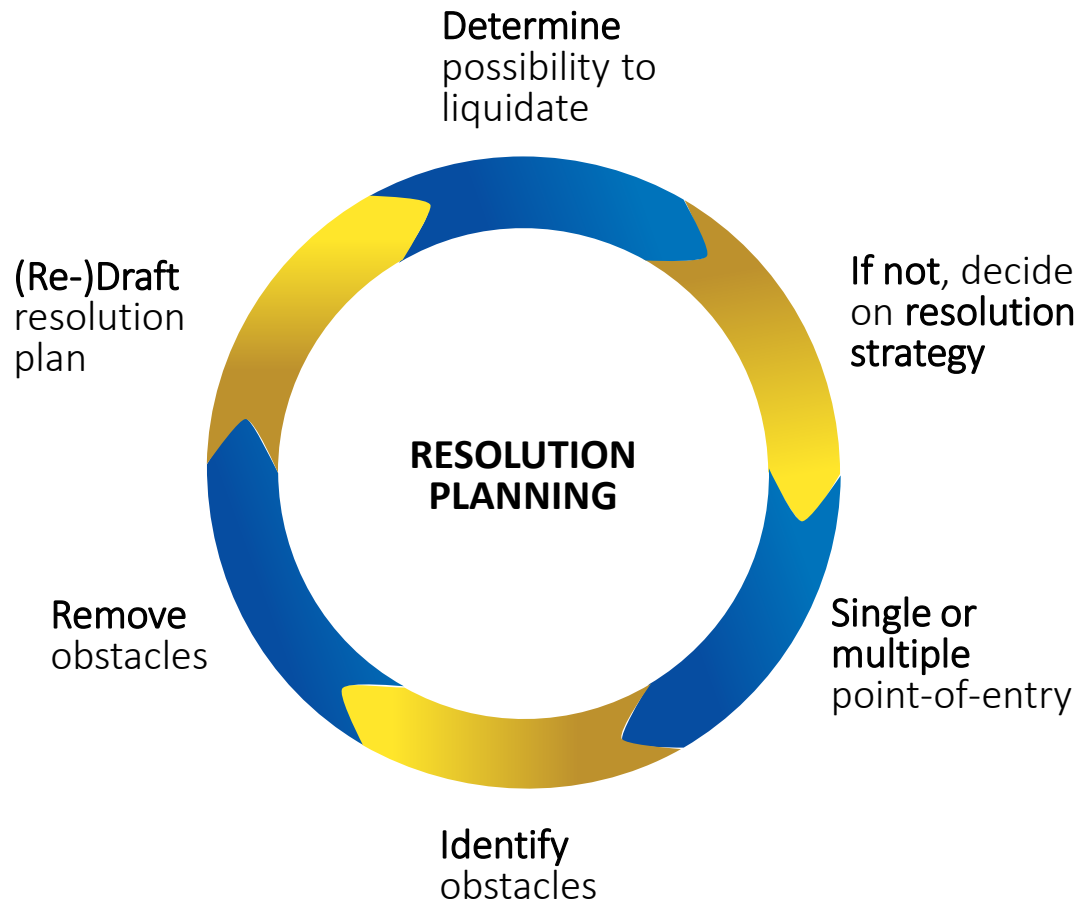
Single Supervisory Mechanism (ECB + NCAs)



**PRE-CONDITIONS  
TO RESOLUTION**



# RESOLUTION PLANNING & RESOLUTION PROCESS

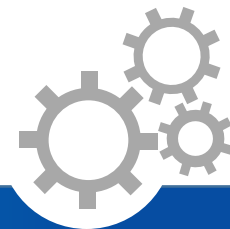


RESOLUTION  
PLANNING  
IS AN ONGOING  
PROCESS



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

# KEY FOCUS & TASKS AHEAD



## 2016 SRB WORK PROGRAM:

1

### Ensuring resolution readiness and removing obstacles to resolution

Resolution Planning Manual  
& Crisis Management Manual

2

### Fostering Cooperation & Cross-border relationships

Internal Resolution Teams (IRTs)  
& Resolution Colleges (RCs)

3

### Operationalising the Single Resolution Fund

Total target size of the Fund will equal at least 1% of the covered deposits of all banks in Member States belonging to the Banking Union

## Other policies:

- Total Loss Absorbing Capacity / Minimum Required Eligible Liabilities
  - > to align the main TLAC requirements that the G20 agreed on for the globally systemic banks, and MREL as much as possible within the framework of the BRRD
  - > MREL of not less than 8% of total liability - but on a case by case basis possibly well above – will generally be required for the largest banks in the Banking Union
- EDIS
  - > A functioning Deposit Guarantee Scheme is key to fulfil the objectives of the Banking Union and beyond – this is needed to safeguard the trust of depositors in their banks

# WHAT WE STRIVE TO ACHIEVE

## ENSURING RESOLUTION READINESS

- Further develop resolution plans for entities under SRB's remit
- Further develop the Resolution Planning and Crisis Management Manuals as well as policy orientations for the use of resolution tools
- Make progress on enhancing resolvability by identifying barriers to resolution and by providing and implementing concrete guidance on ways to remove them, including on MREL
- Become the centre of expertise for resolution-related topics
- Contribute to the review of existing legislation and relevant regulatory activities
- Improve preparedness by carrying-out crisis simulation exercises



## FOSTERING COOPERATION

- Operationalise MoUs with the ECB and the EC
- Establish MoUs with non-Banking Union European partners
- Establish MoUs and cooperation agreements with partners beyond the EU
- Develop a culture of efficient cooperation with NRAs
- Establish Resolution Colleges



## OPERATIONALISING THE SRF

- Define funding and financing for the SRF
- Develop and implement investment strategy for the SRF
- Ensure timely contributions to the SRF



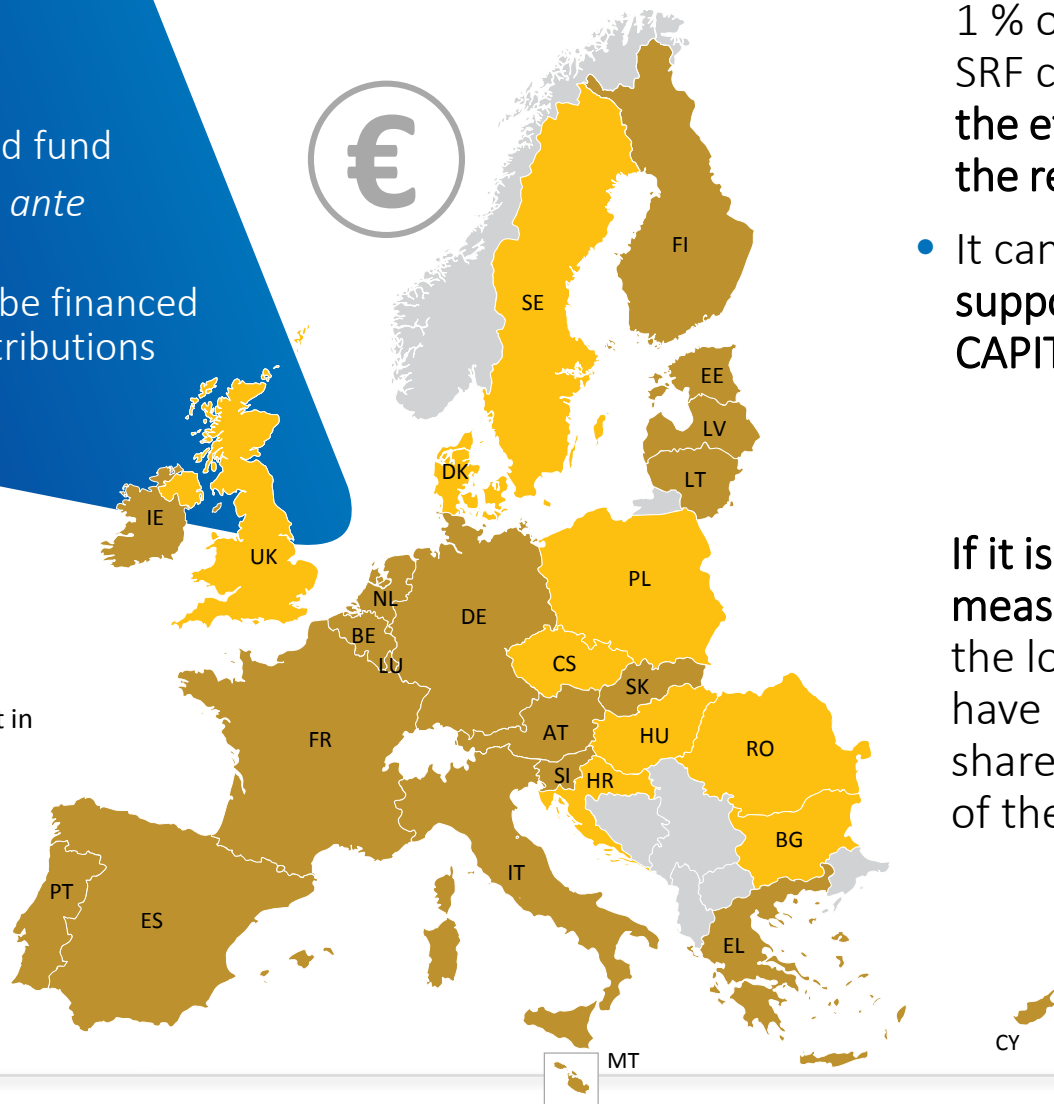
# SINGLE RESOLUTION FUND

## TARGET

- A single, fully-mutualised fund
- Financed by *ex ante* contributions
- Shortfalls may be financed by *ex post* contributions or borrowing

● Member States in the Eurozone

● Member States not in the Eurozone



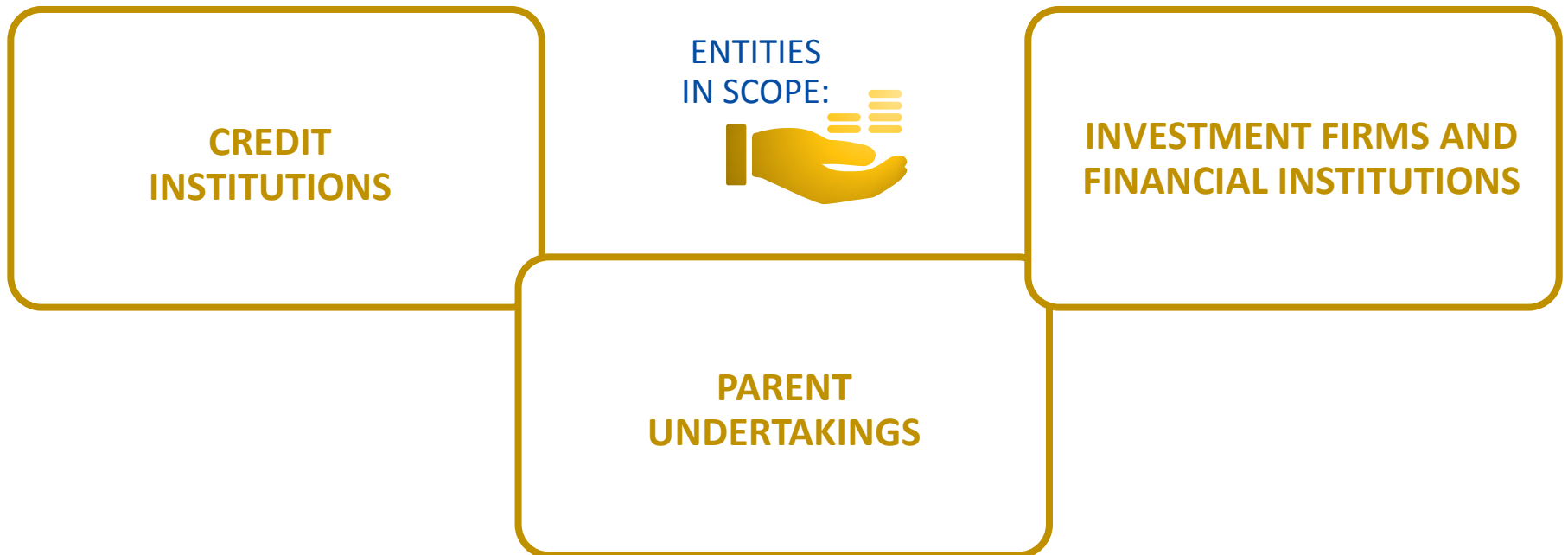
- Funded until 2024 to at least 1 % of covered deposits, the SRF can be used to **ensure the effective application of the resolution tools**
- It can be used for **liquidity support or for CAPITAL MEASURES**

If it is used for **capital measures**, at least 8% of the losses of the bank must have been absorbed by shareholders & creditors of the bank first

# FINANCING OF THE SRB

The revenues of **Part I of the budget** shall consist of the annual contributions necessary to cover the annual estimated administrative expenditure.

Expenditures include *inter alia* staff, remuneration, administrative expenses, infrastructure, professional training and operational expenses.



# CONCLUSION

- The **Single Resolution Mechanism**

(SRB + NRAs: create visual?) enables the orderly resolution of failing banks.

It will minimize adverse impacts on both the real economy and public finances.

- **Resolution** will lead to greater stability in the banking system and support growth in the Eurozone.

- The **Single Resolution Mechanism** will help to avoid future bank bail-outs and place the burden of bank failure firmly onto shareholders and creditors, not governments and taxpayers.



**Single  
Resolution Board**

14/02/2018 | **THANK YOU**

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