

<b>Question ID</b>	2017_3113
<b>Status</b>	Final Q&A
<b>Legal act</b>	Directive 2014/59/EU (BRRD)
<b>Topic</b>	Resolution tools and powers
<b>Article</b>	42
<b>Paragraph</b>	3
<b>Subparagraph</b>	-
<b>COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations</b>	Not applicable
<b>Article/Paragraph</b>	n.a.
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<b>Disclose name of institution / entity</b>	No
<b>Type of submitter</b>	Competent authority
<b>Subject matter</b>	AST in combination with other resolution tools
<b>Question</b>	What is the rationale for using the Asset Separation Tool in combination with other resolution tools?
<b>Background on the question</b>	<p>The conditions for applying the tool Asset Separation Tool (AST) include the need to maximise the liquidation proceeds. As the objective of an AST according to Article 42(3) of Directive 2014/59/EU (BRRD) is to maximise the value of the assets transferred there seems to be an overlapping between the conditions for applying the tool and the objective of the tool. While the BRRD recognises the need to avoid a destruction of value - which is no longer a resolution objective but remains a constraint that the authority should consider when pursuing these objectives - we do not believe that the authorities are obliged to set up an AST to maximise the liquidation proceeds as the funding that an AST may require could be substantial. More importantly, we wonder how to distinguish between the AST and the continuation of the residual entity following a transfer of assets and liabilities to a third party or a bridge bank. According to Article 37(6) the liquidation of the residual entity should be done in a reasonable timeframe.</p>
<b>Final answer</b>	In accordance with Article 37(5) of Directive 2014/59/EU (BRRD), the asset

separation tool can be used only together with another resolution tool. The rationale for using the asset separation tool only in combination with other resolution tools is to prevent an undue competitive advantage for the failing institution, as explained in Recital (66) BRRD.

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