RESOLUTION COLLEGES - ANNUAL REPORT 2019

EBA/REP/2020/24

EBA EUROPEAN BANKING AUTHORITY

Contents

1. Introduction

1. Resolution colleges are required under the Bank Recovery and Resolution Directive ('BRRD' or 'Directive') to provide a framework for the group-level resolution authority, other relevant resolution authorities, supervisory authorities, competent ministries and authorities responsible for deposit guarantee schemes, to collectively plan for and coordinate the resolution of cross-border banking groups[1].

2. The EBA, in fulfilment of its responsibilities under the Directive of promoting and monitoring the efficient, effective and consistent functioning of resolution colleges, provides regular reports on the progress it observes from attending a selection of such colleges.

3. This paper constitutes the report for colleges that took place in 2019. In addition to commenting on the functioning of colleges and the joint decision taking process, this report also reflects the EBA's views on specific deliverables it asked[2] resolution authorities to address in the 2019 cycle with respect to:

    a. The quality of the description of the resolution strategy.

    b. Operationalisation/implementation of the resolution strategy.

    c. The resolvability assessment and the identification of impediments to the implementation of the resolution strategy.

    d. MREL requirements.

4. Additionally, the paper outlines developments with respect to work conducted by the EBA in the area of resolution policy in 2019/20, as well as identifying issues that it will monitor in resolution colleges in the 2020 cycle. On each aspect, EBA activities will be kept under regular review, and adapted as necessary, to reflect developments arising from the effects of the Covid- 19 pandemic.

[1] Third country authorities may also be invited to attend colleges as observers

[2] Following discussion at the ResCo meeting of 16 July 2019 emails were sent to the group level resolution authorities in August 2019 setting out the issues to be monitored

2. Executive Summary

5. Colleges continue to be an active forum for resolution authorities ('RAs') to engage collectively in the development of resolution plans for cross-border banking groups. As knowledge has grown and policies developed in key areas, so has the intensity and quality of cooperation and dialogue.

6. Fundamental to ensuring efficient and effective functioning is the need for sound process and administration. In this respect, adherence to the written arrangements adopted by each college is essential to ensuring a robust basis of operation. The EBA considers that colleges should regularly devote time to assessing the continued suitability of such arrangements and the processes in place for the exchange of confidential information. These factors and the maintenance of emergency contacts details, need to be reviewed to reflect the increased prevalence of remote working of members of the college.

7. The majority of colleges continued to hold physical meetings in 2019. While this is the optimal approach, it is recognised that it may not be possible while the effects of the pandemic remain to the fore. Colleges need to adapt to the new environment with matters such as the timely circulation of joint decision timelines and meeting documentation retaining the utmost importance in order to maintain effective functioning.

8. In 2019, the EBA observed that resolution and supervisory authorities were the most active participants in colleges. It is considered that, going forward, and to ensure that plans are comprehensive, issues of concern to finance ministries and administrators of deposit guarantee scheme should form a greater element of the college discussions[3].

9. The joint decision process in colleges formed a core element of the work undertaken in 2019. Decisions on the resolution plan and resolvability assessment, as well as MREL decisions, were generally undertaken within the required four-month period provided for in the Directive. There were no joint decisions tabled for discussion on the removal of impediments in any of the twelve monitored colleges. While working with banks to remove impediments to resolvability has been successful and will remain the primary means to deliver improvements, it is anticipated that as the range of policy positions of resolution authorities is broadened, conflicts may arise. In these circumstances, the use of powers available under the BRRD may be needed via the joint decision process.

10. The focus of most colleges in 2019 has been on operationalisation of the preferred resolution strategy. Focusing on the practicalities of execution enhances the credibility and feasibility of all plans. Areas requiring attention going forward include operationalisation of the bail in tool, determining and planning for liquidity and funding in resolution, operational continuity

[3] See paragraph 73 for details on items to discuss

arrangements, maintenance of access to financial market infrastructures and introduction of management information capabilities to support resolution.

11. Ensuring the credibility and feasibility of the preferred resolution strategy in the current pandemic environment must be a primary objective of colleges in 2020/2021. Ensuring that bail-in of instruments can be swiftly and efficiently executed will be essential to stabilizing groups experiencing extreme stress. Achieving this will involve close dialogue with relevant financial market infrastructures and having processes in place for ensuring that securities markets laws are fully adhered to.

12. For the 2020 cycle, the EBA intends to monitor college discussion and engagement on:

    a. The credibility and feasibility of the preferred resolution strategy in the current environment and the analysis of alternative resolution strategies.

    b. The extent to which supervisory authorities, finance ministries and administrators of deposit guarantee schemes are actively involved in consideration of their respective roles, and

    c. Analysis of the Written Arrangements underpinning colleges and changes arising from revised working arrangements emanating from the pandemic, including updating contact arrangements.

    d. The extent to which colleges undertake reviews of 'Business Reorganisation Plans' to assess if changes are required in response to the economic effects of Covid-19.

13. Additionally, all colleges will be requested to complete a resolvability assessment template to aid in the monitoring of overall progress of key aspects of the planning process.

3. Functioning of Resolution Colleges

3.1 Written Arrangements

14. Each college is required to establish written arrangements and procedures for the functioning of the resolution college[4]. These should be updated regularly, in particular after any substantive changes to the composition of the college.

15. For all the monitored colleges, written arrangements are in place and have been for a number of years. A common practice, observed also during 2019, is that these are reviewed annually, primarily to ensure that contact lists are up-to date. However, it is considered that more comprehensive reviews of the scope of written arrangements should also be conducted periodically. This would provide a framework for colleges to undertake a process of self-

[4] Commission Delegated Regulation (EU) 2016/1075 of 23 March 2016

assessment to explore if improvements to overall functioning are necessary/possible and for instance, to consider the effects of Brexit on the membership and functioning of the college.

16. Additionally, given the sensitivity of the information that is exchanged in resolution colleges, the EBA encourages the use of highly secure means of communication between college members. Colleges are encouraged to consider the approaches currently used and implement improvements where necessary.

3.2 Joint Decision Timelines

17. Timetables for the completion of the joint decision process were circulated in all monitored colleges.

18. In general, the various intermediate steps to taking the final decisions were well articulated. However, in four of the twelve monitored colleges, the final date for submission of comments to the resolution plan was omitted. To ensure that timetables are aligned with the internal governance arrangements of individual members, the process of early discussion of the timetable in the college is reiterated.

3.3 Timely Circulation of meeting Documents

19. In order to ensure that participants can properly prepare for college meetings, it is essential that documentation for the meeting is circulated by the group-level resolution authority well in advance of meetings.

20. While late circulation of documentation has been a problem in the past, this is an area that has shown quite an improvement in 2019, with all monitored colleges being considered to have circulated papers well in advance of college activities.

3.4 Quality of College Interactions

21. Ten of the twelve colleges attended by the EBA involved physical meetings. In two cases, the meeting was held by means of a conference call (in one of these cases, a physical Crisis Management Group ('CMG') meeting was subsequently organised). Delegated Regulation 2016/1075, which set out requirements for the organisation of resolution colleges, requires that one physical meeting should be held within each 12-month period. College members need to engage actively to consider if the current arrangements meet the needs of the college (particularly in light of the limitations necessary because of the pandemic).

22. With respect to the quality and degree of engagement between home and host authorities, the assessment was considered satisfactory with relevant topics being considered in a constructive manner. Notwithstanding this progress, as experience grows and bilateral arrangements continue to improve, it is important to protect against complacency and colleges being perceived as fulfilling a regulatory requirement. Colleges must remain the preeminent forum for comprehensive and cohesive planning between EU authorities; this was an important lesson from the financial crises.

23. In general, the participants in meetings were primarily those of resolution and supervisory authorities, with less active engagement from competent ministries and representatives of

deposit guarantee schemes. This is most likely explained by the fact that the bulk of the discussions in meetings during 2019 remained focused on the development/operationalisation of resolution plans. However, the involvement of all members in the development of comprehensive planning and execution arrangements is essential so that in times of crises, the various elements of the plan are understood and synchronised, to the maximum extent possible.

4. College deliverables: joint decisions

4.1 Joint Decision on resolution plans and resolvability assessments

24. Of the twelve colleges monitored by the EBA, all completed the decision making process on resolution plans and resolvability assessment. In nine of these cases, the decision was taken within 4 months of the start of the process, with another two being marginally outside the required period. Many of the decisions were not taken within the 12 month period since the previous decision, mainly because colleges were not held for many of the groups in 2018

25. In one case out of the twelve monitored groups, one of the parties did not sign the agreement and accordingly, a partial joint decision was taken (within the 4-month period).

4.2 Joint Decision on the removal of impediments to resolvability

26. The EBA was not advised of any proposal made or any joint decision taken on the removal of impediments to resolvability for any of the twelve monitored banks. This is consistent with previous years. Working with banks to remove impediments to resolvability will remain the principal means for delivering improvements in resolution planning. However, as the policy positions of resolution authorities expand to cover more areas, reliance on the use of BRRD powers may become necessary. Such cases will lead to decisions under the joint decision process.

4.3 Joint Decision on MREL

27. The joint decision making process for MREL was undertaken in all colleges in 2019. As with the joint decisions on resolution plans and resolvability assessment, ten colleges completed the process within the four-month period and two marginally outside the required time.

28. Decisions taken included in most cases agreements for the consolidated MREL at group level, as well as final or indicative targets for the individual EU subsidiaries.

5. College Deliverables: Thematic Issues

29. As mentioned in the introduction, in order to enhance convergence of practices among resolution authorities, the EBA identified a number of important issues that colleges should focus on as part of the deliberations in the 2019 cycle. These issues were identified in consultation with EU resolution authorities. This paper reports on key developments identified in the monitored colleges.

5.1 Resolution Strategies

30. With respect to the resolution strategies for each banking group, the EBA advised colleges that its involvement in colleges would be focused on monitoring:

a. the inclusion/description of any variants of the preferred resolution strategy.

b. the clarity of the scope of the plan (in particular, coverage of material entities by the resolution strategy).

c. assessment of the critical functions (including inclusion of the host resolution authorities' assessment).

31. The SPE approach remained the primary, although not exclusive, resolution strategy for most banking groups. In a number of cases, consideration of alternative strategies was commenced but this was not common and in overall terms, at this point, is not an area that is advanced. This may be explained by the continuing need to develop and operationalise core aspects of the preferred resolution strategy.

32. With respect to scope, plans have developed over the year incorporating further detail on key entities that would be subject to resolution. At this point, the primary focus of plans is on the EU operations of banks. Plans are generally less well developed for the businesses in third countries and in a number of cases, these are yet to be included in the planning process.

33. The identification of critical functions is one area where resolution plans have shown improvement, reflecting the development of clearer policies by resolution authorities [6]. However, as there are differences in the policies that have been developed by individual resolution authorities, disagreements in approach persist. This can arise between home and host resolution authorities or between the authorities and banks. Working to achieve greater alignment will enhance the cohesion of plans and the EBA observed that divergences are narrowing as understanding improves.

5.2 Operationalisation/implementation of the resolution strategy

34. In addition to monitoring the scope of resolution planning strategies, the EBA also monitored the extent of which the plans had advanced with respect to setting out the steps necessary for practical implementation. Areas of particular attention concerned operationalization of the bail in tool, liquidity and funding in resolution, operational continuity, access to financial market infrastructures and access to resolution information.

5 Often in conjunction with supervisory authorities

35. Across the board, the 2019 resolution cycle saw increased attention paid to the practicalities of how the various component of a resolution plan could be put into practice. While progress is universal and plans are nearing completion, there are only a small number of cases where the EBA has been notified that a bank is not resolvable. Equally, from the monitoring process, it appears that few plans are considered fully credible and feasible. Pinpointing the overall stage of progress is difficult. However, the extensive work undertaken in the five years since the introduction of the BRRD suggests that plans should be approaching the point of credibility and feasibility. It is considered that setting out clear timelines for the achievement of this objective is necessary and should form part of the dialogue in colleges

36. Given the predominance of Single Point of Entry as the preferred resolution strategy for monitored colleges, the ability to execute successfully the bail-in of liabilities is of paramount importance and so, it has been an area where colleges devoted attention. To this end, engagement with financial market infrastructure providers, clearing houses and national numbering agencies was evident in a number of cases.

37. However, at this point, most progress has been observed in planning for write down or conversion of instruments quoted on local markets. With respect to both equity and debt on other markets in the EU, progress is less advanced (a position that is even more evident when looking at the scale of preparations for instruments quoted on third country exchanges). It is also evident that potential uncertainties on the application of EU securities law requirements (e.g. the Market Abuse Regulations) and the path to successful execution of a resolution need to be closely considered.

38. Funding and liquidity in resolution is an area where work continues but the development of concrete plans is proving elusive in all plans. The challenges in this area stem from the development of sound methodologies to determine what the funding needs are likely to be in a resolution scenario, including how non-Euro currency needs are met, right through to the identification of the most likely sources of funding in both idiosyncratic and systemic crises. However, it is also the case that in areas such as understanding the quantification, sources and mobility of unencumbered assets, banks are making progress and improving the IT resources to monitor and mobilise such assets.

39. Operational continuity, including accessing financial market infrastructures in resolution, has been an area where colleges devoted attention in the 2019 cycle. A number of authorities have engaged with key providers to understand the practical measures that would need to be taken in resolution, with work continuing to evolve in this area. In tandem with domestic projects, a number of authorities are also engaged, at a global level, in work being undertaken by the Financial Stability Board. On a related issue, work continues to be undertaken on the inclusion of resolution proof clauses in third county agreements.

40. Improvements are also observed with respect to, for instance, (a) mapping of critical function and critical services (b) understanding of outsourcing arrangements and (c) IT systems to support resolution notably with the development of management information systems to facilitate bail-in and the valuation of assets/liabilities. However, work on developing comprehensive playbooks to support resolution needs to continue to advance.

5.3 Resolvability assessment and the identification of impediments to the implementation of the resolution strategy

41. Under this heading the focus of the EBAs work was on:

    a. credibility and feasibility of the preferred resolution strategy and of any variant strategies.

    b. identification/monitoring of impediments (potential or substantive).

    c. work programme/measures implemented to remove these impediments.

    d. allocation of responsibilities, in particular, between the resolution authorities (i.e. the group-level resolution authority and the host resolution authorities) and between the resolution authorities and the banking group, in the removal of impediments

42. The process of resolvability assessment continues to develop and improve across colleges. However, as mentioned earlier, notwithstanding the progress made, plans are not generally considered complete for major banks. Work continues in areas such as liquidity and funding, operational continuity and bail-in capacity, although it remains the case that no material impediments to resolvability have been identified.

43. With respect to cooperation between authorities, the colleges' framework that has been in existence over the last five years has helped in many ways, not least in the development of personal relationships that, in turn, have aided interaction. Additionally, the process of understanding of alternative positions has also been enhanced through the articulation of the core policies of individual authorities that, in general, has led to engagement that is more constructive. Of course, in a few cases disagreements exist between home and host authorities on fundamental issues such as the resolution strategy. Authorities have needed to find solutions to these issues and depending on the circumstances, this had been achieved through either bilateral engagement or the use of the EBA's mediation process.

6. Minimum Requirement for Eligible Liabilities

44. MREL has been a particular area of attention for the EBA throughout the 2019 resolution cycle with the key areas of attention being:

    a. MREL adjustments to reflect risks affecting resolvability.

    b. monitoring of the build-up of MREL resources.

    c. monitoring of solo requirements and where relevant the allocation of MREL resources within the banking group.

45. The findings in this regard have been subject to a separate report published on 17 February 2020 and these are not repeated here. The Executive Summary of that report is included in Annex 1.

7. Convergence in Resolution Policy.

46. Under the auspices of the EBA's Resolution Committee ('ResCo'), work has been undertaken in a number of key policy areas to develop harmonised practices in the areas of resolution planning and execution. The following provides a brief summary of the products developed in the areas of (i) interlinkages between recovery and resolution plans (ii) State Aid rules in resolution and (iii) application of simplified obligations and waivers.

7.1 Interlinkages between recovery and resolution planning

47. Recovery and resolution plans represent two fundamental elements to allow proper ex-ante preparation for a crisis in an institution. Two different bodies prepare them namely, the bank in the case of the recovery plan and the resolution authority in the case of the resolution plans and those documents also serve different purposes. Given their different objectives and different owners (institutions versus RAs), these documents could diverge in their coverage of common elements. However, given that they are both designed to address periods of significant stress, effective interlinkage between those two documents could result in numerous benefits particularly in terms of maximising synergies and ensuring consistency in their potential implementation.

48. The EBA undertook an exercise to compare and contrast the plans of a variety of banks in order to understand the extent to which such potential synergy has been achieved and where material inconsistencies exist, they are justified, through an appropriate level of explanation and interaction.

49. In order to fully understand the outcomes of the horizontal analysis, appropriate consideration should be given to the fact that it was conducted at a relatively early stage in terms of development of those documents, in particular of the resolution plans. EBA has observed that in the recent new iterations of those documents, progress has been made since the 2017 versions of recovery and resolution plans.

50. The EBA's first horizontal analysis of recovery and resolution plans has shown that there is already some interlinkage between those documents. Resolution and recovery plans are increasingly using the respective information, however more progress is expected in effective leveraging and cross-referencing of information between the two documents and assessment of some key aspects of the interlinkage such as the potential implications of recovery options on the institution's resolvability and the impact of the resolution plans on recovery plans and on-going supervision.

51. Moreover, where relevant common elements between the recovery and resolution plans show material divergences, the EBA believes that it is important: (i) that the plans contain, a clear and reasoned explanation of the divergences between the documents and/or (ii) a dialogue, for example in the form of a workshop between the key stakeholders to discuss differences in assessments. While the EBA recognises that those are good practices to implement going forward, it acknowledges that they are not a legal requirement currently and this could explain their limited use in the plans examined for the analysis.

52. On the important common element of critical functions, the report concludes that full alignment is needed to ensure an effective interlinkage and therefore the EBA encourages institutions to use their best efforts to align the analysis with the RA assessment.

53. In this respect, the EBA believes it would be beneficial that the institution clearly states in its recovery plan whether the CFs listed in that plan are fully aligned with CFs identified by the RA for the resolution planning purposes. In order to avoid duplication of work, the recovery plan could as much as possible leverage on the information on CFs that must be provided by an institution to the RA for the resolution planning purposes, taking into account the misalignment between reference dates of both plans.

54. With regards to the other common element focus of the analysis - the access to central bank (CB) facilities in recovery and resolution plans - considering the different objective of this element across the two documents, the report concludes that only some aspects of alignment should be pursued. In particular it is important that the description of this element:

    i. is consistent in the two documents with regard to identification of assets eligible for CB funding (possibly with more detailed information provided in the recovery plan);
    ii. ensures a sequential link between the availability of CB funding in recovery and resolution phases (i.e. a resolution plan should take into account that CB eligible assets might be pledged in the recovery phase and the resolution plan should also include additional assessment of central banks' conditions for providing ordinary CB funding in resolution or after a resolution event); and
    iii. takes into account that assumptions of a liquidity shock associated with a resolution will in general be more severe than those included in the scenario analysis of a recovery plan.

55. The report covers various important aspects of interlinkage between recovery and resolution plans. As evidenced from the findings of the comparative analysis of recovery and resolution plans, however further work is needed and therefore the EBA plans to perform future work on the impact of resolution plans - and in particular of measures to remove impediments to resolvability - on on-going supervision and recovery planning. Guidance work on some practical aspects of interlinkage such as the timeline of recovery and resolution planning cycles will be also undertaken as deemed useful to enhance the interaction among competent and resolution authorities.

7.2 State Aid rules in resolution

56. The execution of a resolution action imposes changes to the institution under resolution. As a consequence, a number of regulatory approvals and assessments could be required by different authorities in order to allow those changes to take effect. As identified in the financial crisis and in subsequent bank failures, ensuring that EU State Aid rules are complied with is often one important component of successful execution.

57. Following work undertaken in conjunction with the European Commission and national EU resolution authorities, in September 2019 the EBA included a chapter in its resolution manual with the title "EU Merger Regulation and State Aid Approvals".

58. The document aims to provide a non-exhaustive overview of practicalities that could be faced by a resolution authority when dealing with cases where EU approvals are required. It is divided into two parts, the first dealing with the interaction of resolution action with the Merger Control Rules while the second part deals with the interaction of resolution action with the State aid framework.

7.3 Application of simplified obligations and waivers

59. Article 4 of the BRRD allows competent authorities and resolution authorities to apply simplified obligations for recovery and resolution planning for institutions that meet the eligibility criteria specified in that article. The authorities may apply simplified obligations with regard to:

- the contents and details of recovery and resolution plans provided for in Articles 5 to 12 of the BRRD;

- the date by which the first recovery and resolution plans are to be drawn up and the frequency for updating recovery and resolution plans, which may be lower than that provided for in Article 5(2), Article 7(5), Article 10(6) and Article 13(3) of the BRRD;

- the contents and details of the information required from institutions as provided for in Article 5(5), Article 11(1) and Article 12(2) and in Sections A and B of the Annex to the BRRD; and

- the level of detail for the assessment of resolvability provided for in Articles 15 and 16 and Section C of the Annex to the BRRD.

60. In addition, Article 4(8)-(10) of the BRRD introduced a possibility for the authorities to grant to specific types of institutions waivers from recovery and resolution planning obligations.

61. Article 4(7) of the BRRD requires competent authorities and resolution authorities to inform the EBA of the way they have applied simplified obligations and waivers for recovery and resolution planning to institutions in their jurisdiction. Based on that information the EBA is monitoring their application across the European Union, with the first report on that topic issued in October 2017.

62. In November 2018 the EBA replaced its Guidelines further specifying the eligibility criteria for simplified obligations (EBA/GL/2015/16), with the RTS issued on the same topic pursuant to Article 4(6) of the BRRD (endorsed by the Commission Delegated Regulation(EU) 2019/348).

63. Therefore, in 2019 the EBA also updated the data collection templates and launched a new data collection exercise among competent and resolution authorities in order to monitor the application of the simplified obligations according to the new RTS. The report presenting the results of the recent monitoring activity is expected in Q4 2020.

7.4 Resolvability monitoring

64. The assessment of resolvability is a fundamental part of resolution planning. Progress in the identification and removal of impediments to resolvability is essential for an effective implementation of the resolution framework in the EU. The EBA has identified this as a key priority as part of its work programme for 2019.

65. The focus of the work has been to seek consistency in approach and clarify the necessary steps to remove impediments. Following work with resolution authorities to understand their current approaches EBA moved forward with the proposal of building a common taxonomy and template.

66. The objective of this work was to agree on a template that would lead to uniform and consistent categorisation of impediments to facilitate comparability between banks and authorities. In addition, the proposed template set out the type of information that authorities should monitor when discussing progress on the removal of impediments.

67. The template includes:
    a. An assessment of the current position of the bank and actions taken by it over the past planning cycle. This includes relevant information relating to the current state of play in relation to each specific impediment.

b. Actions taken by other stakeholders over the past resolution cycle improving the bank's resolvability. This covers assurance/verification, or policy work carried-out by any relevant stakeholders e.g. competent authority, resolution authority, FMIs.
c. Actions planned to address existing impediments. This covers any action initiated or planned by either the bank or any other stakeholder.

68. Authorities are encouraged to use this template in colleges going forward as well as for monitoring progress on resolvability. The design, criteria and flexibility of the template will continue to be refined in conjunction with work being undertaken by the EBA on the development of resolvability guidelines.

8. Key Topics for 2020

69. The wide-ranging effect of the Covid-19 crisis has the potential to diminish the financial strength of EU banks. Against this heightened risk, the role of resolution colleges in planning for execution has grown even more important. The current college cycle provides an important opportunity to test the arrangements made to-date and to move from scenario analysis to more focused planning, based on the situation that currently exists. Against this background, the following are considered the key areas of attention for colleges in the current cycle.

70. **Resolution Strategy**: While the health and economic effects of the pandemic are continually evolving, the broad outline of the financial effects are becoming clearer e.g. the issue is systemic, with the economic sectors most acutely affected becoming clearer.

71. It is expected that colleges commence a review of the continued credibility and feasibility of the preferred resolution strategy in the current pandemic environment given the potential impact on all strategies. For instance, bail-in strategies for banks materially impacted by the crisis, with a significant MREL shortfall and an inability to issue in the foreseeable future, would need to be reviewed and alternative strategies considered e.g. sale of business, use of bridge bank. Similarly, the global/systemic reach of the pandemic may warrant consideration of the effectiveness of current plans to understand the impact of concurrent resolution events occurring.

72. Additionally, colleges should consider other key elements of resolution plans that are likely to be affected by the current circumstances. Issues such as:

I. asset encumbrance, estimation of liquidity needs and funding sources should be reviewed for each group.
II. operational continuity arrangements should be reviewed to identify any potential problems that may exist with critical services including those that may be outsourced outside the EU.
III. access to FMIs for instance, potential margin requirements on foot of heightened market volatility and operational continuity arrangements arising from greater remote working.

73. **Engagement with supervisory authorities/finance ministries/DGS:** For resolution to be successful, all members of the college should now engage actively and outline the approach they would expect to take within their own particular spheres of competence. Examples of matters that could be addressed include;
    a. coordination of public communication,
    b. the extent to which recovery options[7] could adversely impact on resolvability
    c. impact of recent clarifications on State Aid rules made by the European Commission[8],
    d. preparatory measures in the event of the use of precautionary recapitalisation/financial stabilisation tools and
    e. preparedness of institutions with respect to single customer identifiers in the event of accessing deposit guarantee schemes.

74. **Written Arrangements and Contact Details**: Colleges should ensure that all contact details are fully up-to-date (factoring in the increased use of remote working arrangements) and that processes for the secure exchange of confidential information are in place.

    It is considered that each college should confirm that all essential elements including back-up plans in the event of problems, are in place. A test to ensure that all college members are contactable within reasonable timelines is proposed.

75. **Business Reorganisation Plans**: Some resolution colleges have already considered how business reorganisation plans should be developed and what the core feature of a new business model might be for a resolved institution. Colleges should debate, in conjunction with supervisory authority members, if the broad outline of the plans remain relevant or if work needs to commence to alter such plans.

74. **Resolvability Assessment**: Section 7 sets out the background to the development of a template to monitor resolvability. It is proposed that the usage of this by colleges and the information provided on impediments will be an area of focus for the EBA in the 2020.

6 The feasibility assessment of recovery options is the sole responsibility of competent authorities

7 Communication from the Commission: Temporary Framework for State Aid measures to support the economy in the current Covid-19 outbreak- 19 March 2020

Annex 1- MREL Report: Executive Summary

This report aims to take stock of the increase in MREL capacity in the EU

This report covers the actual population of banks subject to minimum requirement of eligible liabilities and own funds (MREL) and shows the requirements effectively set by authorities, the level of resources effectively eligible and the resulting shortfalls.

Some 85% of the EU's domestic assets are covered by a bail-in or transfer strategy

The EBA received a total of 266 decisions relating to banks where resolution, by either a bail-in or a transfer, would be favoured rather than liquidation. Out of those decisions, 22 have been left out of the shortfall analysis for lack of actual MREL decisions and 22 were left out because of data quality issues. Note that for most banks the distribution of this MREL within the group is yet to be determined.

As of December 2018, 117 EU resolution groups exhibit an MREL shortfall estimated at EUR 178 billion

On average, weighted by RWAs, European resolution groups reported MREL resources reaching 30.5% of RWAs in MREL resources against weighted average requirements of 26.1%. Yet 117 resolution groups do exhibit MREL shortfalls representing a total of EUR 178 billion.

This report is a point in time estimate

The report is based on decisions submitted to the EBA up to June 2019 and resources as at December 2018. Resolution strategies and MREL decisions are reviewed annually and are likely to change.

This report is based on the current framework

This report reflects existing MREL policies and thus does not estimate the impact of BRRD2 beyond subordination for G-SIIs and top-tier banks and does not take into account the impact of other regulatory changes, e.g. Basel III.

Annex 2- Resolvability Assessment Template

RESOLVABILITY ASSESSMENT

XXX Banking Group

			Assessment of current position of the group and actions taken by the group over the past resolution cycle	Actions taken by other stakeholders over the last resolution cycle (Resolution/competent authorities, other)	Actions planned to address impediments	*Timeline*	*Ownership*
1	1						
Structure and operations		Operational continuity			Action 1	YE 2022	BankA
					Action 2	YE 2022	GLRA
					Action 3	YE 2022	Host 1
		Access to FMIs					
2	2						
Financial Resources		MREL					
		Funding in resolution					
3	3						
Information systems		Valuation information syste					
3	3						
Cross-border issues		Cross-border recognition					
		Legal issues					
		Coordination					
4	5						
Credibility of resolution strategy		Bail-in execution					
		Restructuring					
		Management and communication					
6	7						
Other bank specific impediments							

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