

# **EBA Proportionality Workshop: Practical Implementation of Proportionality in Resolution Planning**

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# 1. Resolution objectives apply universally

- Resolution objectives in the Banking Act 2009
  - ensure the continuity of banking services in the United Kingdom and of critical functions;
  - protect and enhance the stability of the financial system of the United Kingdom;
  - protect and enhance public confidence in the stability of the financial system of the United Kingdom;
  - protect public funds, including by minimising reliance on extraordinary public financial support;
  - protect depositors and investors covered by relevant compensation schemes;
  - protect, where relevant, client assets; and
  - avoid interfering in property rights, in contravention of the European Convention of Human Rights.



## 2. Resolvability required for all resolution strategies

- Further work required to address resolvability for all firms in scope of BRRD should be aligned and prioritised by resolution strategy. It is necessary to ensure resolvability for firms under each resolution tool and insolvency/administration proceedings:
  - BRRD Resolution tools including transfer (private sector purchasers and bridge bank) and bail-in: MREL setting, operational continuity, valuation, access to FMIs, contractual recognition...
  - Insolvency (Bank Insolvency Procedure) – Depositor Protection (PRA PS 6/15 – revision to rules on Single Customer View files and continuity of access)
  - Administration (Special Administration Regime for investment firms)
    - Client assets and client money segregation



### 3. Setting appropriate resolution strategies

- Consideration of Critical Economic Functions (CEFs) and Critical Shared Services (CSS)
- BRRD level 1 text sets out criteria for considering where simplified obligations should be applied:
  - Size of firm
  - Interconnectedness
  - Scope and complexity of activities
  - Risk profile
  - Legal status
  - Nature of business
  - Shareholding structure
  - Legal form
  - Membership of IPS etc



## 4. RRP and resolution information requirements

- Lessons learned following first RRP submissions from all UK banks and building societies in 2012:
  - One size fits all requirements
  - Challenges in separating critical economic functions
  - Targeted questions to avoid information dumps
  - Timing of submissions
- Refined RRP requirements in December 2013 (PRA PS8/13) to separate recovery plans and resolution plans, and introduced a phased approach to resolution information requirements:
  - Phase 1 – Basic information about firm (all firms)
  - Phase 2 – Targeted information requests to address barriers to resolution (determined by resolvability of firm)
- Proportionality delivered through phased approach.



## 5. Drafting resolution plans and resolvability assessments

- Initial development of BRRD compliant resolution plans identified challenges in completing all information – burdensome for resolution authority.
- Opportunities to maximise efficiency:
  - Application of simplified obligations for BIP firms
  - Aligning to requirements for FSB RAP process for G-SIBs
- What do efficient resolution plans look like?
  - Template documents (separate template for G-SIBs, BIP firms)
  - Standard sections applicable to multiple firms (e.g. access to FMIs)
  - Critical information included – strategy, key barriers to resolution and plans to address barriers to resolution.



## 6. Removing impediments to resolvability

- Bank of England published consultation paper on 22 May, on the approach to exercising powers to direct institutions to address impediments to their resolvability

[http://www.bankofengland.co.uk/financialstability/Documents/role/risk\\_reduction/srr/cp/resolutiondirectinstitutions.pdf](http://www.bankofengland.co.uk/financialstability/Documents/role/risk_reduction/srr/cp/resolutiondirectinstitutions.pdf)

- Demonstrate how remedial measures will adequately address the barriers in a manner proportionate to the burden or restriction imposed.
- Consistent with the FSB Key Attributes and the EBA GL on measures to reduce or remove impediments to resolvability.
- Regards to conventions of public law - act reasonably and respect the principle of legal certainty.



## 7. Cross-border resolution planning

- BRRD Article 88 and EBA RTS define resolution college requirements in regards to the scope, and roles and responsibilities of resolution authorities and joint decision making.
- Importance of colleges for cooperation and coordination across member states.
- Uniformity of decision making at resolution colleges.
- UK approach to resolution colleges and engagement with existing CMGs.

