

The logo for the European Banking Authority (EBA) is located in the top left corner. It consists of the letters 'EBA' in a bold, white, sans-serif font, set against a dark blue background with a subtle grid pattern. To the right of the letters, the words 'EUROPEAN BANKING AUTHORITY' are written in a smaller, white, sans-serif font, stacked vertically.

**EBA**

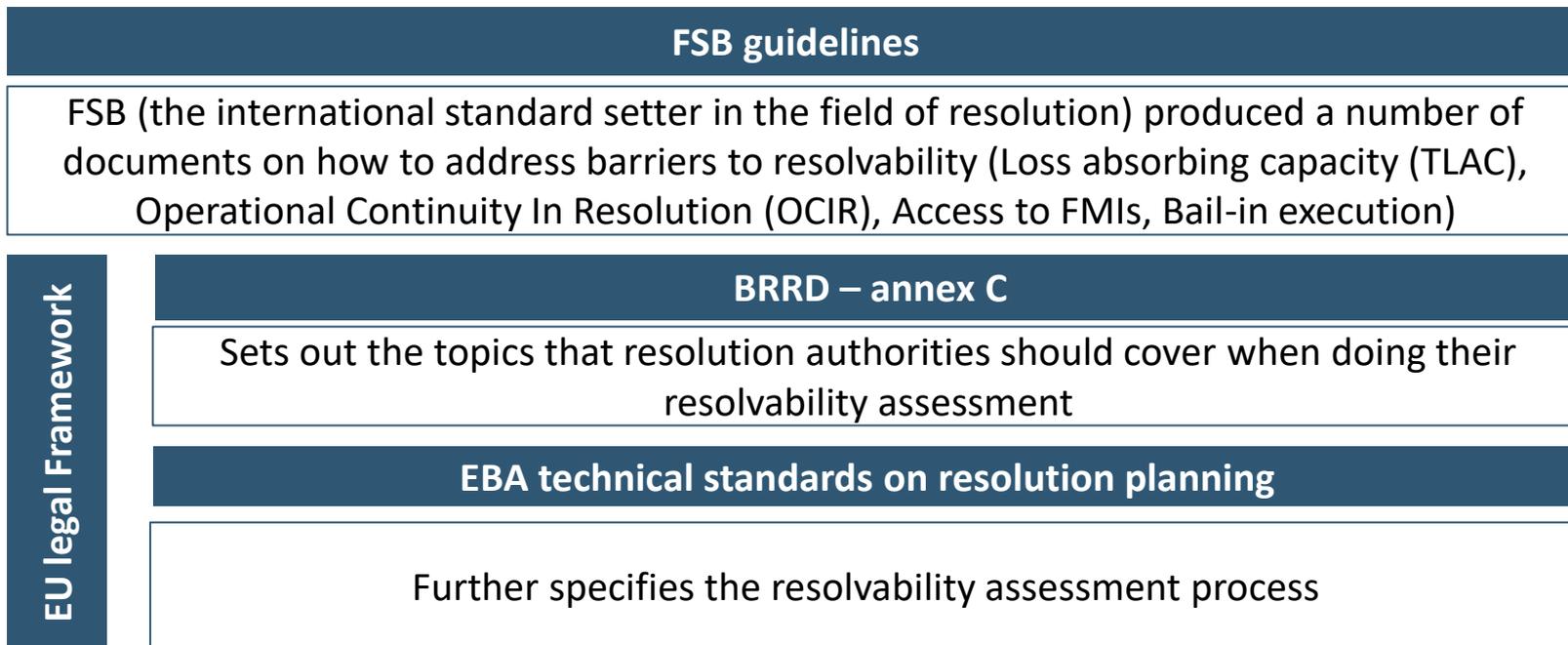
EUROPEAN  
BANKING  
AUTHORITY

# EBA Resolvability Testing Guidelines

Background and key measures

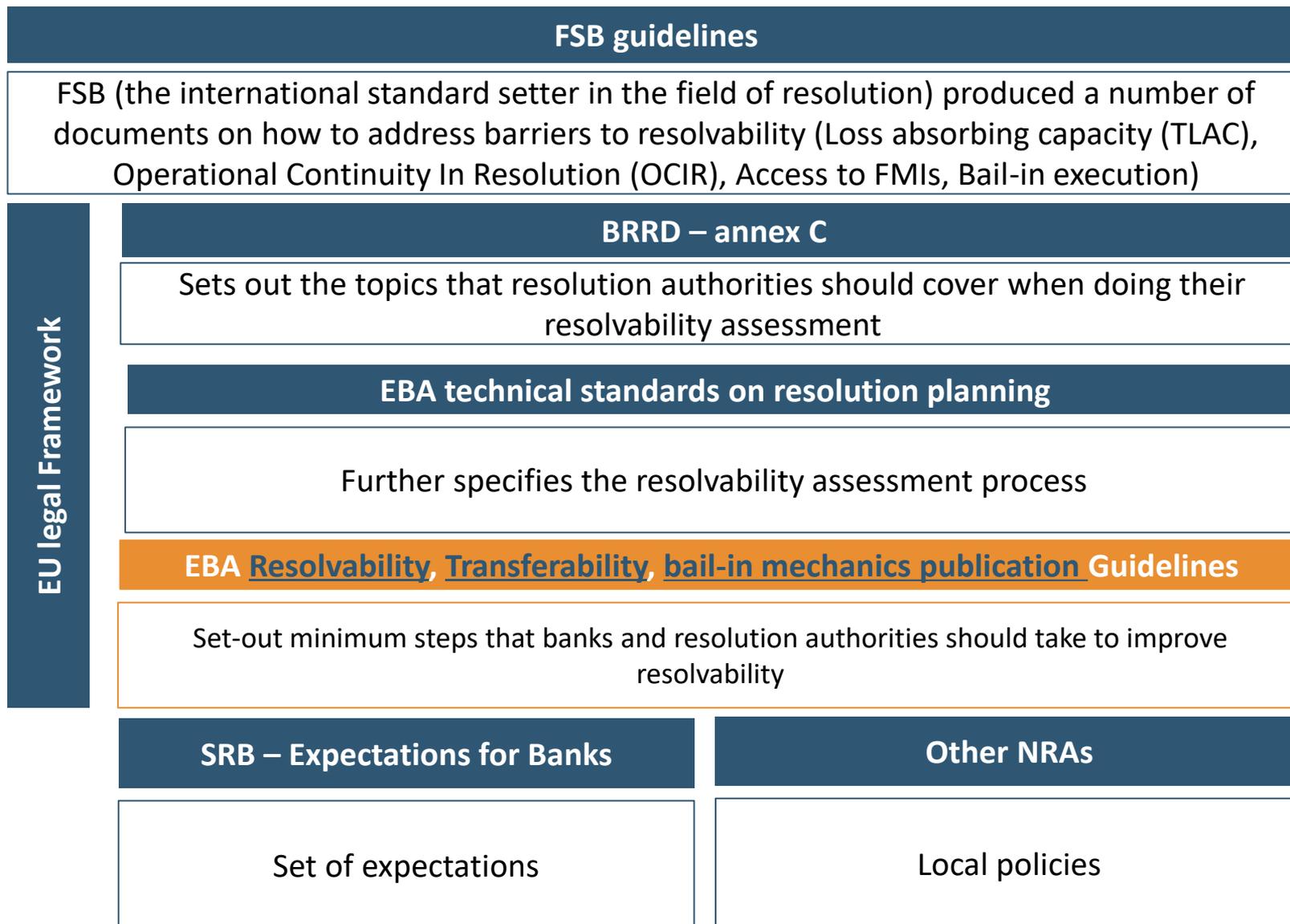
13 June 2023

# Background of EBA work on resolvability testing



Single Resolution Board	Other Resolution Authorities	<b>shortcomings</b>
Set of expectations	Local policies	

# Background of EBA work on resolvability testing



# Objectives of the EBA resolvability and transferability guidelines

- Guidelines aiming at establishing efficient and effective practices within the EU so to ensure the common, uniform and consistent application of Union law.
- Wide support from Resolution Authorities and good reception from the industry in the public consultation

## A set of EU-wide legal documents

1

Implementing international standards

2

Providing a basis for policy work at EU-27 level

3

Ensuring consistency on resolvability in the EU

4

Facilitating college work

5

Providing framework for monitoring progress and identifying gaps

## Scope of application / Proportionality

Liquidation banks out of scope  
 Level of implementation left to the discretion of authorities for simplified obligation banks

## Deadline for compliance

Compliance with the guidelines **by 1 January 2024**, in line with MREL under BRRD2

# EBA Resolvability Testing Guidelines

## A framework for testing firm’s resolvability in steady state

3 Tools	Objectives	Scope of application	Timeline / Frequency
<b>Self assessment report</b>	<p>One single document that summarises the views of the bank, in particular:</p> <ul style="list-style-type: none"> <li>i. how they understand the resolution strategy</li> <li>ii. how they meet the resolvability guidelines,</li> <li>iii. how they maintain those capabilities</li> </ul>	<p>Resolution entities at resolution group level and non-resolution entities with iMREL&gt;own funds</p>	<p>At least every two years starting 2024</p>
<b>Multi-annual testing programme</b>	<p>Ensure regular testing of banks’ capabilities by:</p> <ul style="list-style-type: none"> <li>i. Setting out a clear testing programme over a three-year cycle</li> <li>ii. Risk based choice of testing techniques</li> </ul>	<p>Resolution entities at resolution group level and non-resolution entities with iMREL&gt;own funds</p>	<p>Covering 3 years and confirmed annually starting 2025</p>
<b>Master playbook</b>	<p>Ensure the most complex banks have a holistic approach to resolution planning</p>	<p>Resolution entities at resolution group level</p>	<p>Annual starting 2026</p>

# EBA Resolvability Testing Guidelines

## Self-assessment report

The choice was made not to develop a template for lack of clarity as to which format would be most suitable, but instead to set out (i) the overarching questions banks should answer and (ii) the questions they should answer for **each capability of the EBA resolvability and transferability guidelines**. Resolution Authorities should specify their preferred format and provide mapping to any local applicable rules.

<p><b>Overarching question</b></p>	<p>Two pages maximum how they understand the preferred resolution strategy, their role and describe the assurance framework they have put in place to ensure resolvability on a continued basis</p>
<p><b>Capability specific question</b></p>	<p>Banks should answer the following questions:</p> <ul style="list-style-type: none"> <li>a. Degree in which the capability is met (low, mid, high, not applicable)</li> <li>b. Description of how the capability is met or why it is deemed not applicable under point a.</li> <li>c. Gap assessment on the resolvability capabilities as set out in these guidelines and those of the institution, and on how this gap can be addressed and by when;</li> <li>d. Description of how the capability is embedded in business as usual (BaU)</li> <li>e. Description of how the capability relates to the recovery planning of the institution (e.g. do operational continuity in resolution arrangements also support recovery options such as disposals, or are recovery arrangements leveraged to support resolution)</li> <li>f. Any internal or external assessment performed on how these guidelines have been applied by the institution, including internal or external audits reports, external consultant assessments, dry runs or supervisory reviews;</li> <li>g. Any additional topic set-out by the relevant resolution authority (e.g. lessons learned from recent downturn or market event)</li> </ul>

# EBA Resolvability Testing Guidelines

## Multi-annual testing programme

### A testing programme

Set out how the resolution authority will gain assurance that what the firms have developed is in fact fit for purpose. To be developed involving institutions.

### Risk based prioritisation

Reflecting the risk profile, size and business model (e.g. SREP categorization), and overall SREP score but also consider the following:

1. The progress on resolvability / degree up to which resolvability capabilities set-out in these guidelines are met
2. The overall quality of internal resolvability assurance work evidenced in the self-assessment report

### Leverage the self assessment

The self assessment should provide the basis for developing the testing programme in that it provides:

1. where the bank thinks it is in terms of resolvability
2. how they ensure the capability is maintained (which can be tested)
3. sets how the bank has itself gained assurance/ tested the capability

All the above help identify what needs to be tested and how intrusive the testing needs to be.

# EBA Resolvability Testing Guidelines

## Master playbook

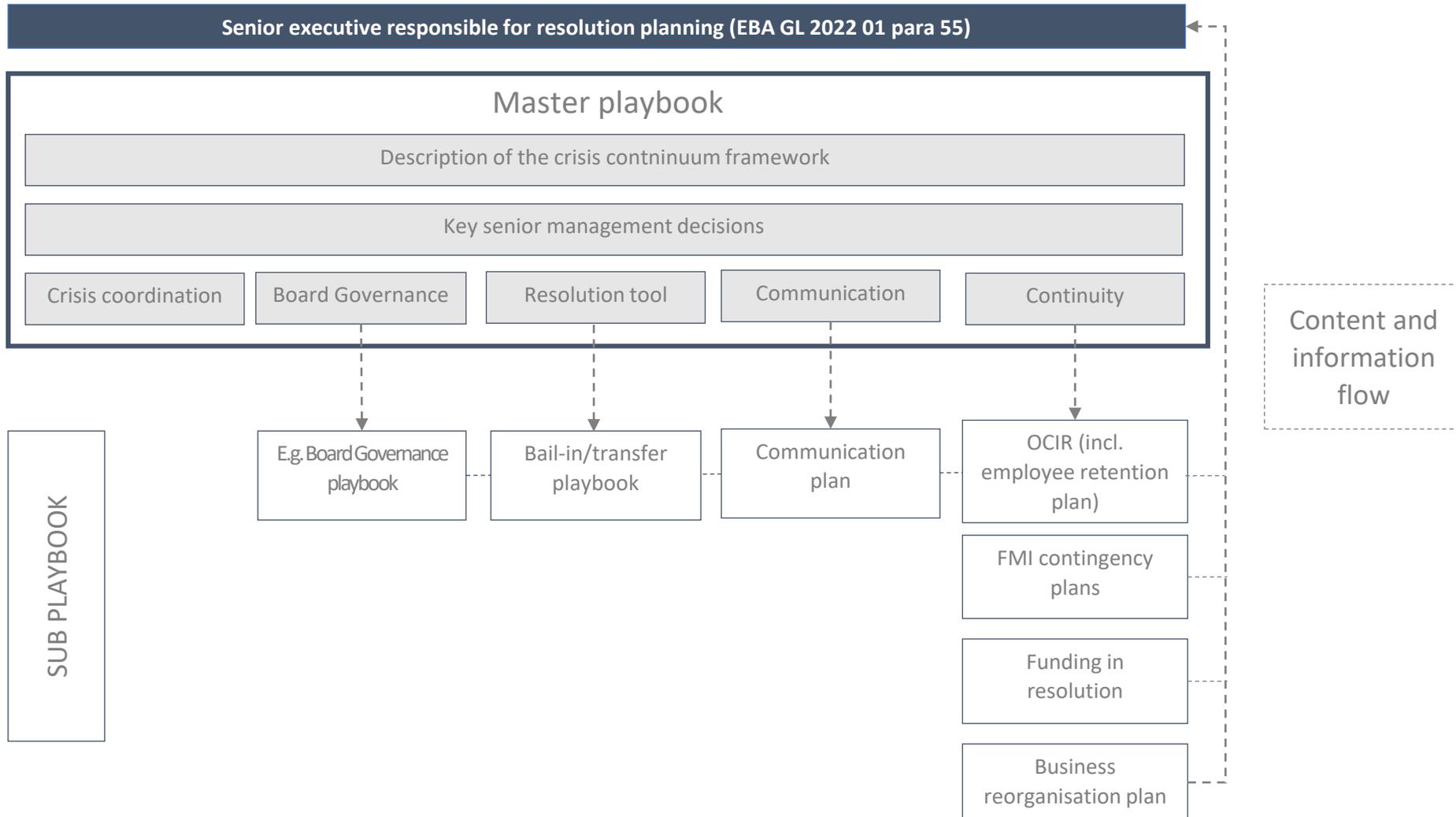
### An overarching playbook

1. Define key roles and responsibilities of senior management in the run-up to and during resolution
2. Set-out the matter and timeframes on which decisions should be made by the management in the run-up and into resolution
3. Set-out the triggers for the activation of sub-playbooks (bail-in playbook, transfer playbook, contingency plans for access to FMIs, communication)
4. Set-out the source, deadlines and format of information sources that will support these decisions by the board
5. Demonstrate how the various elements of the execution of the resolution strategy interact with each-other
  - i. Bail-in execution (bail-in playbook)
  - ii. Transfer playbook (where relevant)
  - iii. Valuation
  - iv. Funding and liquidity in resolution (including collateral monitoring / funding in resolution strategy)
  - v. Access to FMIs (including contingency plans)
  - vi. Operational continuity (including service catalogue)
  - vii. Business Reorganisation Plan

**For the most complex banks only (GSIIs, BRRD Top Tier and fished banks) – inspired by best practices by US and EU GSIBs**

# EBA Resolvability Testing Guidelines

## Master playbook



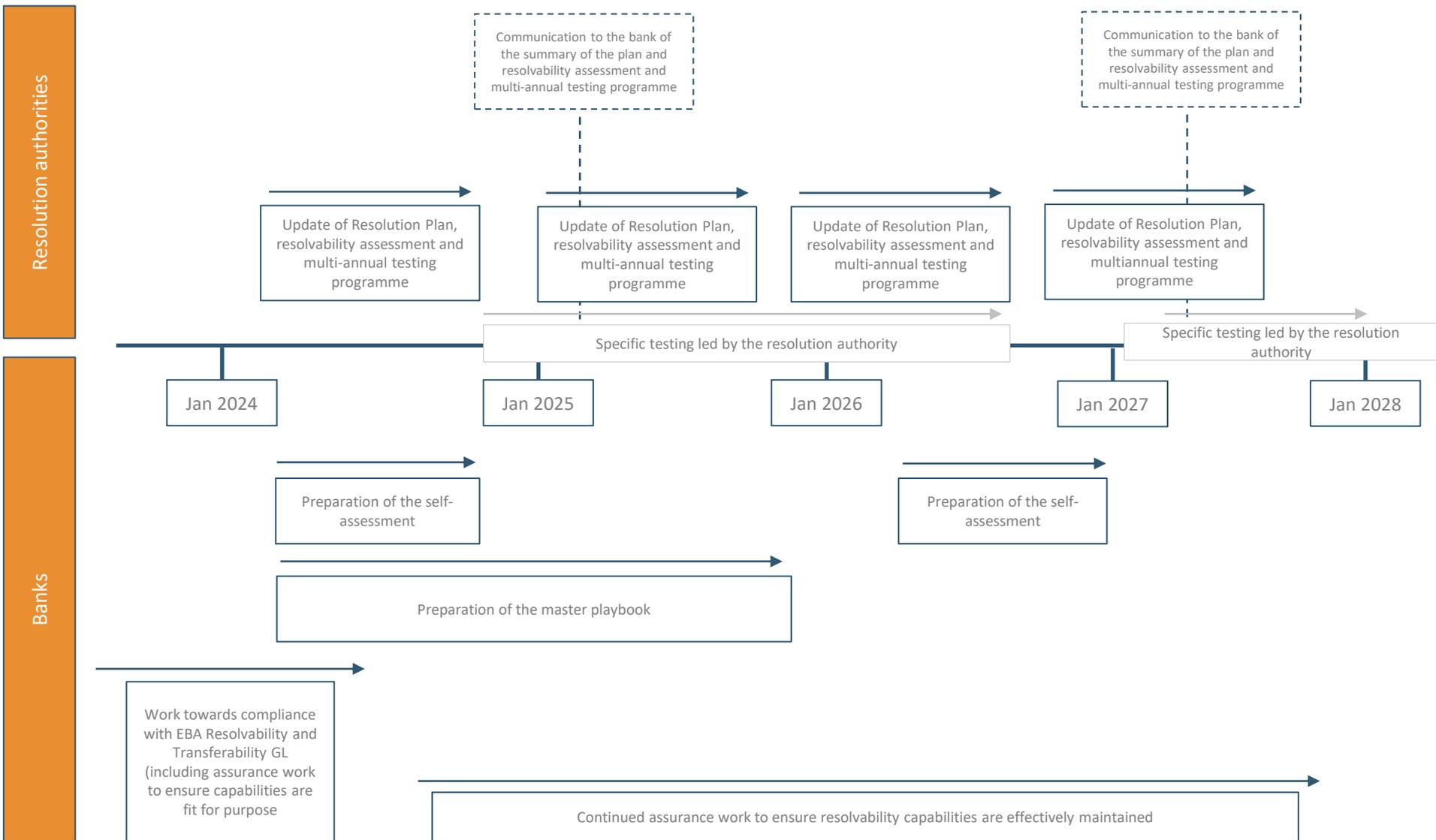
# EBA Resolvability Testing Guidelines

## Varying levels of application

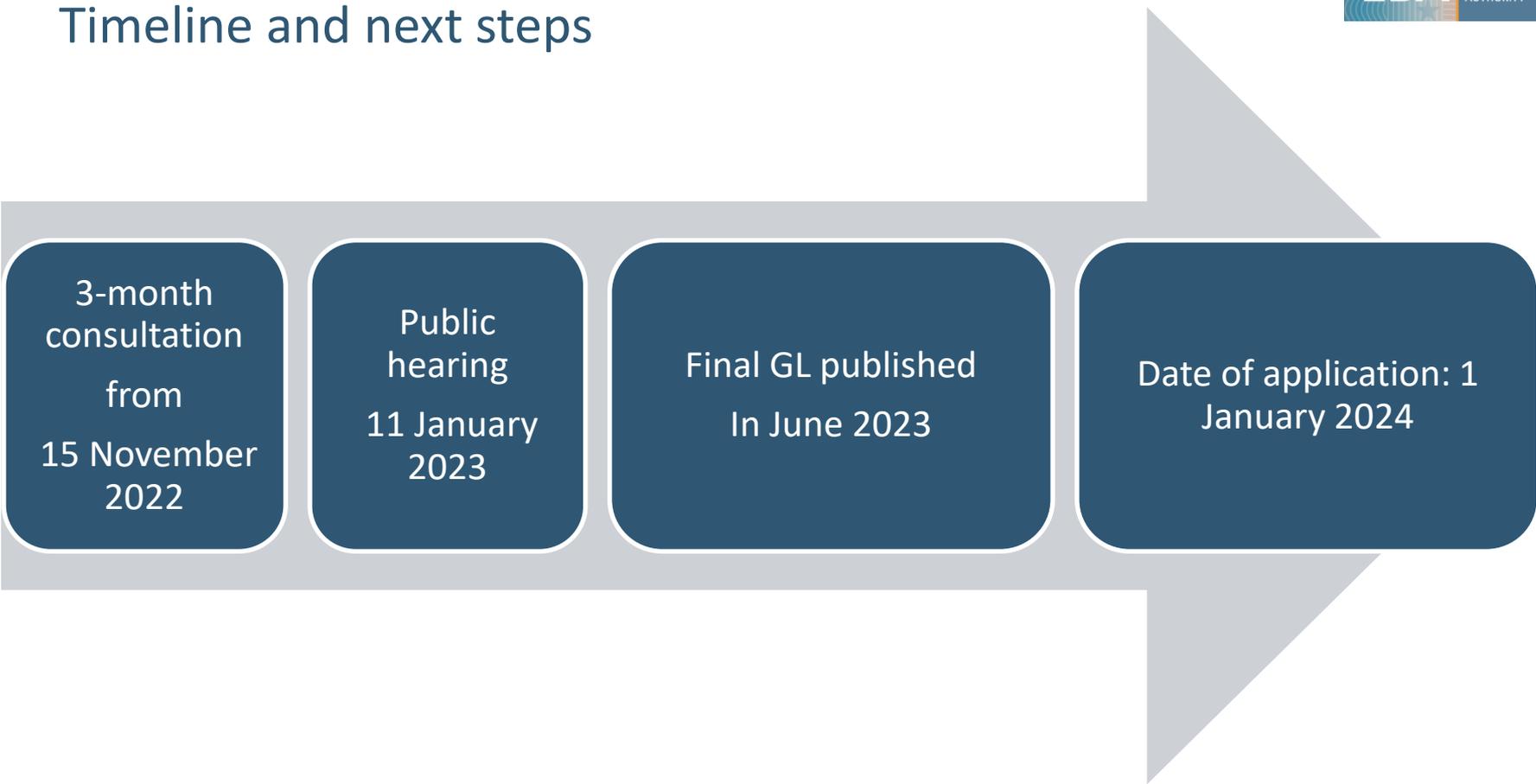
Tools	Level of application	Rationale
<p><b>Self assessment report</b></p>	<p>Resolution entities at resolution group level and non resolution entities with iMREL&gt;own funds</p>	<p>1/ Resolvability work is driven by critical functions and services underpinning them, rather by entity specific requirements.</p> <p>2/ And experience from resolution colleges shown lack of clarity as to progress on resolvability between the resolution entity (typically the home) and the non resolution entities (typically the host)</p>
<p><b>Multi-annual testing programme</b></p>	<p>Resolution entities at resolution group level and non resolution entities with iMREL&gt;own funds</p>	<p>3/recent resolution cases have stressed the importance of the readiness of non resolution entities and their authority when entering resolution</p>
<p><b>Master playbook</b></p>	<p>Res. entities at res. group level – GSIIIs, TT and fished banks + any other if justified</p>	<p>Relevant for the most complex banks only, and focused on the holistic approach to planning at resolution group level</p>

# EBA Resolvability Testing Guidelines

## Illustrative timeline



# Timeline and next steps

A large, light grey arrow pointing to the right, which serves as a background for the timeline steps. Inside the arrow are four dark blue rounded rectangular boxes, each containing a step in the process.

3-month  
consultation  
from  
15 November  
2022

Public  
hearing  
11 January  
2023

Final GL published  
In June 2023

Date of application: 1  
January 2024

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