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# EBA statement on resolution planning in light of the COVID-19 pandemic

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## Background

1. Following-up on its strategic communications of 12<sup>th</sup>, 25<sup>th</sup>, 31<sup>st</sup> March and 2<sup>nd</sup>, 20<sup>th</sup>, 22<sup>nd</sup>, 23<sup>rd</sup> April, the EBA, in line with its founding Regulation<sup>1</sup>, has identified the need to further specify key elements of the resolution authorities' toolbox.
2. This statement aims to re-affirm that resolution planning is crucial in time of uncertainty to ensure that resolution is a credible option in case of failure. The focus of the statement is ensuring that the current situation is effectively taken into account by resolution authorities all the while maintaining a through the cycle approach and ensuring that resolvability objectives are achieved.

## Update of resolution plans

3. The COVID-19 pandemic is having a significant impact on the European economy and thus materially changing the financial institutions' current operating environment. In light of this, resolution authorities, in cooperation with supervisory authorities, should reflect on whether this could result in changes to resolution plans including, the preferred resolution strategy and resolvability assessment<sup>2</sup>. In practice, this means that resolution authorities may decide to require up-to-date information from certain institutions and supervisors to reflect changes in institutions' balance sheet and business model.
4. In addition and to the extent possible, resolution authorities should take into consideration the impact of COVID-19 on potential credible recovery options and recovery plans as those are being updated following the recent EBA statement on the topic.
5. The use of updated information should not mean that public interest assessments and resolution plans should necessarily change to reflect COVID-19 related changes as those may be temporary in nature.

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<sup>1</sup> Regulation 1093/2010 Article 8(1)ab

<sup>2</sup> Directive 2014/59, Article 10(6)

## Update of MREL decisions

6. MREL decisions and their monitoring, to the extent possible, should reflect the most recent supervisory capital requirements - while bearing in mind the fast approaching implementation of BRRD2<sup>3</sup>.
7. Similarly to resolution plans, in assessing whether to adjust their MREL decisions taking into account the most recent supervisory and balance sheet data, resolution authorities would need to take into consideration the temporary nature of some data variations in order to adopt a through-the-cycle approach and prepare a smooth transition to BRRD2.

## Progress in removing impediments to resolvability

8. Under the current difficult and challenging conditions, crisis preparedness and readiness are key to ensure that resolution remains a credible and feasible option in case of failure. On the removal of impediments, which are a key element to ensure the effective resolvability of institutions, it is paramount that authorities continue to promote Institutions' efforts to enhance their capabilities and increase their resolvability. Institutions should continue to maintain strong focus on implementing the measures agreed with resolution authorities to overcome those impediments.

## Activation of resolution colleges

9. The EBA has noted increased bilateral engagement between authorities, which underlines good cooperation. But it should be noted that the BRRD introduced resolution colleges as a way of sharing information in a standardized and consistent way with a specific list of members and observers. Further, in this context, resolution colleges are therefore expected to be used as the main fora to exchange information and share decisions in these challenging times.

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<sup>3</sup> Directive 2019/879