

EBA/CP2022/12

14 November 2022

Consultation Paper

Guidelines amending Guidelines EBA/GL/2022/01 on improving resolvability for institutions and resolution authorities under articles 15 and 16 of Directive 2014/59/EU (Resolvability Guidelines) to introduce a new section on resolvability testing

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1. Responding to this consultation

The EBA invites comments on all proposals put forward in this paper and in particular on the specific questions summarised in 5.2.

Comments are most helpful if they:

- respond to the question stated;
- indicate the specific point to which a comment relates;
- contain a clear rationale;
- provide evidence to support the views expressed/ rationale proposed; and
- describe any alternative regulatory choices the EBA should consider.

Submission of responses

To submit your comments, click on the ‘send your comments’ button on the consultation page by 15 February 2023. Please note that comments submitted after this deadline, or submitted via other means may not be processed.

Publication of responses

Please clearly indicate in the consultation form if you wish your comments to be disclosed or to be treated as confidential. A confidential response may be requested from us in accordance with the EBA’s rules on public access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the EBA’s Board of Appeal and the European Ombudsman.

Data protection

The protection of individuals with regard to the processing of personal data by the EBA is based on Regulation (EU) 1725/2018 of the European Parliament and of the Council of 23 October 2018. Further information on data protection can be found under the Legal notice section of the EBA website.

2. Executive Summary

Since the adoption of the BRRD in 2015, resolution authorities have made significant progress on resolution planning and are progressively increasing their focus from to testing resolvability. These draft guidelines aim to provide a common framework to do so.

Firstly these draft guidelines introduce a self-assessment by resolution banks of their resolvability focusing on the minimum standard set by the EBA resolvability and transferability guidelines. In January 2022, EBA published its resolvability guidelines¹ and launched a consultation on its transferability guidelines providing a clear common set of objectives for institutions and authorities to achieve in terms of resolvability. By January 2024, all resolution groups and stand-alone banks² shall comply with the EBA resolvability guidelines³.

The objective of the self-assessment is to increase the input from banks into the resolvability assessment process but also to help frame how they should consider their internal process to ensure continued resolvability in steady state.

Secondly, the draft guidelines require authorities to develop a multi-annual testing programme for each resolution bank so that institutions would demonstrate the adequacy of their resolvability capabilities as set out in the EBA resolvability guidelines.

Finally, the draft guidelines also introduce a Master playbook for the most complex banks. Leveraging the work done by the most advanced banks in the EU and international peers, the master playbook aims to ensure that banks adopt a holistic approach to resolution planning to ensure the overall coherence of their capabilities to execute the resolution strategy.

The consultation runs until [3 months from publication] and a public hearing will be held.

¹ <https://www.eba.europa.eu/regulation-and-policy/recovery-and-resolution/guidelines-institutions-and-resolution-authorities-improving-resolvability>

² 260 resolution groups and stand-alone as per the last EBA MREL report (<https://www.eba.europa.eu/eba-sees-progress-mrel-shortfall-reduction-largest-institutions-while-smaller-institutions-are>)

³ See compliance table for more details

3. Background and rationale

1. According to Articles 15 and 16 of the bank recovery and resolution Directive 2014/59/EU⁴, and following articles 26-31 of Commission Delegated Regulation (EU) 2016/1075⁵, resolution authorities are expected to assess an institution or group's resolvability based on the following steps: (i) an assessment of the feasibility and credibility of the liquidation of the institution or group under normal insolvency proceedings; (ii) the selection of a preferred resolution strategy for assessment; (iii) the assessment of the feasibility and credibility of the chosen resolution strategy.
2. The assessment of resolvability is an essential part of resolution planning. The resolvability assessment process supports the strengthening of institutions or resolution groups' resolvability preparedness, by addressing ex-ante any identified impediments to resolution in case they are found to be failing or likely to fail.
3. In line with the EBA objectives on the topic of resolution under Articles 8(ab) and (8)(b) and 25 of Regulation (EU) No 1093/2010⁶ and the priorities set in the EBA 2022 Work Programme⁷, this document aims to specify the steps and tools that authorities and institutions should consider to ensure that institutions would be able to support the execution of the resolution strategy.
4. Institutions play a key role in the execution of the resolution strategy, therefore the EBA Guidelines for institutions and resolution authorities on improving banks' resolvability ('EBA resolvability guidelines')⁸ and the EBA transferability guidelines set-out a number of

⁴ Directive 2014/59/EU of the European Parliament and of the Council, of 15 May 2014, establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council (OJ L 173 12.6.2014, p. 190)..

⁵ Commission Delegated Regulation (EU) 2016/1075 of 23 March 2016 supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the content of recovery plans, resolution plans and group resolution plans, the minimum criteria that the competent authority is to assess as regards recovery plans and group recovery plans, the conditions for group financial support, the requirements for independent valuers, the contractual recognition of write-down and conversion powers, the procedures and contents of notification requirements and of notice of suspension and the operational functioning of the resolution colleges (OJ L 184, 8.7.2016, p. 1–71).

⁶ Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC, (OJ L 331, 15.12.2010, p.12)..

⁷ https://www.eba.europa.eu/sites/default/documents/files/document_library/About%20Us/Work%20Programme/2022/1021339/EBA%202022%20Annual%20Work%20Programme.pdf

⁸ <https://www.eba.europa.eu/regulation-and-policy/recovery-and-resolution/guidelines-institutions-and-resolution-authorities-improving-resolvability>

capabilities that EU institutions should meet at all time⁹. These capabilities are key to supporting the execution of the resolution strategy.

5. It is critical that institutions and authorities gain assurance of the continued capacity to support the execution of the resolution strategy. The Financial Stability Board recently identified as a good practice¹⁰ in Crisis Management Groups (CMGs) the demonstration to resolution authorities of resolvability preparedness through the institutions' testing activities. While some authorities have started testing the preparedness of banks in supporting the execution of the resolution strategy, progress in this field is uneven and practices by institutions and authorities vary significantly.
6. To improve the preparedness of institutions, these amending guidelines aim to specify, in a new section of the EBA resolvability guidelines, how resolution authorities should engage with institutions in the area of testing. Key aspects of the guidelines are to introduce: (i) **'a self-assessment report'** against the EBA resolvability guidelines or any applicable rule¹¹, (ii) **the development of a multi-annual testing programme** for resolvability and (iii) **a Master playbook** for the more complex resolution groups in particular GSIs and Top Tier banks¹² and banks identified by the relevant resolution authority as reasonably likely to pose a systemic risk in case of failure (Fished banks)¹³.

Self-assessment report

7. The main objective of the self-assessment report is to increase direct contribution by institutions to the resolution planning process in order to increase their resolvability and overall ownership of the process. It also helps to steer how institutions should consider their resolvability in steady state.
8. In the self-assessment report institutions are expected to: (i) demonstrate their understanding of the resolution strategy and of their role in its execution, (ii) confirm the level to which they meet the capabilities set-out in the EBA resolvability and transferability guidelines, (iii) provide a description of how they meet each capability or explain how that capability is not relevant and (iv) to describe how they, internally, gain assurance that they meet the capabilities e.g. whether internal audit has been involved in the assessment.
9. While recognizing that the aspects included in the self-assessment report are normally covered through the dialogue that the resolution authorities have with institutions, these amending guidelines aim to structure and formalize it in a harmonized way across the EU. The self-

⁹ <https://www.eba.europa.eu/regulation-and-policy/recovery-and-resolution/guidelines-institutions-and-resolution-authorities-improving-resolvability>

¹⁰ <https://www.fsb.org/wp-content/uploads/P301121.pdf>

¹¹ For instance, SRB's expectations for banks

¹² Add legal reference

¹³ Entities that are not subject to Article 92a of Regulation (EU) No 575/2013 and which is part of a resolution group the total assets of which are lower than EUR 100 billion and which the resolution authority has assessed as reasonably likely to pose a systemic risk in the event of its failure in accordance with Art.45c(6) of Directive 2014/59/EU.



assessment aims to ensure that the views of the institution on its own resolvability are aggregated in one document available to the resolution authority.

Multi-annual testing programme

10. Resolution authorities should set-out a multi-annual testing programme, leveraging on the self-assessment report. The objective of the multi-annual testing programme is for resolution authorities to gain assurance that the capabilities developed by institutions are in fact meeting their resolvability objectives. It can also serve the purpose to incorporate horizontal testing priorities, commonly identified by authorities together with criteria and approaches that can ensure a more effective understanding of the progress achieved in their jurisdiction.
11. The programme is expected to extend over a period of three years to allow institutions to optimize their resolution planning efforts – the last two being indicative as the programme is expected to be updated/confirmed on a rolling basis by the resolution authority annually. Annex 4 of these guidelines provide a non-exhaustive list of testing tools that can be used by institutions and resolution authorities.
12. In the context of cross-border groups the testing programme should be coordinated with host authorities and the allocation of roles should be clearly established.
13. The first programme should be communicated to banks by year-end 2025 at the latest.

Master playbook

14. Finally, the guidelines introduce a Master Playbook, to be completed by the resolution entity at resolution group level, for the more complex institutions (Top Tier Banks and GSIs as well as other banks if requested by the resolution authority e.g. Fished banks) with the objective to operationalise the resolution strategy as foreseen by the resolution authority and allowing them to demonstrate their operational capacity to support it. So far, the focus has been mainly on the bail-in tool, as the key priority to implement for most banks. However at least for the most complex ones, beyond bail-in the execution of the strategy would require a high level of coordination of a number of workstreams and it is key that those aspects are considered in a holistic manner.
15. The Master Playbook will ensure that the various aspects supporting the execution of the strategy effectively work together – governance, access to FMIs, funding and liquidity, operational continuity, communication. In this respect, the Master Playbook should not duplicate existing playbooks and materials but it serves the purpose of being an overarching guide for senior management to operationally manage and coordinate all firm-wide resolution actions and the execution of other resolution-related playbooks. The master playbook would ultimately allow institutions to ensure the overall coherence of their resolvability capabilities. The Master playbook will also provide a testable deliverable for authorities to ensure the capacity of the bank to support the strategy.



16. The Master Playbook is expected to be a comprehensive document covering all aspects of the resolution strategy including contingency planning and post-resolution business reorganization. In introducing a master playbook, the guidelines leverage on best practices identified by the EBA within the EU and in third countries (US and UK in particular). Relevant institutions are expected to produce their first Master playbook by 31 December 2025.

Scope of application and coordination for the self-assessment report and multiannual testing programme

17. The EBA resolvability guidelines, the transferability guidelines and these amending guidelines apply at resolution group level. Yet, in the case of cross border institutions, the scope of the progress with regard to resolvability is often unclear - and it could vary between (i) the parent entity and (ii) the rest of the group, in particular outside of the home jurisdiction. There is also the need for particular parts of the guidelines and those on transferability to be applied also at the subsidiary level, as for example the transfer of losses from non-resolution entities to the resolution entity in the bail-in playbook or in case of the use of the transfer tool at the level of a subsidiary. Accordingly, the resolvability guidelines and these amending guidelines are to be applied in principle only at the level of each resolution group but sections 4.3. and 4.7 will also apply at the level of subsidiaries that are non-resolution-entities, where the minimum requirement for own funds and eligible liabilities as laid down in Article 45f of Directive 2014/59/EU exceeds the amount sufficient to absorb losses in accordance with point (a) of the first subparagraph of Article 45c(2) of that Directive .

18. This has been evidenced in resolution colleges via the use of the resolvability assessment grid¹⁴, as such the proposal is to request the **self-assessment report** to be produced not only by the resolution entity at the resolution group level but also at the level of cross border non-resolution-entities within a resolution group with an internal MREL decision set above own fund requirements.

19. In the case of cross-border banks, the multi-annual testing programme should be discussed in resolution colleges.

20. Tests relating to cross-border non-resolution entities should be led either by the resolution authority of the resolution entity or the host resolution authorities in coordination with the resolution authority of the resolution entity - as agreed between them. In any case, both host authorities and resolution authority of the resolution entity should work in close cooperation.

21. In any case, the results of the tests should be shared with college members.

Proportionality

22. As in the EBA Resolvability Guidelines, a high level of proportionality is ensured by the fact that liquidation banks (institutions planned for insolvency) are out of scope of these guidelines

¹⁴ See annex 2 - <https://www.eba.europa.eu/regulation-and-policy/recovery-and-resolution/guidelines-institutions-and-resolution-authorities-improving-resolvability>



unless the relevant resolution authority decided otherwise – resulting in 1990 smaller institutions not being impacted by the EBA resolvability Guidelines¹⁵.

23. In addition, in line with the EBA Resolvability Guidelines, the level of compliance with the guidelines is left to the discretion of authorities for simplified obligation banks.

24. And as for the resolvability guidelines, the simpler the bank, the easier it is to comply with these guidelines.

25. Further proportionality is also embedded in these guidelines by the fact that resolution authorities retain the choice of testing techniques to test the relevant capabilities over the three-year cycle. Annex 4 provides a non-exhaustive menu of techniques of varying degree of intrusiveness ranging from self-certification to on-site inspection.

26. Authorities should adopt a risk-based approach in setting multi-annual testing programmes and in choosing to use more or less intrusive testing techniques. This risk-based approach should reflect risk profiles and financial strength as embedded into the SREP categorization and score but also consider the overall resolvability and the quality of the institution's assurance framework as demonstrated in the self-assessment. This last aspect would play a key role in increasing the incentive for institutions to progress on and maintain their resolvability.

27. Finally, proportionality is ensured by the fact that the Master playbook is only expected from the most complex banks i.e. GSIs and Top Tier banks and those specifically identified by resolution authorities and only by 31 December 2025.

28. As in the case of the EBA GL/2022/01 (the EBA resolvability guidelines), these testing guidelines also aim to guarantee common practices by providing the common denominator for the preparation that institutions and authorities should make in order to improve their resolvability. But an institution's compliance with the guidelines does not necessarily mean that the institution is resolvable and do not preempt the resolution authorities, which are the sole responsible of making the resolvability assessment on the basis of their expert judgment, to require additional measures from institutions.

Transitional arrangement

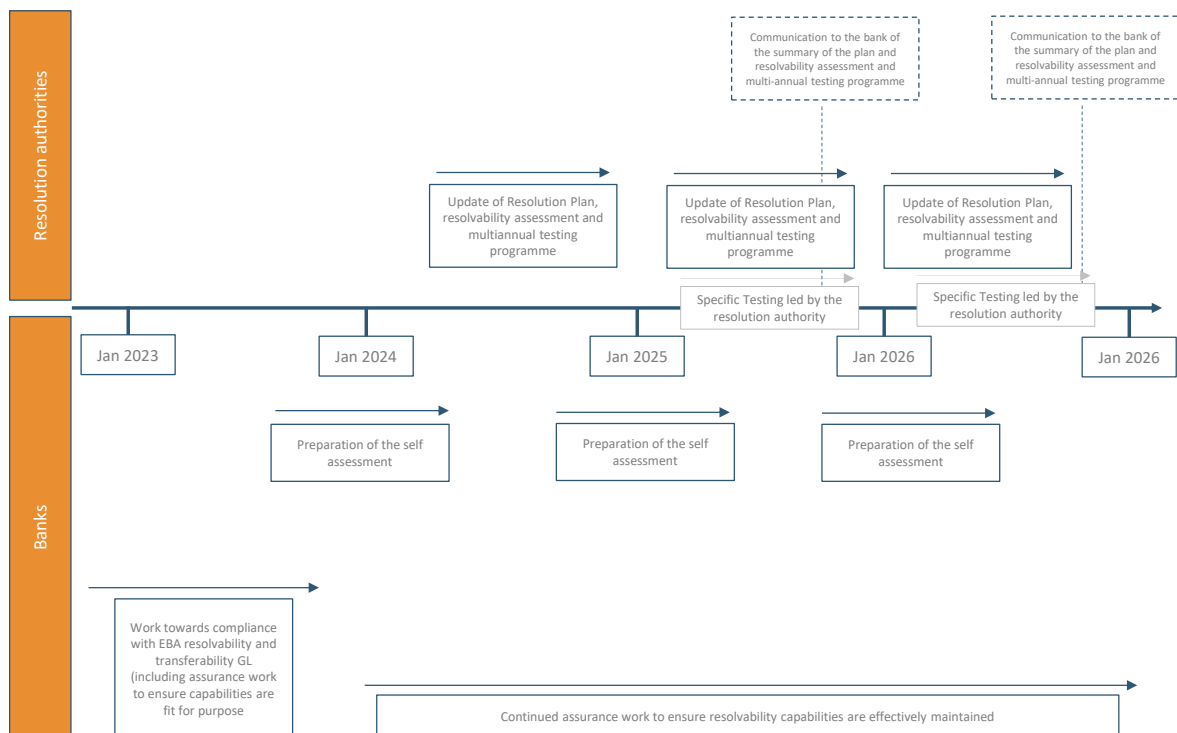
29. For banks whose resolution strategy is changed from liquidation to a resolution strategy after the entry into force of these guidelines, the self-assessment report should be submitted as soon as possible and no later than one year after the communication of the change of strategy, but the rest of the guidelines (testing programme and master playbook) would start applying 3 years from when the strategy has changed – in line with the EBA resolvability guidelines.

Illustrative timeline

¹⁵ As per the number of MREL decisions for liquidation banks reported to EBA under CIR 2021/622

30. These guidelines will provide key input to resolution authorities' resolvability assessment and resolution planning process. The self assessment report completed by the banks will provide key information on both the progress on resolvability by banks as well as on the internal testing done by the institutions themselves. On the basis of this self-assessment, the authorities will communicate a testing programme to the banks allowing them to demonstrate to the relevant authority the viability of their resolvability capability.

31. Fig. 1: Illustrative timeline of the choreography between resolution planning requirement and testing



Note: The timeline above is illustrative and the actual time of the various resolution planning steps can vary from one jurisdiction to another (e.g. the communication of the summary of plan and resolvability assessment does not have to be communicated in Q4)

Legal vehicle

32. These guidelines amend the EBA resolvability guidelines by adding a section on resolvability testing.



4. Guidelines

EBA/GL-REC/20XX/XX

DD Month YYYY

Draft Guidelines

amending Guidelines EBA/GL/2022/01
on improving resolvability for
institutions and resolution authorities
under articles 15 and 16 of Directive
2014/59/EU (Resolvability Guidelines) to
introduce a new section on resolvability
testing

1. Compliance and reporting obligations

Status of these guidelines

1. This document contains guidelines issued pursuant to Article 16 of Regulation (EU) No 1093/2010¹⁶. In accordance with Article 16(3) of Regulation (EU) No 1093/2010, competent authorities and financial institutions must make every effort to comply with the guidelines.
2. Guidelines set the EBA view of appropriate supervisory practices within the European System of Financial Supervision or of how Union law should be applied in a particular area. Competent authorities as defined in Article 4(2) of Regulation (EU) No 1093/2010 to whom guidelines apply should comply by incorporating them into their practices as appropriate (e.g. by amending their legal framework or their supervisory processes), including where guidelines are directed primarily at institutions.

Reporting requirements

3. According to Article 16(3) of Regulation (EU) No 1093/2010, competent authorities must notify the EBA as to whether they comply or intend to comply with these guidelines, or otherwise with reasons for non-compliance, by [dd.mm.yyyy]. In the absence of any notification by this deadline, competent authorities will be considered by the EBA to be non-compliant. Notifications should be sent by submitting the form available on the EBA website with the reference 'EBA/GL/202x/xx'. Notifications should be submitted by persons with appropriate authority to report compliance on behalf of their competent authorities. Any change in the status of compliance must also be reported to EBA.
4. Notifications will be published on the EBA website, in line with Article 16(3).

¹⁶ Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC, (OJ L 331, 15.12.2010, p.12).

2. Subject matter, scope and definitions

Subject matter

5. These guidelines amend the Guidelines on improving resolvability for institutions and resolution authorities under articles 15 and 16 Directive (EU) 2014/59¹⁷ of 13 January 2014 (EBA/GL/2022/01)¹⁸, ('the Guidelines').
6. Provisions of the Guidelines that are not amended by these guidelines remain in force and continue to apply.

3. Date of application

7. These guidelines apply from 1 January 2024.

¹⁷ Directive of the European Parliament and of the Council of 15 May 2014, establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council (OJ L 173 12.6.2014, p. 190)

¹⁸ <https://www.eba.europa.eu/regulation-and-policy/recovery-and-resolution/guidelines-institutions-and-resolution-authorities-improving-resolvability>

4. Amendments to the Resolvability Guidelines¹⁹

8. Paragraph 5 of resolvability Guidelines is amended as follows:

“5. These guidelines specify, **having regard to Article 10 (5) and 11 (1) of Directive (EU) 2014/59**, the resolution tool-specific actions that institutions **including entities referred to in Article 1(1) (“institutions”)**, and resolution authorities should take to improve resolvability of institutions, groups and resolution groups in the context of the resolvability assessment performed by resolution authorities according to Articles 15 and 16 of that Directive.

9. Paragraph 7 of the Resolvability Guidelines is amended as follows

“7. These guidelines do not apply to institutions whose resolution plan, or the resolution plan of the group to whom they belong to, provides that they are to be wound up in an orderly manner in accordance with the applicable national law. In case of a change of strategy, in particular from liquidation to resolution, the guidelines apply no later than three years from the date of the approval of the resolution plan with the new resolution strategy, with the exception of Section 4.6 that applies no later than, one year from that date.

10. Paragraph 10 of the Resolvability Guidelines is amended as follows:

“10. For institutions that are part of a group subject to consolidated supervision pursuant to Articles 111 and 112 of Directive 2013/36/EU, the guidelines apply at the level of each resolution group and, where relevant, at the individual level too. Section 4.6 and section 4.7 apply also at the level of cross border subsidiaries that are non-resolution-entities, where the minimum requirement for own funds and eligible liabilities as laid down in Article 45f of Directive 2014/59/EU exceeds the amount sufficient to absorb losses in accordance with point (a) of the first subparagraph of Article 45c(2) of that Directive

11. The title of Section 3 of the Resolvability Guidelines shall be amended as follows:

“3. Implementation and transitional provisions”

12. After paragraph 13 of the Resolvability Guidelines, new paragraphs 13a, 13b and 13c shall be added as follows:

“13a. Institutions should submit to the resolution authorities the first self-assessment report referred to in paragraph 124 by 31 December 2024.

¹⁹ Guidelines EBA/GL/2022/01 on improving resolvability for institutions and resolution authorities under articles 15 and 16 of Directive 2014/59/EU (Resolvability Guidelines).



13b. Resolution authorities should communicate the resolvability testing programme referred to in paragraph 129 by 31 December 2025.

13c. Institutions referred to in paragraph 137 should submit to the resolution authorities the Master playbook referred to in that paragraph, by 31 December 2025.

13. Paragraph 56, subparagraph e is amended as follows: “e. signing off on the main deliverables and ensuring adequate delegation arrangements in this respect, as part of appropriate internal control and assurance mechanisms (such as the resolution reporting templates, self-assessment report)”;

14. After section 4.5, new sections 4.6, 4.7 and 4.8 with paragraphs 124 to 129, 130 to 137 and 138 to 142, respectively, are inserted in the Guidelines as follows:

4.6 Self-assessment report

124. Institutions should annually prepare and submit to the relevant resolution authority a report, where they self-assess whether they meet, and to what degree, the capabilities set-out in section 4.1 to 4.5 and 4.8. of these guidelines, and in sections 2 and 3 of the Guidelines on transferability to complement the resolvability assessment for transfer strategies (Transferability Guidelines)²⁰, including inter alia the following elements:

- a. Degree in which the capability is met (low, mid, high, not applicable)
- b. Description of how the capability is met or why it is deemed not applicable under point a.
- c. Gap assessment on the resolvability capabilities as set out in these guidelines and those of the institution, on how this gap can be addressed and by when;
- d. Description of how the capability is embedded in business as usual (BaU)
- 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)
- 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;
- g. Any additional topic set-out by the relevant resolution authority (e.g. lessons learned from recent downturn or market event)

²⁰ add legal reference once GL published (expected in September)

125. In a preamble to the self-assessment set-out in paragraph 124, institutions should summarise:
- a. set-out their understanding of the resolution strategy as identified by the resolution authority; and of their role and that of the authority (ies) in the execution of that strategy.
 - b. describe their testing and assurance framework that allow them to ensure their capacity to support the execution of the resolution strategy on a continued basis.
126. Reports should be submitted by institutions to the resolution authority on an annual basis. The first report should be submitted by 31 December 2024.
127. In the context of cross border resolution groups, the self-assessment report should either be reported by the resolution entity to the GLRA (or the relevant resolution authority in case of MPE strategy) or by the non-resolution entity to the local resolution authority.
128. For the purpose of the self-assessment report referred to in paragraph 124, institutions should follow the format provided by their resolution authority.

4.7 Multi-annual testing programme

129. Resolution authorities should, having regard to the self-assessment report referred to in section 4.6, adopt a multi-annual resolvability testing programme for institutions under their remit. The programme should include all the capabilities set-out in these guidelines and the transferability Guideline.
130. It should cover a period of three years (the last two being indicative) to allow institutions to optimize their resolution planning efforts. It should be updated/confirmed by the resolution authority annually. The outcome of its annual review should be notified to the institutions without undue delay. Resolution authorities should communicate to the institution the first multi-annual resolvability testing programme by year-end 2025.
131. Resolution authorities should communicate to institutions the resolvability testing programme referred to in paragraph 129 and its annual updates or confirmations as referred to in paragraph 132 within a reasonable timeframe which allows institution to take it into consideration.
132. The resolution authorities should, having regard to the non-exhaustive list set out in Annex 4, set out in the resolvability testing programme referred to in paragraph 129 the range of assessments, tests, methodologies, practices, and tools that they intend to use in order to test the adequacy of the arrangements put in place by institutions to support the execution of their resolution strategy.

133. When considering the choice of testing techniques in their resolvability testing programme set out in paragraph 129, resolution authorities should follow a risk-based approach on the basis of institutions' risk profile, size and business model (e.g. SREP categorization²¹), and overall SREP score²² and consider the following:
- a. The progress on resolvability / degree up to which resolvability capabilities set-out in these guidelines are met
 - b. The overall quality of internal resolvability assurance work evidenced in the self-assessment report
134. In the context of cross-border resolution groups, the multi-annual resolvability testing programme should be discussed between the group level resolution authorities and the resolution authorities of the subsidiaries that are subject to these guidelines.
135. In the case of cross border groups, multi-annual resolvability testing programme of the resolution entities, including the tests under it, should be carried out either by the resolution authority of the resolution entity or the host resolution authorities in coordination with the resolution authority of the resolution entity - as agreed between them.
136. Resolution authorities should share, at least with the members of the resolution college, the results of any tests carried out in accordance with the resolvability testing programme referred to in paragraph 129.

4.8 Master playbook

137. The Union parent undertaking and the resolution entities of a resolution group that is either subject to Article 92a or 92b of Regulation (EU) No 575/2013 or has a total asset at the level of the resolution group exceeding EUR100bn and those designated by the relevant resolution authority that are not subject to Article 92a of Regulation (EU) No 575/2013 and which are part of a resolution group the total assets of which are lower than EUR 100 billion, but which the resolution authority has assessed as reasonably likely to pose a systemic risk in the event of its failure in accordance with Art.45c(6) of Directive 2014/59/EU should develop a master playbook.
138. Master playbook should be asked from banks other than those designated in paragraph 137 when the RA assesses that it is justified by the complexity of the organisation and the consequent need for a high degree of coordination of resolvability's capabilities.
139. The Master playbook should²³:

²¹ 'Institution's category' means the indicator of the institution's systemic importance assigned based on the institution's size and complexity and the scope of its activities. See also section 2.1.1 of revised EBA SREP GL

²² See definition in revised EBA SREP GL p21 'Overall SREP score' means the numerical indicator of the overall risk to the viability of the institution based on the overall SREP assessment.

²³ Annex 5 provides a high-level description of the Master playbook architecture

- a. Define key roles and responsibilities of senior management in the run-up to and during resolution
 - b. Set-out the matter and timeframes on which decisions should be made by the management in the run-up and into resolution
 - c. Set-out the triggers for the activation of sub-playbooks (bail-in playbook, transfer playbook, contingency plans for access to FMIs, communication)
 - d. Set-out the source, deadlines and format of information sources that will support these decisions by the board
 - e. 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
140. Institutions should update their Master playbooks at least annually or after a change to their legal or organisational structure or a change to their operational or financial conditions, which could have a material effect on, or necessitates a change to, the Master playbook. The outcome of its annual review should be notified to resolution authorities without undue delay.
141. After ANNEX 3, of the Resolvability Guidelines, Annexes 4 and 5 are inserted as follows:

Annex 4 – non comprehensive list of methods available to either institutions for their assurance work or authorities for testing

a. Self-certification	Where the institution self-certifies its compliance with a rule.
b. Self-assessment	A self-assessment is the assessment by the institution of its own capabilities to perform the tasks requested in a timely manner and to meet the quality expected. Self-assessment assumes a review of the existing processes and procedures, and, potentially a review of the lessons learnt from past stress situations. A self-assessment results in a gap analysis between what the institution's capabilities and the authority's expectations are.
c. Firm sharing results of its systems or internal testing via demonstrations to authorities / Walkthrough	A 'walkthrough test' traces an operation step-by-step through the MIS or procedures from its inception to the final disposition.
d. Fire drill	Process oriented focused and flexible plausibilization of selected steps in a playbook.
e. Dry-run	Dry-runs are real-life simulation exercises where institutions test (selected) parts of the elements identified by the resolution authority based on a test crisis event, and identify areas for improvement to ensure that the resolution strategy can be implemented in an effective and timely manner.
f. Desktop exercise	Initial stage to enhance playbooks and ensure standardisation, consistency and alignment with the requirements of the



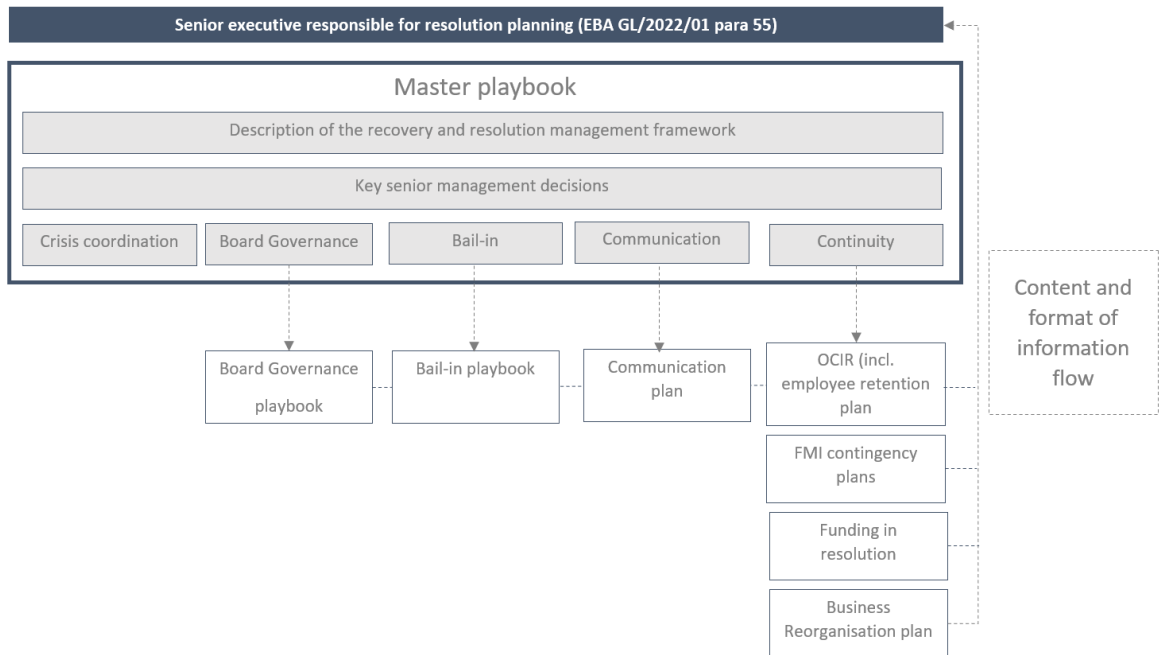
documentation of key processes by individual steps, including timing, responsibilities and dependencies.

Back-office testing where figures are reconciled between different documents in order to assess the accuracy and reliability of a data set.

g. Internal audit	Review of the resolvability capabilities by internal audit, as part of their institutions assurance work for continued resolvability
h. Independent third-party verification	Review of the resolvability capabilities by a third-party expert.
i. Deep dive	In-depth review on a specific topic carried out at the institution's premises over pre-defined timeline.
j. On-site inspection	On-site inspections are investigation and testing performed by authorities with a pre-defined scope and timeframe and take place on the premises of the institutions. Inspections should be intrusive while adhering to the principle of proportionality and aim to provide a detailed snapshot of the adequacy and execution of processes.

Annex 5 – Master playbook

High level Master Playbook architecture



5. Accompanying documents

5.1 Draft cost-benefit analysis / impact assessment

A. Problem identification

8 years into BRRD, resolution authority have made significant progress in terms of policy and resolution planning. This is evidence in the EBA MREL report that shows the share of resolution banks stable at 80% of EU domestic assets. This means most resolution strategies have been set and the draft plans drawn.

In terms of policy, those institution have been set a clear goal post with BRRD2 on MREL and the EBA resolvability guidelines on other impediments to resolvability. In particular on resolvability, the EBA resolvability guidelines include a number of resolvability capabilities that institutions should develop to be able to effectively support the execution of the resolution strategy.

Resolution authorities now need to move from planning to testing institutions' compliance with the EU27 expectations on resolvability and their effective capacity to support the preferred resolution strategy. In the run-up to the steady state but also beyond, i.e. how institutions ensure that these capabilities support resolvability on a continuous basis.

B. Policy objectives

The objective is to ensure an effective and consistent level of banking regulation in the field of resolution in relation to resolvability testing to ensure a level playing field for UE banks while maintaining the stability of the financial system and consumer protection.

C. Baseline scenario

With the publication of the EBA resolvability guidelines, authorities and institution have a clear objective with regard to resolvability.

Some authorities have started to work on testing, some have started to request institutions to self-assess against the EBA resolvability guidelines or local rules and the most complex institutions have started to develop master playbooks to ensure their resolution planning effort are coherent. But these efforts are not consistent nor harmonised.

D. Options considered

Option 1: standardized formatting for the self-assessment



The initial proposal was to introduce a standardized format or template for the self-assessment. This would have ensured consistency from a format point of view however in light of the potential for large submissions, and the fact that different formats may be more suitable to different types of banks, it was preferred to specify a format but specify (i) the information to be provided and (ii) the capabilities to be covered.

Option 2: No multi-annual work programme

An initial option considered was to leave more flexibility to banks to progress on resolvability - leaving them the initiative and prioritisation of the work. This would have meant removing the multiannual testing programme. This however was pushed back by resolution authorities on the basis that they did not believe that institutions would progress adequately without the input from authorities.

Option 3: Prescriptive list of testing techniques

The Draft guidelines included a list of testing techniques that should be considered by institutions and resolution authorities when setting the multi-annual testing programme. The original option was to assign specific techniques to the testing of specific capabilities. This was not adopted as it was found to be too cumbersome and would remove the possibility for authorities to adapt the testing programme to the risk profile of banks and their relative performance on resolvability on the basis of their existing assurance work.

E. Cost-Benefit Analysis

The impact of implementing the guidelines, which will become applicable from 1 January 2024, depends on the level of compliance from the side of institutions with resolvability guidelines, the level of preparedness of institutions towards the assessments included in the resolvability testing programme and the level of development of the master playbook.

The expected benefits of the implementation of the guidelines are mainly related to ensuring the effectiveness of the execution of the resolution strategy, which is beneficial for both the institution (that can ensure its operational continuity) and for the wider economy (ensuring that firms account with the necessary capabilities to be resolved and avoid bailouts funded by taxpayers).

For firms, the benefits are related to the increased capabilities to execute the resolution strategy. Also, these enhanced capabilities for bail-in execution, transfer playbook, valuation, funding and liquidity in resolution, access to FMI, together with an enhanced definition of key roles and responsibilities in the run-up and during resolution, may provide benefits on a business-as-usual situation. For example, they may increase the quality and availability of management information, improving firms' abilities to monitor and manage risks, consider and execute changes to their business structure, or allocate resources across business areas. The proposed capabilities may also reduce the time and effort firms need to produce information necessary for supervisory purposes.



Regarding groups, and in particular cross-border groups, the benefits are related to increased understanding of the progress on resolvability by host authorities, clarity as to the resolution authority that performs the resolvability testing.

For the most complex banks, the development of a Master playbook, setting out clear roles and decisions points for the senior management and the coordination of the various aspects of the strategy will improve the credibility of the resolution strategy.

The harmonisation of practices across the EU that will ensure a level playing field between comparable institutions.

For firms, in a first instance, the costs of implementing the guidelines are mostly related to the preparedness of the self-assessment report about their compliance against the EBA resolvability guidelines. This annual task already takes place over the resolution cycle and the report will essentially frame it and concentrate it in one document – the cost should be somewhat limited.

The guidelines set out that cross border non-resolution entities with MREL set above own funds should also complete the self-assessment or that the parent reports one at their level. As per the above this report will essentially aggregate information that is already being shared between banks and resolution authorities. The burden should be lower for non-resolution authorities as some capabilities are not applicable to them and they can provide a simple rationale why.

This assessment, and other factors will drive the multiannual testing programme that the resolution authority will put in place and therefore reduce the cost of testing by authorities for the better positioned institutions.

The costs are variable between firms depending on the level of development of the requirements to report the compliance with resolvability guidelines and the level of development of the components of the master playbook.



5.2 Overview of questions for consultation

1. Do you have any comments on the proposal to introduce a self-assessment to improve banks involvement in the resolution planning process?
2. Do you have any comments on the list of questions to banks included in the self-assessment as set-out in para 124-125?
3. Do you have any comments on the proposal to require authorities to communicate a multiannual testing programme?
4. Do you have any comments on the proposal to introduce a master playbook for the more complex banks?