

The EBA logo consists of the letters 'EBA' in a bold, white, sans-serif font. The 'E' and 'B' are connected, and the 'A' is slightly separated. The logo is set against a dark blue background with a subtle grid pattern.

EBA

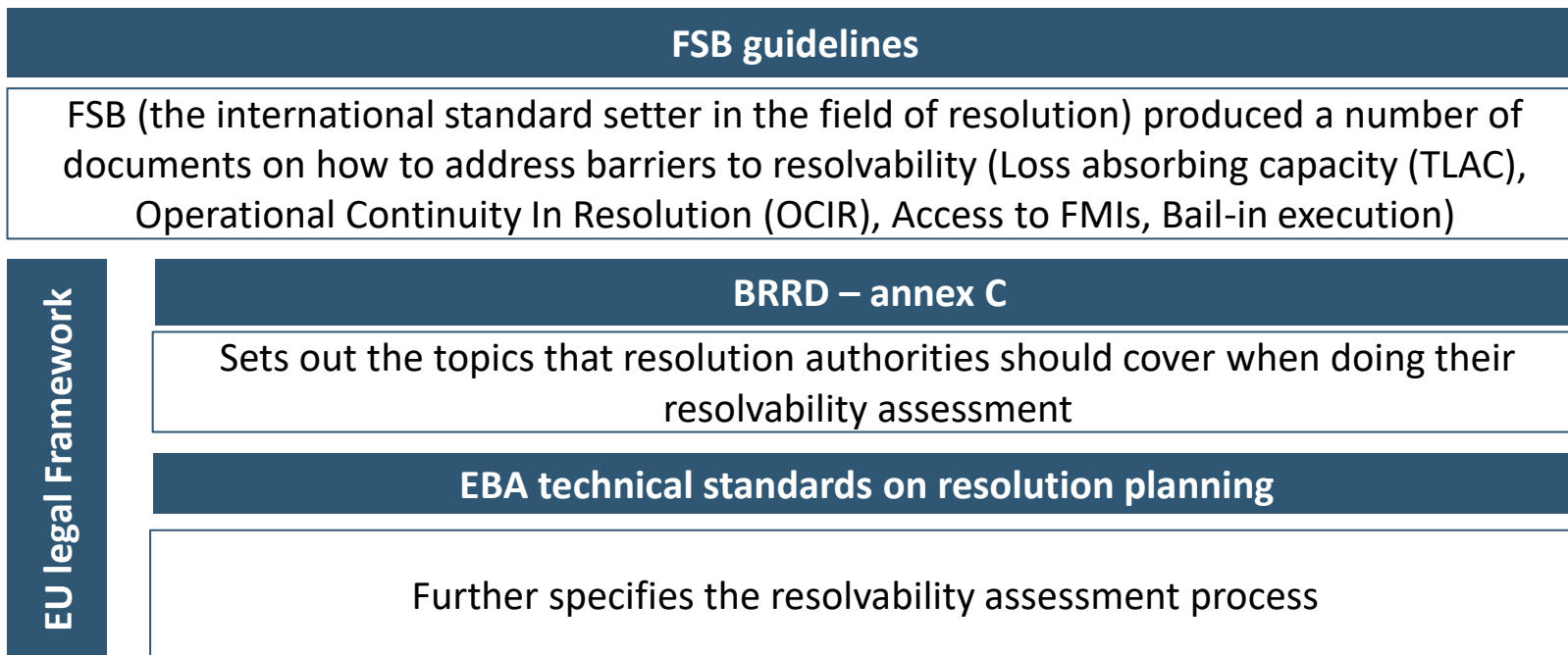
EUROPEAN
BANKING
AUTHORITY

EBA Resolvability Testing Guidelines

Background and key measures

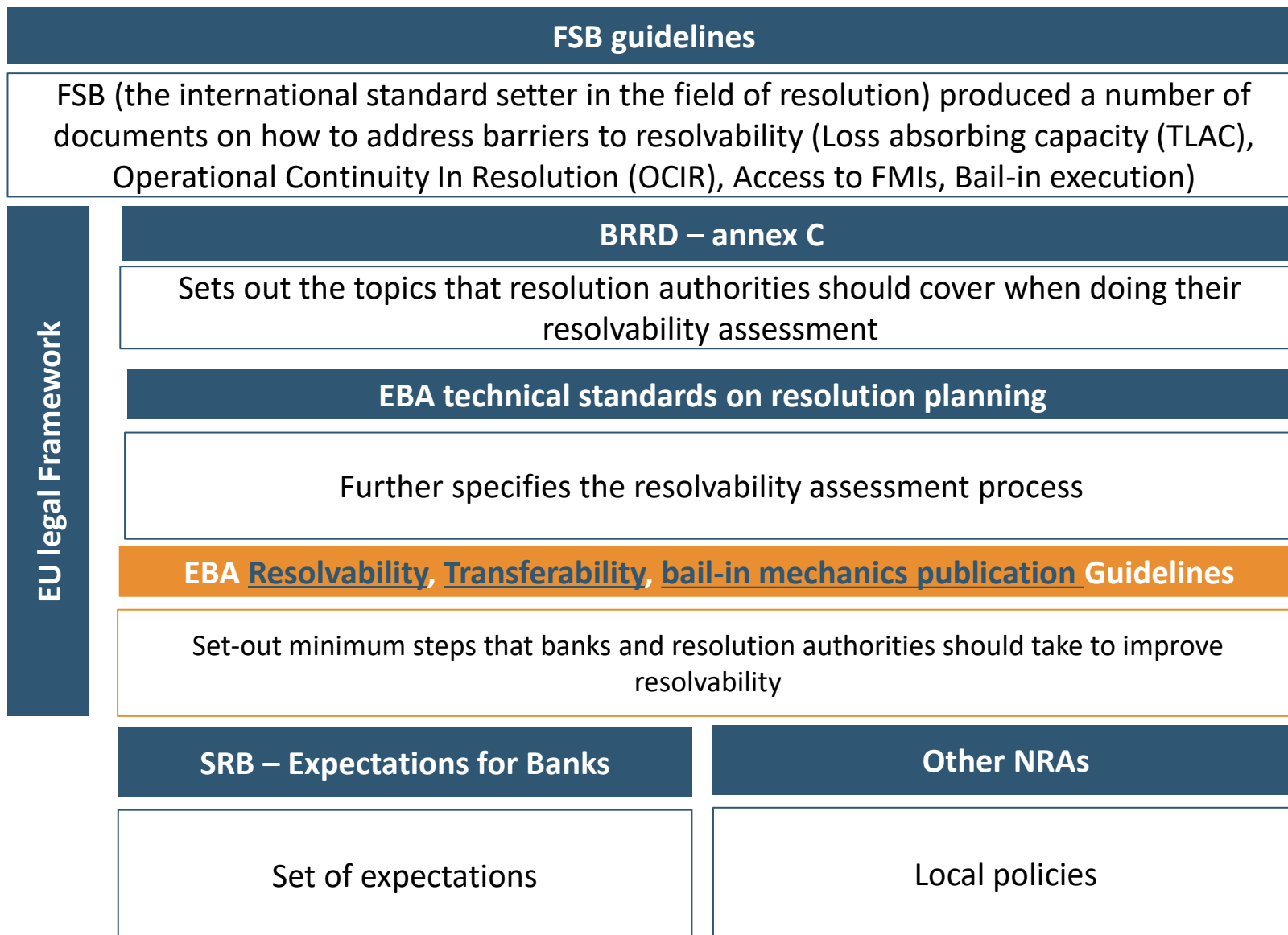
15 November 2022

Background of EBA work on resolvability testing



Single Resolution Board	Other Resolution Authorities	shortcomings
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

One EU-wide legal document

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
Self assessment report	<p>One single document that summarises the views of the bank, in particular:</p> <ul style="list-style-type: none"> i. how they understand the resolution strategy ii. how they meet the resolvability guidelines, iii. how they maintain those capabilities 	<p>Resolution entities at resolution group level and non resolution entities with iMREL>own funds</p>	<p>Annual starting 2024</p>
Multi-annual testing programme	<p>Ensure regular testing of banks' capabilities by:</p> <ul style="list-style-type: none"> i. Setting out a clear testing programme over a three year cycle ii. Risk based choice of testing techniques 	<p>Resolution entities at resolution group level and non resolution entities with iMREL>own funds</p>	<p>Annual starting 2025</p>
Master playbook	<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>Overarching question</p>	<p>two pages maximum how they understand the preferred resolution strategy, their role and Banks should set out the assurance framework they have put in place to ensure</p>
<p>Capability specific question</p>	<p>Banks should answer the following questions:</p> <ul style="list-style-type: none"> 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, and 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)

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 think 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 need to be tested and how intrusive the testing needs to be.

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Master playbook

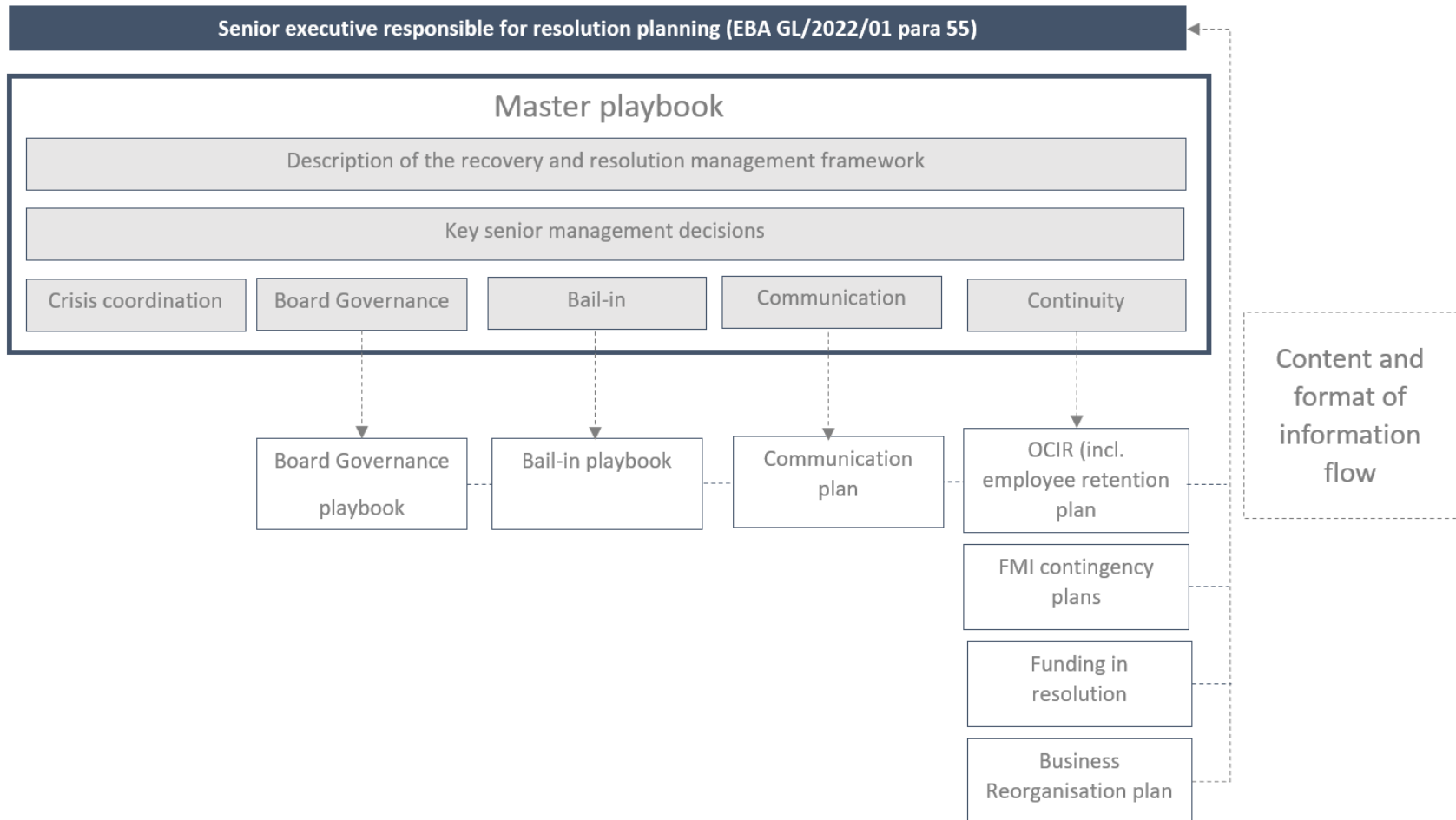
An overarching playbook

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

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Master playbook



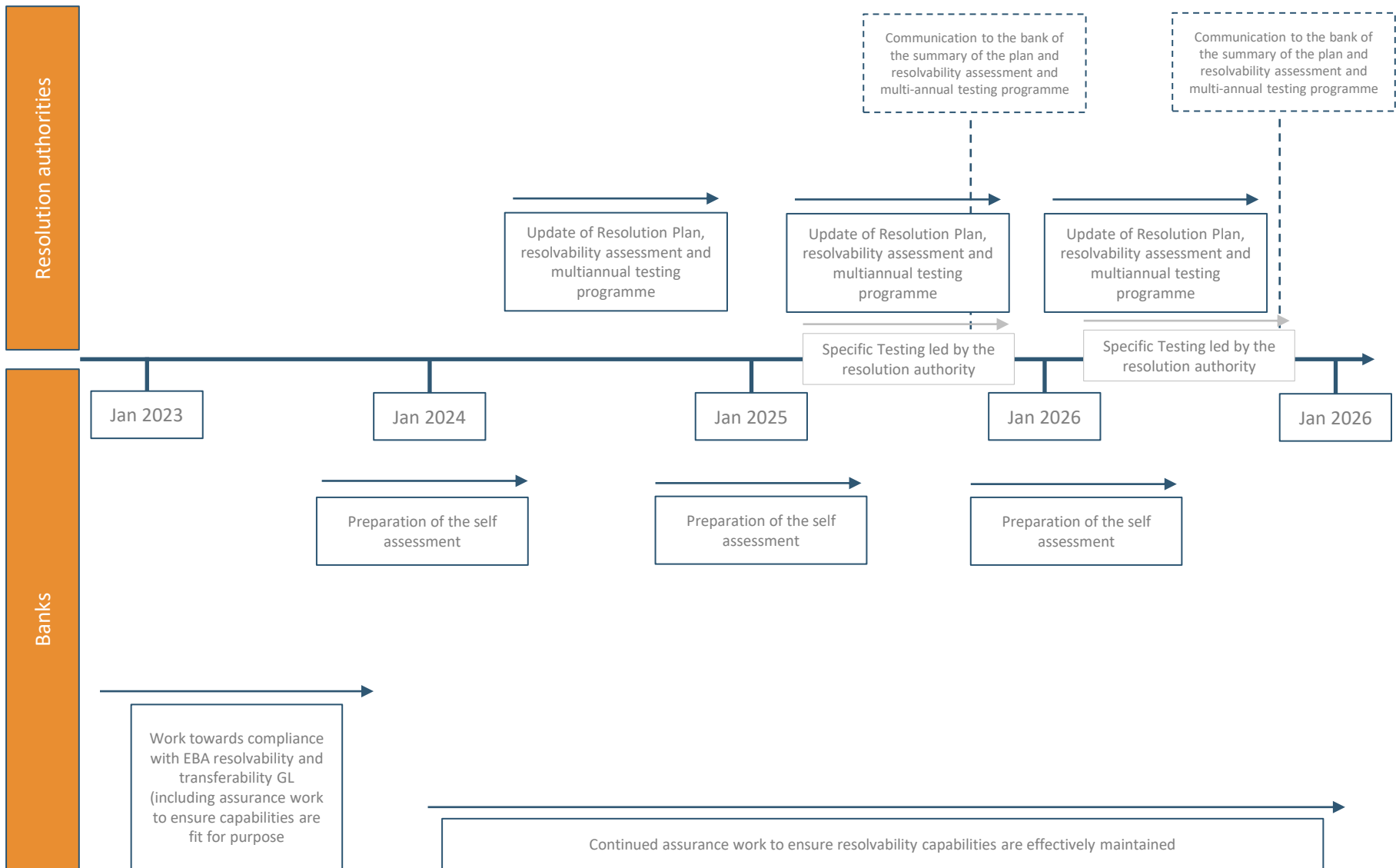
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Varying levels of application

Tools	Level of application	Rationale
<p>Self assessment report</p>	<p>Resolution entities at resolution group level and non resolution entities with iMREL>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>Multi-annual testing programme</p>	<p>Resolution entities at resolution group level and non resolution entities with iMREL>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>Master playbook</p>	<p>Resolution entities at resolution group level – GSII, TT and fished banks only</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



EBA Resolvability Testing Guidelines

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 125-126?
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?

Timeline and next steps

3-month
consultation
Starting
15 November
2022

Public hearing
11 January
2023

Deadline for response to
the consultation:
15 February 2023

Final report to be
published
by September 2023

Further EBA work on resolvability

1. Complementary EBA policy work underway (2022 EBA work programme):
 - i. Specifications for publication of bail-in exchange mechanics by resolution authorities - Guidelines to be published by year-end
 - ii. Resolvability transparency

2. The EBA's has set its 2nd European Resolution Examination Programme (EREP, published on 27 October 2022) asking RAs to focus on:
 - i. The process of addressing MREL shortfalls
 - ii. The development of management information systems for valuation and
 - iii. The preparations for banks to be able to meet their liquidity needs in resolution
 - iv. The operationalisation of bail-in.

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

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