

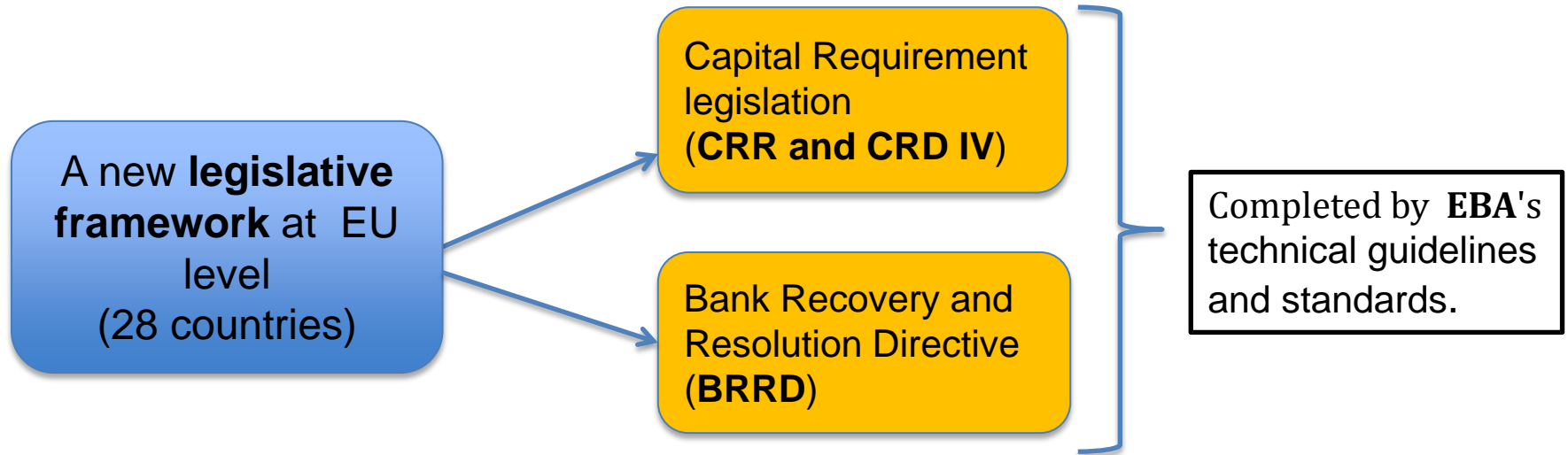


Bank Resolution in the context of the Banking Union :  
*The SRB role and priorities*

02 October 2015 - European Supervisor Education Conference

Dominique LABOUREIX – Single Resolution Board – Board Member

# The Financial Crisis called for a strengthened EU legislation



The Financial Crisis highlighted that:

- The European legislative framework for capital requirement needed to be strengthened and harmonized (CRR and CRD IV).
- A new legislation was needed for Crisis management (BRRD).

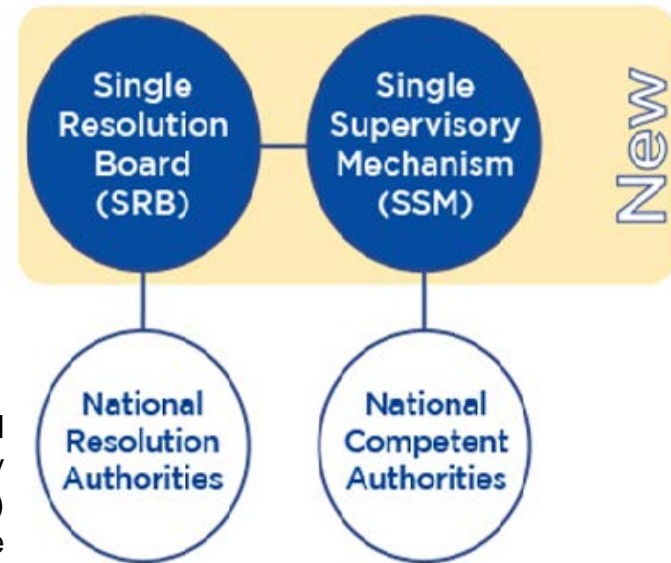
# The Banking Union: a new Institutional Framework

- Banking Union/Eurozone (19 Member States)
- Other EU Member States (9 MS not in Eurozone)



**ECB/SSM & SRB :** Both the ECB/SSM and the SRB are working closely together, sharing information and consulting with each other i.e. on the resolution plans for the major banks in the participating member states.

**National Authorities:** The national authorities will remain largely responsible for the supervision (NCAs) and the resolution (NRAs) of the smaller and less significant banks. For the bigger banks, the NRAs will implement decisions taken by the SRB at a national level in accordance with national laws.



# Single Resolution Board

## Who We are

---



**CHAIR**

Elke König



**VICE-CHAIR**

Timo Löyttyniemi



**MEMBER OF  
THE BOARD**

Mauro Grande



**MEMBER OF  
THE BOARD**

Antonio Carrascosa



**MEMBER OF  
THE BOARD**

Joanne Kellermann



**MEMBER OF  
THE BOARD**

Dominique Laboureix

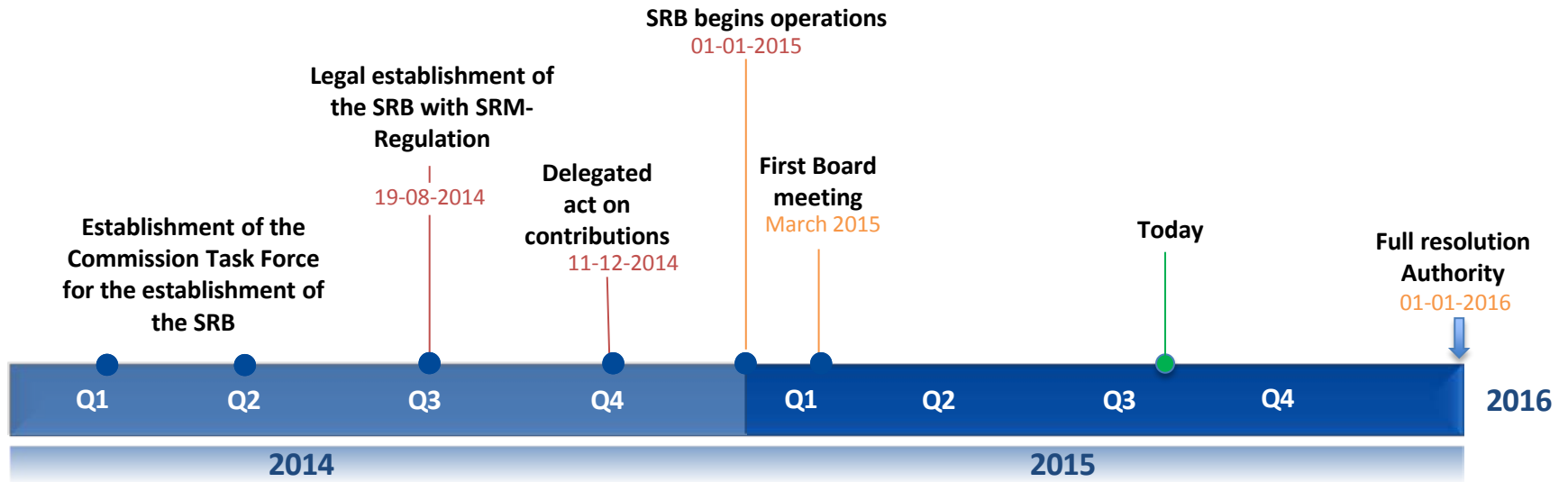
- The Single Resolution Board (SRB) is the resolution authority within the European Banking Union and is a key element of the newly created Banking Union and its "Single Resolution Mechanism" (SRM).
- It works in close cooperation in particular with the national resolution authorities of participating Member States, the European Commission and the European Central Bank. Its mission is to ensure an orderly resolution of failing banks with minimum impact on the real economy and public finances of the participating Member States and beyond.
- Made up of 6 Board Members



# Key tasks of the SRB

- Establish **uniform rules and procedures for the resolution of entities**
- Establish a **credible and feasible resolution regime**
- **Remove obstacles** to resolution in order to make the banking system in Europe safer
- **Unified decision-making process** for resolution within the Banking Union which contributes to set market confidence
- **Minimise the cost of resolution and avoid destruction of value** unless necessary to achieve the resolution objectives
- **Provide key benefits** for taxpayers, banks, deposit-holders and contribute to financial and economic stability in the entire EU

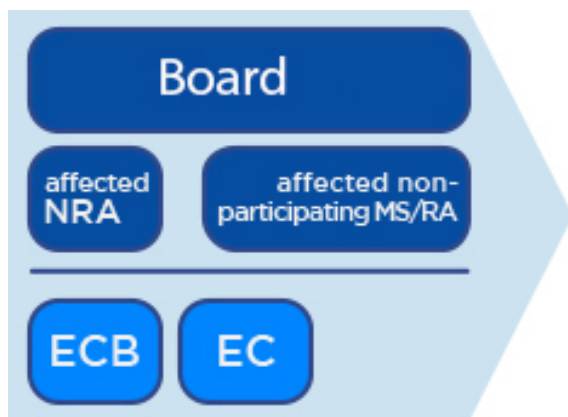
# Timeline



Planning and implementation phase

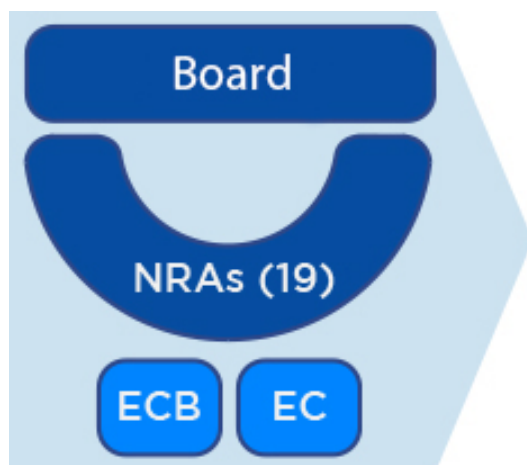
# Sessions of the Board

## Executive Session



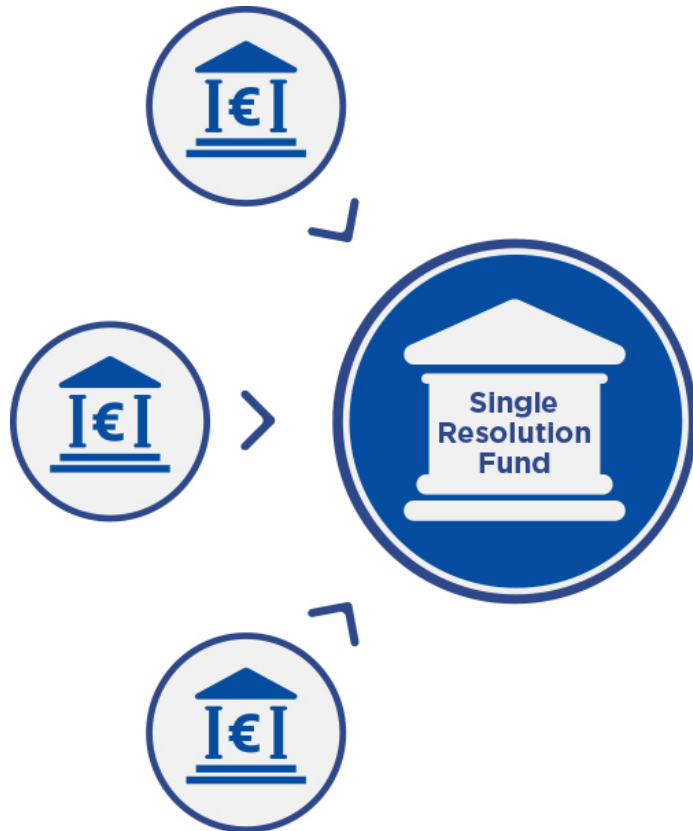
The executive session of the Board decides on all resolution schemes including on the use of the resolution fund. Aside from the Chair (or the Vice Chair) and the four permanent members of the Board, the appointed representatives of the National Resolution Authorities (NRAs) of those countries in which the bank on which a decision is to be taken has major activities are members of the session. The ECB and the Commission are permanent observers. Other institutions may be invited to attend.

## Plenary Session



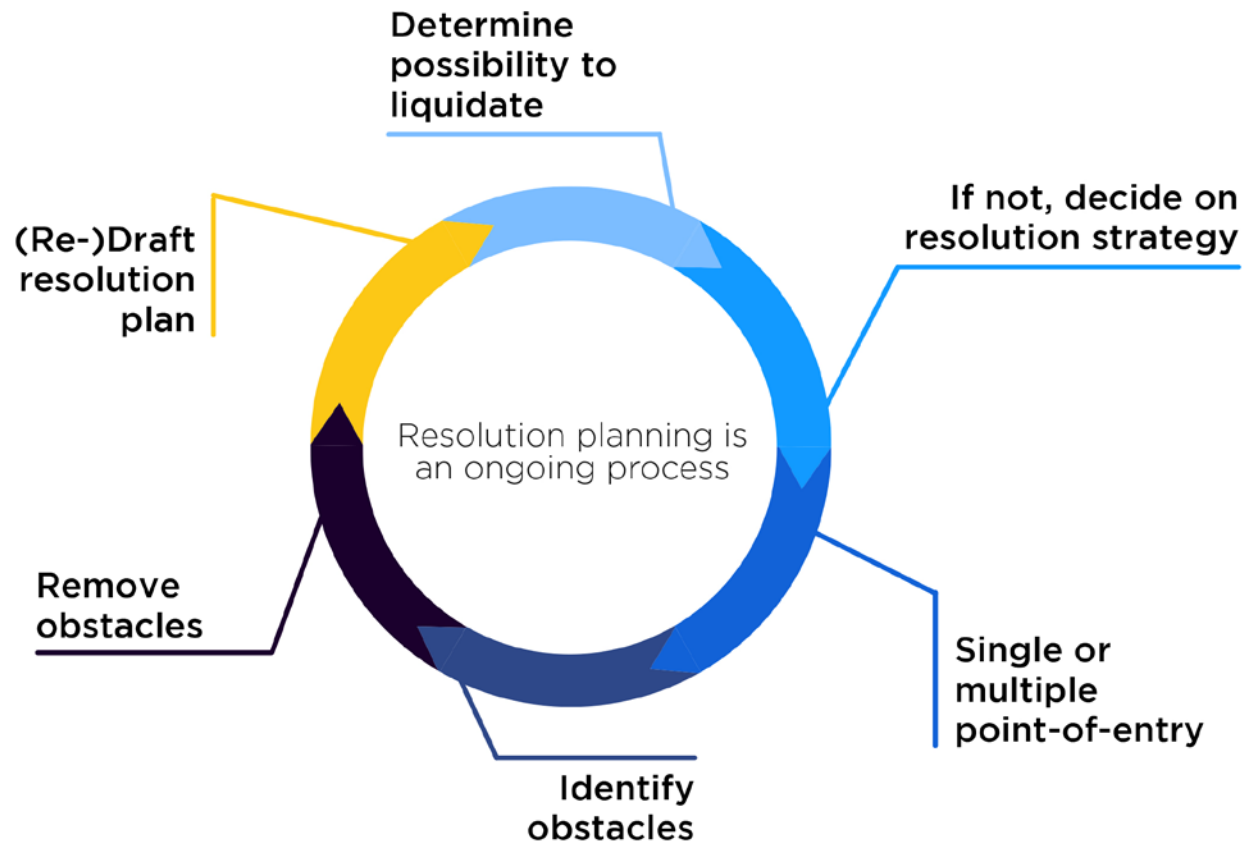
The plenary sessions, which are held at least bi-annually, and in which general decisions are taken are attended by the Chair, the Vice Chair, the four other permanent members of the Board and all appointed representatives of the NRAs of the member states that are part of the Banking Union. In its plenary session the board takes all general decisions not related to a particular resolution (exceptional conditions apply to the use of the SRF).

# The Single Resolution Fund



- Since the crisis in 2008 many Banking Union countries have adopted national resolution funds, funded by the banks to be used in the case of future crises.
- Within the Banking Union, these funds will evolve into a new single fund at European level.
- Over the course of eight years a total of around €55bn will be built up to act as a buffer for the taxpayer in case a bank fails. The amount is based on a proportion of covered deposits held by all the banks.
- It will only be used once shareholders and creditors have fully contributed to the resolution measures.
- Individual contributions are calculated at European level but are collected at national level and transferred to the Fund.
- Contributions comprise a flat part and a risk adjusted part.
- If need be, the fund can borrow money to make up any shortfalls and recover the amount from the banks afterwards

# Resolution planning process



- First step is determination if ordinary liquidation is possible and credible. If yes, no specific for resolution.
- If no, selection of single-point-of-entry or multiple-point-of entry-resolution-strategy.
- Identification and removal of obstacles/ resolvability assessment.



Resolution plans will be drawn up and frequently updated

# Resolution tools

## **SALE OF BUSINESS**

The sale of business tool allows for the total or partial disposal of the entity in a financial transaction.

## **BRIDGE BANK TOOL**

Part or all of the business is transferred to a temporary entity totally or partially publicly owned.

**Help to  
protect  
markets  
and citizens  
from future  
crises**

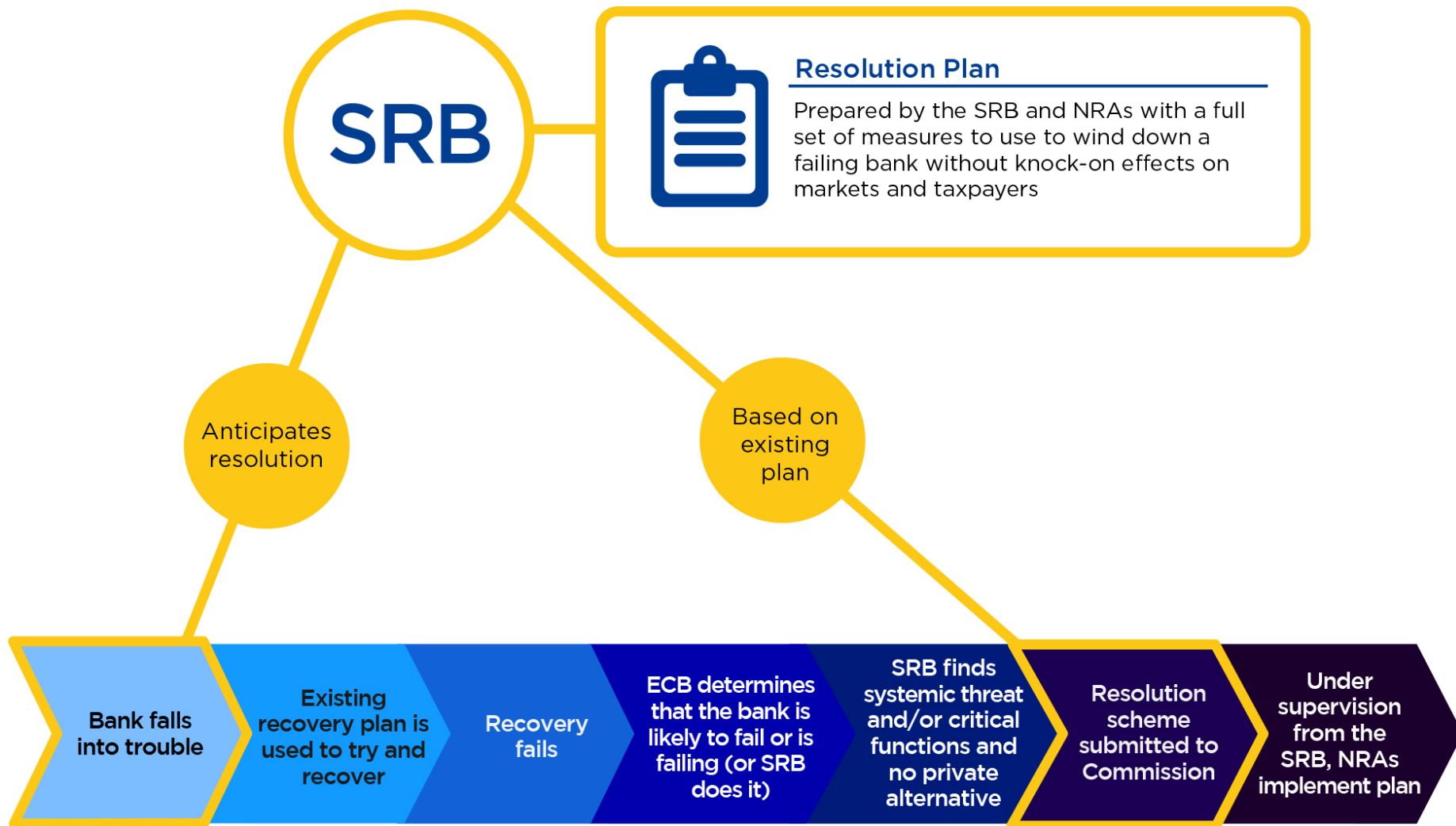
Assets whose liquidation could cause market disruption can be transferred to an asset management vehicle, totally or partially publicly owned.

## **ASSET SEPARATION TOOL**

Equity and debt can be written down, converted or bailed-in, placing the burden on shareholders and creditors of the bank rather than on the public.

## **BAIL-IN**

# Resolution in action

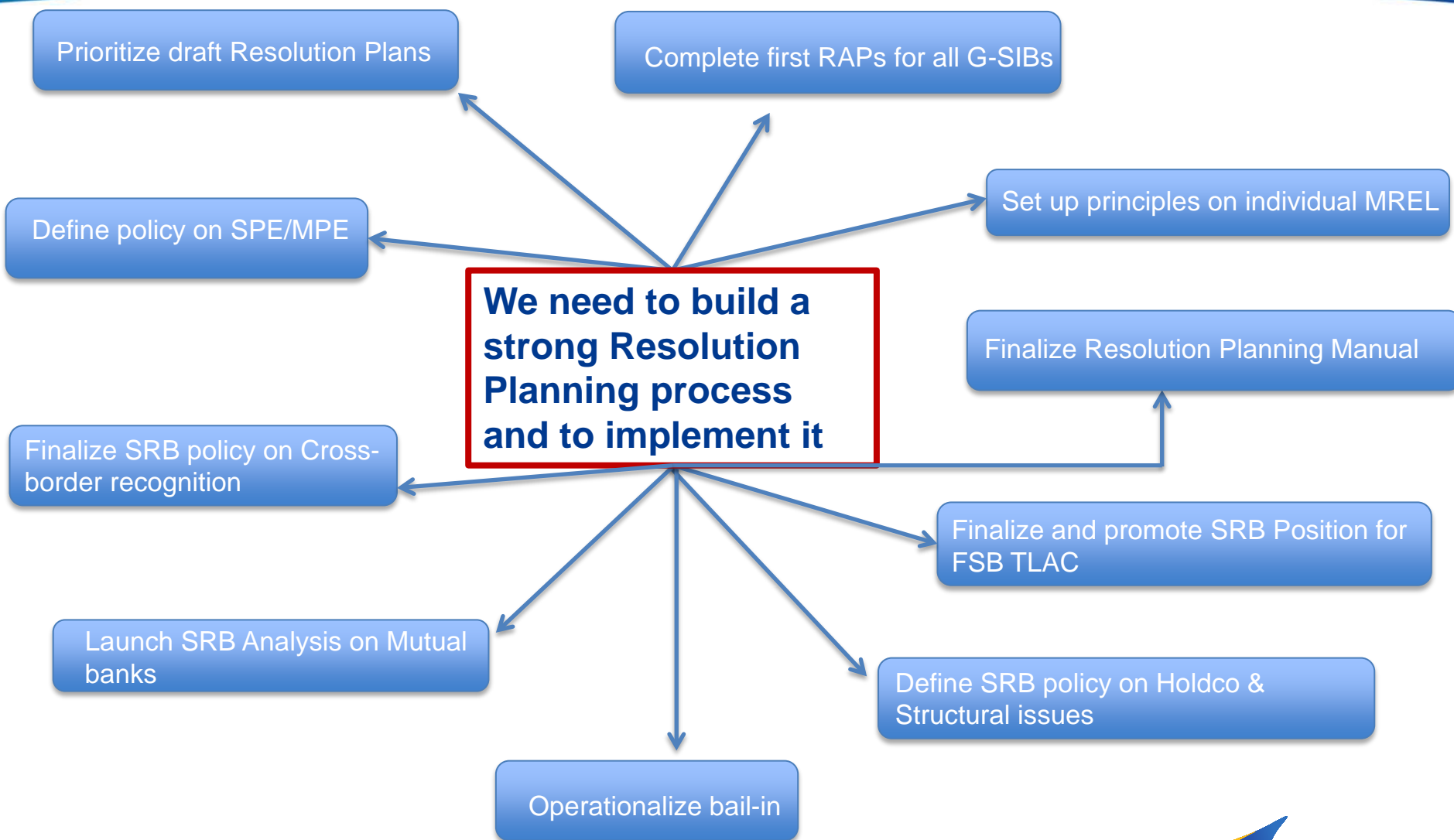




# Resolution Obstacles as defined by FSB to G20

- Obstacles for the banks from inadequate IT and reporting systems that are not capable to provide information needed in resolution planning in adequate time.
- The way a bank is organised, in particular how critical support functions are allocated.
- Multiple interdependencies within a G-SIB put at risk the operational continuity of critical functions.
- Financial institutions will have to improve and perhaps re-think their structure (ongoing already as triggered by recovery plans).
- Cross-border recognition of resolution measures!
- National Resolution Authorities are still developing their operational capabilities to apply new resolution tools and are working on implementing the necessary regulatory requirements.

# Current key objectives (I)



# Current key objectives (II)



# Current key objectives (III)

Build funding & financing

Set up & manage the Fund

**We need to build  
the Single  
Resolution Fund**

Determine Contributions (ex-ante; ex-post)

Investment Management

Operationalise the potential  
use of the fund

# Challenges to be tackled

- Sufficient staff (120 by end of 2016 – up to 300 by 2017)
- New SRB building
- Reach a common view within the Banking Union (NRAs, ECB, etc.)
- Not all decisions depend on us, some examples:

|                            |  |
|----------------------------|--|
| BRRD Implementation        | Not all the Member States have fully transposed the BRRD |
| Recovery Plans             | Expected for end November 2015                           |
| IGA                        | Expected timeline unknown                                |
| Banking Structural Reforms | Timeline not yet known                                   |

# Conclusion

**The SRB will be a game-changer in banking resolution (/will have a strong impact on)**

Only if resolution is considered to be the better, more efficient solution (compared to insolvency) due to the systemic impact the bank failure may have, will the SRB proceed with its resolution tools

The SRB will help to avoid future bail-outs and to place the burden of bank resolution firmly onto the banks, their owners and their creditors.

**The SRB will play a proactive / effective role!**





**Thank you!**

More information? Write to the SRB's Communication Officer:  
[Camille.de-rede@ec.europa.eu](mailto:Camille.de-rede@ec.europa.eu)