



SINGLE RESOLUTION BOARD & SINGLE RESOLUTION MECHANISM

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Great financial crisis – a global response



DECISIONS TO END ERA OF IMPLICIT TAXPAYER GUARANTEES & BAILOUTS

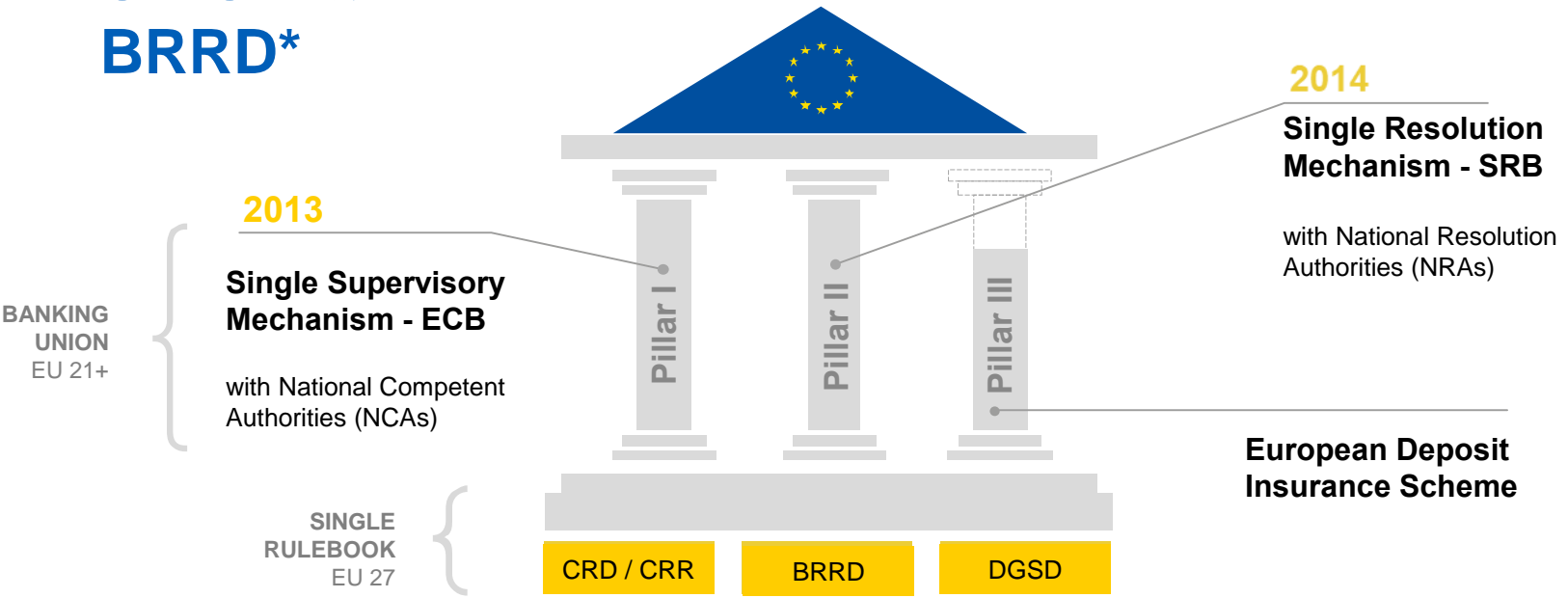


- **Crisis prevention**
(regulatory & supervisory initiatives)
- **Crisis control and mitigation**
(joint strategy from policymakers)
- **Crisis solving**
(stress test, restructuring)

European response

at G 20

BANKING UNION & BRRD*



* The EU Bank Recovery and Resolution Directive is the EU implementation of the FSB Key Attributes.

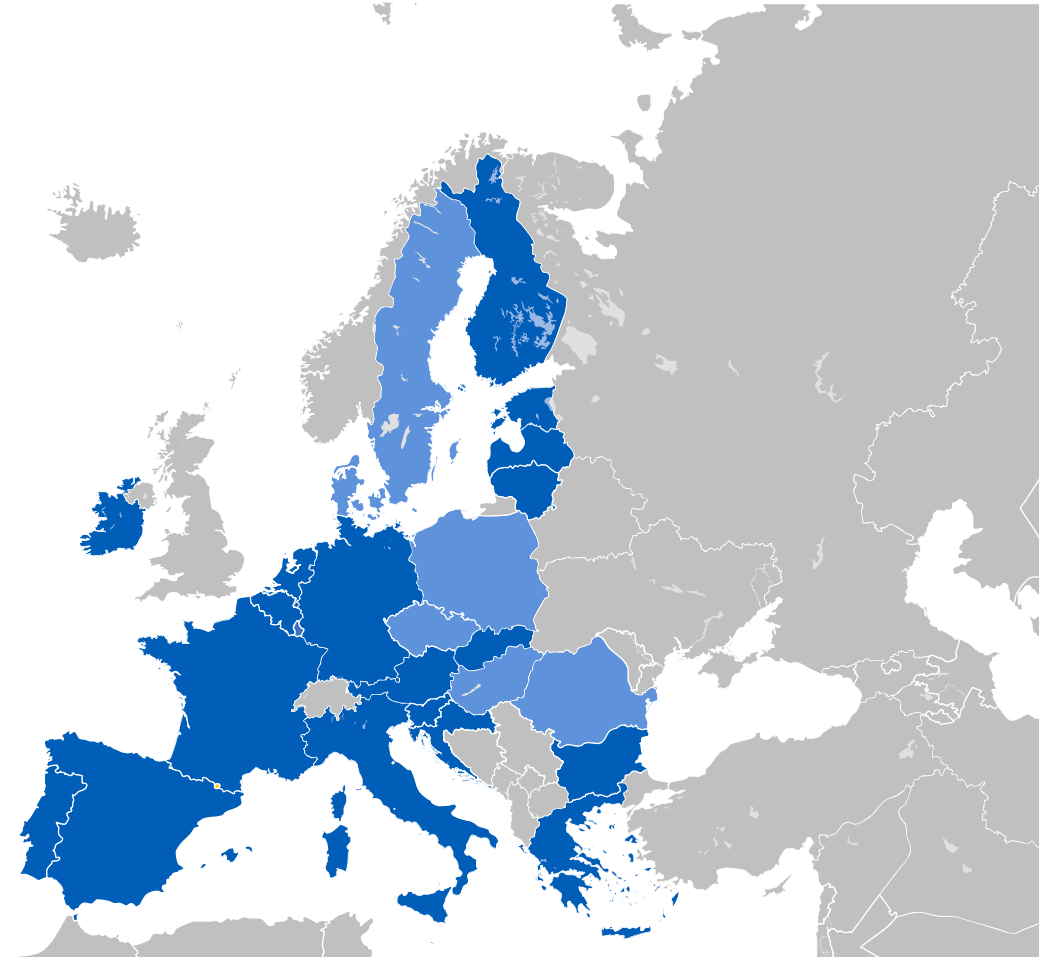
1 | How the Single Resolution Mechanism works

The SRB plans for and manages bank failure in the Banking Union, ensuring orderly resolution with minimum impact on the real economy and public finances.

- Member States in the Eurozone
- Member States not in the Eurozone

THE SRB TOGETHER WITH THE NATIONAL RESOLUTION AUTHORITIES (NRAs) FORMS THE SRM

- ✓ The SRB closely cooperates with the NRAs
- ✓ The SRB is directly responsible for:
 - Significant banks
 - Cross-border banking groups
- ✓ NRAs are directly responsible for all other banks.
SRB could 'take over' direct responsibility.



Resolving banks

- **RESOLUTION** means the restructuring of a bank by a resolution authority through the use of resolution tools, to ensure the continuity of its critical functions and preservation of financial stability.

OBJECTIVES

Art. 14 of SRMR II

- Ensure continuity of critical functions in case a bank must be resolved
- Safeguard* financial stability at Member State & prevent contagion
- Protecting public funds
- Protecting depositors
- Protecting investors, client funds and client assets, while minimising the costs to taxpayers

TRIGGERS

Art. 18 of SRMR II

May be triggered when relevant authorities determine that:

- a bank is failing or likely to fail;
- there is no other private sector intervention or supervisory action that can restore the institution back to viability within a reasonable timeframe; and
- It is necessary in the public interest.



A recent example – Sberbank Group

- Timeline

- Significant liquidity outflows as a result of the reputational impact of Russian's aggression in Ukraine → the group was assessed as failing or likely to fail by ECB and SRB
- SRB imposed a moratorium (suspension of payments and termination rights) starting 28 February 2022
- SRB decisions on 1 March 2022

- Decisions taken by SRB

- Non-resolution decision for Sberbank AG (parent) → liquidation under Austrian national insolvency procedure with deposit pay out
- Resolution decisions for both Sberbank d.d. (Croatia) and Sberbank banka d.d (Slovenia) → Banks sold (“share deal”) following a marketing procedure

- Subsidiaries in other EU and non-EU countries were liquidated, in close collaboration with the SRM

Key takeaways

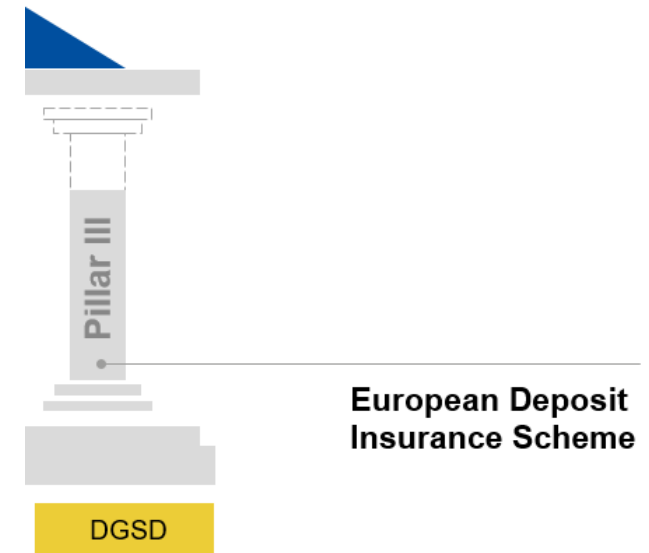
No disruption to economies, depositors protected, no public money used

Swift and well-coordinated action

Need to continue completing the Banking Union.

Completing the Banking Union

- The **European Deposit Insurance Scheme** (EDIS) is intended to be the third pillar of the Banking Union. It could be built on the existing deposit guarantee system, and depositors could enjoy the same level of protection no matter where they are located.
- On 3 May, a **two-stage draft plan** for completing the Banking Union was presented to the Eurogroup (by its President Paschal Donohoe). There was broad agreement, but further discussion is needed.
- The **first stage** is aimed at reducing financial risks in the banking sector with a number of measure, while gradually pooling half of the funds in national deposit guarantee funds. At the end of 2024, finance ministers would assess progress here.
- If **positive**, the second stage would see the gradual introduction of a European deposit guarantee scheme (as a reinsurer for national schemes).



Cooperation - SRB and CBI Common Priorities

- The CBI has worked closely with the SRB since its inception, both on Internal Resolution Teams and on SRB working groups, in order to further the resolvability of Irish institutions and work towards a harmonised approach to resolution in the Banking Union.
- The remits of the CBI, as NRA, and the SRB are aligned with regards to ensuring that institutions become resolvable and that a robust, evolving framework exists that allows for resolution authorities to plan effectively and respond swiftly and decisively if, and when, institutions require resolution.
- The authorities also work closely in relation to crisis preparedness and ensuring that resolution authorities are undertaking scenario analyses to plan for a range of potential causes of resolution.

Resolvability– SRB and CBI Common Priorities

- Following the lessons learned from the last financial crisis, the CBI, as the national resolution authority, has worked with the SRB to ensure that Irish institutions become resolvable.
- This is being achieved by, among others:
 - *ensuring institutions have the financial resources to be resolved, by complying with MREL* requirements as soon as possible*
 - *working closely with the institutions on the operationalisation of the preferred resolution strategies, including the operationalisation of the bail-in tool,*
 - *ensuring that institutions have the financial and operational requirements in place in order to minimise disruption during and after the resolution event.*
- While resolvability is a multi-year and continuous process, the work completed by the CBI has ensured that Irish institutions are in a strong position relative to peers and are better prepared for a resolution event, to reduce the impact of failure on the wider economy or financial stability.

Banking Union – SRB and CBI Common Priorities

- The Central Bank sees a robust crisis management and deposit insurance framework as fundamental to our ability to deliver on our public policy objectives, by providing the necessary tools to address bank failure while preserving financial stability, protecting depositors and avoiding the risk of excessive use of public financial resources.
- The Central Bank remains a strong advocate of strengthening the robustness and consistency of the crisis management and deposit insurance framework in Europe, including through:
 - - *Completion of the Banking Union with the development of EDIS.*
 - - *An enhanced level playing field in the application of the public interest assessment and resolution toolkit.*
 - - *Greater harmonisation across national insolvency regimes, including creditor hierarchies and insolvency triggers.*



**THANK
YOU!**

Annex: SRB priorities 2022

ACHIEVING RESOLVABILITY OF SRB BANKS AND LSI

- Expectations for Banks
- Operationalising resolution plans
- Resolvability assessments and removal of impediments
- Enhancing the internal framework on deep-dives and on-site inspections
- Enhancing the SRB's oversight function of LSI

FOSTERING A ROBUST RESOLUTION FRAMEWORK

- Further developing SRB policies (on MREL, SPE, EfB, PIA)
- Quality assurance of resolution plans and benchmarking
- Monitoring and contributing to external policy and regulatory activity
- Cooperation with relevant stakeholders and International cooperation

PREPARING AND CARRYING OUT EFFECTIVE CRISIS MANAGEMENT

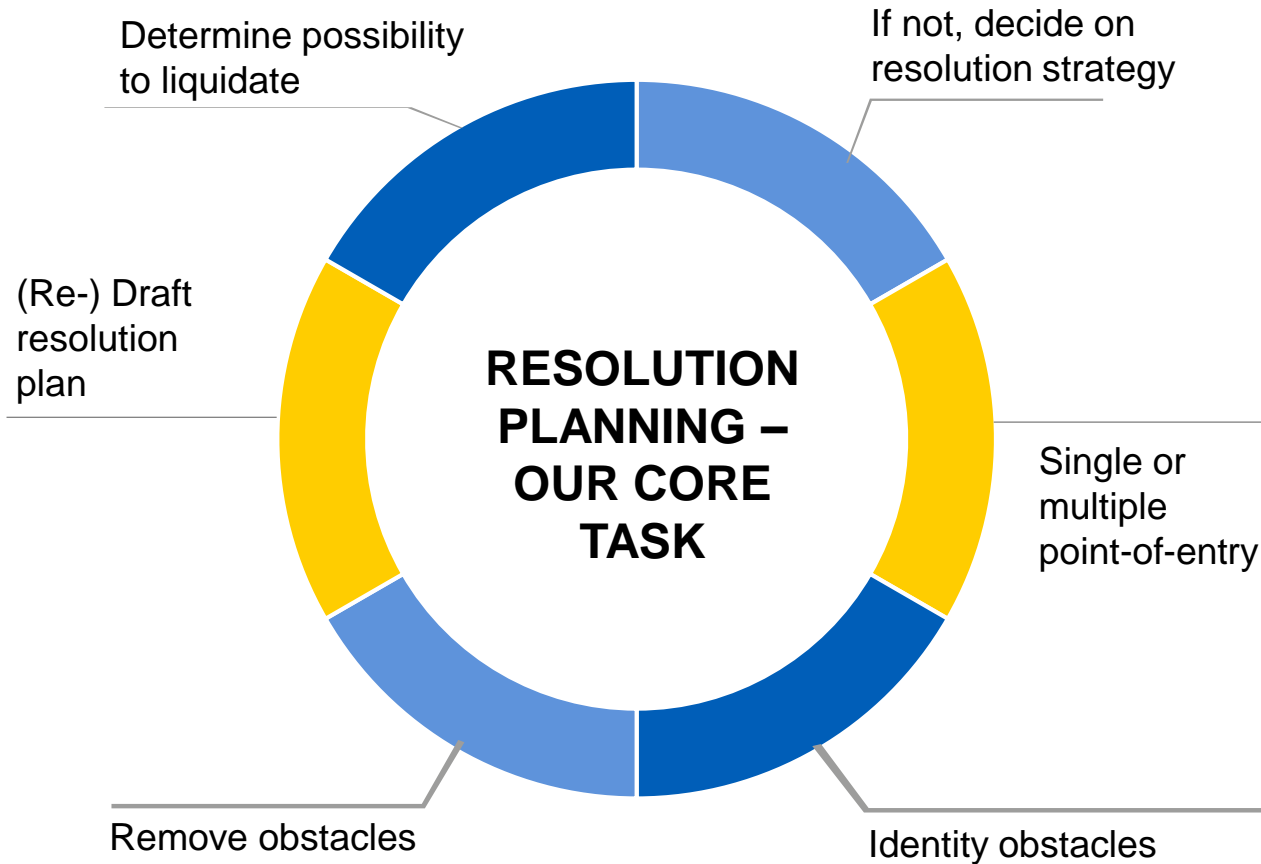
- Crisis preparedness
- Resolution action

OPERATIONALISING THE SRF

- Contributions
- Investments
- Funding



Annex: resolution Planning



PURPOSE

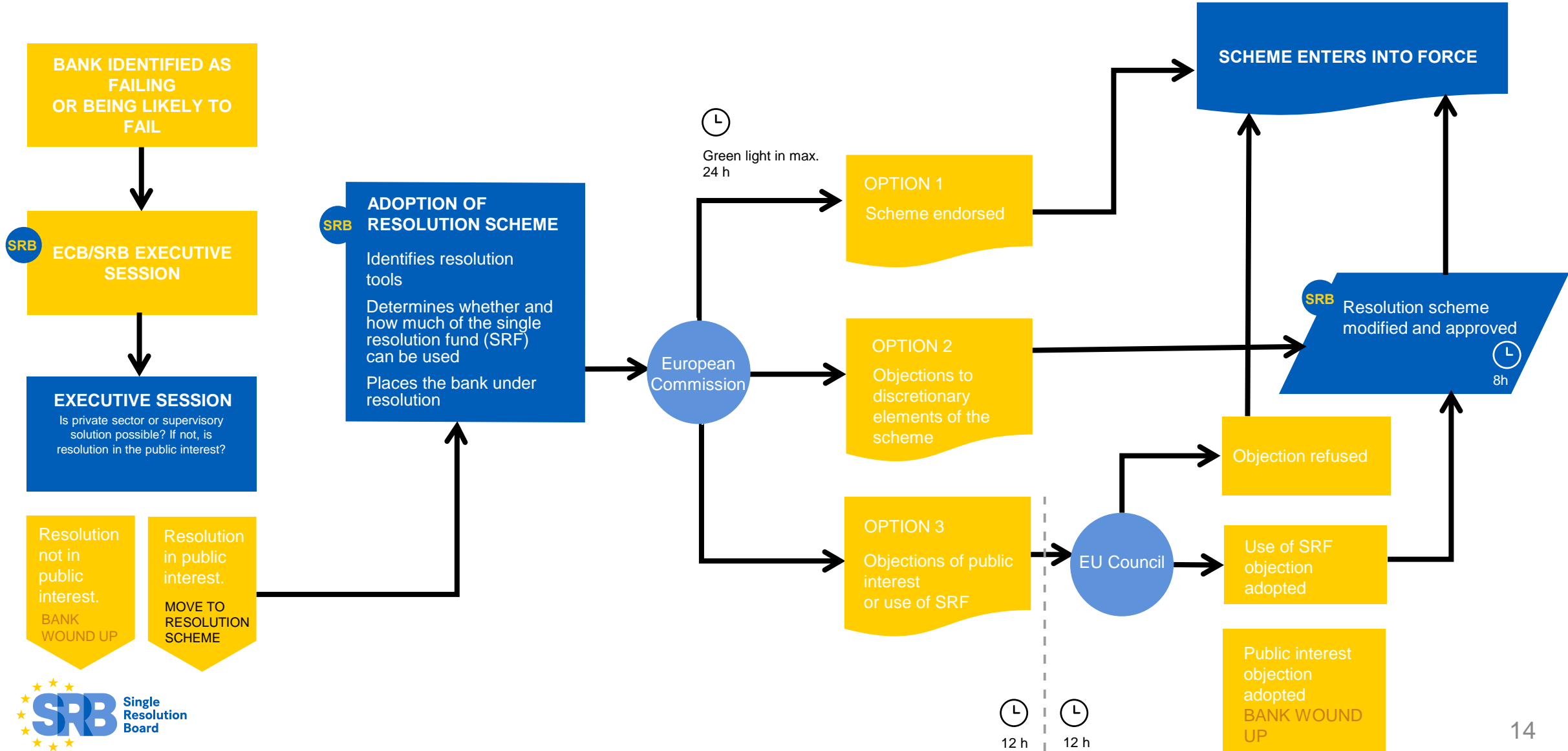
to obtain a comprehensive understanding of a bank and its critical functions;

to identify and address any impediments to its resolvability;

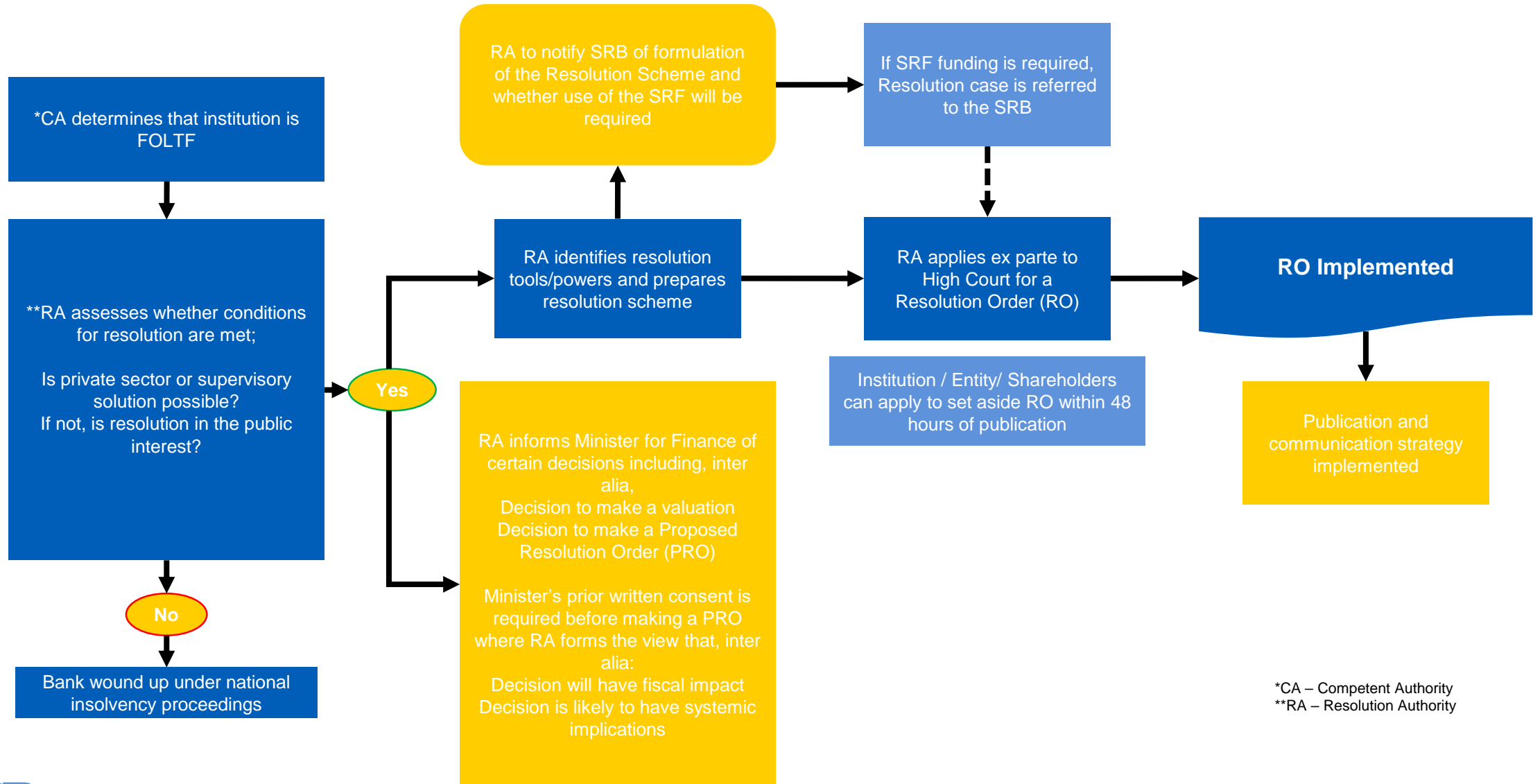
to be prepared for its resolution if needed.

ⓘ Resolution plans are to be drafted and updated at least annually

Annex: Resolving banks



Annex: Resolving an LSI



*CA – Competent Authority
 **RA – Resolution Authority

Annex: Resolution tools

HELP TO PROTECT MARKETS AND CITIZENS FROM FUTURE CRISES

Different tools can be used to safeguard public interests, including the continuity of the bank's critical functions and financial stability, at minimal costs to taxpayers.

Sale of Business

- Part or all of the shares or other instruments of ownership or assets, right and liabilities can be sold to a private purchaser.

Bridge Bank Tool

- Part or all of the shares or other instruments of ownership or assets, right and liabilities can be transferred to a temporary entity.

Asset Separation Tool

- Assets, rights and liabilities can be transferred to an asset management vehicle, totally or partially publicly owned, if liquidation of the assets could cause market disruption

Bail-in

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