

## Becoming resolvable is high on the list of the largest post-financial crisis regulatory challenges for banks

### Financial Stability Board's Key Attribute of Effective Resolution Regimes:

- To improve a firm's resolvability, supervisory authorities or resolution authorities should have powers to require ...
- the adoption of appropriate measures, such as changes to a firm's business practices, structure or organisation, to reduce the complexity and costliness of resolution...
- To enable the continued operations of systemically important functions, authorities should evaluate whether to require that these functions be segregated in legally and operationally independent entities that are shielded from group problems.

"For five firms (...) the agencies have jointly determined that the plans are not credible or would not facilitate an orderly resolution under bankruptcy. The agencies have jointly identified a number of deficiencies in those plans (...). Those five firms are required to remedy those deficiencies by October 1st of this year (...)."

Martin J. Gruenberg, FDIC chairman



"For effective resolution to be feasible (i.e. technically practicable) and credible (i.e. widely understood and believable), firms need to be resolvable."

Andrew Gracie, Executive Director Resolution, BoE



"We are not sitting here for customers and then orchestrating nice funerals (...) We are sitting here to make sure we have adequate planning and can protect the taxpayer."

Elke Koenig, SRB chair



Tackling too-big-to-fail looks at the resolvability challenge faced by banks around the world. It sets out six "resolvability drivers" that banks should start to tackle now to meet this challenge.

## The Resolvability Drivers



Even though becoming resolvable will be unavoidably costly, we see a strong business case for investing early in this

### Taking action early

- Identify gaps and focus efforts through self-assessments and war gaming
- Benefits: tests and exercises can be used to anticipate and pre-empt supervisory review and prove that efforts have been comprehensive and well-integrated into the organisation



### Increasing efficiency & competitiveness

- Exploit synergies between changes required to become resolvable and those aimed at enhancing the business-as-usual and client-facing capabilities of the bank
- Benefits: streamlined legal entity structures; improved data quality and reporting systems; improved information, operations and cost management; clearer organisational structure; improved operational resilience



### Reducing supervisory pressure

- Policy makers have signalled appetite for trade-offs between resolvability and increased supervisory scrutiny
- Resolution authorities have discretion to raise loss-absorbency requirements if a bank is deemed not resolvable
- Benefits: a resolvable bank may be eligible for lower gone-concern capital requirements (as in Switzerland) and be less likely to merit further regulatory intervention such as the ring-fencing of certain activities

