The European Banking Authority (EBA) published its final resolvability testing Guidelines

Resolution authorities and banks are now moving to resolvability testing following several years of policy development by authorities and policy implementation by institutions. On the 13th of June, EBA published its Guidelines addressed to institutions and resolution authorities on resolvability testing.

Key aspects of the guidelines are to introduce:

(i) a self-assessment report against the EBA Resolvability Guidelines or any applicable rule;
(ii) the development of a multi-annual testing programme for resolvability; and
(iii) a master playbook for the more complex resolution groups, in particular G-SIIs, Top Tier institutions and institutions identified by the relevant resolution authority as reasonably likely to pose a systemic risk in case of failure.

What are resolution authorities expected to assess?

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.

According to the relevant regulation, resolution authorities are expected to assess an institution’s 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; and
(iii) the assessment of the feasibility and credibility of the chosen resolution strategy.
It is critical that institutions and authorities gain assurance of the continued capacity to support the execution of the resolution strategy.

What is the aim of the Guidelines?

The aim of the Guidelines is to set-out a framework to ensure that resolvability capabilities developed to comply with the resolvability and transferability Guidelines are fit for purpose and effectively maintained. Moreover, the Guidelines are meant to promote the involvement of firms into the resolvability assessment process and increase their ownership of resolvability.

As such, as a starting point, the Guidelines require institutions to submit a resolvability self-assessment at least every two years, to set out how they meet the resolvability and transferability capabilities and how they have gained assurance of their adequacy.

- The first self-assessment is expected by year-end 2024. On the basis of this self-assessment, the Guidelines require authorities to develop testing programmes to gain assurance of firms’ resolvability, covering three years, so as to provide banks with sufficient visibility.
- The first multi-annual testing programme is expected by year-end 2025.
- The first master playbook should be submitted by year-end 2025. The Guidelines require the most complex banks to develop a master playbook to ensure a holistic approach to resolution planning.

Conclusions

Institutions play a key role in the execution of the resolution strategy, therefore the EBA Guidelines for institutions and resolution authorities on improving institution’s resolvability (‘EBA Resolvability Guidelines’) and the EBA Transferability Guidelines set out a number of capabilities that EU institutions should meet at all times. These capabilities are mandatory to support the execution of the resolution strategy and to increase the overall ownership of the process.

How can Deloitte help?

Deloitte has the knowledge and expertise to:

- Design and assess the effectiveness of the self-assessment performed by the banks that shall be submitted to the competent authorities by year-end 2024;
- Design/review Bail-in Playbooks/ Transfer Playbooks;
- Assess the overall banks’ resolution framework as per regulatory requirements;
• Support in review/enhancement of valuation MIS capabilities;
• Support in design the OCIR handbook;
• Support in review/enhancement of the Business Reorganisation Plan;
• Support in addressing resolvability requirements.

For further questions regarding the aspects mentioned in this alert, please don’t hesitate to contact us:

Dimitrios Goranitis  
Deloitte Global leader FSI Risk and Regulatory  
Central Europe FSI leader  
Tel: +40 751 250 884  
Email: digoranitis@deloittece.com

Andrada Tanase  
FSI Risk & Regulatory Advisory  
Director, Deloitte Central Europe  
Tel: +40 751 096 946  
Email: atanase@deloittece.com

Andrei Jalba  
Manager  
FSI Risk & Regulatory Advisory  
Tel: +40 727 353 813  
Email: ajalba@deloittece.com

Cristina Tache  
FSI Risk & Regulatory Advisory  
Manager, Deloitte Central Europe  
Tel: +40 73 377 11 04  
Email: ctache@deloittece.com

Sources:
Guidelines amending Guidelines on improving resolvability for institutions and resolution authorities (europa.eu)