SRB-RED

Brussels, 28 November 2017

ANNEX FOR EUROPEAN COMMISSION NOTE TO EUROGROUP

Subject: Annex III on the Single Resolution Board's achievements.

This Annex briefly outlines the SRB's views, in particular on resolution-related matters, on the progress made so far in completing the Banking Union with reference to the June 2016 roadmap drawn up under the Dutch Presidency.

The SRB's work on resolution planning is helping to reduce risks in the Banking Union. In terms of banks' resolvability, the SRB:

i. prioritised banks under is remit according to size, complexity and risk;
ii. has assessed banks more thoroughly year by year;
iii. in 2017 is continuing this process and is assessing banks in greater depth; and
iv. by the end of this year, will set binding minimum requirement for own funds and eligible liabilities (MREL) targets at consolidated level for the major banking groups. The rest of the SRB's banks will also have their plans continuously improved, including further development on specific issues (e.g. critical functions, funding in resolution and operational continuity).

Looking at 2018 and beyond, this work on resolution planning will continue and deepen. The SRB is focusing on the operationalization of resolution plans to make banks truly resolvable. This includes more analytical work on the preferred resolution strategy and tools, on critical functions and identifying material impediments to resolvability. It also includes operationalising bail-in or write-down, including playbooks and national handbooks to be prepared by National Resolution Authorities. Much work remains to be done and when the Banking Package is adopted the SRB will need to adapt its policies to the revised legislative framework.

On a positive note, during the upcoming weeks there will be the first set of SRB decisions on MREL on consolidated basis, as well as preliminary analysis at solo level. In addition, around half of the banks subject to binding MREL target already meet their respective targets for this year. For the other banks with binding MREL targets, the SRB will set transition periods of maximum four years, which will allow enough time for most of these banks to meet their targets at the end of the period. Moreover, the SRB is giving due consideration to specific bank cases for which no binding targets would be set on idiosyncratic or systemic grounds in 2017.

Following a preliminary point in time assessment of a sample of banks representing approximatively 80% of the total assets of banks within the SRB's direct remit (a sample wider – 76 banks - than the one subject to binding MREL targets this year), the estimated MREL shortfall would be EUR 117 billion.

The roadmap also underlined the need to have the Common Backstop for the Single Resolution Fund (SRF) operational at the latest by the end of the transition period. Technical work has started on its design in the context of the Task Force on Coordinated Action (TFCA). While other options have also been considered, more detailed analysis has been undertaken on ESM credit lines as Backstop provider. Based on those discussions, access to the Backstop should be aligned with the rules for the use of the SRF and it should take full advantage of synergies with the existing framework. It will be critical that the provider of the Backstop is able to make loans within a short timeframe and that the conditions around access are clear and simple. A duplication of tasks between the SRB and the Backstop provider should be avoided. As indicated in the roadmap bridge financing arrangements had to be established for the transition period. To this end, all participating Member States signed the Loan Facility Agreement by February 2017. In addition, all banks of participating Member States are funding the SRF through ex-ante contributions.

The SRB has also contributed actively to discussions at the Ad Hoc Working Party on Strengthening the Banking Union, and has provided technical support on aspects of the European Deposit Insurance Scheme (EDIS) proposal of the European Commission.

With regards to the Banking Package, the SRB welcomes the proposal to provide resolution authorities with the power to impose a moratorium. To be effective, it needs to have the broadest possible scope. The SRB also supports the Commission's Intermediate Parent Undertaking proposal, which would improve coordination across institutions in the EU.