

The SSM and SRM: 4 years after



Banking Supervision Committee

The SSM and SRM: 4 years after (1/5)

The SSM: good achievements based on already existing practices (1/2)

1. Restoring confidence in the banking sector
 - bank capital was raised
 - credit risks are tackled, in particular the large volume of legacy non-performing loans
 - inconsistency and high variability in the capital requirements are addressed
2. Breaking the adverse link between banks and sovereigns
 - risk reduction has been achieved to a large extent
 - **however building of an effective area-wide safety framework, including common resolution and deposit insurance frameworks, is lagging behind**
3. Fostering a level playing field and banking integration
 - European norms directly applicable to banks (such as the Capital Requirements Regulation, or CRR)
 - however, **still provisions established by European directives** (such as the Capital Requirements Directive) that are not directly applicable but are transposed into national law and provisions that are purely national
 - **however, still ring fencing requirement by host countries (Pillar 2).**

The SSM and SRM: 4 years after (2/5)

The SSM: good achievements based on already existing practices (2/2)

4. Exploiting the synergies between the ECB and the national supervisors
 - the Joint Supervisory Teams (JSTs), which form the operational core of the system in charge of day-to-day supervision, include ECB and national staff
 - a common supervisory culture among staff of different institutions is fostered
 - convergence to higher supervisory quality and global standards with a risk assessment methodology established to determine banks' capital requirements (the Supervisory Review and Evaluation Process)
5. Bringing independence, transparency and accountability up to the best global standards
 - board's members are independent in the exercise of their functions and are supposed to serve in the European interest
 - conduct of public consultations for all new regulations and a right to be heard for banks affected by any decision

The SSM and SRM: 4 years after (3/5)

The SRM: still work in progress based on no existing practices (1/2)

- | | |
|-----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Strengthening resolvability of banks | <ul style="list-style-type: none">▪ drafting resolution plans▪ identifying impediments to resolvability and making banks address them▪ binding targets for MREL at consolidated level (2019) and solo level (2020)▪ however need to be more bank specific |
| 2. Fostering a robust resolution framework | <ul style="list-style-type: none">▪ development of SRB policies▪ the Internal Resolution Teams (IRTs), which form the operational core of the system, include SRB staff and national resolution authorities |
| 3. Preparing and carrying out effective crisis management | <ul style="list-style-type: none">▪ simplifications of processes to increase their efficiency,▪ improving and developing ICT solutions for crisis management, optimizing standardization of data request for valuation purposes▪ drawing lessons learnt from crisis cases and training SRB staff |
| 4. Operationalising fully the SRF | <ul style="list-style-type: none">▪ Progressive built-up of the fund |

The SSM and SRM: 4 years after (4/5)

The SRB: still work in progress based on no existing practices (2/2)

Lot of questions to be answered

2	Resolution strat. & separability	Institution's legal entity structure and intra-group interconnectedness do not present an obstacle to the realisation of the resolution strategy
3	MREL	Institution is compliant with external and internal MREL requirements set for the group and key subsidiaries, respectively
4	Operational Continuity	Institution has identified and mitigated all material risks to operational continuity in resolution, including access to key FMIs
5	Financial Continuity	Institution has the capabilities to monitor and forecast financial needs in resolution, and identify, mobilise and monitor the available resources to meet these needs
5	Governance & Communications	Institution has clearly defined governance procedures to support timely decision making in resolution, and a clear plan to engage internal and external stakeholders
6	Information	Institution has the systems and infrastructure to produce the information required to implement the resolution strategy

The SSM and SRM: 4 years after (5/5)

Need to complete the framework

Completing the Single Resolution Mechanism:

- The establishment of a backstop to the Single Resolution Fund is the key and the agreement of 29 June 2018 is a crucial first step, but three key issues remain:
 - ✓ how to finance the safety net at a sufficiently high level to be credible;
 - ✓ how to avoid placing too much risk on sound banks;
 - ✓ how to create a rapid decision-making process to deal with emergencies
- The euro area also needs a liquidity - providing system to financially sound banks after resolution

It is necessary to have a consistent framework of the plans in the event of liquidation

Thank you for your attention

and find ACPR's analyses on our website: www.acpr.banque-france.fr