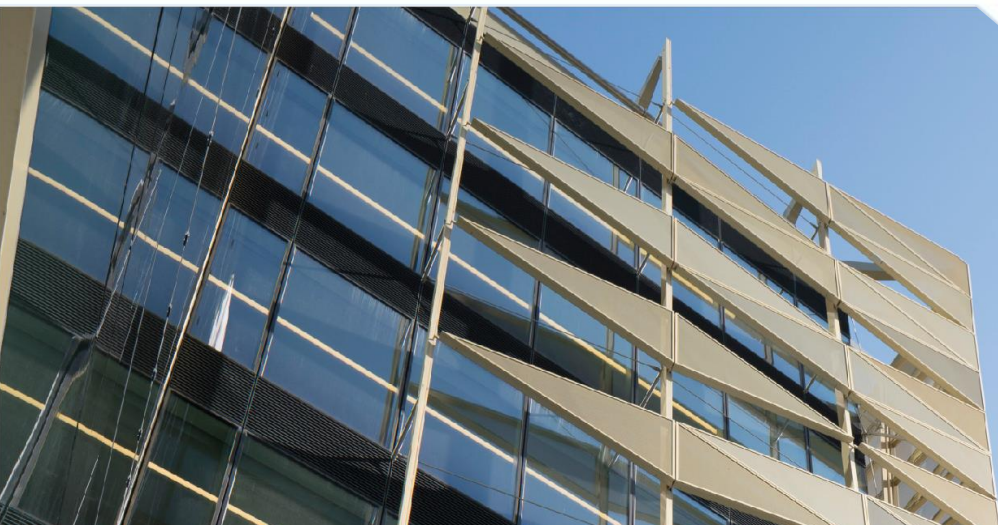




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Resolution: Focussing Forward

Industry Event, 12 March 2024

Agenda

10.00 am Welcoming Remarks

Mark Cassidy, Director of Financial Stability & Claire McGrade, Head of Resolution and Crisis Management Division

10.15 am Topic 1: Legislative Developments for the Resolution Framework

Deirdre Nic Ginneá, Senior Manager, Resolution Policy

10.25am Topic 2: Future Focus for Resolution – Operationalisation and Testing

Malcolm Rule, Head of Function, Resolution Planning & Hugo Slevin, Head of Function, Resolution Policy & Implementation

10.50 am Topic 3: Reporting Requirements for Industry

Eoghan Kelly, Resolution Analyst

11.00 am Q&A Panel Discussion (20 mins)

(All)



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Topic 1 : Legislative Developments for the Resolution Framework

Agenda

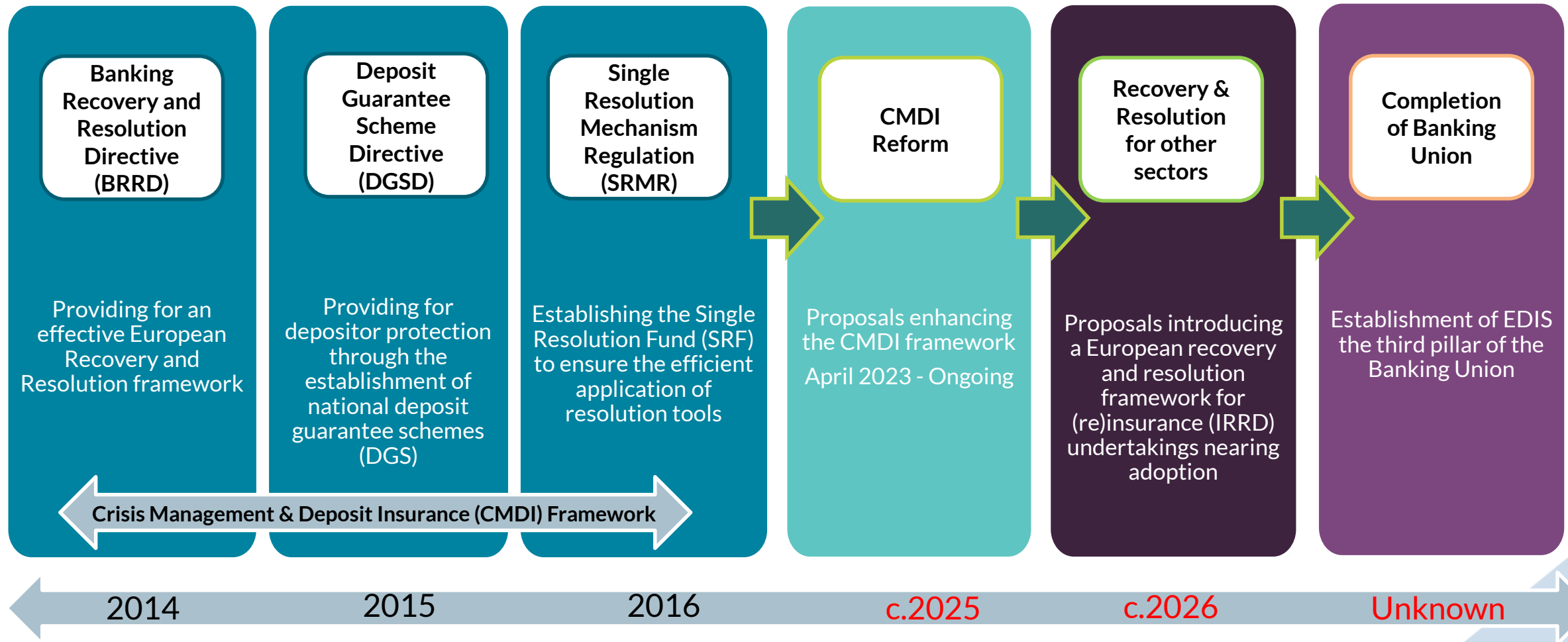
1. Development of Legislative Framework on Recovery and Resolution & Future Changes to Legislative Landscape
2. Proposed Enhancements Planned or in Place – Crisis Management and Deposit Insurance (CMDI)



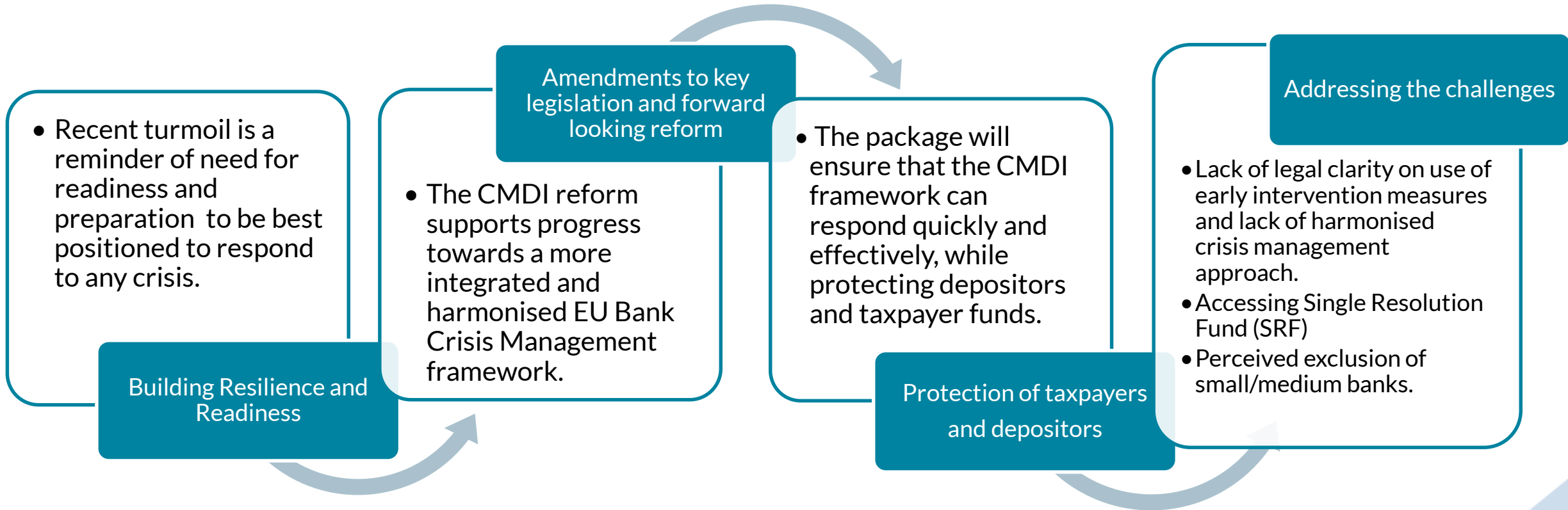
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1. Journey Towards Banking Union & Beyond



1. Reform of the CMDI Framework- Pathway to a More Robust and Agile Framework



The Central Bank supports the CMDI proposal as it aims to further develop the European resolution framework



2. Key Elements of the CMDI Reform Package

Scope expanded to allow for resolution of mid-sized banks

- Broadening the scope of resolution to potentially include any financial institution, irrespective of its size and business model, with the clarification that regional functions can be considered critical.
- ***Small-mid sized banks now have resolution option. May mitigate against contagion effects that could arise in a liquidation scenario.***

Early intervention Measures

- Provides more legal clarity by removing the overlap between early intervention measures and other supervisory measures and generally aligns the conditions for applying them.
- ***The proposal will provide more clarity to institutions on authorities' powers to intervene in support of firms that might be in distress.***

Use of the DGS enhanced and clarified

- Proposal harmonises the preventative and alternative uses of DGS in all Member States, including the use of DGS funds as a bridge to access the SRF and to address the funding gap in resolution (in case of transfer strategies – but with safeguards).
- ***This will provide more funding optionality/flexibility in support of resolution actions.***



2. Daisy Chain Amendment - Change in Treatment of Liquidation Entities and Sub-consolidation

The Central Bank generally supports the changes, and notes that there may be changes to MREL requirements arising from this.

Changes relevant to liquidation entities:

Proposal

- *Removes obligation to adopt an MREL decision for liquidation entities*

Sub-consolidation:

Proposal

- *Give resolution authorities the power of setting internal MREL on a consolidated basis subject to certain conditions*



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Topic 2: Future focus for Resolution - Operationalisation and Testing

Agenda

1. Progress Made on Resolution and Resolvability to Date
2. What's Next for Banks?
3. Central Bank Guidance in Respect of Next Steps - Bail-in Operationalisation



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1. The Journey towards Achieving Resolvability

2015

- European resolution framework established
- Central Bank designated National Resolution Authority
- Single Resolution Board (SRB) established



2019

- SRB publishes Expectations for Banks (EfB) on resolvability
- Central Bank publishes Approach to Resolution



2018

- MREL requirements set for banks



2024

- Binding MREL requirements and resolvability expectations



1. Progress on Resolvability

Governance

Loss Absorption
Capacity

Operational
Continuity in
Resolution
(OCIR)/Access to
FMIs

Liquidity & funding in
resolution

Management
Information Systems
(MIS)

Separability &
Restructuring

Communication



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1. Key Resolution Milestones

Positive progress at the end of 2023, as several transition periods end

Expectations for Banks –
Banks have substantially
met expectations for
resolvability

MREL targets – Binding
targets achieved

Resolvability Assessments –
All EfB dimensions now fully
phased in and form part of
complete resolvability
assessments

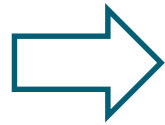
Single Resolution Fund - Target
of 1% of covered deposits has
been achieved. This provides key
funding support for resolution
actions



2. The Next Phase for Resolution

The Central Bank's focus in 2024 and beyond, will be on further operationalisation of the resolution tools and developing our crisis readiness approach via testing

Operationalisation



Crisis readiness via testing

- SRB and the Central Bank performing internal stocktake of all horizontal guidance material, including national handbooks, to ensure resolution strategies can be operationalised
- Crisis monitoring and management, including lessons learned from recent crises
- Working with banks to review their bail-in playbooks, valuation data capabilities and to develop approach on variant strategies

- Performance of further dry-runs and testing, particularly of transfer strategies
- Implementation of EBA Guidelines on Resolvability Testing
- Deep-dives
- Onsite inspections



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2. EBA Guidelines and Single Resolution Mechanism (SRM) Testing Approach

■ In determining a resolvability testing approach, the Central Bank is guided by the EBA's Guidelines

■ The Central Bank and SRB will organise comprehensive testing of banks' resolvability capabilities in accordance with a multi-annual testing programme. This approach is in line with the EBA requirements for banks to demonstrate compliance with the EBA guidelines on resolvability testing.

YE 2024

Resolvability self-assessment against EBA minimum standards to be submitted by firms every two years

YE 2025

For the most complex banks, a requirement to develop a master playbook, essentially a guide for senior management and the board in resolution

YE 2025

Requirement for resolution authorities to develop a multi-annual testing programme, taking account of firms' plans



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2. What Banks can Expect from the Central Bank

The Central Bank will engage with banks in respect of the following requirements:

- **Horizontal test programme** – Central Bank and SRB led three year programme to examine resolvability dimensions on a thematic basis.
- **Bank specific testing** - To ensure operational readiness and to address concerns arising from banks' own resolvability assessments and/or through any business disruption events.
- **Deep dives** - To examine a specific aspect of resolvability, can be on or off-site with an objective to enhance resolvability e.g. desktop and walkthrough exercises.
- **Dry run simulation exercises** -Exercises where banks, authorities, or both, test resolvability capabilities based on a hypothetical crisis scenario.
- **Onsite Inspections** - Investigations and testing performed by authorities with a pre-defined scope and timeframe and take place on the premises of the institutions



2. What Banks Can Expect from the Central Bank

The Central Bank will continue to:

- Provide communication from the Central Bank and the SRB on working priorities, resolution reporting and MREL requirements.
- Collect resolution reports – Annual and Quarterly as per update included here today.
- Liaise with supervisory and third country resolution authorities to coordinate activities and leverage off one another as far as possible to prevent duplication of effort for all involved.

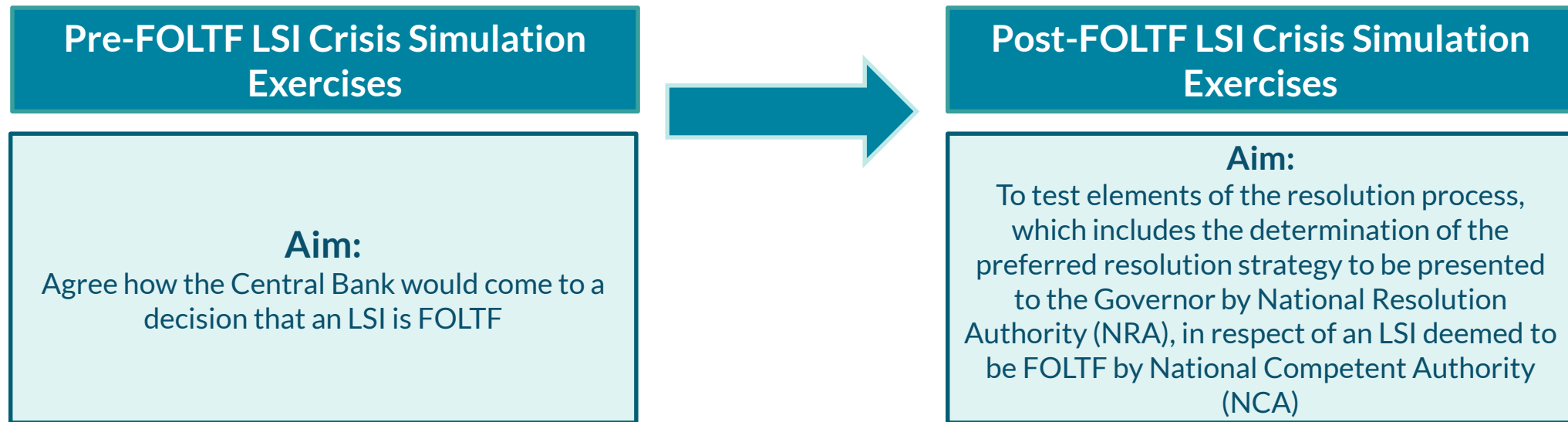


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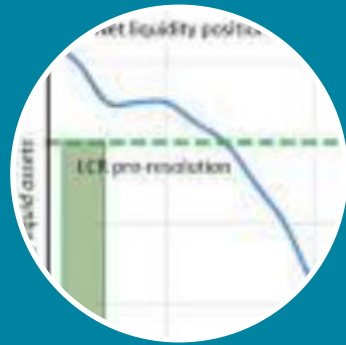
3. Work Conducted by the Central Bank on Operationalisation

- In 2022 and 2023, the Central Bank conducted a series of crisis simulation exercises related to managing a failing bank.
- The exercises examined the journey of a failing fictional bank, a Less Significant Institution (LSI), from the emergence of supervisory concerns, the making of the failing or likely to fail (FOLTF) decision, and the approach to resolving the LSI thereafter. The failure was ultimately due to a capital depletion.



3. Work Conducted by the Central Bank on Operationalisation

■ As part of these crisis simulation exercises the following were the key areas of focus:



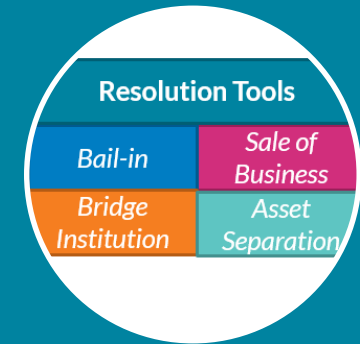
FOLTF Decision

Agree the key criteria, process and information that inform and guide how a FOLTF decision is made



Valuations

Agree the Central Bank's approach to the supervisory and resolution valuations, and consider the actions required to minimise potential delays in resolution arising from the various valuation assessments



Resolution Strategy

Examine the minimum criteria (i.e. recapitalisation, reorganisation, viability etc.) required to successfully execute an open bank bail-in resolution action and for the LSI to transition back to normal supervision activities



3. Work Conducted by the Central Bank on Operationalisation

- Following consideration of the crisis simulation exercises, the Central Bank views the following as being important to note for credit institutions in the context of resolution:

1. Need for timely Data

Timely and accurate data is essential for both the NCA& NRA to engage with a distressed firm and make critical decisions (e.g. on valuations)

2. Disclosures

Awareness of Markets Abuse Regulations and applications for delayed disclosures should be considered by credit institutions in playbooks

3. Regulatory Engagement and Communications

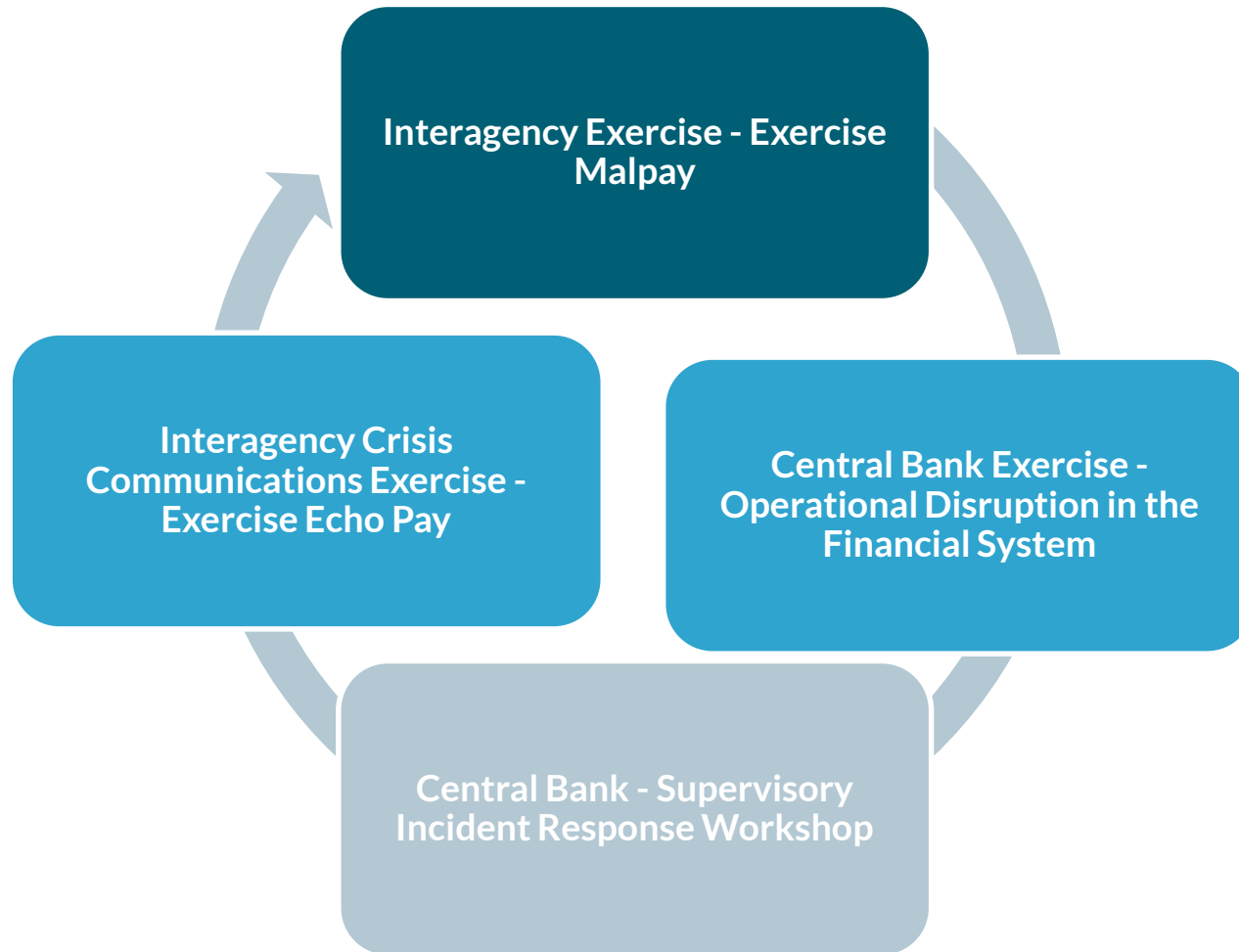
Extensive regulatory engagement expected during time of stress. Financial Institutions should ensure sufficient resourcing is available to manage this engagement and that there are clear and comprehensive communications plans in place

4. Awareness of alternative strategies

Depending on the nature of the crisis, a number of resolution tools may be required to resolve an institution. Financial institutions should be aware of these tools and consider what steps are needed if alternative tools are deployed



3. Work conducted by the Central Bank on Operationalisation



- A series of additional operational disruption exercises were also carried out between 2022 and Q1 2024 as part of the Central Bank's crisis preparedness work.
- These exercises were carried out both internally and with other authorities and agencies.
- The key aims of these exercises were to examine and refresh how relevant internal and external stakeholders, would co-ordinate to ensure an effective response to operational disruptions in the Irish financial system.
- Key learnings included the benefit of enhancing internal and external coordination across key stakeholders and increasing awareness around the interconnectedness of the system and the related nature of systemic risks.



3. Operationalisation – What's Next?

Multi-year focus on operationalisation

- Operationalisation of seven resolvability dimensions to be achieved by all banks over a three year period
- Further in-depth testing and onsite inspections to be completed to ensure banks can successfully complete a resolution action

Guidance / Support from the Central Bank / SRB

- Central Bank has recently published an approach regarding the operational steps necessary to implement the Write Down and Conversion power and bail-in tool
 - SRB issuing seven consultations in 2024 for industry input, three are on the topic of Expectations for Banks

Central Bank Operationalisation

- Further exercises will be completed in 2024/2025 – with a particular emphasis on valuations & data
- Bank engagement may be required for future dry run exercises – to test overall preparedness
- Relevant findings will be shared with industry

Operationalisation is a principal focus area for Central Bank over the next three years. The Central Bank is committed to working with banks in this period in order to ensure dimensions are met and end-to-end crisis preparedness has been planned and tested



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Topic 3: Reporting Requirements for Industry

1. Overview of the existing base resolution planning reporting requirements for:
 - Institutions with a non-liquidation resolution strategy
 - Less significant institutions (LSIs) and Class one investment firms with a liquidation strategy
 - Class two investment firms with a liquidation strategy
2. An update on the mandatory tables that must be completed with or without data in 2024



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1. Reporting Requirements – Existing Requirement Overview

	Institutions with a non-liquidation resolution strategy
	Less significant institutions and Class one investment firms with a liquidation strategy
	Class two investment firms with a liquidation strategy

Annual reporting	Annual reporting	Annual reporting
- Single Resolution Board (SRB) Liability Data Return (LDR) – 19th March - Single Resolution Board (SRB) Critical Functions Return (CFR) – 16th April - Single Resolution Board (SRB) Critical Information Return (CIR) – 16th April - Single Resolution Board (SRB) Financial Markets Infrastructure (FMI) – 16th April	European Banking Authority (EBA) resolution return – 2 nd April	European Banking Authority (EBA) resolution return – 2 nd April See class two investment firm guidance for support
Quarterly reporting	Quarterly reporting	Quarterly reporting
European Banking Authority (EBA) MREL/TLAC return 19th February 20th May 19th August 18th November	N/A	N/A



2. Reporting Requirements – Update to Mandatory Fields

Annual reporting

FilingType	Level of consolidation	Expected tables
LDR	CON	T99.00, T01.00, T02.00, T03.01, T03.02, T03.03, T12.00
	RES	T99.00, T01.00, T02.00, T03.01, T03.02, T03.03, T12.00
	INDPOE	T99.00, T01.00, T02.00, T03.01, T03.02, T03.03, T04.00, T05.01, T06.01, T07.00, T08.00, T09.00, T12.00
	INDOTH	T99.00, T01.00, T02.00, T03.01, T03.02, T03.03, T12.00
	CONPOE	T99.00, T01.00, T02.00, T03.01, T03.02, T03.03, T04.00, T05.01, T06.01, T07.00, T08.00, T09.00, T12.00
CFR	CON	T98.00, T20.01, T20.02, T20.03, T20.04, T20.05
	RES	T98.00, T20.01, T20.02, T20.03, T20.04, T20.05
	IND	T98.00, T20.01, T20.02, T20.03, T20.04, T20.05
	CONPOE	T98.00, T20.01, T20.02, T20.03, T20.04, T20.05
CIR	CON	Z01.00, Z05.01, Z06.00, Z07.02, Z07.03, Z07.04, Z08.00, Z10.01, Z10.02
	IND	Z01.00, Z05.01, Z06.00, Z07.02, Z07.03, Z07.04, Z08.00, Z10.01, Z10.02
FMIR	CON	T30.00, T31.00, T32.00, T33.00

An XBRL report MUST provide a filing indicator (either positive or negative) for each reporting unit ("tab") defined in the reporting module to which the XBRL reports refers.

Institutions with a non-liquidation resolution strategy

- SRB has mandated certain tables that must be submitted with or without data in 2024
- The image on the left is an overview of those tables for each return type expected from institutions with a non-liquidation resolution strategy
- Institutions submitting these returns are expected to add a **positive** XBRL filing indicator for each of these tables regardless of whether they have data to report in them or not
- The SRB's guidance covering this requirement can be found here: https://www.srb.europa.eu/system/files/media/document/2022-09-26_SRB-RES-Filing-Rules_v6.1.pdf



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2. Reporting Requirements – Update to Mandatory Fields

Annual reporting			Annual reporting	
Template code	Template name	Reporting Frequency	Scope	Template category
Z 01.00	Organisational structure (ORG)	Annual	INDIVIDUAL	Always expected
			CONSOLIDATED	
Z 02.00	Liability Structure (LIAB)	Annual	INDIVIDUAL	Always expected
			CONSOLIDATED	
Z 03.00	Own funds requirements (OWN)	Annual	INDIVIDUAL	Always expected
			CONSOLIDATED	
Z 04.00	Intragroup financial interconnections (IFC)	Annual	INDIVIDUAL	Always not expected
			CONSOLIDATED	Always expected
Z 05.01	Major Liability Counterparties (MCP 1)	Annual	INDIVIDUAL	Always expected
			CONSOLIDATED	
Z 05.02	Major off-balance sheet counterparties (MCP 2)	Annual	INDIVIDUAL	Always expected
			CONSOLIDATED	
Z 06.00	Deposit insurance (DIS)	Annual	INDIVIDUAL	Always expected
			CONSOLIDATED	
Z 07.01	Criticality assessment of economic functions (FUNC 1)	Annual	INDIVIDUAL	Always expected
			CONSOLIDATED	
Z 07.03	Mapping of Core Business Lines to legal entities (FUNC 3)	Annual	INDIVIDUAL	Always expected
			CONSOLIDATED	

Less significant institutions and Class one investment firms with a liquidation strategy

Class two investment firms with a liquidation strategy

- EBA has mandated certain tables that must be submitted with or without data in 2024
- The image on the left is an overview of those tables for each return type expected from the relevant institutions
- Institutions submitting these returns are expected to add a **positive** XBRL filing indicator for each table shown as “Always expected” regardless of whether they have data to report in them or not
- Similarly institution submitting these returns are expected to add a negative XBRL filing indicator for each shown as “Always not expected”.
- Full details on this guidance can be found here: https://www.eba.europa.eu/sites/default/files/document_library/Risk%20Analysis%20and%20Data/Reporting%20by%20Authorities/1063198/Templates%20categorisation%20for%203.3%20DPM.xlsx



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3. Resolution Funds Reporting

- The standard of information received in the Single Resolution Fund (SRF) and Bank and Investment Firm Resolution Fund (BIFR) data reporting forms (DRF) was very good
- No contributions will be collected for either the SRF or the BIFR in 2024
- An assessment will be made in Q1 of each future contribution period to decide if contributions are required to be collected
- Institutions will be requested to complete a DRF for each future contribution period regardless of the contribution collection decision
- In regards to the SRF, the financial impact of prior contribution period data restatements (2016 to 2023) will be dealt with in 2024 – institutions, who restated, will receive a contribution notice (a refund or extra contribution) by 1 May 2024
- If you have any queries you can reach out at: RESfunds@centralbank.ie



Q & A Session

PANEL

Topic 1: Legislative Developments for the Resolution Framework

Deirdre Nic Ginneá, Senior Manager, Resolution Policy

Topic 2: Future Focus for Resolution – Operationalisation and Testing

Malcolm Rule, Head of Function, Resolution Planning

Hugo Slevin, Head of Function, Resolution Policy & Implementation

Together with:

Aoife Langford, Head of Function, Financial Crisis Preparedness & Management

Topic 3: Reporting Requirements for Industry

Eoghan Kelly, Resolution Analyst

Moderator: *Claire McGrade, Head of Resolution and Crisis Management Division*



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