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SRB Issues Guidance on Solvent Wind-Down and Work Priorities for 2022

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By Regulatory News

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The Single Resolution Board published guidance on solvent wind-down of derivatives and trading books in resolution, the annual work program for 2022, and the minimum requirement for own funds and eligible liabilities (MREL) dashboard for the second quarter of 2021. The dashboard shows that the average MREL shortfall including the combined buffer requirement (CBR) reached 0.56% of the total risk exposure amount (TREA) (or EUR 39.7 billion) for resolution entities, reducing from the value of 0.59% (or EUR 41.5 billion) TREA in the first quarter of 2021. Also, the average MREL final target including the CBR amounted to 23.59% TREA for non-resolution entities while the average MREL shortfall including the CBR stood at 2.16% TREA or EUR 42.8 billion.

The guidance on solvent wind-down of derivatives and trading books in resolution is in line with the Expectations for Banks document, which was published in April 2020. Solvent wind-down is an approach that can be used for exiting trading activities in an orderly manner and avoiding posing risks to financial stability. The lack of a credible solvent wind-down plan could jeopardize the credibility and feasibility of the resolution strategy of any bank with material trading books. The guidance was developed following work at Financial Stability Board level, surveys, a pilot exercise and consultation with global systemically important banks (G-SIBs). It applies to all banks with material trading books. The application of this guidance is specific to each bank and it may be adapted to individual situations in a proportionate manner. The guidance sets out the scope and minimum expectations for solvent wind-down planning and potential execution, with the main objectives to:

- adequately prepare, develop and maintain bank capabilities for the planning of a solvent wind-down in resolution

- to ensure execution capabilities of the solvent wind-down plan in a reasonable timeframe

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As part of the work program for 2022, SRB plans to work on enforcing and operationalizing the guiding principles laid down in the SRB Expectations for Banks and the MREL policy. SRB priorities lie in five strategic areas, in line with the 2021-2023 Multi-Annual Program. The focus for the year ahead will be on achieving resolvability of SRB entities and less significant institutions; fostering a robust resolution framework; carrying out effective crisis management, operationalizing the Single Resolution Fund, with the Common Backstop set to enter into force in early 2022; and establishing a lean and efficient organization. In terms of achieving resolvability, for 2022, the common priorities are liquidity and funding in resolution; separability and reorganization plans; and management information system (MIS) capabilities. In addition, SRB has addressed banks with bespoke priorities, to steer each bank's progress toward resolvability. SRB also plans to update and enhance the MREL policy by reviewing the no-creditor-worse-off (NCWO) approach; implementing upcoming European Banking Authority (EBA) regulatory technical standards timely into the SRB policy; and reviewing the MREL calibration for transfer strategies. SRB plans to expand the policy work on Financial Continuity by introducing the operational guidance for the assessment of the identification and mobilization of collateral for the resolution planning cycle of 2022.

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[Guidance on Solvent Wind-Down \(PDF\)](#)

[Press Release on Work Program](#)

[Work Program for 2022 \(PDF\)](#)

[Multi-Annual Work Program \(PDF\)](#)

[Press Release on MREL](#)

[MREL Dashboard \(PDF\)](#)

Keywords: Europe, EU, Banking, Resolution Planning, Banking Union, Resolution Framework, Solvent Wind Down, Guidance, EDIS, MREL, Regulatory Capital, Basel, Work Program, Common Backstop, SRB

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The European Commission (EC) recently issued an update informing that the European Council and the Parliament have endorsed the Banking Package implementing the final elements of Basel III standards

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Industry Agency Expects Considerable Uptake for Swiss Climate Scores

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BCBS Consults on Disclosure of Climate Risks, Issues Other Updates

The Basel Committee on Banking Supervision (BCBS) launched consultation on a Pillar 3 disclosure framework for climate-related financial risks, with the comment period ending on February 29, 2024.

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NGFS Publishes Phase IV Long-term Climate Scenarios for Banks

The Network for Greening the Financial System (NGFS) published its latest set of long-term climate macro-financial scenarios (Phase IV) for assessing forward-looking climate risks.

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EBA Finalizes Templates for One-Off Climate Risk Scenario Analysis

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EBA Mulls Inclusion of Environmental & Social Risks to Pillar 1 Rules

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BCBS Consults on Disclosure of Crypto-Asset Exposures of Banks

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BCBS and EBA Publish Results of Basel III Monitoring Exercise

The Basel Committee on Banking Supervision (BCBS) and the European Banking Authority (EBA) have published results of the Basel III monitoring exercise.

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