



Draft RTS on the content of recovery plans

Public Hearing

EBA

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Outline

- 1) EBA regulatory tasks
- 2) EBA workstream on recovery plans
- 3) Draft RTS on the content of recovery plans
- 4) Q&A session

1.1 Regulatory process (1/3)

Single Rulebook

Maximum harmonisation

... but proportionate to different financial institutions

EU Commission
Sectoral Directives

EU Commission
'Implementing legislation'

EBA providing
advice and opinions

EBA developing
binding technical standards,
guidelines and recommendations

1.1 Regulatory process (2/3)

The EBA is empowered to issue the following **regulatory products**:

Binding technical standards (BTS)

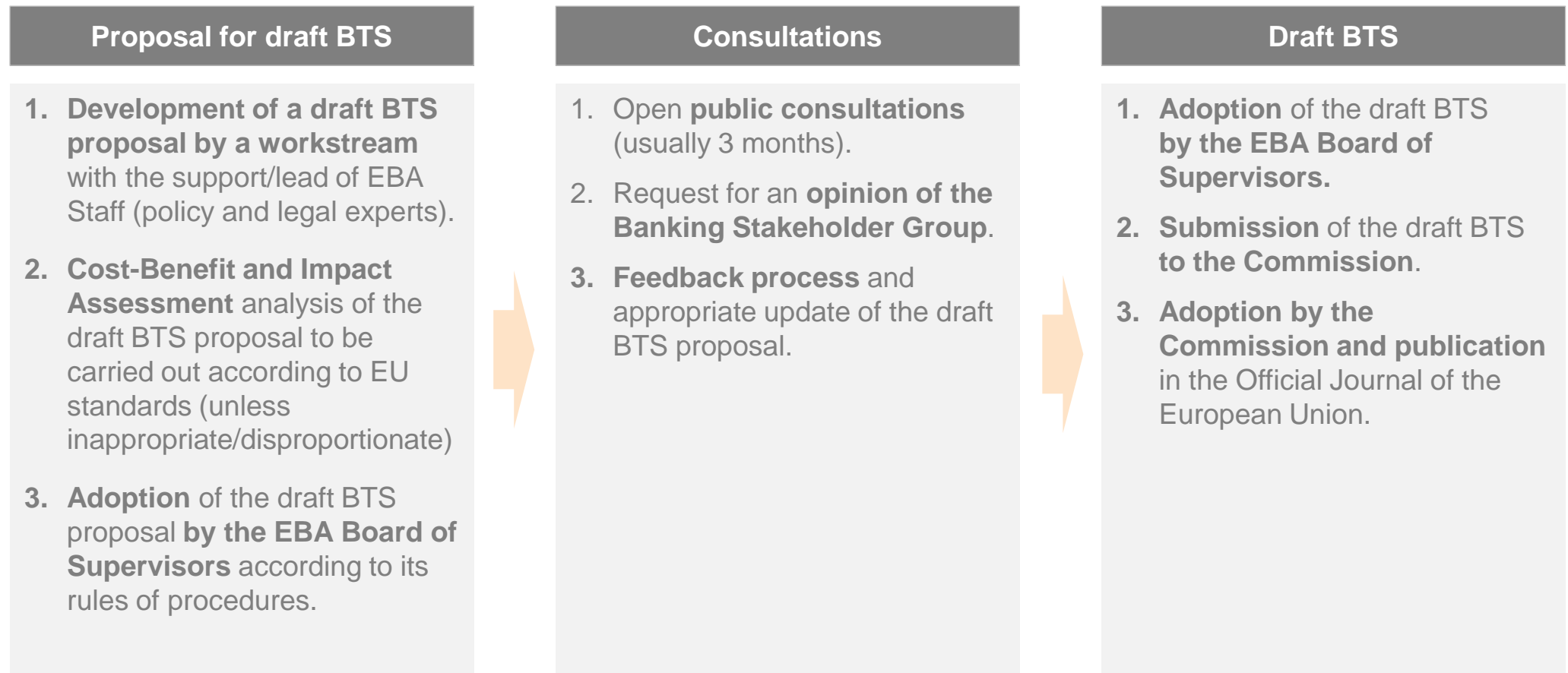
- > BTS are binding in their entirety and directly applicable in all Member States (the Single Rulebook).
- > BTS shall be technical and their content shall be delimited by the legislative acts on which they are based.
- > There are two different types of BTS: regulatory technical standards (RTS) and implementing technical standards (ITS). RTS can supplement Level 1 text, whereas the ITS only ensure uniform conditions of application.

Guidelines and Recommendations

- > They are addressed to competent authorities or financial institutions which shall make every effort to comply with them.
- > Each competent authority must confirm whether it complies/intends to comply with that guideline or recommendation and, if applicable, state its reasons for not complying ('comply or explain rule').

1.1 Regulatory process (3/3)

Description of the BTS development process



1.2 EBA role in recovery and resolution

- > **Art. 25 of Regulation No 1093/2010 (Regulation establishing the EBA):**
 - > The EBA shall contribute to and participate actively in the development and coordination of effective and consistent recovery and resolution plans; identify best practices for facilitating the resolution of failing institutions and cross-border groups; as well as develop BTS as specified in the legislative acts.

- > **The Recovery and Resolution Directive (RRD) proposal:**
 1. **Rulemaking role:** the RRD proposal gives the EBA mandates to develop approximately 24 regulatory products (BTS forming the Single Rulebook and guidelines harmonising recovery and resolution practices).
 2. **Mediation role:** the EBA would carry out a mediation role between national authorities for cross-border groups (facilitating the process of reaching joint decisions within supervisory and resolution colleges).
 3. **Relations with 3rd countries:** the EBA will be a point of contact and coordinator for relationships between the EU and third countries with regard to resolution proceedings.

1.3 EBA expected regulatory outputs stemming from RRD

- > For the purpose of fulfilling its rulemaking tasks the EBA has already set up or intends to set up the following **workstreams**:
 - > Recovery planning and assessment
 - > Resolution planning and assessment (expected output by the end of 2013)
 - > Early intervention measures
 - > Intra-group financial support
 - > Resolution tools and procedures
 - > Valuation issues
 - > Bail-in
 - > Functioning of Resolution Colleges
 - > Deposit Guarantee Schemes

2. EBA workstream on recovery plans (1/4)

> EBA Discussion Paper on template for recovery plans (May 2012):

- > Presents the EBA preliminary views on structure and key elements of recovery plans, and presents a European common template for drafting recovery plans (RPs).

> EBA Recommendation on development of recovery plans (January 2013):

- > It recommends to develop by the end of 2013 group RPs by 39 major EU cross-border banks and to discuss the plans within supervisory colleges (monitored by the EBA).
- > The aim of the Recommendation was to: **1) spur development** of RPs; **2) ensure consistency** across the EU and convergence on the highest standards in developing RPs; **3) trigger discussion/information sharing within supervisory colleges** for cross-border groups.
- > It provides the EBA template for RPs in line with the FSB 'Key Attributes'.
- > Where Crisis Management Groups (CMGs) have been set up under the auspices of the FSB, the discussion within the college of supervisors should take into account the relevant outputs of the CMGs.

2. EBA workstream on recovery plans (2/4)

> EBA Consultation Paper on RTS on the content of recovery plans (11 March 2013):

Timeline

- > The consultation period will end on 11 June 2013 (3 months).
- > The EBA will submit the final draft RTS on the content of recovery plans within 12 months from the date of entry into force of the RRD.

Relation to previous work

- > The content proposed in the RTS builds on the EBA Discussion Paper and **Recommendation on development of recovery plans**.

Importance of RTS rather than GL

- > Directly applicable common rules set in the RTS are necessary to:
 - > Ensure consistency across the EU and avoid regulatory arbitrage,
 - > Facilitate supervisory authorities in reaching **joint decisions** in cross-border groups (note: **group RPs plans entail individual RPs**),
 - > Carry out EBA's **mediation role between home and host**.

2. EBA workstream on recovery plans (3/4)

> Forthcoming consultation papers on two other draft RTS:

1. Draft RTS on the assessment of recovery plans

- > A need to use common standards, but at the same time allow for the necessary supervisory discretion within a common framework.
- > Three main areas covered:
 - > Completeness,
 - > Quality,
 - > Overall credibility/consistency of recovery plans.
- > Building blocks approach: common metrics and process should come next in order to facilitate joint-decisions and ensure consistency

2. EBA workstream on recovery plans (4/4)

> Forthcoming consultation papers on two other draft RTS:

2. Draft RTS on the range of scenarios for recovery plans

- > The objective of scenarios is not to identify the next crisis but rather to test different recovery options, which should work also in situations other than identified scenarios and assumptions.
- > The right scenario depends on the characteristics of each bank.
- > Scenarios should cover at least: idiosyncratic shock, systemic shock, and a combination of the two.
- > Minimum list of events to be considered.
- > Possible use of reverse stress testing to design scenarios.

3. Draft RTS on the content of recovery plans

> Main areas of a recovery plan:

1. Summary of the key elements of the recovery plan
2. Governance
3. Strategic analysis
4. Communication and disclosure plan
5. Preparatory measures

3.1 Recovery plan - summary

- > Recovery plan shall provide a summary of key elements, including at least:
 - > Governance
 - > Strategic analysis
 - > Communication and disclosure plan
 - > Preparatory measures
 - > Material changes to the institution or the group and the recovery plan, since the previous version

3.2 Recovery plan - governance

- > **Recovery plan shall provide information on governance, including description of at least:**
 - > How the recovery plan was developed
 - > Policies and procedures governing approval
 - > Conditions and procedures necessary to ensure timely implementation of recovery options
 - > Management Information Systems

3.3 Recovery plan - strategic analysis

- > Recovery plan shall include a strategic analysis that identifies:
 - > Core business lines
 - > Critical functions
 - > Internal and external interconnectedness of the group
 - > Recovery options

3.4 Recovery plan - communication and disclosure plan

- > Recovery plan shall include a communication and disclosure plan, covering:
 - > Internal communication
 - > External communication
 - > Analysis of communication and disclosure plan implementation for each recovery option

3.5 Recovery plan - preparatory measures

- > Recovery plan shall include analysis of preparatory measures to facilitate:
 - > Timely sale of assets or business lines
 - > Implementation of the recovery plan or improve its effectiveness

4. Q&A session

Questions

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