



Associazione Bancaria Italiana

Capital requirements and the MREL determination criteria

12 May 2016

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Key features of SRB's Minimum Requirement for own funds and Eligible Liabilities (MREL) policy in 2016

Key features of SRB's MREL policy 2016

Process for MREL decisions

Data collection exercise

General timeline for decisions

Interaction with new Pillar I requirements

- Art. 12 SRMR requires the Board to determine the MREL for entities and groups that are under the direct supervision of the ECB as well as cross-border groups. The obligation to determine MREL starts in **2016**
 - Performing **case-by-case analyses** and taking **individual** decisions
 - Working with banks on individual **implementation plans**
 - Set **indicative target level** for MREL
 - Possibly giving **guidance on the quality** (in particular a subordination requirement) of all or part of the MREL
- Institutions must meet MREL at individual level and parent entities at consolidated level
 - In 2016 the Board intends to determine MREL for all major banking groups established in the Banking Union **at consolidated level** only
 - MREL decisions **for subsidiaries** will be made in a second stage, based on their individual characteristics and the consolidated level which has been set for the group [Art 12(9) SRMR] and considering the possibility of waivers [Art 12(10) SRMR]
- Preliminary assessment: an MREL target of not less than **8%** of total assets – but on a case-by-case basis possibly above – would generally be required for the banks under the SRB's remit. It is generally unlikely that a lower requirement would be set for any of the major banking groups in the Banking Union.

Key features of SRB's Minimum Requirement for own funds and Eligible Liabilities (MREL) policy in 2016

Key features of SRB's MREL policy 2016

Process for MREL decisions

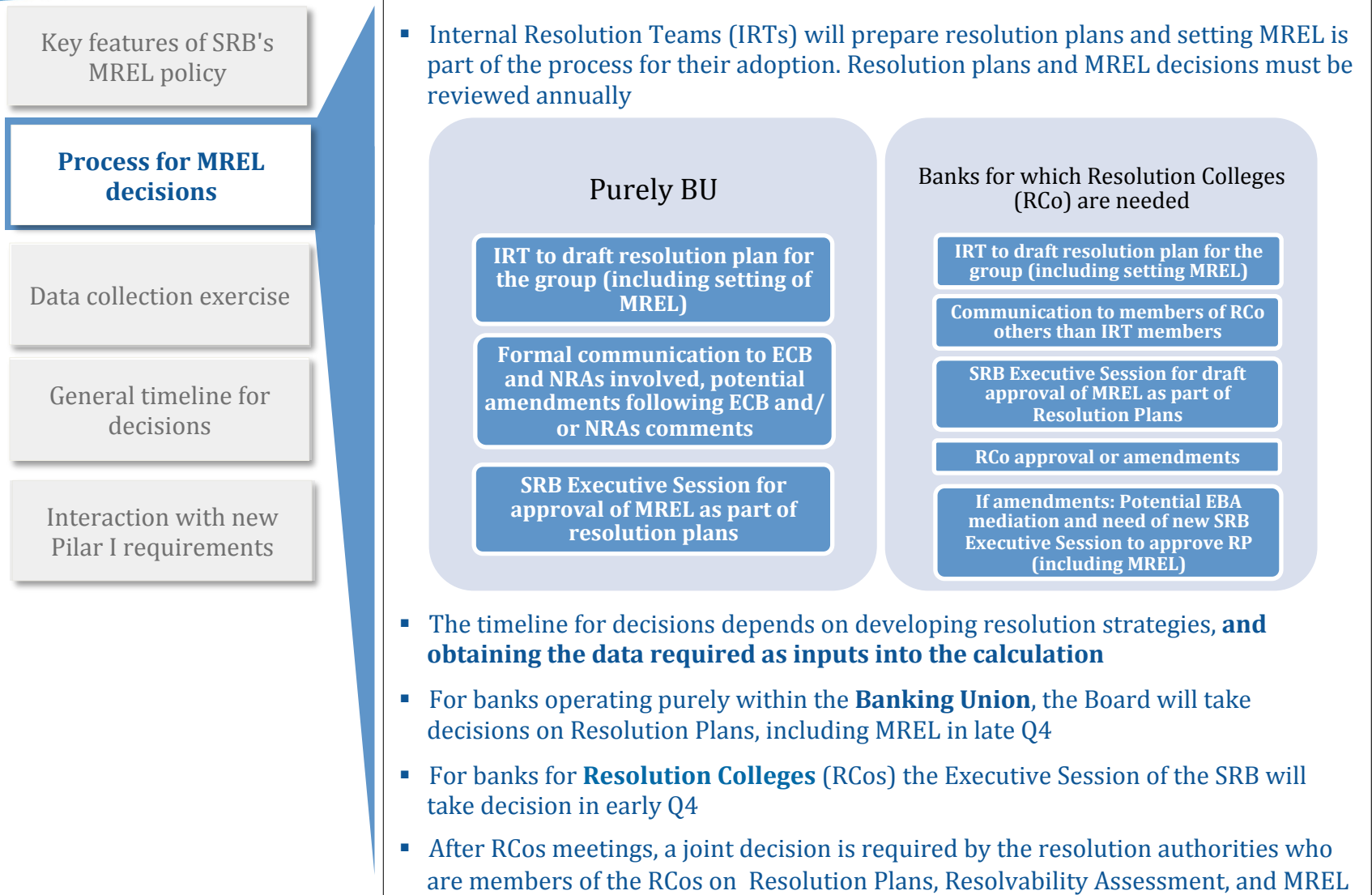
Data collection exercise

General timeline for decisions

Interaction with new Pillar I requirements

- **MREL indicative decision:** An MREL decision is based on several key parameters which may not be all assessed in 2016.
 - **Quantity** To be set as target level
 - **Quality**
 - **Location** } To be set in a second time
 - **Timing** G-SIB: MREL interim target for 2019
Other banks: to be defined
- **TLAC:** G-SIBs based within the Banking Union will need to meet TLAC by 2019. The Board intends to take core features of the TLAC standard into account in its 2016 MREL decisions, for GSIBs and beyond

Adopting MREL decisions requires the approval of resolution plans by the Executive Session of the Board with the involvement of NRAs and other parties



The Liability Data Template: a tool to set MREL

Key features of SRB's
MREL policy

Process for MREL
decisions

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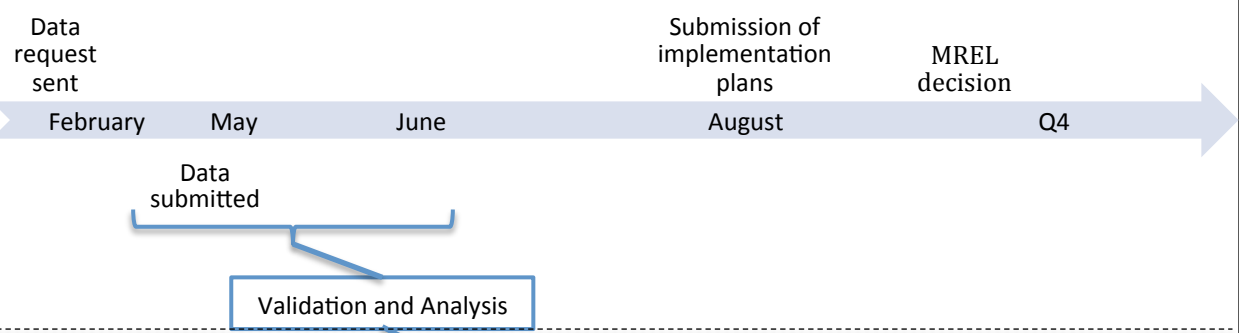
Interaction with new
Pillar I requirements

- For **resolution planning** and execution it is necessary to have **specific granular information** on liabilities at a legal entity level, including intragroup liabilities
- The SRB, with participation from the NRAs, the ECB, and the EBA, has developed a standardised template (“liability data template”) which has been requested from all banking groups under the remit of the SRB
- A short term objective (2016):
 - Provide a **summary overview** of the liability structure of the institutions.
 - Get relevant data to **set MREL at consolidated level** for the EU parent entity.
- A long term objective (2017 – 2018):
 - **Define the SRB long term expectations** for the banks to report on MREL and bail-in (next two years) to get detailed information on liabilities to better understand the liability instruments and the consequences of their specificities on resolution planning.
 - Incentivize the banks to **develop an adequate IT system** in order to execute bail-in by providing clarity on the data needs.

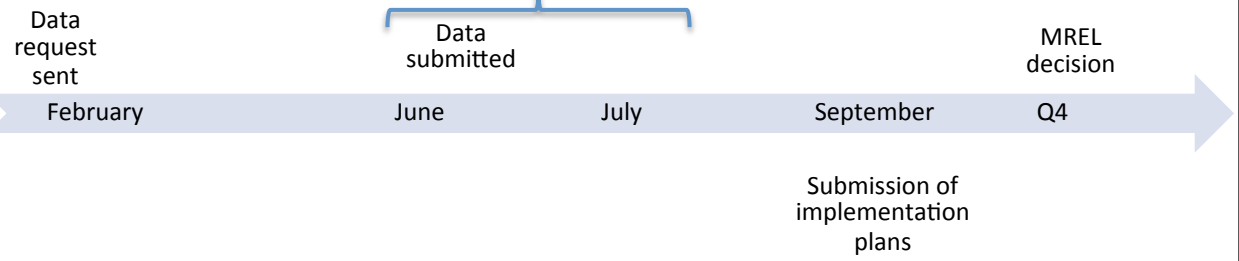
General timeline for engaging with banking groups and adopting MREL decisions in 2016

- Key features of SRB's MREL policy
- Process for MREL decisions
- Data collection exercise
- General timeline for decisions**
- Interaction with new Pillar I requirements

1) Banking groups requiring an Executive Session and a Resolution College



2) Banking groups requiring a decision by an Executive Session only



TLAC to be taken into account in MREL decisions

Key features of SRB's
MREL policy

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decisions

**Interaction with new
Pillar I requirements**

- **EBA RTS Draft:** current basis for setting MREL levels
 - Commission intends to adopt it in the forthcoming days
 - SRB commits to setting MREL levels on the basis of EBA RTS
- **TLAC to be taken into account in MREL decisions:**
 - The SRB has closely followed the development of an international standard for the Total Loss Absorbing Capacity (TLAC) for G-SIBs
 - While the TLAC standard has **not yet been implemented into European law**, the Board anticipates that G-SIBs based within the Banking Union will need to meet TLAC by 2019
 - The Board intends to take the **TLAC termsheet** into account in its 2016 **MREL decisions**, for GSIBs and beyond
 - Full TLAC implementation may require revision of SRMR and BRRD, although a **revision is not expected in the short term** due to a usually long legislative procedure involving the European Parliament and Council



Thank you!