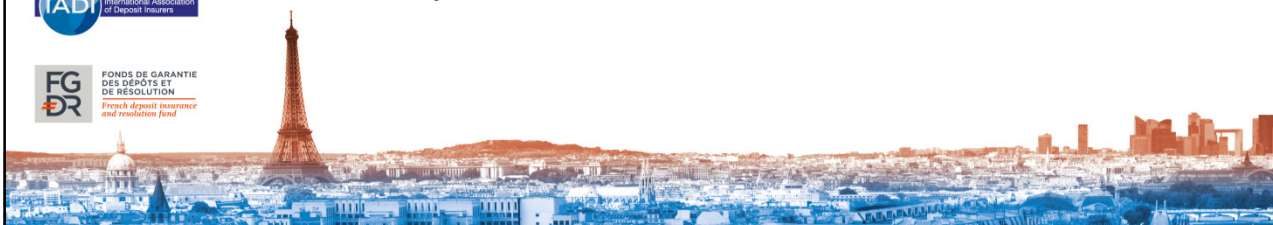


FGDR - IADI ERC INTERNATIONAL CONFERENCE

DIVERSITY AND HARMONIZATION OF DEPOSIT INSURANCE

26 May 2016 • Paris, France



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RESOLUTION & DEPOSIT INSURANCE - AN EU AUTHORITY PERSPECTIVE

Opportunities - Issues - Further steps

48TH IADI EXECUTIVE COUNCIL AND STANDING COMMITTEES MEETINGS - INTERNATIONAL IADI - ERC CONFERENCE • 23-26 MAY 2016 • PARIS



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Single Resolution Board

European Single
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Miscellaneous :

Gaëtan Viallard has worked several years for the French banking supervisor, as head of legal units in ACPR.

He has also worked at the French Treasury on banking regulation.

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I. COOPERATION OPPORTUNITIES

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5



Crisis Management Groups (CMGs)

- **FSB Key Attributes** require institution-specific CMGs for all G-SIFs
- home and key host authorities of all G-SIFs: supervisors, central banks, resolution authorities, finance ministries, DIS authorities
- EU G-SIBs CMGs chaired jointly by SRB and ECB
- **Tasks:** review and report to the FSB on
 - (i) progress in **coordination and information sharing** within the CMGs and with not represented host authorities;
 - (ii) the **recovery and resolution planning** process for G-SIBs; and
 - (iii) the **resolvability** of G-SIFs

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6



CMG Cooperation Agreements

- Institution-specific COAGs between CMG members to support the preparation of RRP and the effective implementation of resolution measures in a crisis
- SRB home/host COAGs drafting ongoing
- Confidentiality commitments by 3rd-country participants as interim solution for confidentiality requirements (Art 98 BRRD)



CMG Resolvability Assessments

- regular resolvability assessments evaluate the feasibility of resolution strategies + credibility in light of the likely impact of a firm's failure on financial system and overall economy
- G-SIFI home authority + CMG + assessments by host authorities
- **Objective:** promote adequate and consistent reporting on the resolvability of each G-SIB and help determine needs to address material recurring issues
- Letters sent by home authorities to the FSB Chair summarizing senior level discussions
- SRB: Draft "RAP Letters" soon to be discussed in CMGs and to be sent to FSB in mid-2016



Resolution Colleges in the EU

- RCs set up if EU parent has subs/significant branches in > 1 MS
- SRB + (N)RAs + supervisors (+ central bank) + DGS authority + Ministry; EBA as observer; 3rd-country RAs can be observers.
- For BU MS SRB's role varies: Chair (if GLRA), member (SRB direct remit bank; NRA as observer), observer (NRA direct remit bank)
- "Joint Decisions" i.a. on group resolution scheme
- ERC (3rd-country parent): Similar EU set-up and JD procedures
- Differences to CMGs: 3rd countries only observers in RCs → SRB will not replace RCs by CMGs in 2016



RA ↔ DIS cooperation potential

- Data collection by DIS broken down to covered depositors/non-covered preferred creditors/non-covered non-preferred creditors
- DIS: single-customer view necessary
- RA needs: same granularity on non-covered deposits for bail-in purposes
- Possible coordination of data requests to banks?



Cooperation among EU DGS

- Art 14 DGS Directive provides for intra-EU cooperation of DGS
- EBA Guidelines on Cooperation Agreements between Deposit Guarantee Schemes provide...
- ...an **EBA Multilateral Framework Cooperation Agreement** for national DGS adherence
- Including Guidance on the sequence and timing of events when the host DGS performs a pay-out of depositors on behalf of the home DGS



II. X-BORDER ISSUES AND IMPACT



Obstacles for cross-border resolution: recognition abroad

Intra-EU resolution

- Cross-border validity of SRB resolution schemes in the BU and of home RA resolution re branches, assets, liabilities in other MS
- Joint Decisions in (European) Resolution Colleges for BU+non-BU groups

3rd-country → EU recognition

- Recognition regime for 3rd-country resolution by EU RAs/Colleges without reciprocity requirement; SRB recommendation power in BU

EU → 3rd-country recognition

- BRRD provides for contractual approach vis-à-vis 3rd countries
- No Council-, MS or EBA Agreement in place yet
- FSB work ongoing on this matter



Impacts on SPE/MPE

The choice SPE vs. MPE is taken by the resolution authority based on different criteria, in particular:

- the bank's structure;
- in a cross-border scenario, SPE requires the foreign jurisdictions to recognise the measures taken at the parent level by the group resolution authority.



III. FURTHER STEPS



Basis for Commission proposal

- Increased capital standards, SSM and BRRD/SRMR not sufficient for safe bank failures
- Possible to make bank failure safer and more cost effective?
 - (1) bank resolution framework ✓
 - (2) common deposit protection scheme ✗
 - (3) effective insolvency regime ✗



Commission's EDIS proposal

- EC proposed amendment to SRMR to complete 3rd pillar of BU by establishing a progressively mutualised **European Deposit Insurance Fund (DIF)**
- Risk-adjusted ex-ante **contributions** levied on SSM banks
- EC proposal: decision-making, monitoring and enforcement powers centralised at the SRB



Effective Insolvency Regime

- Bank insolvency procedures and timeframe could be improved
- EC plan in Capital Markets Union Action Plan to converge insolvency laws
- Different insolvency regimes in EU MS e.g. re ranking of claims



Effective Insolvency Regime

- Liquidation in insolvency = default option under the EU resolution regime
- Public interest test, not insufficient insolvency regime basis to place bank into resolution
- **Wrong incentive** to become more systemic to avoid insolvency and prefer resolution
- better pay-out treatment in resolution → need for **parity of treatment** to avoid depositor move