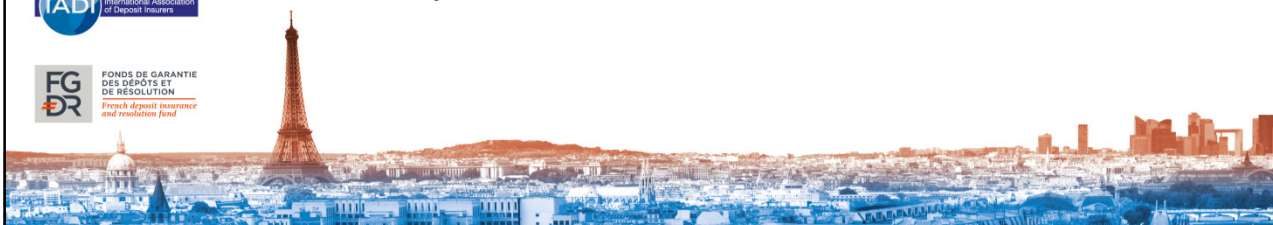


FGDR - IADI ERC INTERNATIONAL CONFERENCE

# DIVERSITY AND HARMONIZATION OF DEPOSIT INSURANCE

26 May 2016 • Paris, France



The findings, interpretations, and conclusions expressed in this presentation are entirely those of the speaker.

They do not represent the views of the institutions, their affiliated organizations or governments they represent.

# CROSSING BORDERS

## Viewpoint of an international bank

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



BNP Paribas  
Group



**BNP PARIBAS**

### MR MARK VENUS HEAD OF RECOVERY AND RESOLUTION PLANNING

**2011 – 2016**

*Head of Recovery and Resolution Planning – BNP Paribas Group*

**2008 – 2011**

*Transversal project management in BNP Paribas Group Finance*

#### **Miscellaneous :**

Chairman of European Banking Federation Crisis Management Working Group

Member of IASB/FASB Lease accounting Working Group

Chair of Leaseurope Accounting Commission

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

- Recovery versus resolution
- MPE versus SPE
- Calibration of LAC in a cross-border context
- Deposit insurance and GSIB's
- Our experience
- EU issues
- Global issues

## Recovery and Resolution planning in an international context

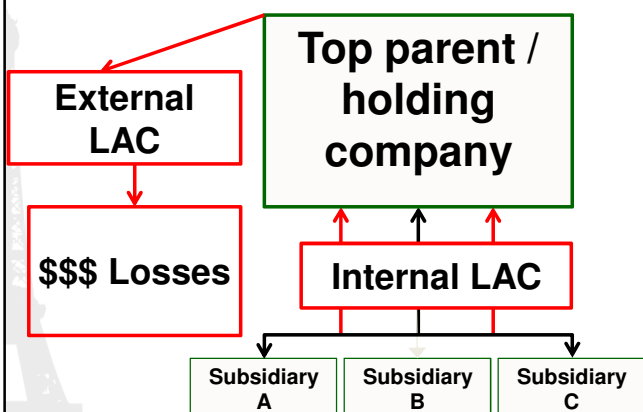
- Two very different disciplines in a cross-border context
- Recovery planning :
  - Diversification as a source of resilience
  - Management discretion to choose suitable options
  - National plans are necessarily less robust
- Strongly held belief that group level recovery plans are the best solution

## Recovery and Resolution planning in an international context

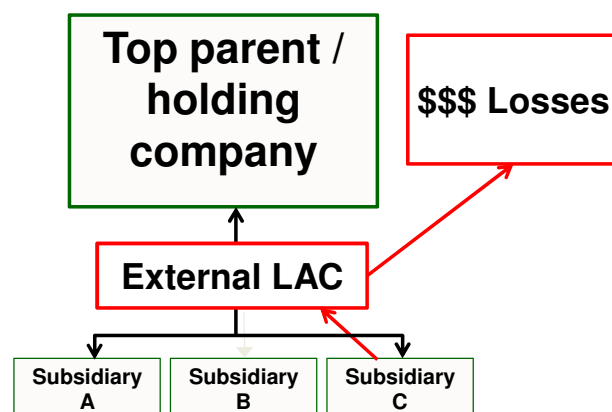
- Resolution planning can be different
  - You resolve an entity/entities, not a group
- The resolution strategy is therefore essential
  - SPE or MPE is the key question
  - This influences the position of host authorities
  - Confidence is key to a successful SPE strategy,
  - ....as is correct calibration of internal MREL/TLAC

## MPE versus SPE resolution

### SPE



### MPE



## Internal loss absorbing capacity

- Correct calibration of internal LAC
  - Not too much, this can reward ‘jumping the gun’
  - Not too little, this can encourage ‘walking away’
  - Ideal is ‘not quite enough’
- Prepositioning in cash is not essential
  - Legal certainty is essential

## Deposit insurance and GSIB's

- Sometimes hard to see the link
  - .....other than cost
- Insolvency hierarchies have changed the game
  - DIS have gained two ranks of seniority
  - TLAC inserts another rank of protection
  - Preventative intervention is out of the question
    - Can never satisfy the least cost rule
- Under BRRD, DIS cannot participate in recapitalisation

## Fora for bank/authorities discussion

- Before BRRD
  - National resolution authority
  - CMG of four countries for recovery and resolution
- After BRRD
  - Recovery : SSM, JST, EU Recovery College, CMG
  - Resolution : SRB, IRT, EU Resolution College, CMG
- Lots of opportunity for international coordination !!

## Experience to date

- CMG : has worked well, hopefully will continue
  - But who will chair, who will convene ?
- EU issues :
  - Multiple requests for local recovery plans
  - National positioning on internal MREL/TLAC
  - Integrate TLAC and MREL
  - BRRD Article 55
  - Too many bodies with a single mandate ?

## Global issues

- Resolution authority cooperation improving
  - but will trust influence action ?
- Protocols improve resolvability
  - but not everything can be resolved by contract
- We are in a much better place, but not quite at the end of the journey