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EBF Comments on FSB Guidance on arrangements to support operational continuity in resolution

The European Banking Federation is supportive of the international development of effective resolution regimes and welcomes the FSB's efforts to facilitate the resolvability of global banks and financial stability. Failing to support operational continuity of critical functions of banks could be a serious obstacle to resolution. We therefore welcome the development of guidelines to support banks in achieving operational continuity.

The FSB should take note in its guidance of the significant progress achieved by many banks in identifying and understanding their critical functions which are further supported by robust recovery and resolution planning. This is further underpinned by significant advances to strengthen balance sheets with new loss absorbing capacity and ensuring that contracts with counterparties are compatible with resolution actions.

With regard to your consultation questions, we would like to highlight the following key messages:

- The intention to maintain focus on outcomes to be achieved and that they are service delivery model neutral is very welcome. In particular this alleviates any temptation for resolution authorities to create a direct link between one particular resolution strategy and one particular service delivery model, and avoids resolution authorities employing a unique model that would force institutions to change their operational set-ups ex ante.
- Operational continuity requirements should be considered and assessed in the context of both the preferred resolution strategy and the firm's operating model. However, it is important to stress that each firm's resolution strategy must, to the extent it is possible and credible, reflect the firm's operating model. We would suggest that the logic in Section 3.4 should be inverted, so that the preferred resolution strategy should, to the extent possible, reflect the structure of the institution, not vice versa.
- The two stages of resolution – stabilisation and restructuring – are different and it should be noted that the demands and ability to pre-plan and organise for the two are different. Planning for stabilisation must be detailed while planning for the post-resolution restructuring phase needs to be much more flexible to support different restructuring choices. We note the lack of reference to the involvement of firms in ensuring operational continuity in the stabilisation stage. In order for resolution plans to be credible and feasible, the resolution planning process should include some

iterative elements between the resolution authorities and the firms. This is especially true for the parts of resolution planning which will require very specific planning details in such a way as ensuring operational continuity will require;

- The need for adequate financial resources to be available to critical shared service providers is understood. However, any requirements for financial resources should be calibrated in the context of the resolution strategy and recognise that it is most critical to have resources during the immediate stabilisation phase of resolution. The need for financial resources during the post-resolution restructuring phase will be dependent on the strategy pursued and may be partly met by resource generation during the period; and
- More cooperation and coordination through Crisis Management Groups and colleges of supervisors should be promoted. Global cooperation will be essential in the context of requirements for global firms and we therefore urge for further progress on this important topic.

