



# **Public Interest Assessment: SRB Approach**





## Public Interest Assessment: SRB Approach

**Keywords:** public interest assessment, resolution objectives, critical functions, financial stability, SRB, SRM

**Background:** This document serves as a reference to describe the approach taken by the SRB when performing the public interest assessment.

**Disclaimer:** The SRB approach to the public interest assessment is subject to further revisions, for example due to changes in the applicable European Union (EU) legislation. This public document aims at making the public in general and institutions in particular aware of the elements which the SRB considers when performing the public interest assessment at the time of resolution planning and at the time of the failure of an entity. The SRB may deviate from the content of this document if it considers it necessary and in the line with bank-specific features, the relevant market environment and the applicable legislative framework.

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## ABBREVIATIONS

BRRD	Bank Recovery and Resolution Directive
DGS	Deposit-Guarantee Scheme
DGSD	DGS Directive (Directive 2014/49/EU)
DR	Commission Delegated Regulation
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
EU	European Union
FOLTF	Failing Or Likely To Fail
FMI	Financial Market Infrastructure
FSB	Financial Stability Board
ICSD	Investor Compensation Schemes Directive (Directive 97/9/EC)
IRT	Internal Resolution Team
NRA	National Resolution Authority
PIA	Public Interest Assessment
RA	Resolution Authority
SMEs	Small and Medium-Sized Enterprises
SRB	Single Resolution Board
SRM	Single Resolution Mechanism
SRMR	Single Resolution Mechanism Regulation

## 1. Introduction

- 1 Special resolution regimes for banks were introduced after the financial crisis to provide a solution beyond normal insolvency proceedings, for cases where such proceedings would not be appropriate to manage bank failures. The relevant legal framework in the European Union thus establishes that Resolution Authorities (RAs) intervene, inter alia, when such proceedings would give rise to significant adverse effects on the financial system and severely impede the functioning of the real economy in one or several Member States, so that their intervention would be considered in the public interest.
- 2 The identification of public interest is a necessary pre-condition for taking resolution action in respect of the failing bank.<sup>1</sup> Indeed, RAs may use far-reaching resolution tools and powers to achieve an outcome that is in the public interest. For example, resolution action is likely to affect the position of shareholders and creditors<sup>2</sup> or the structure and operations of the failing bank. Moreover, whenever the SRB concludes that there is public interest in resolving a bank and thus adopts a resolution scheme, the SRB transmits the resolution scheme to the Commission for endorsement. The Commission can either agree with the public interest assessment of the SRB or may propose to the Council to object to the resolution scheme on the ground that the public interest condition is not met. In contrast, when the SRB concludes that there is no such public interest, the SRB's decision not to place the bank under resolution is directly communicated to the National Resolution Authority (NRA).<sup>3</sup>
- 3 Public interest in relation to resolution action, carried out at the point a bank is deemed "failing or likely to fail" (FOLTF)<sup>4</sup>, is defined in Articles 18(5) of Regulation (EU) 806/2014 (the Single Resolution Mechanism Regulation, SRMR)<sup>5</sup> and 32(5) of Directive 2014/59/EU (the Bank Recovery and Resolution Directive, BRRD).<sup>6</sup> For a resolution action to be treated in the public interest, it needs to be "*necessary for the achievement of, and [...] proportionate to one or more of the resolution objectives [...] and winding up the entity under normal insolvency proceedings would not meet those resolution objectives to the same extent*" (see box 1 for the resolution objectives).

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<sup>1</sup> For the purposes of this document the term bank shall be understood as encompassing the entities falling within the scope of the Single Resolution Mechanism Regulation (cf. footnote 5) and not only credit institutions.

<sup>2</sup> Recitals 13, 47 and 83 Bank Recovery and Resolution Directive (cf. footnote 6), among others.

<sup>3</sup> See a graphical representation of the decision-making process at the time of resolution on the bottom of the page on the SRB's webpage: <https://srb.europa.eu/en/content/what-bank-resolution>.

<sup>4</sup> The assessment is usually made by the relevant banking supervisor, after consulting the resolution authorities, though resolution authorities may also, under specific circumstances, make such an assessment on their own initiative (Article 18(1) SRMR and Article 32(1) BRRD).

<sup>5</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014R0806>.

<sup>6</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0059>.

**Box 1: The resolution objectives:<sup>7</sup>**

- ✓ Ensure the continuity of critical functions;
- ✓ Avoid significant adverse effects on financial stability, in particular by preventing contagion, including to market infrastructure, and by maintaining market discipline;
- ✓ Protect public funds by minimising reliance on extraordinary public financial support;
- ✓ Protect depositors covered by Directive 2014/49/EU<sup>8</sup> and investors covered by Directive 97/9/EC;<sup>9</sup>
- ✓ Protect client funds and client assets.

- 4 Two other pre-conditions for resolution need to be met before RAs may decide whether the bank should be resolved or not. In particular, the bank must be deemed FOLTF and there must be no alternative measures (private sector support, supervisory action, write-down and conversion of capital instruments) available to prevent its failure within a reasonable timeframe (box 2).

**Box 2: Conditions for resolution:<sup>10</sup>**

- ✓ The bank is failing or likely to fail;
- ✓ There is no reasonable prospect that any alternative private sector measure or supervisory action, including the write-down or conversion of capital instruments, would prevent the failure of the bank within a reasonable timeframe;
- ✓ A resolution action is necessary in the public interest.

- 5 RAs need to perform a preliminary Public Interest Assessment (PIA) when preparing resolution plans and a final PIA when deciding on whether or not to take resolution action.
- 6 The preliminary PIA performed during the resolution planning phase is mainly based on an analysis of the credibility of winding up a bank under normal insolvency proceedings<sup>11</sup> (described under 3.1 see box 3), as well as of the credibility of any foreseen resolution action (described under 6. Conclusion of the assessment of resolvability).<sup>12</sup> Under the relevant regulatory framework, applying such proceedings or taking resolution action is not considered credible if it is expected to put one or more resolution objectives at risk.

<sup>7</sup> Article 14(2) SRMR and Article 31(2) BRRD.

<sup>8</sup> Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes, <http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1523960222755&uri=CELEX:32014L0049>.

<sup>9</sup> Directive 97/9/EC of the European Parliament and of the Council of 3 March 1997 on investor-compensation schemes, <http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1523960319806&uri=CELEX:31997L0009>.

<sup>10</sup> Article 18(1) SRMR and Article 32(1) BRRD.

<sup>11</sup> As defined in Article 47(2)(1) of the BRRD. Also referred to as “insolvency proceedings” or “national insolvency proceedings” in the remainder of the paper.

<sup>12</sup> Taking into account the steps mentioned in Article 23(3) of Commission Delegated Regulation (EU) 2016/1075, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32016R1075>.

**Box 3: Structure of resolution plans<sup>13</sup>**

- 1. Management summary**
- 2. Strategic business analysis**
- 3. Preferred resolution strategy**
  - 3.1. Credibility and feasibility of normal insolvency proceedings
  - 3.2. Factors determining the preferred resolution strategy
  - 3.3. Key elements of the preferred resolution strategy
- 4. Financial and operational continuity**
- 5. Information and communication plan**
- 6. Conclusion of the assessment of resolvability**



- 7 The PIA performed at the time of FOLTF should build upon the assessment already carried out in the resolution planning phase - taking into account more up-to-date information on market conditions and the particular circumstances at the moment of failure.
- 8 The definition of public interest, provided for in the legal framework,<sup>14</sup> makes clear that if the RA is to conclude that resolution is in the public interest, such a conclusion requires the performance of a relative assessment, i.e. a comparison between resolution action and the winding up of the bank under insolvency proceedings. In light of the above, the PIA is specific to each case, as it considers the national insolvency proceedings and the preferred resolution strategy that would be applied to the bank should it be resolved.
- 9 To ensure a level playing field in the Banking Union, the SRB, in close collaboration with the NRAs and in consultation with the ECB, has developed an approach to the PIA for the banks under its direct responsibility. This approach covers both the PIA performed at the time of resolution planning and the PIA performed when a bank is FOLTF, which is subsequently included in the resolution scheme or in the decision not to take resolution action.

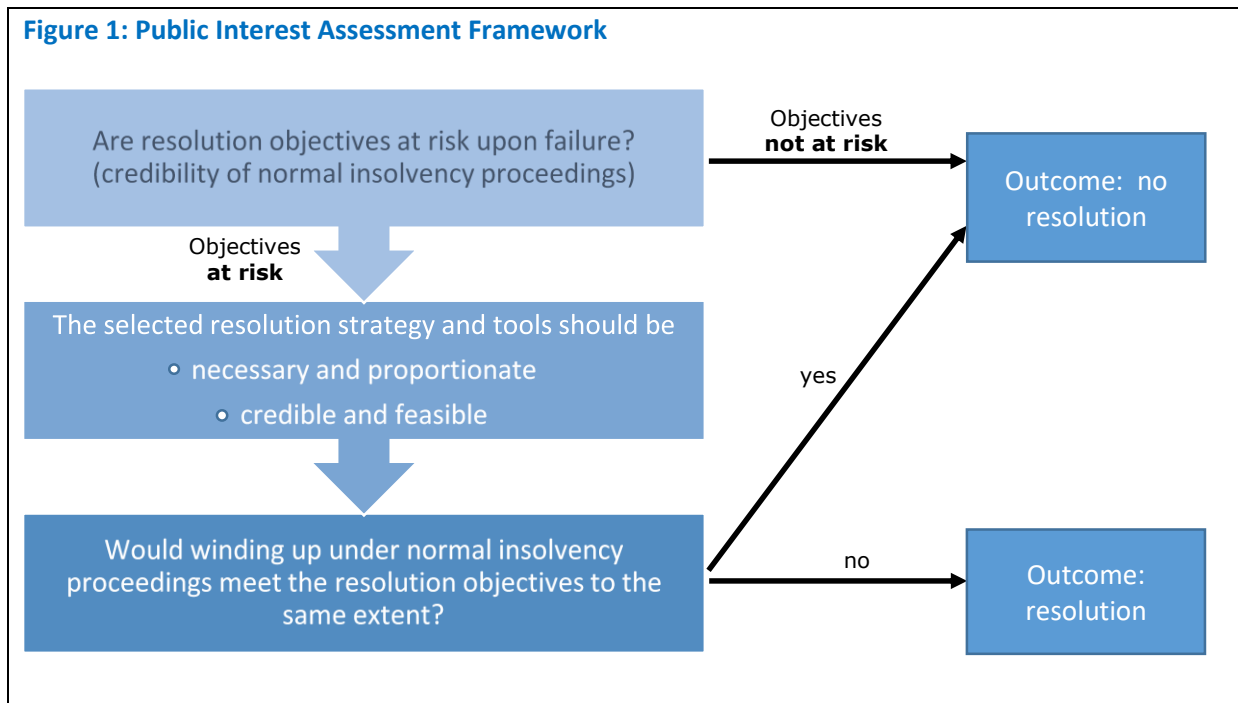
<sup>13</sup> See Introduction to Resolution Planning on <https://srb.europa.eu/en/content/introduction-resolution-planning>.

<sup>14</sup> Article 18(5) SRMR and Article 31(5) BRRD.

## 2. Preserving the resolution objectives

- 10 When performing the PIA, the SRB first assesses whether liquidation under insolvency proceedings would be likely to put the resolution objectives at risk. In the resolution planning phase, this forms part of the analysis of credibility of insolvency proceedings.<sup>15</sup> If the resolution objectives are deemed at risk, the SRB then assesses the expected effects of the chosen resolution strategy and compares such effects with those of winding up the bank under insolvency proceedings (Figure 1). When performing this assessment, the SRB strives to take into account the indicators, analyses and other elements outlined below. The sections hereunder put particular emphasis on the PIA performed at the time of resolution planning.

**Figure 1: Public Interest Assessment Framework**



### 2.1 *Would liquidation under insolvency proceedings put the resolution objectives at risk?*

- 11 Normal insolvency proceedings are the default outcome in the event of a bank failure. To depart from this, the SRB needs to ensure that resolution action is necessary. The SRB therefore assesses whether the failing bank can be wound up under insolvency proceedings, considering the likely impact on the achievement of the resolution objectives. To that aim, it first considers whether the bank performs any critical functions, which would need to be preserved (see box 4). The SRB also assesses whether the failure of the

<sup>15</sup> The legal framework only refers to "credibility" in the context of resolution planning. The term is used in this document whenever the impact on the resolution objectives needs to be assessed. RAs also need to assess whether it is feasible to wind up the institution under insolvency proceedings. Aspects related to "feasibility" are not discussed in this paper.



bank would be expected to have *significant adverse effects* on the financial system of one or several Member States (including financial market functioning and market confidence, Financial Market Infrastructures (FMIs), other financial institutions and the real economy) or to put at risk the other resolution objectives (as described hereafter).

**Box 4: Critical functions<sup>16</sup>**

Critical functions are “activities, services or operations the discontinuance of which is likely in one or more Member States, to lead to the disruption of services that are essential to the real economy or to disrupt financial stability due to the size, market share, external and internal interconnectedness, complexity or cross-border activities of an institution or group, with particular regard to the substitutability of those activities, services or operations”.<sup>17</sup> The SRB has built upon the five relevant economic functions identified by the FSB. These are:

1. Deposits;
2. Lending;
3. Payment, Cash, Settlement, Clearing, Custody;
4. Capital Markets;
5. Wholesale Funding.

- 12 When assessing the objective of avoiding significant adverse effects on financial stability, the SRB specifically considers the risk of contagion and the effects of the potential action on market discipline, in line with the definition of the relevant resolution objective. Market discipline is important, as it contributes to maintaining a stable financial system over time - improving overall welfare. As the legal framework does not provide a definition as such for the objective “to avoid significant adverse effects on financial stability”, the SRB also makes use of concepts and definitions developed by public institutions such as the ECB or the EBA<sup>18</sup> (Figure 2). The SRB ultimately considers significant adverse effects on financial stability if such consequences materialise at the level of one or several Member States.

<sup>16</sup> The SRB’s approach to Critical Functions was published in May 2018, under <https://srb.europa.eu/en/content/critical-functions-srb-approach>.

<sup>17</sup> See Article 2(1)(35) BRRD.

<sup>18</sup> ECB (2009), IMF (Schinasi, 2004), Deutsche Bundesbank (2016), EBA press release accompanying guidelines EBA/GL/2014/14, among others.

**Figure 2: Financial stability and related concepts**

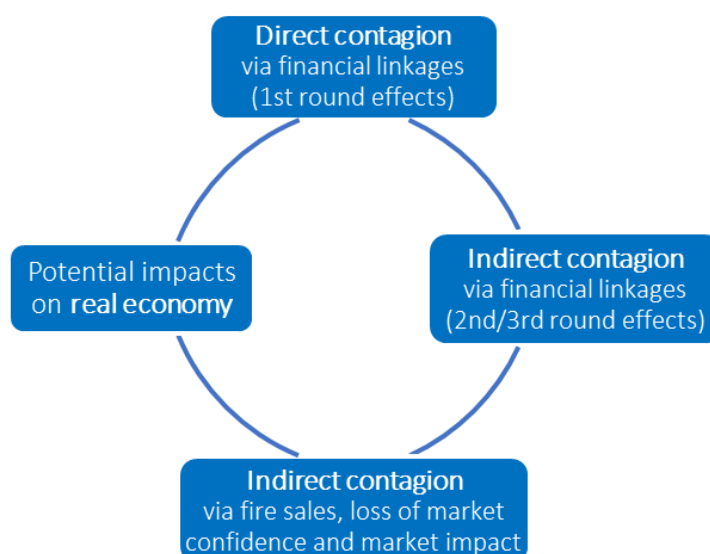
Financial Stability	<ul style="list-style-type: none"> <li>• A state in which the financial system is capable of performing its macro-economic functions, in particular allocating the economy's resources in a productive manner, even if faced with endogenous or exogenous shocks.</li> </ul>
Significant adverse effects	<ul style="list-style-type: none"> <li>• Consequences of financial distress that jeopardise the orderly functioning, efficiency and integrity of the internal market or the economy or the financial system of one or more Member States.</li> </ul>
Direct contagion	<ul style="list-style-type: none"> <li>• A situation where the direct losses of counterparties of the institution in insolvency or resolution lead to the default or likely default of those counterparties or negatively affect their ability to perform their macro-economic functions efficiently.</li> </ul>
Indirect contagion	<ul style="list-style-type: none"> <li>• A situation where the insolvency or resolution of an institution causes a negative reaction by market participants or other stakeholders that leads to a severe disruption of the financial system with potential to harm the real economy.</li> </ul>
Market discipline	<ul style="list-style-type: none"> <li>• The ability of informed stakeholders to identify risks in financial institutions and to act in a way that signals those risks to other stakeholders.</li> </ul>

13 When assessing financial stability risks, the SRB considers different channels of contagion (Fig. 3):

- **Direct contagion** risk, whereby the failure of a bank directly affects other banks, may be assessed, for instance, by using data on interbank exposures and intra-financial sector holdings of own funds and debt instruments issued by the failing bank.

- **Indirect contagion** risk may be assessed based on quantitative or qualitative indicators of financial linkages. Quantitative indicators may include, for example, spread correlations between bonds issued by the bank under consideration and other banks or the sovereign; or other banks' potential obligations to provide extraordinary ex-post

**Figure 3: Assessing the risk of contagion**



contributions to the Deposit Guarantee Scheme. Although the Deposit Guarantee Schemes Directive<sup>19</sup> provides for certain safeguards in this regard, i.e. these contributions are in principle capped at 0,5% of covered deposits per calendar year and can be suspended for banks if such payment would jeopardise their liquidity or solvency, the SRB considers whether these ex-post contributions can contribute to the other sources of indirect contagion. Qualitative indicators may cover e.g. potential contagion to banks with the same business model, characteristics and risk profile. The SRB also strives to take into account potential indirect contagion through market reactions and the behaviour of market participants.

- Finally, the risk of potential **spill-overs to the real economy** can be captured, amongst others, by indicators measuring the importance of the bank (or of the banks subject to direct or indirect contagion) for the real economy.

- 14 The financial stability assessment takes as a starting point that the bank would fail under current circumstances. Nevertheless, at the time of planning, specific elements of past crises may be taken into account in the indirect contagion analysis where relevant. Furthermore, the ESRB's risk dashboard may inform the analysis of direct and indirect contagion. The financial stability analysis allows the SRB to conclude on the impact on financial market functioning and market confidence, FMIs, other financial institutions and the real economy, as required under Commission Delegated Regulation (EU) 2016/1075.
- 15 In addition, the SRB considers the likely impact of the liquidation of the bank on the other resolution objectives, including the protection of public funds – by minimising reliance on extraordinary public financial support – and the protection of covered depositors and investors, as well as client funds and assets (see figure 4 for an overview of how the SRB considers preserving the objectives).
- 16 If resolution objectives are not deemed to be at risk under national insolvency proceedings, the SRB concludes that winding up the bank under insolvency proceedings is credible (at the time of planning) or that a resolution action is not in the public interest (at the time of FOLTF).

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<sup>19</sup> Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes, <http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1523960222755&uri=CELEX:32014L0049>.

#### Figure 4: Assessing risks to the resolution objectives

##### Objective 1: Ensure the continuity of critical functions.

- Critical functions are identified in the Strategic Business Analysis of resolution plans, taking into account the banks' self-assessment in the critical functions template and in line with the SRB approach to critical functions. The financial stability impacts related to the failure of the whole bank are captured under the financial stability objective.

##### Objective 2: Avoid significant adverse effects on financial stability, in particular by preventing contagion, including to market infrastructure, and by maintaining market discipline.

- Potential threats resulting from the liquidation (or resolution) of the entire bank are assessed under this objective, including direct contagion, indirect contagion, as well as spillovers to the real economy.

##### Objective 3: Protect public funds by minimising reliance on extraordinary public financial support.

- The SRB is not expected to protect per se exposures of the State or of a public authority on the bank existing beforehand, but rather to minimise the provision of extraordinary public financial support as from the moment the bank is declared FOLTF.

##### Objective 4: Protect depositors covered by the Deposit Guarantee Schemes Directive (DGSD) and investors covered by the Investor Compensation Schemes Directive (ICSD).

- The protection of depositors in insolvency is a priori expected to be in line with the DGSD. Similarly, the protection of investors is expected to follow the ICSD. The SRB might consider further elements under objectives 1 and 2.

##### Objective 5: Protect client funds and client assets.

- The protection applies to client funds and assets as defined under national law. Client funds and client assets are protected in resolution by their exclusion from bail-in, provided they are protected under the applicable insolvency regime, including by way of appropriate segregation from the insolvency estate. The SRB might consider further elements under objectives 1 and 2.

#### 2.2 Would the use of resolution action mitigate the impact on the resolution objectives?

- 17 When resolution objectives are deemed to be at risk under insolvency proceedings (i.e. liquidation under such proceedings is not deemed credible), the SRB identifies and assesses the credibility of possible resolution actions - that would serve the purpose of meeting the resolution objectives - in a similar way as it does for assessing the credibility of insolvency proceedings. This means that the SRB also considers the impact of the foreseen resolution strategy on financial market functioning and market confidence, FMIs, other financial institutions and the real economy, as well as other elements required by the legal framework.<sup>20</sup>
- 18 The conclusion on the credibility of resolution action depends mostly on how effective the foreseen resolution tools and powers are in mitigating impacts on critical functions and financial stability. The resolution strategy should also ensure that covered depositors and investors, as well as client funds and assets, are treated at least as well in resolution as

<sup>20</sup> Such as Commission Delegated Regulation (EU) 2016/1075 and points 21-28 of Section C of the Annex to BRRD on matters that the resolution authority is to consider when assessing the resolvability of an institution or group.



under insolvency proceedings.<sup>21</sup> Furthermore, resolution plans should not assume any extraordinary public financial support.<sup>22</sup>

- 19 Finally, for resolution to be the preferred approach, the SRB needs to compare the expected effects of the chosen resolution strategy with the expected effects of winding up under insolvency proceedings; and to ascertain that such winding up would not achieve the resolution objectives to the same extent. When performing that comparison, the specificities of insolvency proceedings applicable in each jurisdiction need to be taken into account. Therefore, the lack of harmonisation of national bank insolvency regimes may lead to diverse outcomes of the PIA across the Banking Union countries.

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<sup>21</sup> Article 15(1)(g) SRMR.

<sup>22</sup> "The resolution plan shall not assume [...] any extraordinary public financial support besides the use of the Fund established in accordance with Article 67" (Article 8 (6) SRMR).

### 3. What does the Public Interest Assessment mean for resolution plans?

- 20 When the SRB<sup>23</sup> concludes that winding up under insolvency proceedings would be credible, the SRB writes a resolution plan with insolvency proceedings as the preferred strategy. This shorter, proportionate, version of the resolution plan contains, at a minimum, a full strategic business analysis, an assessment of the credibility and feasibility of insolvency proceedings and dedicated chapters on information requirements and the communication strategy. The remaining sections of resolution plans (see box 3) may be redundant in this case, as RAs are not expected to ensure operational or financial continuity when an entity is wound up. The winding up of a bank falls under national laws and this is, in most Member States, the responsibility of an insolvency administrator.
- 21 Plans where insolvency is foreseen may be subject to simplified obligations if the bank satisfies the relevant requirements of the Commission Delegated Regulation (EU) 2019/348.<sup>24</sup>
- 22 When the SRB concludes, at the time of planning, that winding up under insolvency proceedings would not be credible, the SRB determines a resolution strategy in a resolution plan for the relevant bank. Whenever the outcome of the credibility analysis is not clear-cut, the SRB takes into account the need to be prepared. This means that, in case of uncertainty, the SRB prepares a resolution plan for the relevant bank.

### 4. Public Interest Assessment at the time of failing or likely to fail

- 23 Whenever the SRB considers adopting a resolution scheme, it must carefully assess whether resolution action would be necessary in the public interest. The resolution decision builds upon the outcome of the PIA performed in the planning phase and follows similar steps. Box 5 presents the SRB's conclusions in respect of past resolution cases.
- 24 In principle, the preliminary PIA prepared during the resolution planning phase is taken as a starting point at the time of FOLTF. It is then updated with the specific circumstances of the case, on the basis of up-to-date and detailed information. Compared to the resolution planning phase, current information regarding the condition of financial markets, financial stability and interconnectedness of the bank, among others, are then

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<sup>23</sup> During the planning phase, the preliminary PIA is performed by Internal Resolution Teams (IRTs), teams of experts from the SRB and the relevant NRA(s). In the lead-up to a resolution, Crisis Management Teams (CMTs) are formed, which conduct the PIA for the purpose of preparing the decision to use or not to use resolution tools and powers. For the sake of simplicity, this document uses "the SRB" throughout.

<sup>24</sup> Commission Delegated Regulation (EU) 2019/348 of 25 October 2018 supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the criteria for assessing the impact of an institution's failure on financial markets, on other institutions and on funding conditions, <https://eur-lex.europa.eu/legal-content/GA/TXT/?uri=CELEX:32019R0348>.

collected to determine whether resolution action is necessary and proportionate to achieve the relevant resolution objective(s), and whether the application of insolvency proceedings might achieve the resolution objectives to the same extent as resolution action. Such conditions may materially change over time. Moreover, changes in the failing bank might also lead to a re-evaluation of the assessment. For example, in case of a slow-moving crisis, clients may already have left the bank and the bank may have engaged in significant deleveraging, such that it may no longer be providing critical functions.

#### **Box 5: Public Interest Assessment in practice (based on relevant SRB decisions)**

Since it was set up, the SRB has adopted one resolution scheme and four decisions not to take resolution action, which included an assessment of whether resolution should be treated as in the public interest.<sup>25</sup> This box provides an overview of the outcome of those PIAs, focusing on conclusions in respect of critical functions and financial stability.

##### **Banco Popular Español S.A.**

The SRB concluded that the resolution action in the form of a sale of business tool was necessary in the public interest. The resolution action was considered necessary for the achievement of, and proportionate to, two resolution objectives: ensuring the continuity of critical functions and avoiding significant adverse effects on financial stability, and that the winding up of the institution under normal insolvency proceedings would not achieve these resolution objectives to the same extent as resolution action.

With regard to the first resolution objective, Banco Popular provided the following critical functions: deposit taking from households and non-financial corporations, lending to Small and Medium-Sized Enterprises (SMEs) and payment and cash services.

With regard to the second resolution objective, the risk of significant adverse effects on financial stability in Spain was inferred from the size and relevance of the institution (the bank was the sixth largest banking group in Spain, with total assets amounting to EUR 147 Bn) and the nature of the business (commercial banking services, in particular to SMEs).

##### **Banca Popolare di Vicenza S.p.A. and Veneto Banca S.p.A.**

The SRB concluded that resolution action in respect of Banca Popolare di Vicenza and Veneto Banca was not necessary in the public interest.

The institutions did not provide critical functions and a sudden disruption in the institutions' economic functions was not expected to have a material negative impact on third parties, undermine the general confidence of market participants nor give rise to contagion. This conclusion was based on the institutions':

- Low and continuously decreasing market shares, which had resulted in a significant decline of the institutions' systemic relevance;

<sup>25</sup> <https://srb.europa.eu/en/content/resolution-cases>.

- Complete absorption by the market of the significant deposit outflows from the institutions over the past years, with acceleration in the preceding months;
- Expected substitutability of relevant functions, which could be replaced in an acceptable manner and within a reasonable timeframe.

The failure of these institutions on a stand-alone basis was not likely to result in significant adverse effects on financial stability at national level. The institutions had low financial and operational interconnections with other financial institutions as they were of minor importance in the Italian funding market. They did not pose threats to FMIs, and their failure was unlikely to give rise to indirect contagion: these institutions' bond yields were increasingly disconnected from the Italian and European market.

While the simultaneous failure of the banks might have had an impact on financial stability, such impact would likely not have been *significant*, mainly because of the following factors:

- Low contagion risk, due to low interconnectedness of the banks with other financial institutions;
- The banks had a highly diversified funding structure, mostly on a secured basis and they were of minor importance for the Italian funding market;
- The impact on the real economy was expected to be limited, due to the low and decreasing combined market shares for deposit-taking and lending (and other economic functions). The market perception of the banks had also already deteriorated significantly, with significant reductions of holdings in bank bonds and massive deposit withdrawals.

#### **ABLV Group (ABLV Bank AS in Latvia and ABLV Bank S.A. in Luxembourg)**

The SRB concluded that resolution action, in respect of ABLV Bank AS and ABLV Bank Luxembourg S.A., was not necessary in the public interest.

The banks were not found to provide critical functions and their failure was not expected to have a significant adverse impact on financial stability in these two countries or other Member States.

In the case of ABLV Bank AS, the discontinuation of the functions performed by the bank would not lead to the disruption of services essential to the real economy in Latvia. The failure of the bank was not considered likely to result in significant adverse effects on financial stability in Latvia or in other Member States, taking into account, in particular, the low financial and operational interconnections with other financial institutions.

In the case of ABLV Bank Luxembourg S.A., similar conclusions were drawn in respect of the absence of critical functions and financial stability impacts in Luxembourg, considering the limited size of the Bank and the absence of ties to the Luxembourgish real economy.





## **Single Resolution Board**

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