



OPERATIONAL GUIDANCE ON RESOLVABILITY TESTING FOR BANKS

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Abbreviations

| | |
|--------------|---|
| AT1 | Additional Tier 1 |
| BaU | Business as Usual |
| BRP | Business Reorganisation Plan |
| BRRD | Bank Recovery and Resolution Directive ¹ |
| BU | Banking Union |
| CBL | Core Business Line |
| CBR | Combined Buffer Requirement |
| CB | Central Bank |
| CF | Critical Function |
| CET1 | Common Equity Tier 1 |
| CSD | Central Securities Depository |
| EBA | European Banking Authority |
| ECB | European Central Bank |
| EfB | Expectations for Banks |
| EU | European Union |
| FMI | Financial Market Infrastructure |
| FMIR | FMI Report |
| FOLTF | Failing or Likely to Fail |
| GL | Guidelines |
| G-SII | Global Systemically Important Institution |
| ICSD | International Central Securities Depository |
| ILTRM | Internal Loss Transfer and Recapitalisation Mechanism |
| IRT | Internal Resolution Team |
| IT | Information Technology |

¹ Directive 2014/59/EU.

| | |
|--------------|--|
| JLT | Joint Liquidity Template |
| KLE | Key Liquidity Entity |
| LDR | Liability Data Report |
| MIS | Management Information Systems |
| MPE | Multiple Point of Entry |
| MRC | Maximum Reorganisation Capacity |
| MREL | Minimum Requirement for Own Funds and Eligible Liabilities |
| NRA | National Resolution Authority |
| OCIR | Operational Continuity in Resolution |
| O-SII | Other Systemically Important Institution |
| PRS | Preferred Resolution Strategy |
| SAR | Separability Analysis Report |
| SNP | Senior Non-Preferred |
| SPE | Single Point of Entry |
| SREP | Supervisory Review and Evaluation Process |
| SRB | Single Resolution Board |
| SRM | Single Resolution Mechanism |
| SRMR | Single Resolution Mechanism Regulation ² |
| SWD | Solvent Wind-Down |
| TLAC | Total Loss-Absorbing Capacity |
| VRS | Variant Resolution Strategy |

² Regulation (EU) No 806/2014

Part 1 – General guidance

1. Introduction

1. The [SRB's Expectations for Banks \(EfB\)](#) and various accompanying operational guidance documents set out expectations for banks under the SRB's direct remit³ to develop key capabilities to achieve resolvability. Banks are expected to have developed capabilities in line with those expectations⁴. It is, therefore, essential to confirm that what banks have put in place is fully operational and to test those capabilities.
2. As noted in the SRM Vision 2028⁵ strategy, “[the] *aim is to have simplified resolution plans with the actual planning work more targeted on issues chosen using the risk-based approach and including more testing of operational capabilities*” and “[the] *resolvability assessment [framework] will be interlinked with the changes in resolution plans and the development of multi-year testing plans. It is paramount that the progress made by the industry since the establishment of the SRM is maintained.*” The SRB Operational Guidance on Resolvability Testing for Banks has been developed taking into account these objectives of simplification and operationalisation of resolution strategies.
3. Resolvability testing encompasses the methods available to assess the preparedness of institutions to operationalise resolution-related capabilities. It encompasses assessments performed by the resolution function and operational units that would be responsible for executing the envisaged resolution-related actions. This includes (i) assessing whether relevant resolvability capabilities are in place, (ii) identifying areas for improvement and potential challenges and how to mitigate them, and (iii) obtaining a high level of assurance that the resolution-related capabilities can be implemented in an effective and timely manner.
4. Building resolvability is a continuous and joint effort by the banks and the Internal Resolution Teams (IRTs), involving National Resolution Authorities (NRAs). Resolvability testing is a key component of crisis preparedness and resolution planning. When planning for resolution and preparing for a crisis event, testing allows banks and IRTs to verify the effective level of resolvability of the bank, taking into account the preferred and variant resolution strategies.

³ The entities and groups that currently fall under the direct responsibility of the SRB are: i) the entities and groups directly supervised by the European Central Bank and ii) other cross-border groups, hereinafter together referred to as “banks”.

⁴ Unless a specific timeline applies and was agreed with the Internal Resolution Team.

⁵ SRM Vision 2028: https://www.srb.europa.eu/system/files/media/document/SRM%20Vision%202028%20strategy_FINAL.pdf.

5. There is a natural feedback loop between resolvability assessment and testing. Testing priorities are determined based on the outcome of the resolvability assessment, while the operational effectiveness of resolvability capabilities is verified through testing, which will, in turn, influence the next resolvability assessment. In the resolvability assessment, the SRB will consider the findings and the quality of tests that have been performed.
6. The purpose of the SRB Operational Guidance on Resolvability Testing for Banks is to ensure a harmonised approach on implementing a multi-annual testing programme⁶ and on how to carry out bank-led resolvability testing, in order to preserve a level playing field across all banks. This operational guidance provides guidance to banks on (i) testing areas and sub-areas, (ii) test methods, (iii) testing governance expectations, (iv) testing environment expectations, (v) multi-annual testing programme and (vi) designing, preparing, and reporting on tests. The operational guidance is divided into two parts, with Part 1 containing general guidance, and Part 2 containing guidance specific to each testing area/sub-area.
7. This guidance covers desktop exercises, walkthroughs and dry-runs, including drills, as well as operational and management simulations, as explained in further detail below. This guidance does not encompass third-party verification.
8. On top of desktop exercises, walkthroughs, and dry-runs, including drills and management simulations, the multi-annual testing programme foreseen under this operational guidance will also include reference to the deep-dives that the SRB expects to perform. However, deep-dives are outside of the scope of this document.
9. The SRB Operational Guidance on Resolvability Testing for Banks also covers expectations regarding internal audit activities related to resolvability testing.
10. The SRB Operational Guidance on Resolvability Testing for Banks is a living document that will be periodically reviewed and, where appropriate, amended, taking into account accumulated experience on preparing, implementing and assessing tests and multi-annual testing programmes.

⁶ See EBA Guidelines on resolvability testing (EBA/GL/2023/05)

2. Goals

11. The goals of resolvability testing are the following:

- a)** To gain assurance that the capabilities developed by banks meet their resolvability objectives;
- b)** To promote resolvability by identifying potential deficiencies and opportunities for improvement related to the practical implementation of resolvability capabilities;
- c)** To promote crisis preparedness by contributing to the banks' ability to operationalise resolution-related capabilities and identify any corresponding challenges;
- d)** To support the identification of potential working priorities to be defined by the SRB for the different banks and the identification of potential common priorities for testing;
- e)** To increase the direct contributions by banks to the resolution planning process so as to increase overall ownership of the process and increase awareness of resolution matters within the bank.

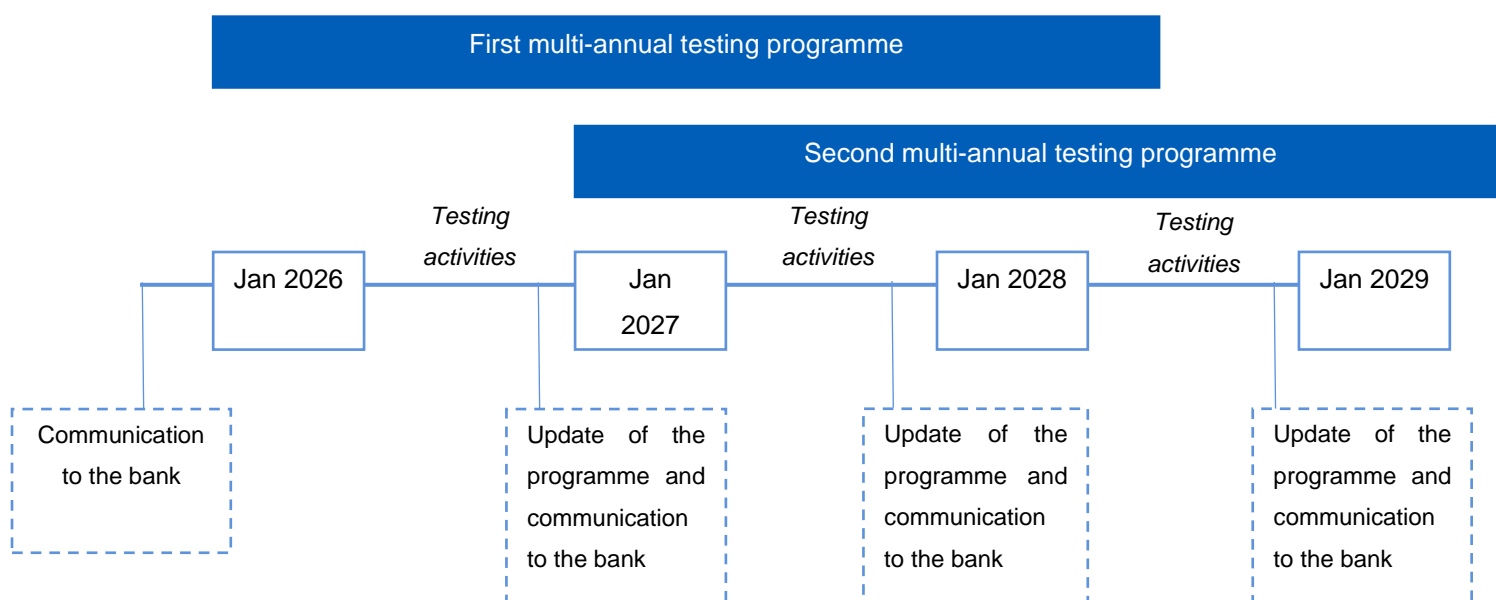
3. Testing areas

12. Resolvability testing covers the following testing areas:
 - a) Bail-in;
 - b) Business reorganisation plan;
 - c) FMI access;
 - d) Liquidity;
 - e) OCIR;
 - f) Solvent wind-down.
13. Other testing areas (such as for valuation, separability and transfer strategies and communication) will be introduced at a later stage, as the SRB is currently developing policy updates that will impact the planned resolvability testing in these areas.

4. Multi-annual testing programme

14. The multi-annual testing programme ([Template A](#)) will determine the testing exercises to be performed by each bank earmarked for resolution^{7/8}, including host cases where relevant. It will specify the resolvability capabilities to be tested (testing areas and sub-areas), the timing of the test in the specific year and the method to be used by the banks for each testing exercise.
15. The multi-annual testing programme will be prepared by the IRT, in discussion with the bank and key stakeholders, including the prudential supervisor.
16. The multi-annual testing programme will span a three-year period and will cover all relevant capabilities set out in the EfB.
17. The multi-annual testing programme will be communicated to the banks in Q3/Q4 of the preceding year with the priority letters.
18. The multi-annual testing programme will be reviewed annually, considering developments from the previous year, based on the bank's self-assessment report and the resolvability assessment conducted by the IRT. The annual review will consist of an update or confirmation of the envisaged testing programme for the remaining two years of the previous version and the inclusion of an additional year in the testing programme. Accordingly, the multi-annual testing programme will consistently cover a three-year period, as illustrated below:

Figure 1. Illustrative resolvability testing process



⁷ For banks earmarked for liquidation, IRTs may prepare tests or testing programmes depending on the specificities of the bank.

⁸ For a bank that comes under the SRB remit after the initial phase-in of the SRB's *Expectations for Banks*, testing activities will start in line with the bespoke phase-in foreseen for that bank.

5. Testing methods

5.1. Overview

19. For the purpose of this Guidance, banks should consider the following testing methods: desktop exercises, walkthroughs and dry-runs.

5.2. Desktop exercise

20. A desktop exercise can be described as a critical review of a procedure or a set of procedures, involving relevant stakeholders to comment on and discuss their respective roles:

a) What is expected:

- i) Complete and accurate description of each step of the procedures being tested, accompanied by critical questions and thorough, rigorous and in-depth discussion, to adequately assess if there are any deficiencies or opportunities for improvement;
- ii) Active involvement of all relevant internal stakeholders, i.e., all stakeholders directly involved in the operationalisation of the procedure or set of procedures being tested, according to the applicable playbook/document;
- iii) Relevant internal stakeholders should be fully aware of their roles in the procedures being tested, and be capable of discussing them and presenting suggestions for improvement;
- iv) Enough time allocated to the desktop exercise to ensure that the discussion is of sufficient quality and covers all points to be discussed, split over one or more sessions. The IRT may define the number of sessions or may leave it up to the bank; the number of sessions should be reasonable;
- v) There may be a facilitator or moderator, who may be an external consultant. The facilitator/moderator should foster debate and discussion, by calling on people to speak and by asking pertinent questions. The facilitator/moderator should not take part in the discussions, unless the facilitator is an internal stakeholder responsible for operationalising one or more steps of the procedure or procedures being tested;
- vi) Any materials used to facilitate the desktop exercise should be of sufficient quality to promote a critical review that meets the above expectations.

b) When to use:

- i) When a capability has not yet been developed to the extent necessary to perform a walkthrough or a dry-run;

- ii) To prepare for a walkthrough;
- iii) To discuss amendments made to the procedures or set of procedures being tested as a result of findings from a prior test.

5.3. Walkthrough

21. A walkthrough can be described as a critical review and practical demonstration of a procedure or set of procedures, involving relevant stakeholders to comment on and discuss their respective roles, and to show how those roles would be performed in practice:

a) What is expected:

- i) Complete and accurate description and demonstration of each step of the procedures being tested, accompanied by critical questions and thorough, rigorous and in-depth discussion, to adequately assess if there are any deficiencies or opportunities for improvement. The practical demonstration involves the practical operationalisation of each relevant step;
- ii) Active involvement of all relevant internal stakeholders, i.e., all stakeholders directly involved in the operationalisation of the procedure or set of procedures being tested, according to the applicable playbook/document;
- iii) Relevant internal stakeholders should be fully aware of their roles in the procedures being tested, and capable of operationalising them, discussing them and presenting suggestions for improvement;
- iv) Enough time allocated to the walkthrough to ensure the discussion and the demonstration are of sufficient quality and cover all points to be discussed, split over one or more sessions. The IRT may define the number of sessions or may leave it up to the bank; the number of sessions should be reasonable;
- v) There may be a facilitator/moderator, who may be an external consultant. The facilitator/moderator should foster debate and discussion, by calling on people to speak and by asking pertinent questions. The facilitator/moderator should not take part in the discussions or the demonstration, unless the facilitator is an internal stakeholder responsible for operationalising one or more steps of the procedure or procedures being tested;
- vi) Any materials used to facilitate the walkthrough should be of sufficient quality to promote a critical review that meets the above expectations.

b) When to use:

- i) When a capability has not yet been developed to the extent necessary to perform a dry-run;

- ii) To prepare for a dry-run;
- iii) To discuss amendments made to the procedures or set of procedures being tested as a result of findings from a prior test.

5.4. Dry-run

- 22. A dry-run can be described as a simulation where banks test resolvability capabilities based on a hypothetical crisis scenario, to the extent possible, occurring in real time.
- 23. Dry-runs can take the form of operational simulations, management simulations and drills, as described in more detail below.
- 24. Different forms of dry-runs may be combined in a single test, depending on the capability being tested.

5.4.1. OPERATIONAL SIMULATION

- 25. An operational simulation can be described as a dry-run focusing on the operational steps necessary to implement a certain procedure:
 - a) **What is expected:**
 - i) Simulated practical operationalisation of the resolvability capabilities being tested;
 - ii) Unless specified by the IRT in advance or during the exercise, the simulation should be run in line with what is foreseen in the applicable playbook/document prepared by the bank. Any deviation from the playbook/document should be recorded as a finding and presented to the IRT, with a clear justification and any follow-up actions, and their respective timeline, to mitigate the deviation(s) if needed;
 - iii) The IRT may decide to specify deviations from the playbook/document in view of the test in advance of, or during, the simulation. If so, the simulation should take into account the deviations set by the IRT;
 - iv) Simulations should be performed in real time, to the extent possible. The maximum running time of the simulation should be in line with the expected running time foreseen in the playbook/document being tested. This can be spread out over one or more sessions. IRTs may define the number of sessions or leave it to the bank's discretion. There should be as few sessions as possible, to try to be as close to a real crisis event as possible;
 - v) Banks have the possibility of compressing time for steps that do not depend directly on the bank. Any time not included is expected to be referenced in the outcome report;
 - vi) Relevant stakeholders, including senior management/Board of Directors, should demonstrate sufficient knowledge and awareness of the capabilities being tested to

ensure that the operationalisation takes place over the allotted time and with the resources foreseen in the playbook/document being tested;

- vii) Banks should prepare documents relevant for the operationalisation of the procedure being tested during the simulation, itself, and not ahead of time. For this purpose, banks may use templates prepared in advance, in line with playbooks;
- viii) Banks should organise themselves during the simulation as they would in a real resolution;
- ix) Unless expressly foreseen in the reference playbook/document being tested, no external consultants should take part in a simulation, except as independent silent observers.

b) When to use:

- i) When there are no material gaps in the procedure or set of procedures being tested, in terms of completeness;
- ii) To assess the level of crisis readiness, as close to a crisis scenario as possible, and, to the extent possible, in real time;
- iii) To assess whether amendments made due to prior tests have been operationalised as originally thought.

5.4.2. DRILL

26. A drill can be described as a targeted dry-run performed with limited forewarning to institutions, focusing on specific steps in a procedure or set of procedures:

a) What is expected:

- i) Simulated practical operationalisation of the resolvability capabilities being tested, without forewarning to participants in the drill. The specific day in which the drill should start will be defined by the IRT, and communicated to the resolution team within the bank 24 hours in advance of the drill. The bank may be made aware of the intent to test capabilities using a drill during a specific quarter through the multi-annual testing programme;
- ii) The simulation should be targeted, focusing on specific steps in a procedure or set of procedures;
- iii) Unless specified by the IRT in advance or during the drill, the simulation should be run in line with what is foreseen in the applicable playbook/document. Any deviation from the playbook/document should be recorded as a finding and presented to the IRT, with a clear justification. The IRT may decide to specify deviations from the playbook/document in advance of, or during, the drill. If so, the drill should take into account the deviations set by the IRT;

- iv) Drills should be performed in real time, in line with what is foreseen in the relevant playbook/document being tested;
- v) Relevant stakeholders, including senior management/Board of Directors, should demonstrate sufficient knowledge and awareness of the procedure being tested to ensure the operationalisation takes place over the allotted time and with the resources foreseen in the playbook/document being tested;
- vi) Banks should prepare documents relevant for the operationalisation of the procedure being tested during the drill, itself, and not ahead of time. For this purpose, banks may use templates prepared in advance, in line with playbooks;
- vii) Banks should organise themselves during the drill as they would in a real resolution;
- viii) Unless expressly foreseen in the reference playbook/document being tested, no external consultants should take part in a drill, except as independent silent observers.

b) When to use:

- i) When there are no material gaps in the procedure or set of procedures being tested;
- ii) When the procedure or set of procedures being tested is sufficiently simple;
- iii) To test the adequate and timely delivery of data/information;
- iv) To assess whether amendments made due to prior tests have been operationalised as originally thought.

5.4.3. MANAGEMENT SIMULATION

27. A management simulation can be described as a dry-run focusing on the role senior management and/or Board of Directors would play in a crisis event:

a) What is expected:

- i) Simulated practical operationalisation of the resolvability capabilities being tested, focusing on senior management and/or Board of Directors and their role in operationalising the capabilities being tested;
- ii) Unless specified by the IRT in advance or during the management simulation, the simulation should be run in line with what is foreseen in the applicable playbook/document, in all respects. Any deviation from the playbook/document should be recorded as a finding and presented to the IRT, with a clear justification. The IRT may decide to specify deviations from the playbook/document in advance of, or during, the management simulation. If so, the management simulation should take into account the deviations set by the IRT;

- iii) Management simulation should be performed in real time. The maximum running time of the management simulation should be in line with the expected running time foreseen in the playbook/document being tested. This can be spread out over one or more sessions. IRTs may define the number of sessions or leave it to the bank's discretion. There should be as few sessions as possible, to try to be as close to a real crisis event as possible;
- iv) Banks have the possibility of compressing time for steps that do not depend directly on the bank. Any time not included is expected to be referenced in the outcome report;
- v) Senior management/Board of Directors should demonstrate sufficient knowledge and awareness of the capabilities being tested to ensure the operationalisation takes place over the allotted time and with the resources foreseen in the playbook/document being tested;
- vi) Banks should prepare documents relevant for the operationalisation of the procedure being tested during the management simulation, itself, and not ahead of time. For this purpose, banks may use templates prepared in advance, in line with playbooks;
- vii) Banks should organise themselves during the management simulation as they would in a real resolution;
- viii) Unless expressly foreseen in the reference playbook/document being tested, no external consultants should take part in a management simulation, except as independent silent observers.

b) When to use:

- i) When there are no material gaps in the procedure or set of procedures being tested;
- ii) To assess the level of crisis readiness of the bank's senior management and/or Board of Directors, in real time, as close to a crisis scenario as possible;
- iii) To assess whether amendments made due to prior tests have been operationalised as originally thought.

6. Internal governance for resolvability testing

6.1. Internal governance structures for resolvability testing

28. As foreseen under Principle 1.4. of the SRB's EfB, banks are expected to have a robust internal governance structure for resolvability testing. That governance structure should have the following characteristics:

- a) **Internal resolvability testing framework:** banks should approve an internal policy on resolvability testing, clearly outlining responsibilities and reporting lines and procedures in this regard, including the approval of an internal testing framework. Internal procedures on resolvability testing are expected to involve the Board of Directors, senior management and all internal stakeholders that would operationalise capabilities in case of resolution. The internal policy should include procedures for the preparation, implementation and follow-up of tests, and foresee the involvement of internal audit. The internal regulation is expected to be approved by the Board of Directors;
- b) **Internal resolvability testing plan:** banks should develop an internal resolvability testing plan, compatible with the multi-annual testing programme set by the IRT. This plan is expected to reflect the multi-annual testing programme communicated to the bank by the IRT. The internal resolvability testing plan is expected to be approved by the Board of Directors and revised each time the multi-annual testing programme sent by the IRT is revised. For more details, see Part 1, section 6.2 below;
- c) **Member of the Management Body/ Senior-level executive responsible for (internal work on) resolution planning and implementation of the resolvability work programme:** the Member of the management body responsible for resolution planning is expected to oversee resolvability testing activities and to regularly report to the Board of Directors about those activities, as a part of its overall mandate on resolution planning. This should include a briefing on findings from tests and follow-up of actions needed to address those findings. For Global systemically important institutions (G-SIIs), Other systemically important institutions (O-SIIs) and top tier banks, the member of the management body responsible for resolution is expected to brief the Board about resolvability testing during the Board meeting after each test. The same applies for banks with a high Supervisory Review and Evaluation Process (SREP) score. For other banks, the member of the management body responsible for resolution may provide an update to the Board at the end of each half year;
- d) **Internal resolution planning function:** the senior executives responsible for resolution planning and the internal resolution planning function are expected to prepare and oversee the implementation of the internal resolvability testing framework and the internal resolvability

testing plan, as defined based on the multi-annual testing programme communicated by the IRT;

- e) **Management information systems and internal testing environment:** banks are expected to have management information systems and, where relevant, testing environments that allow them to perform high quality simulations for the purposes of resolvability testing;
- f) **Awareness and training:** the internal resolution planning function is expected to disseminate information about resolvability testing internally to all relevant internal stakeholders, including both the internal resolvability testing framework and the internal resolvability testing plan. Banks' training plans on resolution matters are expected to include sessions on resolvability testing.

6.2. Internal resolvability testing plan

29. Banks are expected to approve the internal resolvability testing plan. The plan is expected to have the following characteristics:

- a) **Board approval:** the internal resolvability testing plan is expected to be approved by the Board of Directors;
- b) **Adherence to multi-annual testing programme:** the internal resolvability testing plan is expected to fully adhere to, and reproduce, the multi-annual testing programme communicated to the bank by the IRT. Banks may also add further tests (and/or areas/sub-areas covered in a specific test) to their testing plan, going beyond what the IRT has determined, but may not remove or lower the standards of tests foreseen under the multi-annual testing programme;
- c) **Three-year coverage:** the internal resolvability testing plan is expected to cover tests over three years;
- d) **Level of detail:** the internal resolvability testing plan should at least include the following items:
 - i) **List of tests:** full list of tests for the three years covered by the plan;
 - ii) **Test blueprints:** high-level information on each test, including: (i) testing areas and sub-areas, (ii) previous findings regarding tested areas and sub-areas, and how they are being addressed in the test, (iii) internal stakeholders involved, (iv) independent silent observer(s) and/or facilitator, (v) IRT presence and (vi) expected deliverables;
 - iii) **Timeline for preparing each test:** for the first year, the timeline estimated to prepare each test, including all relevant milestones (identification of relevant stakeholders to participate in the test, preparation of the stress scenario (if applicable), identification of independent silent observer, looking for suitable dates to perform the test);
 - iv) **Timeline for performing each test:** for the first year, the timeline estimated to perform each test, including all relevant milestones;

- v) Timeline for following up on each test:** for the first year, the timeline estimated to follow up on each test, including relevant milestones;
 - e) Regular review/update:** the internal resolvability testing plan is expected to be annually reviewed or updated each time the multi-annual testing programme is reviewed or updated.
- 30.** The standard annual submission to the IRT of the internal resolvability testing plan considering the latest multi-annual testing programme communicated to the bank is expected together with the resolvability self-assessment report. The timeline for other submissions, if needed, shall be discussed and agreed between the bank and the IRT.
- 31.** Banks are expected to undertake all tests foreseen in the internal resolvability testing plan, in line with the multi-annual testing programme set by the IRT.
- 32.** Any deviations from the original plan should be minor and duly justified; they should not jeopardise the bank's ability to meet testing expectations for any given year under the multi-annual testing programme.
- 33.** Changes from the original plan that lead to a material deviation from the multi-annual testing programme may only take place under exceptional circumstances, which must be duly justified, and require prior agreement from the IRT. In such circumstances, the IRT will also consider whether such deviations may imply changes in the envisaged tests for the remaining years of the multi-annual testing programme and will inform the bank accordingly.
- 34.** When requesting deviations that would result in a material deviation from the multi-annual testing programme, banks should also explain what steps it will take to avoid such deviations in the future, in case those deviations represent a downgrade from the original programme.

6.3. Internal audit involvement in resolvability testing

- 35.** The internal audit function may play the following roles regarding resolvability testing:
 - a) Internal audit plan:** the internal audit function should include resolvability testing in its audit plan (including, for example, audit on testing environments). Resolvability testing issues should be audited regularly for large and complex banks (G-SIIs, O-SIIs, top tier banks), i.e., at least once every three years, unless there is a valid reason for the audit to be postponed. For other banks, resolvability testing issues may be audited less regularly, depending on the concrete size and complexity of the bank, and risks to resolvability that have been identified;
 - b) Independent silent observer:** the internal audit function is strongly recommended to take part in a test as an independent silent observer in the case of more complex tests (e.g., once a year). In this role, it is expected that the internal audit function assesses whether the test was performed in accordance with IRT expectations (e.g., as provided in the multi-annual testing programme, or follow-up requests and recommendations), and identifies findings regarding the procedures being assessed.

7. Test environments and performance testing tools

7.1. Test environments

- 36.** Banks are expected to develop test environments as part of their MIS, in line with expectations set out in Part 2 of this guidance. Test environments are expected to allow for the performance of a realistic simulation of all the actions envisaged in case of resolution, without risking affecting the business continuity or the production environment of the bank's system (e.g., actual balance sheet, solvency position or relevant data bases of the group). Test environments should also make it possible to:
- a)** Challenge the accuracy and completeness of playbooks, or any relevant equivalent document, by contrasting all their instructions with the actual operations that would be necessary to implement the scenario of the test;
 - b)** Ensure that MIS perform as intended;
 - c)** Ensure that the actions envisaged in playbooks produce the intended results.
- 37.** Test environments should have the following characteristics:
- a)** The test environment interface of the relevant systems and software should match as closely as possible those of the production environments;
 - b)** The test environment should be able to handle scenarios;
 - c)** To ensure that the actions envisaged in the playbooks, or any relevant equivalent document, produce the expected results within the accounting books of banks, technical measures should be in place to reconcile the results from the simulation with the original balance sheet position; i.e., simulation modules should be integrated within the overarching MIS framework to ensure seamless connectivity with real-time data streams;
 - d)** The underlying procedures and data sourcing of the testing environment should match those of the production environment.
- 38.** Test environments should be updated whenever the production environment is upgraded.
- 39.** Banks are expected to document the specifications of their test environments and to audit them regularly to ensure that they are working properly. Therefore, both the resolvability work programmes and the internal resolvability testing plan developed by banks should ensure that this dimension is considered.
- 40.** Banks are expected to have test environments in place by December 2026. Until a testing environment is in place, walkthroughs should replace dry-runs to test the execution capabilities focused on the recording of resolution actions in accounting systems. All other processes and workflows should be

tested in line with the expectations of the operational guidance. Until a test environment is in place, evidence that the test has been conducted outside of the local IT systems should be presented to the IRT (e.g., Excel files, screenshots of IT systems' views, dashboards, other presentations, and notes).

7.2. Performance testing tools

41. Banks should also have available performance testing tools to assess the overall system performance supporting the execution of resolution-related capabilities. This would include an evaluation of the system responsiveness, workload handling, execution timing and availability. Performance testing should help to identify potential bottlenecks and to ensure that the system can handle the expected workload during resolution.

8. Preparing for a test

42. With the exception of drills, banks are expected to prepare each test thoroughly, paying close attention to the expectations for the test method being applied and the specific expectations for each test. Banks should ensure that all necessary conditions are in place to run the test as outlined in the multi-annual testing programme. In this context, banks are expected to:
- a) Develop all preparatory materials sufficiently in advance of the testing to be able to review their quality and ensure that they are adequate for the test to proceed as envisioned;
 - b) Discuss the test in advance with relevant staff, including during training sessions on resolvability testing;
 - c) Start mobilising staff and relevant resources sufficiently in advance to ensure that testing can proceed as envisioned.
43. Banks decide on the working language or languages for the test and communicate their decision in a timely manner to the IRT, if the IRT is to participate as observer in the testing session.
44. The bank and the IRT may agree on the IRT's participation in the test, as an observer. In such case, the bank and the IRT discuss and agree on the modalities of such participation beforehand. Members of the IRT may only attend remotely, through digital means and do not play any active role during the test. The IRT members remain silent during the test (i.e., do not request clarification and do not answer any questions). However, the IRT may intervene during the test to change the scenario by changing its assumptions or to add new elements to the test (injects), if deemed relevant.
45. Banks are expected to provide a breakdown of the test to the IRT in advance, explaining its organisation. The breakdown should follow the testing exercise template ([Template B](#)). Banks are required to respect the structure of the minimum fields, but are also encouraged to add any additional field or content that they consider relevant.

9. Conducting a test

46. While conducting the test, banks are expected to meet expectations concerning:
 - a) The applicable test method;
 - b) Scope of the test;
 - c) Scenario for the test.
47. Where applicable, banks are expected to follow the relevant reference document/playbook, unless expressly instructed otherwise by the IRT. This includes staff and resources used, as well as procedures discussed/followed during the test.
48. Banks are expected to conduct tests in accordance with the corresponding testing exercise template. Any deviations from the testing exercise template need to be recorded in the outcome report (see Part 1 section 12.1), and, where applicable, in the independent observer report (see Part 1 section 12.2).

10. Daily summary

49. IRTs may request a daily summary of actions performed when they need insight into the testing conducted for the resolution plan but cannot wait for the outcome report (see Part 1 section 12.1). They may also request this summary if intervention is required during testing to modify its conditions.

11. Use of external consultants

50. Banks may rely on external consultants to assist them with work related to resolvability testing. If they choose to do so, they should notify the relevant IRT beforehand. Banks should also inform the IRT as to whether the consultants have provided services to the bank related to the resolvability capabilities being tested (e.g., assistance in preparing a playbook).
51. The SRB expects that banks may hire consultants exclusively for the following services, when it comes to resolvability testing:
- a) **Assistance in preparing internal documents regarding resolvability testing:** banks may hire external consultants to prepare internal documentation regarding resolvability testing. However, it is the bank that retains the responsibility for the quality of its documentation regarding resolvability testing. All relevant internal stakeholders within the bank should be aware of the existence of the documentation at issue, and its content, to the extent necessary to perform their duties in resolvability testing. Consultants may also contribute to the outcome report (see section 12.1), though the overall responsibility for the report is expected to be retained by the internal resolution planning function of the bank;
 - b) **Facilitator during desktop exercises and walkthroughs:** banks may hire external consultants to act as facilitators during desktop exercises and walkthroughs. As facilitators, the external consultants should foster discussion and ask questions;
 - c) **Independent silent observer:** in principle, the independent observer role should be filled by internal audit. However, banks may hire external consultants to act as independent silent observers, in particular cases where internal audit does not have the capacity/resources to perform this function (e.g., the internal audit function may not have the expertise necessary to act as independent observer in a test for valuation). External consultants who act as independent observers should remain fully silent during the test and should produce their own independent report, which is expected to be submitted to the IRT by the bank.
52. Banks shall ensure that external consultants are bound by adequate confidentiality arrangements.
53. External consultants cannot replace bank staff expected to perform a role during the operationalisation of a capability that is being tested.
54. External consultants who provide support for systems used during a test (in particular, IT systems), and are required to operationalise resolvability capabilities, may participate in tests with the exact role they would have in case of resolution.

12. Deliverables

12.1. Outcome report

- 55.** After each test, banks are expected to prepare an outcome report ([Template C](#)). An outcome report should include:
- a)** A clear distinction between the description of activities and tasks performed during the test and the lessons learned;
 - b)** A clear outline of the scenario, timing of the test and the related cut-off date, if relevant;
 - c)** A clear outline of the scope of the test along with the entities concerned (including their identifier – LEI, MFI, other code) and the stakeholders involved;
 - d)** A clear outline of deviations from the playbook or other document that contained the description of the capabilities being tested and the related underlying reasons;
 - e)** A clear explanation for the reasoning behind decisions made during the test, including all options analysed and discussed by the bank;
 - f)** A clear outline of deficiencies and opportunities for improvement identified during testing, in the form of findings;
 - g)** A clear outline of remedial actions and timeline for addressing the findings of the test.
- 56.** Banks are expected to use the outcome report template provided. The outcome report should be submitted within one month of the finalisation of the test, unless otherwise agreed with the IRT, via the IRIS tool.
- 57.** The outcome report template should be complemented by banks with the additional fields defined in Part 2 for each testing area, and take into account any further guidance provided by the IRT.
- 58.** The use of the template provided aims at ensuring a level playing field across banks, facilitating IRT benchmarking across groups, and comparing results across years. For this reason, banks are required to respect the structure of the minimum fields referred to in the template.
- 59.** To minimise duplication of work and ensure that the outcome report template can be used by banks as part of their regular resolution planning activities (for example, as a basis to inform their self-assessments or develop their work programmes or action plans), banks are encouraged to add any additional field or content that they consider relevant, either from an internal perspective or from the perspective of the interaction with the IRT. The lists of fields included in this guidance provide an overview of the minimum content of the outcome report, rather than an exhaustive list of information.

12.2. Independent observer report

60. Independent observers present during the exercise should prepare a report with their observations ([Template D](#)).
61. Each independent observer should draft its own report.
62. A report from an independent silent observer is expected to have the following characteristics:
 - a) Be separate from the outcome report;
 - b) Summarise the sessions observed by the independent observer, so that the IRT has a clear understanding of when the sessions took place, who took part and of key events that took place during those sessions, including any deviations from what had been planned;
 - c) Include a thorough assessment of whether the exercise was conducted in line with expectations set for the exercise and relevant documentation (e.g., playbooks), covering all items in the testing exercise template;
 - d) List of findings from the observed test, including both deficiencies/weaknesses and strengths.
63. The bank is expected to submit the independent observer report to the IRT, via IRIS. The independent observer report should be submitted within one month of the finalisation of the test, unless otherwise agreed with the IRT.

12.3. Testing area-specific deliverables

64. Banks will be requested by IRTs to produce testing area-specific deliverables, as outlined in Part 2 of this operational guidance.

12.4. Amendments to deliverables

65. Banks are expected to draw tangible and actionable lessons from the tests. After testing, banks are expected to incorporate lessons learned from the tests into any updates of the relevant bank deliverables (e.g., playbooks) and refer to them in the remediation actions. In case any significant updates to these documents are performed, banks are expected to share them with the relevant IRT.

Part 2 – Specific testing areas

1. Bail-in

1.1. Testing sub-areas

| Testing sub-area: description | Heatmap capability(ies) |
|--|--|
| MIS for Bail-in: Capability to generate report following the Minimum Bail-in Data Template (MBDT) according to SRB guidance and any applicable MBDT Country annex, including tests of the overall governance structure and IT systems used by the bank to generate bail-in data. | Principle 5.3 (only Bail-in related capabilities) |
| Internal execution: Capability to assess and implement all the necessary changes to the risk-weighting of assets, a bank's bylaws, internal registers, and accounts pursuant to the operationalisation of bail-in, according to SRB expectations and in a timely way, including tackling all applicable legal, accounting and tax issues. | Principle 2.3 |
| External execution: Capability to assess and prepare all the necessary documents and data to allow for parties external to the bank to make all arrangements necessary to support and reflect the bail-in in their systems. | Principle 2.3 |
| Internal loss transfer and recapitalisation mechanism (ILTRM): In the case of banks with non-resolution entities, whose liquidation is not considered credible, i.e., with a minimum requirement for own funds and eligible liabilities (iMREL) calibrated at RCA level, non-resolution entities should test the internal loss transfer and recapitalisation mechanism (ILTRM) (i.e., the capability to write down and convert eligible liabilities ⁹), covering the above-mentioned sub- | Principle 2.6 |

⁹ Eligible liabilities that meet the conditions referred to in point (a) of Article 12g(2) SRMR, except the condition related to the remaining maturity of liabilities as set out in Article 72c(1) of Regulation (EU) No 575/2013.

| | |
|---|--|
| <p>areas. Hence, the outcome report fields¹⁰ for this sub-area are grouped in the relevant sub-areas above, given the similarities in the process.</p> | |
|---|--|

Different testing sub areas can be grouped together to perform a complete dry-run on Bail-in.

1.2. Specific test environment needs

66. Banks are expected to develop adequate test environments that allow the bank to perform a realistic simulation of the bail-in implementation, and to ensure that accounting systems perform as intended, so that the resolution actions produce expected results within accounting books as envisaged in the bail-in playbook.

1.3. Reference date / period

67. The reference date of the data used for the exercise, at the earliest, should be the day immediately before the test.
68. Banks are expected to be able to provide bail-in data at non-standard reference dates. Therefore, reference dates corresponding to year-end, end of the quarter or end of the month should in principle be selected only in case the bank has recently set up its MIS infrastructure for bail-in (e.g., newly onboarded banks).
69. IRTs may also request testing of channels and platforms for data submission in multiple days within one week (or alternatively weekly delivery for two weeks).

1.4. Specific deliverable – MBDT report

70. Banks are expected to deliver the MBDT report in line with the instructions included in the MBDT guidance.
71. Depending on the scope of liabilities tested, the size of the report submitted following the MBDT can be very different. In the majority of the cases, the collection of Submission B, under the MBDT guidance, will be the main driver in increasing the size of the datasets received, as it includes granular information on deposits.
72. For the purposes of MBDT collection, IRTs may request to:
- a) Receive the file(s) via IRIS, when the overall size of the submission is within the limits of the platform (1 GB); or
 - b) Receive the file(s) via the bank's virtual data room.

¹⁰ Please refer to Part 2 section 2.2

73. Regardless of the platform used to receive the file(s), all the relevant IRT members must have access to data, including NRA staff.
74. As mentioned in the MBDT guidance document, section 1.1, banks should be able to submit the MBDT report in 24 hours, and to update the information, when requested.
75. IRTs can grant additional flexibility, and receive the data within three business days from the request date. The extension may be granted only if the bank requires more time to submit the data during the test, depending on the availability of its staff in a business-as-usual scenario. However, MIS systems must be set up in order to provide the information within 24 hours (i.e., one calendar day) in case of a crisis. Such extension cannot be granted in case the additional time is needed for the MIS system to elaborate and produce the information (internal batching, etc).
76. IRTs may determine that the test entails multiple MBDT reports submissions, with different reference dates, to test the ability of the banks to properly update the information included in the template. For example:
- a) A bail-in test, including data provision, internal execution and external execution is scheduled for Friday 21 November 2025. In principle, the MBDT report submission to the IRT would be expected by Monday 24¹¹;
 - b) The IRT can request a preparatory MBDT report submission in the weeks before the actual exercise (e.g., Friday 7 November) to ensure that the bank is capable to consistently update the information included in the template.
77. Requesting different MBDT report submissions within less than one week time might not provide significant added value when the scope of the testing is limited to subordinated instruments and liabilities¹². When requesting multiple submissions, IRTs will, therefore, schedule the submission with at least one week of difference from one to another, unless there is a justification for a shorter timeframe.

1.5. Specific deliverable - *Pro forma* financial and regulatory statements post- resolution

78. Banks are expected to produce at short notice and provide to the IRT a *pro forma* balance sheet, profit & loss statement and updated own funds estimations in line with the paragraphs and sections below.
79. The *pro forma* balance sheet, profit & loss statement and the updated own funds estimations should be delivered in excel format via IRIS. The delivery should happen the day after the test date. Banks should ensure that the deliverable includes the information provided with FINREP F01.01, F01.02,

¹¹ The timeline is applicable for test, while in a Resolution scenario the MBDT report must be provided over the Resolution weekend.

¹² As the majority of the updates would be, more likely, on certain elements of the senior layer and deposits.

F01.03 and COREP C01.00. The level of granularity should allow the IRTs to clearly understand the fields that have been impacted by bail-in or by the loss recognition phase.

80. Depending on the loss scenario assumed by the IRT and the bank in the test, the bank should clearly reflect the effects of such loss assumptions in the production of its *pro forma* financial statements. For instance, in case of a credit risk loss scenario, the reduction on the nominal amount of financial assets at amortised cost in the pro-forma balance sheet should be consistent with the net impairments on financial assets at amortised cost recognised in the *pro forma* profit & loss statement. Similarly, in case of a market risk loss scenario, the reduction on the nominal amount of financial assets designated at fair value in the *pro forma* balance sheet should be consistent with the net losses on financial assets designated at fair value through profit or loss in the *pro forma* profit & loss statement.
81. Accounting information (*pro forma* balance sheet and profit & loss) should be provided at:
 - a) Individual level (IFRS and/or national GAAP, when deemed applicable);
 - b) The levels of consolidation at and in the standards in which the entities involved in the exercise need to comply with own funds requirements¹³. In principle, the consolidation process should follow the accounting scope. However, banks and IRTs can agree on the delivery of a consolidated *pro forma* balance sheet that follows the prudential rules according to Articles 11-22 CRR, in case deemed relevant.
82. Prudential information (own funds update) should be provided at the level of consolidation at which a bank has to meet own funds requirements.

1.6. Specific deliverable – Documents relevant for communication with CSDs

83. Banks should be able to deliver all documents relevant for communication with CSDs, in line with applicable national guidance/documents. When applicable, banks should ensure that when the national legal framework provides for the issuance of interim instruments representing contingent entitlements, this is reflected in the preparation of the external execution. Any relevant national specificities must also be taken into account.
84. As regards international central securities depositories (ICSDs), the document [Reflecting bail-in in the books of the International Central Securities Depositories \(ICSDs\)](#) (March 2021, the “ICSD document”), describes the elements that banks should consider for the operationalisation of the bail-in in respect of international bearer debt securities issued by and safekept in the ICSDs Euroclear Bank (EB) and Clearstream Banking Luxembourg (CBL). In this context, for XS ISINs (securities where the primary issuer is one of the ICSDs), banks should be able to prepare the instruction letters and

¹³ The same principle applies also to banks featuring the Multiple Point of Entry (MPE) strategy. In such cases, in principle banks should be in the position to produce the pro-forma financial statements at individual and consolidated level, unless the IRT would see technical reasons to request the bank to produce such documents also at sub-consolidated level (i.e., resolution group level).

their supporting documents (cf. Annex II of the ICSD document, including Letter and Annex 1 Operational guidelines, Annex 2 List of instruments and Annex 3 Appointment of agent, as appropriate) and demonstrate that they are able to transmit them to the operational agent (in cases where the agent is a third party) or the common depository and the ICSDs (in cases where the agent is an entity of the bank).

1.7. Specific deliverable – Tax impact report

- 85.** Banks should prepare a report explaining the estimated tax impact on the operationalisation bail-in and ILTRM activation, taking into account applicable tax laws.
- 86.** The report should also document how the bank estimated the tax impact and how this was reflected in its operationalisation of the bail-in and activation of the ILTRM during the test.

2. Business reorganisation plan

2.1. Testing sub-areas

| Testing sub-area: description | Heatmap capability(ies) |
|---|---|
| <p>Governance arrangements: for producing the BRP, namely the units responsible for the production of the BRP at the operational level, the flow of information exchanged between units to produce the BRP (inputs, meeting between units, information sharing, escalation of issues), the validation process at the level of the relevant committees and finally at the level of the management body of the institution.</p> <p>Operational steps: carried out by each stakeholder involved with a view of producing a complete BRP and the timeline necessary for each step. Institutions should consider data gathering process, operation of MIS, drafting of the BRP, production of financial projections, potential appointment of external advisors, interactions with resolution authorities, internal and external reporting, validations, possible amendments to the BRP, final sign-off and submission.</p> | Principle. 7.3.1.1.1. |
| <p>Provision of a simplified BRP whereby institutions should demonstrate the viability of the core bank within a reasonable timescale as per Article 52(4) BRRD and according to the requirements for the testing.</p> <p>In this regard, institutions should:</p> <ul style="list-style-type: none"> - show their capabilities to determine their Core Bank post-resolution (confirming critical functions and core business lines to be maintained, geographical presence) based on a strategic analysis; - evidence their ability to identify credible and feasible business reorganisation measures (recovery measures and alternatives reorganisation measures), taking into consideration time needed to implement and time to benefit, and assess the costs and impacts of these business reorganisation measures on the profit & loss statement; - demonstrate their capabilities to make credible yearly financial projections until the end of the reorganisation period; | 7.3.1.1.1 (partially), 7.3.1.1.2, 7.3.1.1.3, 7.3.1.1.4, 7.3.1.2.1, 7.3.1.2.2, 7.3.1.2.3, 7.3.1.2.4, 7.3.1.2.5, 7.3.1.2.6, 7.3.1.2.7, 7.3.1.2.8, 7.3.1.3.1, 7.3.1.3.2, 7.3.1.3.3, 7.3.1.3.4, 7.3.1.3.5 |

2.2. Reference date / period

87. For the testing sub-area related to governance, there is no specific reference date. However, the governance testing should leverage on the most updated versions of the BRP Analysis Report and recovery plan.

88. With regard to the testing of the capability to produce the simplified BRP, a specific reference date will be agreed with the IRT.
89. Banks are expected to provide a simplified BRP within the following timeline:
- a) For dry-runs: within three months since the inception of the test and could be shortened to one month for more complex tests;
 - b) For drills: the period that cannot exceed 1 month from the communication of the starting of the test;

2.3. Specific deliverables – simplified BRP

90. Banks should be able to provide the simplified BRP either by one month or three months following the inception of the exercise depending on the type and complexity of the test.
91. The simplified BRP should cover the following, in an adequately granular way:
- a) A description of the business model post-resolution (core-bank) and geographical footprint:
 - i) The description of the perimeter of the Core Bank (definition of geographical presence, number of remaining legal entities and minimum activities to be performed by the institution post OBBI) as well as the rationale for excluding entities or activities;
 - ii) The list of critical functions that would be preserved in the Core Bank, and critical functions that might be sold, substituted, or discontinued in an orderly fashion;
 - iii) The list of business lines, subsidiaries and branches, servicing entities that would remain in the Core Bank;
 - iv) The operational difficulties institutions may face when operationalising the different options retained;
 - b) An identification and implementation roadmap of business reorganisation measures:
 - i) Identification of recovery options that would likely constitute valid reorganisation measures, i.e., that would lead to reaching the core bank perimeter and/or credibly restore the financial soundness and/or the medium to long term profitability prospects (over a five-year period) of the institution as a going concern post open-bank bail-in;
 - ii) Identification of some complementary business reorganisation measures that could lead to reaching the core bank perimeter and/or help restore viability post resolution;
 - c) Financial projections whereby the institution demonstrates the long-term viability of the core-bank at the end of the reorganisation period:
 - i) projection of the maximum financial impact (expressed in terms of profit & loss, solvency and liquidity indicators such as RoE, CIR, CET1, TCR, Total Assets, RWAs and LCR) of implementing the subset of reorganisation measures;

- ii) financial impact will need to be illustrated for a period of maximum five years in order to distinguish between costs that are often incurred at the beginning of the reorganisation period and the benefits that usually offset costs after a certain period of time;
- 92. The bank should provide a timeline for each of the operational steps to produce the financial projections, identifying the relevant contributor, the role played as well as the input provided.
- 93. The bank should take into account, when considering the input to be provided, that the financial projections encompass not only the performance of the institution over time, but also the result of the application of the reorganisation measures throughout the reorganisation period, up to the moment it can be demonstrated that the core bank would be viable in the medium to long run.
- 94. The bank should flag any bottlenecks in the process as well as ways to address them.

3. FMI access

3.1. Testing sub-areas

| Testing sub-area: description | Heatmap capability(ies) |
|--|---------------------------------|
| Identifying, mapping and assessing dependencies on FMI service providers: The identification, mapping and assessment of dependencies related to FMI service providers. | Principle 4.4. |
| FMI contingency plan and measures to ensure continuity of access to FMI services: Governance & communications, resolution resilience and alternative measures, substitution & customer portability, requirements for continued access (financial/liquidity; processes, operational arrangements). | Principle 4.5 and Principle 4.6 |

3.2. Specific test environment needs

95. When a test requires to execute a dry-run or similar simulation of processes, it is highly recommended to perform such exercise in a testing environment. Banks are also encouraged to use a test environment when generating data under a bespoke scenario that extends beyond current circumstances.

3.3. Reference date / period

96. Unless explicitly stated, banks should rely on the latest available data and consider the current date and current circumstances when performing a walkthrough or other tests. The reference date should be the day before the day of the test.

3.4. FMI involvement in tests

97. The dialogue between the bank and its FMIs is central towards ensuring the continuity of access in resolution. It allows to better apprehend the defensive action that the FMI can take in the runup to resolution and during resolution and the consequences of resolution and contingency measures in place, including in terms of funding and operational requirements as well as other aspects such as communication channels. As such, involvement of FMIs in subsequent testing exercises is considered as best practice. If full participation cannot be foreseen, the participation of FMIs in selected aspects

of the test preparation or execution should be considered in some very targeted and proportionate cases.

98. Given that the bank cannot be expected to involve all FMIs in all testing exercises, the bank should consider sharing the main findings with the FMI and following up bilaterally to address shortcomings identified in the outcome report.

3.5. Specific deliverable – List of FMIs with updated contact list

99. Banks are expected to deliver an updated list of FMIs, mapping the FMIs to critical functions and/or core business lines, and up-to-date contact list.

3.6. Specific deliverable – Record of information prior to or upon entry into resolution with regard to a list of material upcoming settlement or delivery obligations

100. Banks should deliver a record of information in line with expectations under the SRB's *Guidance on FMI Contingency Plans*.

3.7. Specific deliverable – Summary table with all maximum liquidity needs to maintain access to each critical and essential FMI

101. Banks should provide a summary table outlining all maximum liquidity needs to maintain access to each critical and essential FMI.
102. The table should identify the FMI, whether it is critical or essential, and the maximum needs to maintain access.

4. Liquidity

4.1. Testing sub-areas

| Testing sub-area: description | Heatmap capability(ies) |
|--|---|
| <p>Estimation of liquidity and funding needs in resolution: Banks are expected to test that their governance arrangements are adequate to be able to estimate their liquidity needs in line with the operational guidance notes and to take actions to address them in a crisis situation. This is of particular importance as the group liquidity set-up may diverge in resolution from the one in business as usual.</p> <p>Banks are expected to test the liquidity management and decision-making processes in resolution. Where relevant, tests in this sub-area should be run together with other tests.</p> <p>Banks are expected to test their capabilities to identify key liquidity drivers and their dynamics under different scenarios as laid out in the operational guidance note. In addition, banks are expected to test their capabilities to estimate, ex-ante, their liquidity and funding needs in the different phases of resolution (run-up to resolution, FOLTF and stabilisation phase).</p> <p>Main elements to consider: i) Input to the quantification methodology: liquidity drivers & dynamics of liquidity drivers and ii) Output of the quantification methodology: Quantification of liquidity and funding needs.</p> | <p>1.2.1.1, 1.2.2.1, 1.2.3.1, 3.1.1.1, 3.1.1.2, 3.1.1.22, 3.1.3.1, 13.1.3.1.3.1, 3.1.3.2</p> |
| <p>Measurement and reporting of the liquidity situation in resolution: Banks are expected to test that their governance arrangements are adequate in order to produce, validate/perform quality assurance, approve and report information requested by the resolution authority as laid out in the operational guidance. Where relevant, tests in this sub-area should be run together with other tests.</p> <p>Banks are expected to test their capabilities to report their liquidity position in a standardised format, at short notice and at the requested level of consolidation and of granularity (i.e., KLEs and material currencies) as laid out in the operational guidance. When the testing of these capabilities takes the</p> | <p>1.3.1.1, 1.3.1.2, 3.2.2.1, 3.2.1.2, 3.2.2.1, 3.2.2.2, 3.2.3, 5.1.1.2</p> |

| | |
|--|--|
| <p>form of a dry-run, it is expected to take place during a common liquidity exercise, for which banks are made aware of in advance. The aforementioned testing can also be considered in light of stress scenario assumptions or under a drill where banks are not made aware of the precise starting reporting date. In case a scenario is applied, this test can be combined with a testing of Principle 3.3.</p> | |
| <p>Identification and mobilisation of collateral during and after resolution:</p> <p>Banks are expected to test their management awareness of the arrangements for the identification and mobilisation of collateral during resolution (including alignment with the resolution strategy, internal guidance and documents). If possible, tests in this sub-area should be run together with other tests.</p> <p>Banks are expected to test their capabilities to identify and mobilise, in accordance with the SRB Guidance, collateral in resolution including the relevant MIS, operational and legal steps (e.g., timing and localisation of collateral, set-up of contracts, communication to relevant stakeholders), obstacles to mobilisation (especially for internationally active banks), relevant information regarding the valuation of collateral, etc.</p> | <p>1.2.1.1, 1.2.2.3, 1.2.3.1, 3.3.1.1, 3.3.1.2, 3.3.1.3, 3.3.2.1, 3.3.2.2, 3.3.2.3, 3.3.2.4, 3.3.3.1, 3.3.3.2 and 3.3.3.3</p> |

4.2. Specific test environment needs

- 103.** Banks are expected to apply different scenarios for some of the tests concerning the liquidity area. As long as banks are able to apply these scenarios to data in their production systems and ensure that there is a clear distinction between scenario data and real data, banks are not required to put in place a dedicated testing environment. If banks are not able to ensure this clear distinction, it is expected that they set up a testing environment which allows them to ensure that there is no mix between testing and real data.

4.3. Reference date / period

- 104.** As liquidity can be very fast-moving, a reference date should be set very close to the testing period. Therefore, a day before the testing date (or even more recent) should be considered as a reference date.
- 105.** For horizontal dry-run tests, all banks will be expected to submit the requested information at the same date and time to allow for comparability across banks. In this case the reference date will be either the day before the reporting date or a requirement for the submission of information multiple times a day (e.g., two hours after the reference date).

106. As regards testing taking place outside of a horizontal exercise, banks can perform the tests at any time during the year.

4.4. Specific deliverable – Key liquidity drivers in the context of the estimation of the liquidity position in resolution

107. Banks are expected to update their information on key liquidity drivers. As an outcome of the dry-run, banks are expected to submit the information on the key liquidity drivers to the IRT, covering the scope set for the test.

4.5. Specific deliverable – Standardised set of data points as per the Operational guidance (Joint Liquidity Template – JLT)

108. The bank is expected to submit the standardised set of datapoints as per the Operational guidance in line with the request made by the IRT for the applicable tests (i.e., frequency, requested time/date, scope, consolidation and specific datapoints).
109. In case the template is reported under a scenario, the bank is expected to provide the scenario-specific assumptions in the first two Liquidity-specific outcome report fields.

4.6. Specific deliverable – Note on the assumptions and methodology for the valuation of collateral

110. As outcome of the dry-run, banks are expected to detail the actual assumptions (haircuts) and methodology used to identify and measure the collateral type under focus of the test including additionally:
- a) The governing law and location of the instruments;
 - b) The counterparties who would be willing to extend collateralised credit, and conditions thereof; if relevant, counterparties were to be excluded from the test, the rationale for such an exclusion is expected to be specified, in detail, as part of this deliverable;
 - c) The channel identified by the bank to mobilise these assets as well as the time frame needed for their mobilisation;
 - d) A gap analysis to identify the reasons for the ineligibility of different assets and the actions that could be taken to meet the eligibility criteria and improve financial resilience in resolution;
 - e) Any deviation in methodology that the Bank had to apply for the purpose of this exercise.

5. OCIR

5.1. Testing sub-areas

| Testing sub-area: description | Heatmap capability(ies) |
|---|---|
| <p>MIS for OCIR: Banks are expected to have MIS that provide rapid access to the OCIR information needed to support resolution and post-resolution restructuring. This information is crucial in order to ensure that the relevant services remain available during and after resolution, so that the provision of critical functions and the operation of core business lines are not disrupted. The MIS for OCIR shall provide reliable information, which is expected to be generated promptly in order to support the selection of the preferred resolution strategy and its effective implementation. Therefore, banks shall test their ability to timely retrieve accurate and complete OCIR data in the run-up and during resolution.</p> <p>This sub-area corresponds to the SRB expectations on the identification and mapping of critical and essential services, contracts, operational assets and staff (reflected in the service catalogue, repository of contracts, inventory of operational assets and database of staff respectively). In this regard, the banks must be able to generate in an automated manner the relevant data within a specific timeline agreed with the IRT, in principle not exceeding 4 hours. This testing sub-area can be combined with tests on other capabilities, using the assumptions for these tests, in order to ensure that the bank's MIS are sufficient for an actual crisis case.</p> | <p>OCIR: 4.1.1.1, 4.1.2.1, 4.1.2.2, 4.1.3.1</p> <p>MIS: 5.1.2.1, 5.1.3.1.</p> |
| <p>Continuity of relevant services, assets and staff: For the effective implementation of the resolution strategy, banks must ensure that the relevant services are available and operative in the run up to and during resolution. Therefore, banks are expected to demonstrate that they have adequate contingency arrangements to ensure the continuity of their relevant services and relevant resources against the materialisation of certain risks (discontinuation of contract(s) with a service provider, loss of staff member(s), loss of access to operational asset(s), as well as other risks, including but not limited to, operational incident(s) in resolution, system(s) not working properly etc). The latter are risks that the bank can also face in business as usual. However, during resolution, tackling these risks could prove more challenging,</p> | <p>OCIR: 4.2.2.1, 4.2.3.1, 4.1.4.1, 4.3.1.1, 4.3.2.1, 4.3.2.2, 4.3.3.1, 4.3.3.2, 4.3.3.3, 4.3.4.1, 4.3.4.2, 4.3.4.3.</p> |

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| <p>due to both time constraints as well as potential challenges in implementing mitigating actions.</p> | |
| <p>Governance: Governance is an aspect embedded in all resolution dimensions and the banks are expected to have strong governance arrangements to ensure the operationalisation of their OCIR arrangements. When performing the OCIR tests presented in the two sub-areas above, banks will contextually test the robustness of their governance arrangements for OCIR.</p> <p>In addition, banks are expected to perform OCIR governance-specific testing exercises in the form of management simulations. Banks can also include the OCIR-related aspects in more extended management simulations. More specifically, banks shall test: the escalation procedures of operational incidents; the management validation of contingency measures; the implementation of the contingency measures.</p> | <p>Governance: 1.2.2.1, 1.2.2.3, 1.2.3.1.</p> <p>OCIR: 4.3.3.3, 4.3.4.2.</p> |

5.2. Specific test environment needs

111. A testing environment is needed in those cases where the simulation of an operational incident cannot be achieved through the production environments used in BaU. For example, when the testing involves specific procedures for the activation of remedial actions, such as the substitution of a disrupted service with an alternative service or a backup solution and the replacement of staff members or operational assets, the systems in place may not allow to carry out a test.

5.3. Reference date / period

112. **MIS for OCIR:** Specific tests on the delivery of OCIR data can be performed at any time, since the OCIR-related information should always be up to date.¹⁴ Nevertheless, a cut-off date could be pre-agreed with the IRT, taking into account that new data might need some time to be reflected in the service catalogue. In principle, the reference date of the MIS extract should coincide with the testing date. Should this not be possible for any reason, the reference date shall be as close as possible to

¹⁴ As per principle 5.1 of EfB, banks are expected to have comprehensive, searchable and updated (with an adequate frequency) MIS/databases providing rapid access to the information needed to support resolution and post-resolution restructuring.

the date of the test. In case of deviation from the rule that the reference date shall coincide with the testing date, the bank shall provide a justification.

- 113. Continuity of services and OCIR governance:** Tests on the second and third sub-areas of OCIR focus on the reaction to operational incidents and threats as well as to the materialisation of OCIR-specific risks, with the activation of remedial measures. However, this does not entail specific requirements on data delivery. More specifically, what banks are expected to test is the ability to overcome an operational incident over the resolution weekend (e.g., sudden disruption of a service).
- 114.** To make tests in Continuity of services and OCIR governance more realistic and optimise the use of banks' resources for testing, it is suggested to bundle them with tests on other dimensions. In these cases, the reference date shall be aligned with the one for the other tests.

5.4. Specific deliverable – Extract of the tested MIS (contract repository, service catalogue, database of operational assets, and inventory of staff / roles)

- 115.** Right after completing the testing exercise on MIS, banks are expected to submit:
- a) An extract of the OCIR MIS that was tested (i.e., the information that was produced during the test). This will allow IRTs to have a direct overview of the status of the MIS at the time of the testing exercise;
 - b) An extract of the same OCIR MIS as part of the outcome report.¹⁵

5.5. Specific deliverable – Reconciliation table with original and golden source information

- 116.** MIS for OCIR are normally expected to aggregate data from different golden source(s)¹⁶.
- 117.** In order to assess the accuracy of data, after having performed a MIS testing exercise, banks are expected to compare the extracts from the MIS for OCIR with the information in i) the original source (e.g. the actual contracts) or ii) the appropriate golden source(s), if different than the MIS for OCIR, and include the outcome in a comparison table. The reconciliation table is expected to demonstrate that the MIS for OCIR contain updated data. In case of inconsistencies between the MIS for OCIR and the original source or golden source, banks should highlight the identified inconsistencies and provide a justification, within the reconciliation table.

¹⁵ As it will be part of the outcome report, this extract will be submitted one month (or any other timing agreed between the IRT and the bank) after the testing exercise.

¹⁶ Golden source is to be considered as a definitive or authoritative source of the relevant data (see footnote 55 of the SRB OCIR Guidance). In most cases, this means the initial database that feeds the respective data for the MIS.

118. A reconciliation table is expected to be submitted for each MIS that has been tested, including information on the date of the last update from the relevant golden source and the frequency of updates.
119. In case of inconsistencies identified in the reconciliation table, as mentioned above, the bank is expected to flag it in the outcome report and describe the remedial actions. The OCIR MIS extract (ii) of point (a) above is expected to be fully reconciled with either the original or the golden source of information.

6. Solvent Wind-down

6.1. Testing sub-areas

| Testing sub-area: description | Heatmap capability(ies) |
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| Capacity to update SWD plans: Capacity to update the SWD plan and provide quantitative information in a timely manner, taking into account valuation data expectations. Focus may be on a given desk or given segment and, at a later stage, on the entire scope. | 5.1.3.2; 7.1.1.1; 7.3.2.2.1; 7.3.2.3.1; 7.3.2.3.3 |
| Capacity to execute the wind-down: Operationalisation of the SWD playbook and relevant chapters of the SWD plan focusing on operational steps, governance, HR and communication | 7.3.2.3.2; 7.3.2.3.3 |

6.2. Specific test environment needs

120. Banks are expected to develop a test environment capable of running tests where there is a need to generate data for a bespoke scenario and to test the execution of the SWD plan.

6.3. Reference date / period

121. When testing its “Capacity to update SWD plans” and aspects related to information provision for SWD planning, the bank should provide the latest available data, in line with the instructions already foreseen in the SWD guidance. The reference date should be the date before the test.
122. When testing the “Capacity to execute the wind-down”, the length of the exercise should be in line with guidance on SWD. The bank should assume that the test happens under current conditions at the time of execution of the test – i.e., if a bank tests its playbook in June, the test should reflect the financial and operational conditions applicable in June, and not the ones from the end of the previous year. The reference date should be the day before the test.

6.4. Specific deliverable – Updated SWD plan and corresponding quantitative information

123. For tests concerning the update of the SWD plan, banks are expected to produce an updated SWD plan and corresponding quantitative information, in line with the SRB’s *Solvent wind-down guidance for banks*.

Glossary¹⁷

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| Asset Separation Tool | As defined in the Article 3 (32) SRMR. |
| Arrangement | Any agreement, contract, policy, procedure, guideline or practice governing the provision of a service. |
| Back-to-Back Booking Transaction | A pair of legally separate transactions, but with the same terms of trade and involving three parties. One party is the intermediary, as the buyer in one transaction and the seller in the second transaction. This allows institutions to book the transaction in a different place to the original business. |
| Bail-in | As defined in Article 3 (33) SRMR. |
| Bail-in Playbook | An operational document owned by the bank. It supports the execution of the write-down and conversion of capital instruments and eligible liabilities in accordance with Article 21 SRMR and the execution of the bail-in tool in resolution. The bail-in playbook is expected to address all internal and external actions that must be undertaken by or on behalf of the banks to effectively apply the bail-in tool. |
| Banking Union | The Banking Union was established at the Euro Area Summit of 29 June 2012, as a reaction to the financial crisis in 2008. Its rationale is to establish a 'Europeanised bank safety net'. The Banking Union consists of the Single Resolution Mechanism, the Single Supervisory Mechanism and the Single Deposit Guarantee Scheme. Today, the Banking Union consists of two pillars: a Single Supervisory Mechanism and a Single Resolution Mechanism. Both contribute to financial stability and a level-playing field for banks in the Eurozone. |
| Bank Recovery Plan | In accordance with Articles 5 and 6 of the BRRD, Union parent undertakings and institutions (which are not part of a group subject to consolidated supervision pursuant to Articles 111 and 112 of Directive 2013/36/EU) should draw up and maintain recovery plans providing for measures to be taken to restore their financial position following a significant deterioration. The content of recovery plans is regulated in the Commission Delegated (EU) 2016/1075, enacting the EBA final draft Regulatory Technical Standards on the content of recovery plans. Along with strategic information on the institutions' structure and governance, plans should |

¹⁷ Various sources, including online resources.

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| | include a minimum set of recovery plan indicators and a range of scenarios to test recovery options. Recovery plan indicators aim at identifying the points at which the escalation process in the bank should be activated and, where needed, any appropriate actions referred to in the recovery options taken. The EBA has recently proposed a revised list of recovery plan indicators (the EBA Guidelines on recovery plan indicators) which now includes a new MREL indicator. |
| Bridge Institution | As defined in Article 3 (31) SRMR. |
| Business Lines | A structured set of activities, processes and operations that is developed by the institution for third parties to achieve the organisation's goals ¹⁸ . |
| Business Reorganisation Measure | Either a recovery option or a complementary measure that, when implemented, would contribute to reaching the core bank perimeter or to enhancing the viability of the institution in a reorganisation context post an open bank bail-in, while preserving compliance with the prudential requirements of the bank. |
| Business Reorganisation Plan | The restructuring post bail-in should be achieved through the implementation of a business reorganisation plan. Where applicable, such plans should be compatible with the restructuring plan that the entity is required to submit to the Commission under the Union State aid framework. In particular, in addition to measures aiming at restoring the long-term viability of the entity, the plan should include measures limiting the aid to the minimum burden sharing, and measures limiting distortions of competition in accordance with Article 27 (16) SRMR and Article 52 (12), (13) BRRD. |
| Business Reorganisation Plan Analysis Report | With the draft of a Business Reorganisation Plan, the bank shows that it is capable of ensuring its financial soundness and long-term viability. The analysis of such capabilities is demonstrated by the bank in a so-called Business Reorganisation Plan Analysis Report. The bank is required to establish proper governance arrangements and provide an analysis of the main components of the Business Reorganisation Plan. |

¹⁸ Commission Delegated Regulation (EU) 2016/778 of 2 February 2016 supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to the circumstances and conditions under which the payment of extraordinary ex-post contributions may be partially or entirely deferred, and on the criteria for the determination of the activities, services and operations with regard to critical functions, and for the determination of the business lines and associated services with regard to core business lines, OJ L131, 20.5.2016, 41.

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| Central Securities Depository | An entity that: 1) enables securities transactions to be processed and settled by book entry; 2) provides custodial services (e.g., the administration of corporate actions and redemptions); and 3) plays an active role in ensuring the integrity of securities issues ¹⁹ . |
| Clearing | The process of transmitting, reconciling and, in some cases, confirming transfer orders prior to settlement, potentially including the netting of orders and the establishment of final positions for settlement. Sometimes this term is also used (imprecisely) to cover settlement. For the clearing of futures and options, this term also refers to the daily balancing of profits and losses and the daily calculation of collateral requirements ²⁰ . |
| Collateral in Resolution | An item of value that a lender can claim from a borrower if they fail to repay a loan according to the agreed terms. |
| Combined Buffer Requirement | Total CET1 capital required to meet the requirements for the capital conservation buffer extended by the following, as applicable: (a) an institution-specific countercyclical capital buffer; (b) a G-SII buffer; (c) an O-SII buffer; (d) a systemic risk buffer ²¹ . |
| Complementary Reorganisation Measures | Reorganisation action not identified in the recovery plan to either reach the core bank perimeter or demonstrate viability within the five-year timeframe. |
| Contractual Arrangement | Contract for service provision, master service agreement and service level agreement with other group legal entities, software licence agreement, property lease. |
| Core Bank Perimeter | The minimum set of activities and business lines that are likely to be performed and safeguarded in the new entity following the use of the open bank bail-in tool and at the end of the reorganisation period. |

¹⁹ [Glossary of terms related to payment, clearing and settlement systems, the ECB December 2009.](#)

²⁰ Ibid.

²¹ Article 128(6) Directive 2013/36/EU.

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| Core Business Lines | Business lines and associated services that represent material sources of revenue, profit or franchise value for an institution, or for a group of which an institution is a part ²² . |
| Critical Functions | 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 ²³ . |
| Critical Functions Report | An SRB reporting requirement for banks to provide information on their self-assessment of critical functions: https://www.srb.europa.eu/en/content/reporting . |
| Critical Services | Services that are necessary for one or more critical functions, that are performed for group business units or entities and whose discontinuity would seriously impede or prevent the performance of those critical functions ²⁴ . |
| Critical FMI Services | Clearing, payment, securities settlement or custody activities, functions or services, provided by an FMI or by an FMI intermediary, the discontinuation of which could lead to the collapse of (or present a serious impediment to the performance of) one or more of the firm's critical functions ²⁵ . |
| Cross-Border Group | A group having group entities established in more than one Member State ²⁶ . |
| Digital Operational Resilience Act | The Digital Operational Resilience Act is established by the European Commission and serves to consolidate and upgrade information and communications technology risk requirements throughout the financial sector. This act aims to ensure that all participants in the financial system have the necessary safeguards in place to relieve cyber-attacks and other risks. The legislation requires firms to ensure that |

²² Article 2 (1), (36) BRRD.

²³ Article 2 (1), (35) BRRD. The SRB's approach to Critical Functions can be found under <https://www.srb.europa.eu/en/content/critical-functions>

²⁴ Recital 8 and Article 6 Commission Delegated Regulation (EU) 2016/778/EU.

²⁵ [Financial Stability Board Guidance on Continuity of Access to Financial Market Infrastructures \(FMIs\) for a Firm in Resolution \(July 2017\)](#).

²⁶ Article 2 (27) BRRD.

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| | they can withstand all types of information and communications technology-related disruptions and threats. |
| Dual Board | Corporate governance structure where the management body is completely separate from the supervisory board. In a dual board structure (supervisory board and management board), the supervisory board has no management power; it has only a supervisory function and an ex-post control function ²⁷ . |
| Eurobonds | International securities issued outside the country in whose currency their value is stated. Eurobonds are usually identifiable by an international securities identification number starting by 'XS' rather than the standard 2-digit country code used for securities issued via a local CSD. In contrast to Euro medium-term note, for example, which can also be issued outside the country in whose currency its value is stated, Eurobonds are issued all at once and not under a programme. |
| Essential Services | Services associated with core business lines, whose continuity is necessary for the effective implementation of the resolution strategy and any consequent restructuring ²⁸ . |
| Essential FMI Services | Payment, clearing, settlement or custody services, provided by an FMI or by an intermediary, which are necessary for the continuity of one or several core business lines. |
| EU Contract | A contract to which the law and jurisdiction of an EU Member State applies. |
| Financial Market Infrastructures | Used for the clearing, settlement, and recording of monetary and other financial transactions. FMIs include payment systems, central securities depositories and central counterparties. Access to FMIs can be vital for the continuity of a bank's critical functions. Access to FMI services builds one of the seven dimensions of resolvability. |
| FMI Intermediaries | FMI service providers other than FMIs. More often than not, these will be other institutions offering payment, clearing and settlement services, including by way of facilitating indirect access to an FMI. |

²⁷ [Response to consultation on revised EBA Guidelines on internal governance](#).

²⁸ Article 7 Delegated Regulation (EU) 2016/778/EU.

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| FMI Report | An SRB reporting requirement for banks to provide information on participation in or membership of FMIs and use of FMI intermediaries for payment, clearing, settlement and custody services: https://www.srb.europa.eu/en/content/reporting |
| Group Entities | Each legal entity that is part of the group ²⁹ . |
| Indirect Holding | In accordance with the Article 1 (114) of the Capital Requirements Regulation. |
| Institution | A credit institution or an investment firm ³⁰ . |
| International Central Securities Depository | A central securities depository which was originally set up to settle Eurobond trades and is now active in the settlement of internationally traded securities from various domestic markets, typically across currency areas. |
| Intra-Group Provider | In relation to a serviced entity: 1) a legal entity within the same group that provides relevant services to it; or 2) the entity itself if services are provided inhouse by one of its divisions/business units. |
| Internal Resolution Team | A team that is responsible for preparing resolution plans for banks under the SRB's remit. The Internal Resolution Team consist of experts from the SRB as well as relevant NRAs. |
| Inverted-Pyramid Structure | While in a standard ownership model subsidiaries are fully (or partially) owned and consolidated by the parent entity in a "parent-subsidiary" relationship, where control is exercised by shareholdings, under the "inverted pyramid structure" typical of the cooperative banks, the network entities hold a stake in the central institution, therefore they are owners of the central institution. |
| Key Liquidity Entity | In principle, for an entity or organisational form to be classified as a key liquidity entity, at least one of the three situations below should be expected in resolution: 1) the entity/organisational form is expected to provide liquidity to other resolution group entities in order for them to perform their activities; 2) the entity/organisational form is expected to depend on liquidity received from other resolution group entities to perform its activities; or 3) the entity/organisational form performs liquidity management functions for one or more entities of the resolution group. |

²⁹ Article 1 (2), (31) BRRD.

³⁰ Article 2 (1), (23) BRRD.

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| Key Liquidity Driver | Key drivers of the liquidity position in resolution are factors that are expected to trigger a substantial deterioration of a bank's liquidity position in resolution. This deterioration may take place in the form of an increase in outflows, a decrease in the inflows or a decrease in the liquidity value of the counterbalancing capacity. |
| Key Messages | The main points to be included in the communication to achieve the defined objective. |
| Liquidity Coverage Ratio | A short-term liquidity requirement which aims to ensure that credit institutions hold sufficient high-quality liquid assets to withstand an acute stress scenario lasting 30 days. It has been implemented in Europe via the Commission Delegated Regulation (EU) 2015/61. The liquidity coverage ratio is calculated in accordance with the following formula: $\text{liquidity buffer} \div \text{net liquidity outflows over a 30 calendar-day stress period} = \text{liquidity coverage ratio \%}$. Credit institutions must maintain a liquidity coverage ratio of at least 100% ³¹ . |
| Liquidity | Refers to the efficiency or ease with which an asset or security can be converted into ready cash without affecting its market price. The most liquid asset of all is cash itself. |
| Material Legal Entities | A subset of group entities. The parent institution must always be included. Material group entities are the most significant entities within the group, whether that be due to the provision of critical funds or through generating a significant portion of the institution's revenue. |
| Management Body | An institution's body or bodies, which are appointed in accordance with national law, which are empowered to set the institution's strategy, objectives and overall direction, and which oversee and monitor management decision-making, and include the persons who effectively direct the business of the institution" ³² . See also Single rulebook Q&A clarifying that "the definition of the senior management does not exclude that a member of the management body would belong to the senior management and vice-versa" ³³ . |

³¹ [The ECB Glossary](#).

³² Article 3 (7) Directive 2013/36/EU.

³³ [Single Rulebook Q&A](#).

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| Management Information Systems | Computer-based systems and procedures to gather process and present information supporting the activities of a company. Management Information System are one of SRB's Expectations for Banks aspects. They refer to the back-office systems of an entity. Well-managed MIS ensure the delivery of timely, up-to-date and accurate information for the relevant valuations of an entity performed during resolution, and its communication framework and cooperation with authorities. |
| Maximum Reorganisation Capacity | The maximum effect that can be derived from the implementation of a set of compatible reorganisation measures in terms of return on equity and cost to income metrics, in order to ensure the bank's long-term viability at the end of the reorganisation period. |
| Minimum Requirement for Own Funds and Eligible Liabilities | The minimum amount of equity and unsecured debt a bank must set aside based on the amount of risk it takes, and which would be used to bail the bank in if it is to be resolved. MREL is set to help: 1) carry out an effective resolution; 2) recapitalise a bank; 3) absorb losses. MREL serves to prevent a bank's resolution from depending on public financial support. It helps to ensure a bank maintains sufficient own funds and eligible liabilities at all times to implement the resolution strategy. In the Banking Union, the SRB sets MREL for Sis and cross-border LSIs. |
| Multiple Point of Entry Resolution Strategy | An approach in resolution planning in which resolution powers are applied by two or more resolution authorities to different parts of the group. Under an MPE approach, parts of the group could be separated in resolution and losses are absorbed by the relevant subsidiaries. |
| Non-Resolution Entity | An entity in respect of which the resolution plan provides no resolution action but which is classified as part of a Banking Union resolution group, or as a subsidiary (in the meaning of Article 4(1) no. 16 of the Capital Requirements Regulation) of a parent undertaking established in a third country. |
| Open Bank Bail-in | In accordance with Article 27 (1) (a) SRMR. |
| Operational Asset | Non-financial assets that are required to perform services, such as real estate, intellectual property including trademarks, patents and software, hardware, IT systems and applications, and data warehouses. Operational assets are |

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| | critical/essential/otherwise relevant where access to them is required in order to perform a critical/essential/other relevant service. |
| Operational Continuity in Resolution | The ability to effectively implement, from an operational point of view, the resolution strategy and, consequently, to stabilise and restructure the bank. |
| Pari Passu | The situation where two or more assets, securities, creditors, or obligations are treated equally and managed without preference. |
| Portability | The transfer of client positions and assets at central counterparties, following the default of a clearing member, to another clearing member designated by the client, upon the client's request and without the need for the consent of the defaulting clearing member ³⁴ . By extension, the capability to transfer client positions and assets at central counterparties or central securities depositories upon a resolution event. |
| Preferred Resolution Strategy | As defined in Article 2 (3) of Delegated Regulation (EU) 2016/1075. |
| Pre-Populated Template Documents | Actual drafts of the message/communication that will be disseminated, after any adjustments are based to cater for the actual circumstances in the particular resolution scenario. |
| Recovery Option | Action considered in the recovery plan to maintain or restore financial soundness in a situation of financial stress. |
| Regulated Market | As defined in Article 4 (21) of Directive 2014/65/EU. |
| Relevant contract/contractual arrangement | A contract or contractual arrangement governing the provision of relevant services or operational assets. |
| Relevant Services | Services which underpin: 1) the bank's critical functions to the economy (critical services) and 2) core business lines (essential services) for which continuity is |

³⁴ Article 39, 48 the European Market Infrastructures Regulation.

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| | necessary for the effective implementation of the resolution strategy. These categories may overlap. This applies analogously to operational assets and staff. |
| Relevant Staff | Employees of the parent or any group legal entity covering relevant roles. |
| Reorganisation Period | The time span starting from the so-called resolution week end and ending at the moment the bank is considered viable, within a maximum duration of five years. |
| Resolution Colleges | For banks headquartered in the Banking Union and with one or more subsidiaries or significant branches in one or EU countries outside the Banking Union, or vice-versa, Resolution Colleges bring the SRB and the relevant resolution authorities together to discuss and agree on resolution planning and other resolution matters. Depending on where the bank is headquartered, the SRB or the resolution authority of a country outside the Banking Union is the so-called Group-Level Resolution Authority. The way in which Resolution Colleges are expected to work and the interaction among the members of the Resolution Colleges is defined in the Commission Delegated Regulation 2016/1075. |
| Resolution Entity | An entity established in the Union, which has been identified by the resolution authority as an entity in respect of which the resolution plan provides for resolution action. |
| Resolution Group | A resolution entity and its subsidiaries that are not: 1) resolution entities themselves, or 2) subsidiaries of other resolution entities, or 3) entities established in a third country that are not included in the resolution group in accordance with the resolution plan and their subsidiaries ³⁵ . |
| Resolution Planning Cycle | An annual process based on four phases leading to the approval of the updated resolution plan for each SRB bank. It includes the preferred resolution strategy, minimum requirements for own funds and eligible liabilities and resolvability assessment. Resolution planning cycle implements the requirements for the resolution planning of banks under direct remit of the SRB laid down in the SRMR and BRRD |
| Resolution Reporting Requirements | In accordance with Article 11 (1) BRRD and Section B of the BRRD Annex, as well as Article 8 (4) SRMR, the SRB collects information for drawing up and implementing resolution plans for banks under its remit. The SRB resolution reporting requirements (LDR, CFR and FMIR) cover the minimum information |

³⁵ Article 2 (1) (83b) (a) BRRD, Article 23 (1) (24b) (a) SRMR.

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| | <p>required by European Commission Implementing Regulation (EU) 2018/1624 of 23 October 2018 as well as further details required for each area.</p> <p>https://www.srb.europa.eu/en/content/reporting</p> |
| Resolution-Resilient Features | <p>Resolution-resilient features include the following: 1) non-termination, suspension or modification. Service providers may not terminate, suspend or amend terms and conditions of service provision on the grounds of resolution/restructuring, provided that the substantive obligations under the contract continue to be performed; 2) transferability of the service provision. Services can be transferred or assigned to a new recipient by the service recipient or the resolution authority because of resolution/restructuring; 3) support in transfer or termination. In the case of transfer of service provision because of resolution/restructuring, the current provider should ensure the orderly transition of service provision to a new provider or to a new recipient, provided that the substantive obligations under the contract continue to be performed. Where required, including in the case of termination during resolution/restructuring, the provider should ensure continuity of service provision on the same terms and conditions for a reasonable period, e.g., 24 months; 4) continued service provision to a divested group entity. Services can continue to be provided by the current intra-group provider to entities divested from the group as part of resolution/restructuring. Service provision should continue for a reasonable period following the divestment of the group entity, e.g., 24 months, provided that the substantive obligations under the contract continue to be fulfilled.</p> |
| Resolution Weekend | <p>The second activity of the crisis management phase, which is subdivided into three phases, namely 1) the preparation for resolution; 2) the “resolution weekend” and the implementation of the resolution scheme; and 3) the closing of the resolution. The “resolution weekend” starts with the determination that an entity is failing or is likely to fail. While this phase refers to a weekend, this phase could start any time and covers all processes needed for the adoption of the scheme. The decision to adopt a resolution scheme must be implemented by the competent NRA. The weekend ends the next business day when relevant markets open. Depending on the tool(s) used, the possible business restructuring phase only starts thereafter.</p> |
| Resolution Tools | <p>If a bank meets the relevant conditions, the SRB places the bank under resolution. This is achieved by the adoption of a resolution scheme, which determines which resolution tools are to be applied to the bank and, if necessary, whether the Single Resolution Fund is to be used to support the resolution action. Before any resolution action is taken, the capital instruments of the bank must be written down or converted. The resolution tools are: 1) the sale of business tool; 2) the</p> |

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| | bridge institution tool; 3) the asset separation tool; and 4) the bail-in tool. The relevant NRAs take the necessary steps to implement the resolution scheme. |
| Retention Plan | A plan setting out how the bank would be able to retain staff in key roles during resolution. |
| Sale of Business | As defined in Article 3 (1) (30) SRMR. |
| Senior-Level Executive | Those natural persons who exercise executive functions within an institution and who are responsible, and accountable to the management body, for the day-to-day management of the institution ³⁶ . See also EBA Q&A clarifying that “the definition of the senior management does not exclude that a member of the management body would belong to the senior management and vice-versa” ³⁷ . |
| Separability | A bank’s ability to implement a transfer of i) legal entities, ii) business lines, or iii) portfolios of assets and liabilities at short notice to a third party. Separability allows the SRB to execute, together with the national resolution authorities, a market transaction within a reasonable amount of time, in order to ensure the resolution objectives through the bank’s transfer, in due course, to a private owner or through an orderly wind-down. |
| Separability Analysis Report | An analytical document intended for the resolution authority and for potential investors. It should describe and assess all relevant aspects (financial, legal, operational, business) of the transaction proposed, including a self-assessment of its information capabilities and a high-level business plan for the proposed transfer perimeter in order to easily populate a Virtual Data Room for due diligence purposes. This separability analysis will underpin the SRB’s own analysis and conclusion on resolvability and any subsequent steps or follow-up. |
| Single Point of Entry | An approach in resolution planning which implies the application of resolution powers at the parent level by a single resolution authority. Under an SPE approach, the bank is resolved as a group and the parent absorbs group losses. The SPE strategy is more suitable for centrally structured and operational banks. Under an SPE approach, only the resolution entity, i.e., the parent company, will be the direct target of resolution powers, and operational subsidiaries are preserved and would not themselves be subject to resolution. |

³⁶ Article 3 (9) Directive 2013/36/EU.

³⁷ [Single Rulebook Q&A](#).

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| Significant Institution | In accordance with Article 6 (4) or Article 6 (5)(b) of Regulation (EU) No 1024/2013. |
| Solvent Wind-Down | For certain banks, the size and complexity of their trading books could impede the credible and feasible implementation of their resolution strategies. Solvent wind-down is an approach that can be used for exiting trading activities in an orderly manner and avoiding posing risks to financial stability. The lack of a credible solvent wind-down plan could jeopardise the credibility and feasibility of the resolution strategy of any bank with material trading books. |
| Substantive Impediment Procedure | The procedure as defined in Article 10 SRMR. |
| Succession Plan | A plan setting out how to have other employees with the right skills, information and expertise ready to take on key job roles left vacant, for example if the incumbent staff member were to leave or be removed in resolution. |
| Supervisory Board | Management body in its supervisory function' means the management body acting in its role of overseeing and monitoring management decision-making ³⁸ . |
| Third Country | A non-EU country. |
| Third-Country contract | A contract that is not an EU contract. |
| Total Loss Absorbing Capacity | An international standard, finalised by the Financial Stability Board in November 2015, intended to ensure that global systemically important banks have enough equity and bail-in debt to pass losses to investors and minimise the risk of a government bailout. |
| Transfer Playbook | Operational document listing the processes needed, organisational units involved and concrete operational steps required in order i) to identify the transfer perimeter, ii) to produce the documents required in the VDR, as well as iii) to effectively implement the resolution transaction, both in the bank's IT systems and in legal terms. The bank should base the transfer playbook on the proposed transfer perimeter with its identified interconnections (included, removed, mitigated), identified barriers and potential impediments as well as lessons learnt, as per the |

³⁸ Article 3 (8) Directive 2013/36/EU.

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| | separability analysis report. The transfer playbook should be aligned and updated together with the separability analysis report. |
| Transitional Service Agreement | An agreement that determines the scope (and other aspects) of services one company should provide to another when there is a change of ownership. |
| Unregulated Intra-Group Provider | Dedicated intra-group service companies which provide services to another entity within their group, and are not operating institution entities subject to prudential regulation regarding capital/liquidity on an individual basis, including where prudential requirements are waived. |
| Valuation 1 | The valuation required under Article 20 (5)(a) SRMR to assess whether the conditions for resolution, or for write-down or conversion of capital instruments, are met. |
| Valuation 2 | The valuation that informs the decision on the appropriate resolution action to be taken and, depending on that action, the decisions on the extent of the cancellation or dilution of instruments of ownership; the extent of the write-down or conversion of relevant capital instruments and eligible liabilities; the assets, rights, liabilities or instruments of ownership to be transferred; and the value of any consideration to be paid. It further ensures that any losses on the assets of the entity are fully recognised. Valuation 2 should include an estimate of the treatment that each class of shareholder and creditor would have been expected to receive if an entity were wound up under normal insolvency proceedings. |
| Valuation 3 | The valuation that aims at determining whether or not shareholders and creditors would have received better treatment if the institution under resolution had been wound up under normal insolvency proceedings. In other words, Valuation 3 aims at assessing any possible breach of the No creditor worse off principle. |
| Variant Resolution Strategy | Variants of the resolution strategy are necessary to address scenarios or circumstances where the resolution strategy cannot be feasibly and credibly implemented ³⁹ . |
| Virtual Data Room | A virtual data room is generally intended to be an online facility where documents and information to perform due diligence are uploaded. |

³⁹ Article 25 (4) Commission Delegated Regulation (EU) 2016/1075.



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