

## **Guidelines on resolvability testing**

### **(EBA/GL/2023/05)**

These Guidelines issued by the European Banking Authority (EBA) are addressed to financial institutions as defined in Article 4 (1) of Regulation (EU) No 1093/2010 that are institutions subject to resolvability assessment in accordance with Articles 15 and 16 of Directive (EU) 2014/59 and to competent authorities as defined in points (i), (v) and (viii) of Article 4 (2) of Regulation (EU) No 1093/2010 that supervise these institutions within the meaning of Article 2 (5), second subparagraph, of that Regulation.

These Guidelines, that have been developed on the EBA's own initiative, are part of a trilogy of EBA Guidelines –together with the Guidelines on improving resolvability (EBA/ GL/2022/01) and the Guidelines on transferability (EBA/GL/2022/11) which have been already adopted by Banco de España- and aim to verify the preparation of the authorities and entities for the resolution process and the effectiveness of the planned strategy, collecting a set of testing techniques that entities and resolution authorities can use to carry out such verification.

To ensure proportionality, these Guidelines do not apply to institutions which are subject to simplified obligations for resolution planning neither to institutions whose resolution plan provides that they are to be wound up in an orderly manner in accordance with the applicable national law, for which the extent of their possible application is left to the discretion of the relevant resolution authorities.

These Guidelines amend the Guidelines on improving resolvability (EBA/GL/2022/01) to introduce a new Section on testing. Provisions of the Guidelines on improving resolvability that are not amended by these Guidelines remain in force and continue to apply.

The objective of these Guidelines on testing is to provide a common framework for testing the capabilities of entities and their readiness to execute planned measures in the pre-resolution and post-resolution phases. In particular, the Guidelines require entities to submit, at least every two years, a self-assessment report of their resolvability capabilities (the first self-assessment report is expected by 31 December 2024). Leveraging on the self-assessment report, the Guidelines also require authorities to

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develop a testing programme for each entity –covering a period of 3 years- so that institutions could demonstrate the adequacy of their resolvability capabilities (the first multi-annual testing programme is expected by 31 December 2025). For the most complex banks and resolution groups (G-SIIs, Top Tier banks and institutions identified by the relevant resolution authority as reasonably likely to pose a systemic risk in case of failure) the Guidelines on testing requires them to prepare a master playbook that aims to ensure that institutions adopt a holistic approach to resolution planning (the first master playbook is expected by 31 December 2025).

These Guidelines have been developed by the EBA in accordance with article 16 of Regulation (EU) No 1093/2010. The EBA published the English version of these Guidelines on 13 June 2023 and the Spanish version was released on 25 August 2023. The Guidelines apply from 1 January 2024.

The Banco de España, in its double role of competent authority and preventive resolution authority of the less significant credit institutions, adopted these Guidelines as their own on 9 October 2023.

These Guidelines will not apply to specialised lending institutions or to the Instituto de Crédito Oficial.



EBA/GL/2023/05

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13.06.2023

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## Final Report

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Guidelines amending Guidelines EBA/GL/2022/01 on improving resolvability for institutions and resolution authorities under articles 15 and 16 of Directive 2014/59/EU (Resolvability Guidelines) to introduce a new section on resolvability testing

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# 1. Executive Summary

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Since the adoption of Directive 2014/59/EU (BRRD) in 2015, resolution authorities have made significant progress on resolution planning and are progressively increasing their focus from policy development to testing resolvability. These guidelines aim to provide a common framework to do so.

Firstly, these guidelines introduce a self-assessment by resolution entities of their resolvability focusing on the minimum standard set by the EBA Resolvability Guidelines (EBA/GL/2022/01) and Transferability Guidelines (EBA/GL/2022/11). The EBA published its Resolvability Guidelines<sup>1</sup> in January 2022 and its Transferability Guidelines in September 2022 providing a clear common set of objectives for institutions and authorities to achieve in terms of resolvability. By January 2024, all resolution groups and stand-alone institutions<sup>2</sup> and to some extent some institutions earmarked for liquidation should comply with the EBA Resolvability Guidelines<sup>3</sup>.

The objective of the self-assessment is to increase the input from institutions into the resolvability assessment process but also to help frame how they should consider their internal process to ensure continued resolvability in steady state.

Secondly, the guidelines require authorities to develop a multi-annual testing programme for each resolution entity so that institutions would demonstrate the adequacy of their resolvability capabilities as set out in the EBA Resolvability Guidelines and Transferability Guidelines.

Finally, the guidelines also introduce a master playbook for the most complex institutions. Leveraging the work done by the most advanced institutions in the EU and international peers, the master playbook aims to ensure that institutions adopt a holistic approach to resolution planning to ensure the overall coherence of their capabilities to execute the resolution strategy.

## Next steps

The guidelines will be translated into the official EU languages and published on the EBA website. The deadline for resolution authorities to report whether they comply with the guidelines will be two months after the publication of the translations. The guidelines will apply from 1 January 2024.

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<sup>1</sup> <https://www.eba.europa.eu/regulation-and-policy/recovery-and-resolution/guidelines-institutions-and-resolution-authorities-improving-resolvability>

<sup>2</sup> 299 resolution groups and stand-alone institutions as per the last EBA MREL dashboard (<https://www.eba.europa.eu/risk-analysis-and-data/risk-dashboard>).

<sup>3</sup> See compliance table for more details.



Institutions are expected to submit their first self-assessment report by 31 December 2024 and complex institutions their first master playbook by 31 December 2025. Authorities should provide their first testing programme by 31 December 2025.

## 2. Background and rationale

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1. According to Articles 15 and 16 of Directive 2014/59/EU<sup>4</sup>, and following Articles 24-32 of Commission Delegated Regulation (EU) 2016/1075<sup>5</sup>, resolution authorities are expected to assess an institution's or group's resolvability based on the following steps: (i) an assessment of the feasibility and credibility of the liquidation of the institution or group under normal insolvency proceedings; (ii) the selection of a preferred resolution strategy for assessment; and (iii) the assessment of the feasibility and credibility of the chosen resolution strategy.
2. The assessment of resolvability is an essential part of resolution planning. The resolvability assessment process supports the strengthening of institutions' or resolution groups' resolvability preparedness, by addressing ex-ante any identified impediments to resolution in case they are found to be failing or likely to fail.
3. In line with the EBA objectives on the topic of resolution under Articles 8(ab) and (8)(b) and 25 of Regulation (EU) No 1093/2010<sup>6</sup> and the priorities set in the EBA 2022 work programme<sup>7</sup>, this document aims to specify the steps and tools that authorities and institutions should consider to ensure that institutions would be able to support the execution of the resolution strategy.
4. Institutions play a key role in the execution of the resolution strategy, therefore the EBA Guidelines for institutions and resolution authorities on improving institutions' resolvability ('EBA

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<sup>4</sup> Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council (OJ L 173 12.6.2014, p. 190).

<sup>5</sup> Commission Delegated Regulation (EU) 2016/1075 of 23 March 2016 supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the content of recovery plans, resolution plans and group resolution plans, the minimum criteria that the competent authority is to assess as regards recovery plans and group recovery plans, the conditions for group financial support, the requirements for independent valuers, the contractual recognition of write-down and conversion powers, the procedures and contents of notification requirements and of notice of suspension and the operational functioning of the resolution colleges (OJ L 184, 8.7.2016, p. 1–71).

<sup>6</sup> Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p.12).

<sup>7</sup> [https://www.eba.europa.eu/sites/default/documents/files/document\\_library/About%20Us/Work%20Programme/2022/1021339/EBA%202022%20Annual%20Work%20Programme.pdf](https://www.eba.europa.eu/sites/default/documents/files/document_library/About%20Us/Work%20Programme/2022/1021339/EBA%202022%20Annual%20Work%20Programme.pdf)



Resolvability Guidelines<sup>8</sup>) and the EBA Transferability Guidelines set out a number of capabilities that EU institutions should meet at all times<sup>9</sup>. These capabilities are key to supporting the execution of the resolution strategy.

5. It is critical that institutions and authorities gain assurance of the continued capacity to support the execution of the resolution strategy. The Financial Stability Board recently identified as a good practice<sup>10</sup> in Crisis Management Groups (CMGs) the demonstration to resolution authorities of resolvability preparedness through the institutions' testing activities. While some authorities have started testing the preparedness of institutions in supporting the execution of the resolution strategy, progress in this field is uneven and practices by institutions and authorities vary significantly.
6. To improve the preparedness of institutions, these amending guidelines aim to specify, in a new section of the EBA Resolvability Guidelines, how resolution authorities should engage with institutions in the area of testing. Key aspects of the guidelines are to introduce: (i) **a self-assessment report** against the EBA Resolvability Guidelines or any applicable rule<sup>11</sup>; (ii) **the development of a multi-annual testing programme** for resolvability; and (iii) **a master playbook** for the more complex resolution groups, in particular G-SIIs, Top Tier institutions<sup>12</sup> and institutions identified by the relevant resolution authority as reasonably likely to pose a systemic risk in case of failure (fished banks<sup>13</sup>).

### Self-assessment report

7. The main objective of the self-assessment report is to increase direct contribution by institutions to the resolution planning process in order to increase their resolvability and overall ownership of the process. It also helps to steer how institutions should consider their resolvability in steady state.
8. In the self-assessment report institutions are expected to: (i) demonstrate their understanding of the resolution strategy and of their role in its execution; (ii) confirm the level to which they meet the capabilities set out in the EBA Resolvability Guidelines and Transferability Guidelines; (iii) provide a description of how they meet each capability or explain how that capability is not relevant; (iv) describe how it relates to recovery planning and business as usual (BAU); and (v)

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<sup>8</sup> <https://www.eba.europa.eu/regulation-and-policy/recovery-and-resolution/guidelines-institutions-and-resolution-authorities-improving-resolvability>

<sup>9</sup> <https://www.eba.europa.eu/regulation-and-policy/recovery-and-resolution/guidelines-institutions-and-resolution-authorities-improving-resolvability>

<sup>10</sup> <https://www.fsb.org/wp-content/uploads/P301121.pdf>

<sup>11</sup> For instance, the SRB's expectations for banks.

<sup>12</sup> Resolution entities that are not subject to Article 92a of Regulation (EU) No 575/2013 and that are part of a resolution group the total assets of which exceed EUR 100 billion (Article 45c(5) of Directive 2014/59/EU).

<sup>13</sup> Entities that are not subject to Article 92a of Regulation (EU) No 575/2013 and that are part of a resolution group the total assets of which are lower than EUR 100 billion and which the resolution authority has assessed as reasonably likely to pose a systemic risk in the event of its failure in accordance with Article 45c(6) of Directive 2014/59/EU.



describe how they, internally, gain assurance that they meet the relevant capabilities, such as whether internal audit has been involved in the assessment.

9. While recognising that the aspects included in the self-assessment report are normally covered through the dialogue that the resolution authorities have with institutions, these amending guidelines aim to structure and formalise it in a harmonised way across the EU. The self-assessment aims to ensure that the views of the institution on its own resolvability are aggregated in one document available to the resolution authority.
10. In response to the consultation, institutions have raised the need for additional information from resolution authorities regarding the plan to allow them to adequately plan for resolution. Resolution authorities are already required to provide them with a summary of the key elements of the resolution plan. And the self-assessment and related dialogue with the resolution authority should ensure that institutions gain an appropriate understanding of the elements of the plan which allows them to adequately prepare for resolution.

### Multi-annual testing programme

11. Resolution authorities should set out a multi-annual testing programme, leveraging on the self-assessment report. The objective of the multi-annual testing programme is for resolution authorities to gain assurance that the capabilities developed by institutions are in fact meeting their resolvability objectives. It can also serve the purpose to incorporate horizontal testing priorities, commonly identified by authorities together with criteria and approaches that can ensure a more effective understanding of the progress achieved in their jurisdiction.
12. The testing programme should take into due consideration the self-assessment provided by the institution and in particular any testing activity already performed in this context.
13. The programme is expected to extend over a period of three years to allow institutions to optimise their resolution planning efforts – the second and third one being indicative as the programme is expected to be updated/confirmed on a rolling basis by the resolution authority annually. Annex 4 of these guidelines provides a non-exhaustive list of testing tools that can be used by institutions and resolution authorities.
14. In the context of cross-border groups the testing programme should be coordinated with host authorities and the allocation of roles should be clearly established.
15. The first programme should be communicated to institutions by year-end 2025 at the latest.

### Master playbook

16. Finally, the guidelines introduce a master playbook, to be completed by the resolution entity at resolution group level, for the more complex institutions (Top Tier Banks and G-SIIs as well as other banks if requested by the resolution authority, e.g. failed banks) with the objective to operationalise the resolution strategy as foreseen by the resolution authority and to allow those

institutions to demonstrate their operational capacity to support it. So far, the focus has been mainly on the bail-in tool, as the key priority to implement for most institutions. However, at least for the most complex ones, beyond bail-in the execution of the strategy would require a high level of coordination of a number of workstreams and it is key that those aspects are considered in a holistic manner.

17. The master playbook will ensure that the various aspects supporting the execution of the strategy effectively work together – governance, access to FMI, funding and liquidity, operational continuity and communication. In this respect, the master playbook should not be seen as another regulatory deliverable or duplicate or simply aggregate existing playbooks and materials, but instead it should serve the purpose of being an overarching guide for senior management to operationally manage and coordinate all firm-wide resolution actions and the execution of other resolution-related playbooks. The master playbook should set out the timeline and triggers of relevant steps of the resolution process from the contingency planning phase leading up to resolution, which may coincide with the recovery phase, and all the way up to the post bail-in restructuring or to the point where the transfer strategy is finalised. It would ultimately allow institutions to ensure the overall coherence of their resolvability capabilities.
18. While Directive 2014/59/EU considers the replacement of the management body and senior management as a general principle governing resolution and it provides for the possibility to appoint a special manager, in practice, as also foreseen in that Directive<sup>14</sup>, senior management may (in whole or in part) still be called on to perform key roles, in particular in the run-up to resolution but also possibly during resolution, in executing the resolution strategy and in the implementation of the business reorganisation plan or to the point where the transfer strategy is finalised.
19. The master playbook is expected to be a comprehensive document covering all aspects of the resolution strategy, including the period running up to resolution and post-resolution business reorganisation. In introducing a master playbook, the guidelines leverage on best practices identified by the EBA within the EU and in third countries (the US and UK in particular). Relevant institutions are expected to produce their first master playbook by 31 December 2025.

### Scope of application and coordination for the self-assessment report and multi-annual testing programme

20. The EBA Resolvability Guidelines<sup>15</sup>, the Transferability Guidelines<sup>16</sup> and these amending guidelines apply at resolution group level. Yet, in the case of cross-border institutions, the scope of the progress with regard to resolvability is often unclear – it could vary between (i) the parent entity and (ii) the rest of the group, in particular outside of the home jurisdiction. There is also the need for particular parts of the guidelines and those on transferability to be applied at the subsidiary level too, such as in the case of the transfer of losses from non-resolution entities to

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<sup>14</sup> Article 34 (1) (c) of Directive 2014/59/EU.

<sup>15</sup> EBA/GL/2022/01.

<sup>16</sup> EBA/GL/2022/11.

the resolution entity in the bail-in playbook or in the case of the use of the transfer tool at the level of a subsidiary. Accordingly, the Resolvability Guidelines and these amending guidelines are to be applied in principle only at the level of each resolution group, but sections 4.6. and 4.7 will also apply at the level of subsidiaries that are non-resolution-entities, where the minimum requirement for own funds and eligible liabilities as laid down in Article 45f of Directive 2014/59/EU exceeds the amount sufficient to absorb losses in accordance with point (a) of the first subparagraph of Article 45c(2) of that Directive.

21. This has been evidenced in resolution colleges via the use of the resolvability assessment grid<sup>17</sup>. As such, the proposal is to request the **self-assessment report** to be produced not only by the resolution entity at the resolution group level but also at the level of cross-border non-resolution entities within a resolution group with an internal MREL decision set above own funds requirements.
22. Completing the self-assessment also at the level of non-resolution entities allows it to be ensured that both the subsidiary and the relevant resolution authority are sufficiently prepared to support the execution of the group resolution strategy. As such, the self-assessment should be completed on the basis of this strategy and in coordination with the resolution entity's resolution planning function.
23. In the case of cross-border institutions, the multi-annual testing programme should be discussed in resolution colleges.
24. Tests relating to cross-border non-resolution entities should be led either by the resolution authority of the resolution entity or the host resolution authorities in coordination with the resolution authority of the resolution entity – as agreed between them. In any case, both host authorities and the resolution authority of the resolution entity should work in close cooperation.
25. In any case, the results of the tests should be shared with college members.

### Proportionality

26. As in the EBA Resolvability Guidelines, a high level of proportionality is ensured by the fact that liquidation institutions (institutions planned for insolvency) are out of scope of these guidelines unless the relevant resolution authority decided otherwise – resulting in 1,990 smaller institutions not being impacted by the EBA Resolvability Guidelines<sup>18</sup>.
27. In addition, in line with the EBA Resolvability Guidelines, the level of compliance with the guidelines is left to the discretion of authorities for simplified obligation institutions.

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<sup>17</sup> See Annex 2 - <https://www.eba.europa.eu/regulation-and-policy/recovery-and-resolution/guidelines-institutions-and-resolution-authorities-improving-resolvability>

<sup>18</sup> As per the number of MREL decisions for liquidation banks reported to the EBA under CIR 2021/622.



28. And as for the Resolvability Guidelines, the simpler the institutions, the easier it is to comply with these guidelines.
29. Further proportionality is also embedded in these guidelines by the fact that resolution authorities retain the choice of testing techniques to test the relevant capabilities over the three-year cycle. Annex 4 provides a non-exhaustive menu of techniques of varying degree of intrusiveness ranging from self-certification to on-site inspection.
30. Authorities should adopt a risk-based approach in setting multi-annual testing programmes and in choosing to use more or less intrusive testing techniques. This risk-based approach should reflect risk profiles and financial strength as embedded in the SREP categorisation and score, but should also consider the overall resolvability and the quality of the institution's assurance framework as demonstrated in the self-assessment. This last aspect would play a key role in increasing the incentive for institutions to progress on and maintain their resolvability.
31. Finally, proportionality is ensured by the fact that the master playbook is only expected from the most complex institutions i.e. GSIs and Top Tier banks and those specifically identified by resolution authorities, and only by 31 December 2025.
32. As in the case of the EBA GL/2022/01 (the EBA Resolvability Guidelines), these testing guidelines also aim to guarantee common practices by providing the common denominator for the preparation that institutions and authorities should make in order to improve their resolvability. But an institution's compliance with the guidelines does not necessarily mean that the institution is resolvable and does not pre-empt the resolution authorities, which bear sole responsibility for making the resolvability assessment on the basis of their expert judgment, in requiring additional measures from institutions.

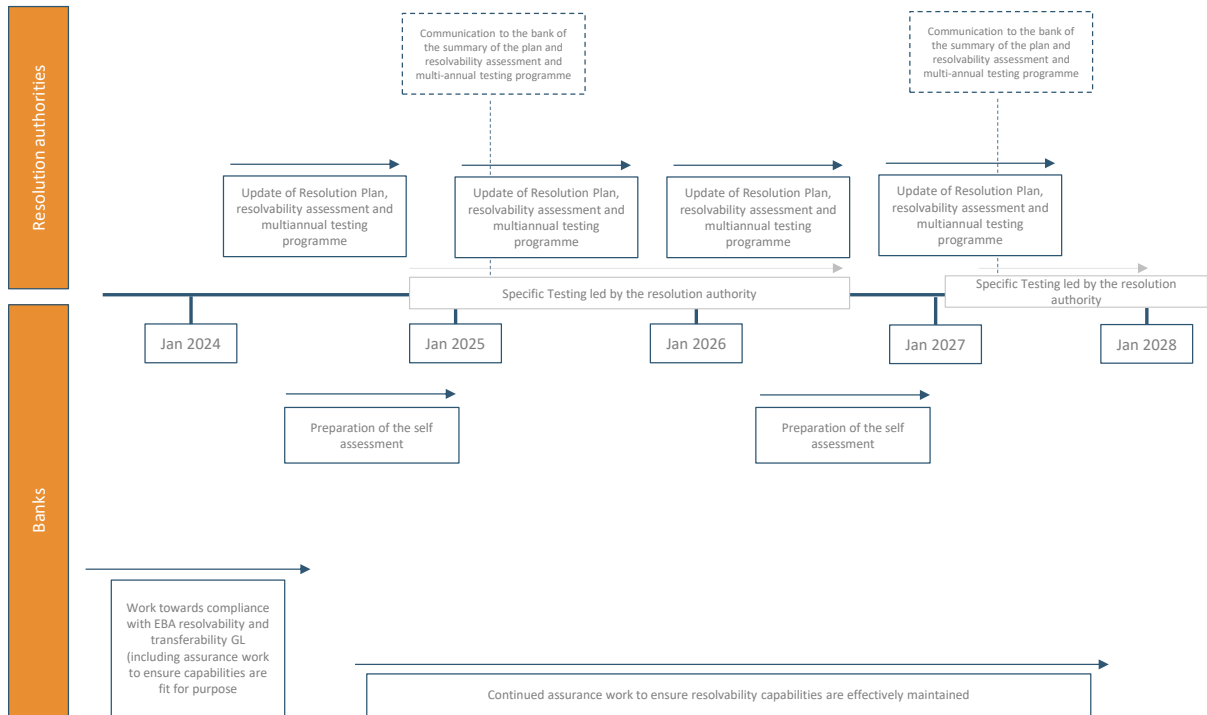
### Transitional arrangement

33. For entities whose resolution strategy is changed from liquidation to a resolution strategy after the entry into force of these guidelines, the self-assessment report should be submitted as soon as possible and no later than one year after the communication of the change of strategy, but the rest of the guidelines (testing programme and master playbook) would start applying three years from when the strategy was changed – in line with the EBA Resolvability Guidelines.

### Illustrative timeline

34. These guidelines will provide key input to resolution authorities' resolvability assessment and resolution planning process. The self-assessment report completed by the institutions will provide key information both on the progress on resolvability by institutions and on the internal testing done by the institutions themselves. On the basis of this self-assessment, the authorities will communicate a testing programme to the institutions allowing them to demonstrate to the relevant authority the viability of their resolvability capability.

Figure 1: Illustrative timeline of the choreography between resolution planning requirement and testing



Legal vehicle

35. These guidelines amend the EBA Resolvability Guidelines by adding a section on resolvability testing.

## 3. Guidelines

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EBA/GL/2023/05

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13.06.2023

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# Guidelines amending Guidelines EBA/GL/2022/01 on improving resolvability for institutions and resolution authorities under articles 15 and 16 of Directive 2014/59/EU (Resolvability Guidelines) to introduce a new section on resolvability testing

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# 1. Compliance and reporting obligations

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## Status of these guidelines

1. This document contains guidelines issued pursuant to Article 16 of Regulation (EU) No 1093/2010<sup>19</sup>. In accordance with Article 16(3) of Regulation (EU) No 1093/2010, competent authorities and financial institutions must make every effort to comply with the guidelines.
2. Guidelines set the EBA view of appropriate supervisory practices within the European System of Financial Supervision or of how Union law should be applied in a particular area. Competent authorities as defined in Article 4(2) of Regulation (EU) No 1093/2010 to whom guidelines apply should comply by incorporating them into their practices as appropriate (e.g. by amending their legal framework or their supervisory processes), including where guidelines are directed primarily at institutions.

## Reporting requirements

3. According to Article 16(3) of Regulation (EU) No 1093/2010, competent authorities must notify the EBA as to whether they comply or intend to comply with these guidelines, or otherwise with reasons for non-compliance, by [dd.mm.yyy]. In the absence of any notification by this deadline, competent authorities will be considered by the EBA to be non-compliant. Notifications should be sent by submitting the form available on the EBA website with the reference 'EBA/GL/2023/05'. Notifications should be submitted by persons with appropriate authority to report compliance on behalf of their competent authorities. Any change in the status of compliance must also be reported to the EBA.
4. Notifications will be published on the EBA website, in line with Article 16(3).

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<sup>19</sup> Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p.12).



## 2. Subject matter, scope and definitions

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### Subject matter

5. These guidelines amend the Guidelines on improving resolvability for institutions and resolution authorities under articles 15 and 16 of Directive 2014/59/EU of 13 January 2012 (EBA/GL/2022/01)<sup>20</sup> ('the Guidelines').
6. Provisions of the Guidelines that are not amended by these guidelines remain in force and continue to apply.

## 3. Date of application

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7. These guidelines apply from 1 January 2024.

## 4. Amendments to the Resolvability Guidelines<sup>21</sup>

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8. Paragraph 5 of the Resolvability Guidelines is amended as follows:

'5. These guidelines specify, having regard to Articles 10(5) and 11(1) of Directive (EU) 2014/59<sup>22</sup>, the resolution tool-specific actions that institutions including entities referred to in Article 1(1) ("institutions"), and resolution authorities should take to improve resolvability of

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<sup>20</sup> <https://www.eba.europa.eu/regulation-and-policy/recovery-and-resolution/guidelines-institutions-and-resolution-authorities-improving-resolvability>

<sup>21</sup> Guidelines EBA/GL/2022/01 on improving resolvability for institutions and resolution authorities under articles 15 and 16 of Directive 2014/59/EU (Resolvability Guidelines).

<sup>22</sup> Directive of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council (OJ L 173 12.6.2014, p. 190).

institutions, groups and resolution groups in the context of the resolvability assessment performed by resolution authorities according to Articles 15 and 16 of that Directive.’

9. Paragraph 7 of the Resolvability Guidelines is amended as follows:

‘7. These guidelines do not apply to institutions whose resolution plan, or the resolution plan of the group to whom they belong, provides that they are to be wound up in an orderly manner in accordance with the applicable national law. In case of a change of strategy, in particular from liquidation to resolution, the guidelines apply no later than three years from the date of the approval of the resolution plan with the new resolution strategy, with the exception of section 4.6, which applies no later than one year from that date.’

10. Paragraph 10 of the Resolvability Guidelines is amended as follows:

‘10. For institutions that are part of a group subject to consolidated supervision pursuant to Articles 111 and 112 of Directive 2013/36/EU, the guidelines apply at the level of each resolution group and, where relevant, at the individual level too. Section 4.6 and section 4.7 apply also at the level of cross-border subsidiaries that are non-resolution entities, where the minimum requirement for own funds and eligible liabilities as laid down in Article 45f of Directive 2014/59/EU exceeds the amount sufficient to absorb losses in accordance with point (a) of the first subparagraph of Article 45c(2) of that Directive.

11. The title of section 3 of the Resolvability Guidelines is amended as follows:

‘3. Implementation and transitional provisions’

12. After paragraph 13 of the Resolvability Guidelines, new paragraphs 13a, 13b and 13c are added as follows:

‘13a. Institutions should submit to the resolution authorities the first self-assessment report referred to in paragraph 124 by 31 December 2024.

13b. By derogation of paragraph 132, resolution authorities should communicate the first resolvability testing programme referred to in paragraph 130 by 31 December 2025.

13c. Institutions referred to in paragraph 138 should submit to the resolution authorities the first master playbook referred to in that paragraph, by 31 December 2025.’

13. Paragraph 56, subparagraph (e), is amended as follows:

‘e. signing off on the main deliverables and ensuring adequate delegation arrangements in this respect, as part of appropriate internal control and assurance mechanisms (such as the resolution reporting templates and self-assessment report);’.

14. After section 4.5, new sections 4.6, 4.7 and 4.8 with paragraphs 124 to 129, 130 to 137 and 138 to 142, respectively, are inserted in the Guidelines as follows:

## 4.6. Self-assessment report

124. Institutions should at least every two years prepare and submit to the relevant resolution authority a report, where they self-assess whether they meet, and to what degree, the capabilities set out in section 4.1 to 4.5 and 4.8 of these guidelines, and in sections 4 and 5 of the Guidelines on transferability to complement the resolvability assessment for transfer strategies (Transferability Guidelines)<sup>23</sup>, and taking into account any feedback received from authorities within the two years, including inter alia the following elements:

- a. Degree in which the capability is met (low, medium, high, not applicable);
- b. Description of how the capability is met or why it is deemed not applicable under point a;
- c. Gap assessment on the resolvability capabilities as set out in these guidelines and those of the institution, on how this gap can be addressed and by when;
- d. Description of how the capability is embedded in business as usual (BAU);
- e. Description of how the capability relates to the recovery planning of the institution (e.g. do operational continuity in resolution arrangements also support recovery options such as disposals, or are recovery arrangements leveraged to support resolution);
- f. Any internal or external assessment performed on how these guidelines have been applied by the institution, including internal or external audit reports, external consultant assessments, dry runs or supervisory reviews;
- g. Any additional topic set out by the relevant resolution authority (e.g. lessons learnt from recent downturn or market event).

125. In the executive summary of their self-assessment set out in paragraph 124, institutions should:

- a. set out their understanding of the resolution strategy as identified by the resolution authority, and of their role and that of the authority(ies) in the execution of that strategy;
- b. describe their testing and assurance framework that allows them to ensure their capacity to support the execution of the resolution strategy on a continued basis;
- c. summarise their self-assessment by key resolvability areas as follows:

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<sup>23</sup> Guidelines EBA/GL/2022/11 for institutions and resolution authorities to complement the resolvability assessment for transfer strategies (Transferability Guidelines).

- i. Governance;
  - ii. Operational continuity in resolution (OCIR) and access to FMIs<sup>24</sup>;
  - iii. Loss absorbing and recapitalisation capacity;
  - iv. Liquidity and funding in resolution;
  - v. MIS<sup>25</sup>;
  - vi. Communication;
  - vii. Transferability and restructuring.
126. Reports should be submitted by institutions to the resolution authority at least every two years. The first report should be submitted by 31 December 2024.
127. In the context of cross-border resolution groups, the self-assessment report should either be reported by the resolution entity to the group-level resolution authority (or the relevant resolution authority in the case of an MPE strategy) or by the non-resolution entity to the local resolution authority.
128. When produced, the self-assessment of the non-resolution entity should be developed on the basis of the group resolution strategy and in coordination with the resolution entity.
129. For the purpose of the self-assessment report referred to in paragraph 124, institutions should follow the format provided by their resolution authority.

## 4.7. Multi-annual testing programme

130. Resolution authorities should, having regard to the self-assessment report referred to in section 4.6, and in particular to elements requested under 124 (d-f), adopt a multi-annual resolvability testing programme for institutions under their remit. The programme should include all the capabilities set out in these guidelines and the EBA Transferability Guidelines<sup>26</sup>.
131. It should cover a period of three years (the last two being indicative) to allow institutions to optimise their resolution planning efforts. It should be updated/confirmed by the resolution authority annually. The outcome of its annual review should be notified to the institutions without undue delay.
132. Resolution authorities should communicate to institutions the resolvability testing programme referred to in paragraph 130 and its annual updates or confirmations as referred to in

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<sup>24</sup> Financial market infrastructures.

<sup>25</sup> Management information systems.

<sup>26</sup> EBA/GL/2022/11.

paragraph 131, at the latest along with the summary of the resolution plan and resolvability assessment as per Article 10(7)(a) of Directive 2014/59/EU.

133. The resolution authorities should, having regard to the non-exhaustive list set out in Annex 4, set out in the resolvability testing programme (referred to in paragraph 130) the range of assessments, tests, methodologies, practices and tools that they intend to use in order to test the adequacy of the arrangements put in place by institutions to support the execution of their resolution strategy.
134. When considering the choice of testing techniques in their resolvability testing programme set out in paragraph 130, resolution authorities should follow a risk-based approach on the basis of institutions' risk profile, size and business model (e.g. SREP categorisation<sup>27</sup>), and overall SREP score<sup>28</sup> and consider the following:
- a. The progress on resolvability / degree up to which resolvability capabilities set out in these guidelines are met; and
  - b. The overall quality of internal resolvability assurance work evidenced in the self-assessment report.
135. In the context of cross-border resolution groups, the multi-annual resolvability testing programme should be discussed between the group level resolution authorities and the resolution authorities of the subsidiaries that are subject to these guidelines.
136. In the case of cross-border groups, the multi-annual resolvability testing programme of the resolution entities, including the tests under it, should be carried out either by the resolution authority of the resolution entity or the host resolution authorities in coordination with the resolution authority of the resolution entity – as agreed between them.
137. Resolution authorities should share, with the institution and, in the case of cross-border group, at least with the members of the resolution college, the results of any tests carried out in accordance with the resolvability testing programme referred to in paragraph 130.

## 4.8. Master playbook

138. The Union parent undertaking and the resolution entities of a resolution group that is either subject to Article 92a or 92b of Regulation (EU) No 575/2013 or has total assets at the level of the resolution group exceeding EUR100 billion, and those designated by the relevant resolution authority that are not subject to Article 92a of Regulation (EU) No 575/2013 and which are part of a resolution group the total assets of which are lower than EUR 100 billion but which the resolution authority has assessed as reasonably likely to pose a systemic risk in the event of its

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<sup>27</sup> 'SREP categorisation' means the indicator of the institution's systemic importance assigned based on the institution's size and complexity and the scope of its activities. See also section 2.1.1 of the revised EBA SREP GL (EBA/GL/2022/03).

<sup>28</sup> See definition in the revised EBA SREP GL (EBA/GL/2022/03) p. 21. 'Overall SREP score' means the numerical indicator of the overall risk to the viability of the institution based on the overall SREP assessment.

failure in accordance with Article 45c(6) of Directive 2014/59/EU, should develop a master playbook.

139. The master playbook should be requested from institutions other than those designated in paragraph 138 when the RA assesses that it is justified by the complexity of the organisation and the consequent need for a high degree of coordination of resolvability capabilities.

140. The master playbook should<sup>29</sup>:

- a. define key roles and responsibilities of senior management in the run-up to and during resolution;
- b. set out the matter and timeframes on which decisions should be made by the management in the run-up and into resolution;
- c. set out the triggers for the activation of sub-playbooks (bail-in playbook, transfer playbook, contingency plans for access to FMI, communication);
- d. set out the source, deadlines and format of information sources that will support these decisions by the board;
- e. demonstrate how the various elements of the execution of the resolution strategy interact with each other and, in particular, the following:
  - i. Bail-in execution (bail-in playbook);
  - ii. Transfer playbook (where relevant);
  - iii. Valuation;
  - iv. Funding and liquidity in resolution (including collateral monitoring / funding in resolution strategy);
  - v. Access to FMI (including contingency plans);
  - vi. Operational continuity (including service catalogue);
  - vii. Business reorganisation plan.

141. Institutions should update their master playbooks at least annually or after a change to their legal or organisational structure or a change to their operational or financial conditions which could have a material effect on, or necessitates a change to, the master playbook. The outcome of its annual review should be notified to resolution authorities without undue delay.

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<sup>29</sup> Annex 5 provides a high-level description of the master playbook architecture.



142. After Annex 3 of the Resolvability Guidelines, Annexes 4 and 5 are inserted as follows:

## Annex 4 – non-comprehensive list of methods available to either institutions for their assurance work or authorities for testing

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a. Self-certification	Where the institution self-certifies its compliance with a rule.
b. Self-assessment	A self-assessment is the assessment by the institution of its own capabilities to perform the tasks requested in a timely manner and to meet the quality expected. Self-assessment assumes a review of the existing processes and procedures, and potentially a review of the lessons learnt from past stress situations. A self-assessment results in a gap analysis between what the institution's capabilities and the authority's expectations are.
c. Firm sharing results of its systems or internal testing via demonstrations to authorities / walkthrough	A 'walkthrough test' traces an operation step-by-step through the MIS or procedures from its inception to the final disposition.
d. Fire drill	Process-oriented, focused and flexible plausibility check of selected steps in a playbook.
e. Dry run	Dry runs are real-life simulation exercises where institutions test (selected) parts of the elements identified by the resolution authority based on a test crisis event, and identify areas for improvement to ensure that the resolution strategy can be implemented in an effective and timely manner.
f. Desktop exercise	Initial stage to enhance playbooks and ensure standardisation, consistency and alignment with the requirements for the



documentation of key processes by individual steps, including timing, responsibilities and dependencies.

Back-office testing where figures are reconciled between different documents in order to assess the accuracy and reliability of a data set.

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g. Internal audit	Review of the resolvability capabilities by internal audit, as part of their institution's assurance work for continued resolvability.
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h. Independent third-party verification	Review of the resolvability capabilities by a third-party expert.
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i. Deep dive	In-depth review on a specific topic carried out at the institution's premises over a pre-defined timeline.
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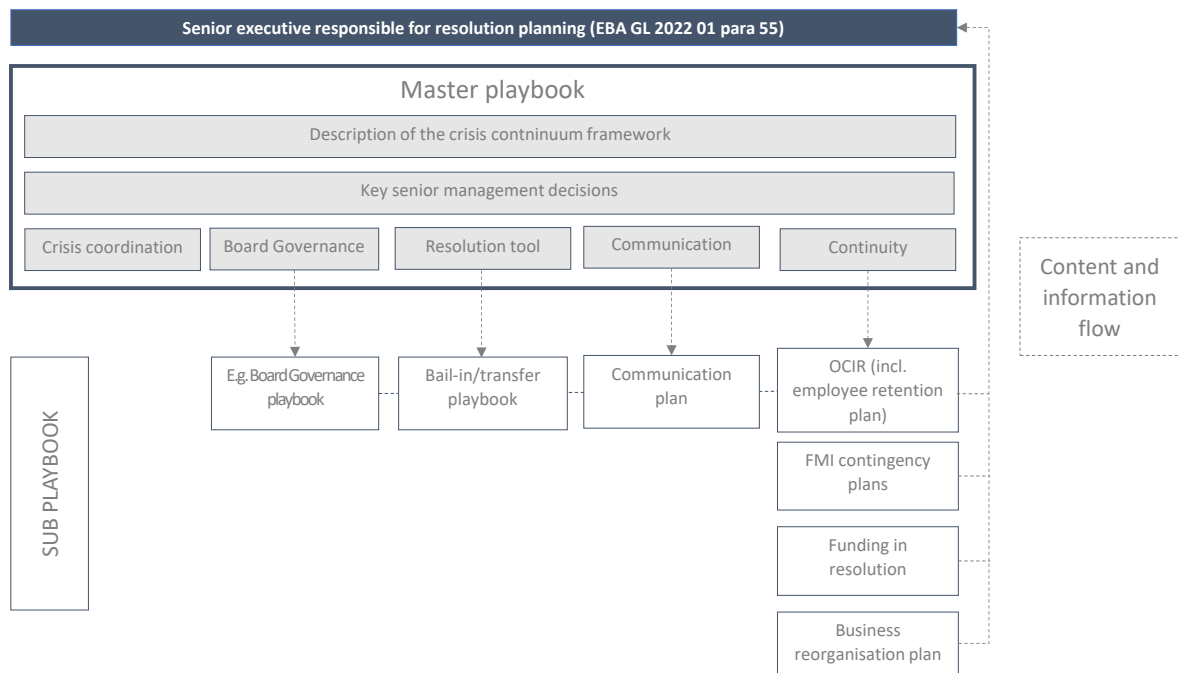
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j. On-site inspection	On-site inspections are investigations and testing performed by authorities with a pre-defined scope and timeframe and take place on the premises of the institutions. Inspections should be intrusive while adhering to the principle of proportionality and aim to provide a detailed snapshot of the adequacy and execution of processes.
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# Annex 5 – Master playbook

High-level illustrative master playbook architecture:



## 4. Accompanying documents

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### .4.1 Cost-benefit analysis / impact assessment

#### A. Problem identification

Eight years into Directive 2014/59/EU, resolution authorities have made significant progress in terms of policy and resolution planning. This is evidenced in the EBA MREL report that shows the share of resolution entities stable at 80% of EU domestic assets. This means most resolution strategies have been set and the draft plans drawn up.

In terms of policy, those institutions have been set clear goalposts with Directive (EU) 2019/879 (BRRD2) on MREL and with the EBA Resolvability Guidelines on other impediments to resolvability. In particular on resolvability, the EBA Resolvability Guidelines include a number of resolvability capabilities that institutions should develop to be able to effectively support the execution of the resolution strategy.

Resolution authorities now need to move from planning to testing institutions' compliance with the EU27 expectations on resolvability and their effective capacity to support the preferred resolution strategy, both in the run-up to the steady state but also beyond it, i.e. how institutions ensure that these capabilities support resolvability on a continuous basis.

#### B. Policy objectives

The objective is to ensure an effective and consistent level of banking regulation in the field of resolution in relation to resolvability testing to ensure a level playing field for EU institutions while maintaining the stability of the financial system and consumer protection.

#### C. Baseline scenario

With the publication of the EBA Resolvability Guidelines, authorities and institution have a clear objective with regard to resolvability.

Some authorities have started to work on testing, some have started to request institutions to self-assess against the EBA Resolvability Guidelines or local rules, and the most complex institutions have started to develop master playbooks to ensure their resolution planning efforts are coherent. But these efforts are not consistent or harmonised.

## D. Options considered

### Option 1: standardised formatting for the self-assessment

The initial proposal was to introduce a standardised format or template for the self-assessment. This would have ensured consistency from a format point of view. However, in light of the potential for large submissions, and the fact that different formats may be more suitable to different types of institutions, it was preferred not to specify a format but instead to specify (i) the information to be provided and (ii) the capabilities to be covered.

### Option 2: no multi-annual testing programme

An initial option considered was to leave more flexibility to institutions to progress on resolvability – leaving the initiative and prioritisation of the work to them. This would have meant removing the multi-annual testing programme. This, however, was pushed back by resolution authorities on the basis that they did not believe that institutions would progress adequately without the input from authorities.

### Option 3: prescriptive list of testing techniques

The draft guidelines included a list of testing techniques that should be considered by institutions and resolution authorities when setting the multi-annual testing programme. The original option was to assign specific techniques to the testing of specific capabilities. This was not adopted as it was found to be too cumbersome and would remove the possibility for authorities to adapt the testing programme to the risk profile of institutions and their relative performance on resolvability on the basis of their existing assurance work.

## E. Cost-benefit analysis

The impact of implementing the guidelines, which will become applicable from 1 January 2024, depends on the level of compliance from the side of institutions with the Resolvability Guidelines, the level of preparedness of institutions towards the assessments included in the resolvability testing programme and the level of development of the master playbook.

The expected benefits of the implementation of the guidelines are mainly related to ensuring the effectiveness of the execution of the resolution strategy, which is beneficial for both the institution (that can ensure its operational continuity) and for the wider economy (ensuring that firms ensure the necessary capabilities to be resolved and avoid bailouts funded by taxpayers).

For firms, the benefits are related to the increased capabilities to execute the resolution strategy. Also, these enhanced capabilities for bail-in execution, a transfer playbook, valuation, funding and liquidity in resolution, access to FMI, together with an enhanced definition of key roles and responsibilities in the run-up to and during resolution, may provide benefits in a business-as-usual situation. For example, they may increase the quality and availability of management information, improving firms' abilities to monitor and manage risks, consider and execute changes to their



business structure, or allocate resources across business areas. The proposed capabilities may also reduce the time and effort firms need to produce information necessary for supervisory purposes.

Regarding groups, and in particular cross-border groups, the benefits are related to increased understanding of the progress on resolvability by host authorities and clarity as to the resolution authority that performs the resolvability testing.

For the most complex institutions, the development of a master playbook, setting out clear roles and decision points for the senior management and the coordination of the various aspects of the strategy, will improve the credibility of the resolution strategy.

The harmonisation of practices across the EU will ensure a level playing field between comparable institutions.

For firms, in the first instance, the costs of implementing the guidelines are mostly related to the preparedness for the self-assessment report on their compliance against the EBA Resolvability Guidelines. This annual task already takes place over the resolution cycle and the report will essentially frame it and concentrate it in one document – the cost should be somewhat limited.

The guidelines stipulate that cross-border non-resolution entities with MREL set above own funds should also complete the self-assessment or that the parent should report one at their level. As per the above, this report will essentially aggregate information that is already being shared between institutions and resolution authorities. The burden should be lower for non-resolution authorities as some capabilities are not applicable to them and they can provide a simple rationale why.

This assessment and other factors will drive the multi-annual testing programme that the resolution authority will put in place and therefore reduce the cost of testing by authorities for the better positioned institutions.

The costs are variable between firms depending on the level of development of the requirements for reporting compliance with the Resolvability Guidelines and the level of development of the components of the master playbook.

## .4.2 Views of the Banking Stakeholder Group (BSG)

The Banking Stakeholder Group welcomed the EBA initiative to provide harmonisation in the field of resolvability testing at EU level. They supported the introduction of the self-assessment and supported the idea of a master playbook for the most complex institutions as a way of ensuring coherence between resolvability areas but also with recovery and early intervention measures.

However, the BSG called for (i) increased transparency from authorities with regard to the resolution plan; (ii) a harmonised structure for the self-assessment report; (iii) maintaining clarity with regard to responsibility between recovery and resolution; and (iv) coordination between supervisory and resolution authorities with regard to testing,

### .4.3 Feedback on the public consultation and on the opinion of the BSG

The EBA publicly consulted on the draft proposal contained in this paper.

The consultation period lasted for three months and ended on 15 February 2023. Twelve responses were received, of which five were published on the EBA website.

This paper presents a summary of the key points and other comments arising from the consultation, the analysis and discussion triggered by these comments, and the actions taken to address them if deemed necessary.

In many cases several industry bodies made similar comments or the same body repeated its comments in the response to different questions. In such cases, the comments and EBA analysis are included in the section of this paper where the EBA considers them most appropriate.

Changes to the draft guidelines have been incorporated as a result of the responses received during the public consultation.

#### **Summary of key issues and the EBA's response**

Respondents called for more transparency from resolution authorities on the resolution plan to allow them to adequately prepare for resolution, in particular with regard to the split of responsibilities between institutions, resolution authorities and potential special managers<sup>30</sup> in resolution and with regard to the timelines for the execution of the resolution strategy.

A number of respondents also called for a coordination effort on testing between supervisory and resolution authorities to avoid overlap and find synergies.

Several respondents called for the addition of a more detailed structure to the self-assessment to increase EU consistency.

Several respondents called for maintenance of a clear distinction between the business as usual, recovery and resolution phases, in particular with regard to the master playbook.

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<sup>30</sup> Article 35 of Directive 2014/59.

## Summary of responses to the consultation and the EBA's analysis

Summary of responses received	EBA analysis	Amendments to the proposals
<p><b>Q1. Do you have any comments on the proposal to introduce a self-assessment to improve banks' involvement in the resolution planning process?</b></p>		
<p>A number of respondents called for more transparency on the side of the resolution authority in particular with regard to timelines and roles of the resolution authority upon entry into resolution vs. the institution and potential special manager.</p>	<p>The current legislation, Article 22 (2)-(8) of the EBA RTS on resolution planning (CIR 2016/1075), already requires authorities to provide a summary of the resolution plan to banks including timeline etc. Yet, the objective of having banks describing their understanding of the strategy is to identify any misunderstandings and ensure banks have adequate information to support the execution of the preferred resolution strategy. It is expected that the RA should adhere to this requirement and provide additional details on the strategy through the regular dialogue with institutions. The EBA will consider the need for harmonising how authorities share the summary of the resolution plan with institutions.</p>	<p>Added Background and rationale para. 10: 'In response to the consultation, institutions have raised the need for additional information from resolution authorities regarding the plan to allow them to adequately plan for resolution. Resolution authorities are already required to provide a summary of the key elements of the resolution plan. And the self-assessment and related dialogue with the resolution authority should ensure that institutions gain an appropriate understanding of the elements of the plan which allows them to adequately prepare for resolution.'</p>
<p>Several respondents asked to self-assess against SRB Efb not the EBA GL.</p>	<p>The EBA GL refers to the EBA Resolvability Guidelines which are then implemented by the EU resolution authorities. The EBA GL cannot refer to local policies as those do not necessarily apply to all EU banks. The Efb is how the SRB implements and complies with EBA GLs in alignment with the EBA Resolvability GL.</p>	<p>No change.</p>
<p>Self-assessment should not be submitted by cross-border non-resolution entities but the group self-assessment could cover those. Some respondents raise the point that non-resolution entities should not have to submit a self-assessment because some resolvability requirements do not apply to them. A single self-assessment would avoid formatting differences between home and hosts. Self-assessment by non-resolution entities risks being done independently</p>	<p>The objective of the self-assessment is twofold: (i) to ensure there is clarity of the level of resolvability readiness in the various parts of the resolution group; and (ii) to ensure there is understanding at each key entity of their role in the execution of the resolution strategy. Not having a self-assessment delivered by the non-resolution entity would be fine for meeting the first one but not the second one. The self-assessment should be coordinated by the resolution entity so to ensure the coherence of the resolvability assessment. While host resolution authorities may request additional measures following the review of a</p>	<p>Added Background and rationale para. 22: 'Completing the self-assessment also at the level of non-resolution entity allows it to be ensured that both the subsidiary and the relevant resolution authority are sufficiently prepared to support the execution of the group resolution strategy.'</p> <p>Added para. GL 130: 'When completed for non-resolution entities the self-assessment should be completed on the basis of the group resolution strategy and in coordination with the group resolution planning function.'</p>

<p>from the resolution entity. National resolution authorities may request additional measures.</p>	<p>self-assessment by the non-resolution entity, those measures would need to be agreed with the GLRA within the resolution college.</p>	
<p>One respondent asked for the entities under simplified obligations to be taken out of the scope of these guidelines.</p>	<p>The EBA Resolvability Guidelines leave discretion to resolution authorities to adapt the level of application of these guidelines to institutions subject to simplified obligations.</p>	<p>No change.</p>
<p>Several respondents called for the guidelines to include additional proportionality based on size.</p>	<p>Size and complexity are considered in the simplified obligation framework.</p>	<p>No change.</p>
<p>Scope of application for EU non-resolution entities of third-country banking groups and use of the broad equivalence concept for testing.</p>	<p>EU non-resolution entities of third-country banking groups are subject to EBA guidelines to the same extent as other EU institution in the EU. As such, they should be able to demonstrate how they comply with various EBA guidelines.</p>	<p>No change.</p>
<p>Some respondents asked for clarification as to how the self-assessment would be scored.</p>	<p>The self-assessment's objective is to provide authorities with crucial information to feed into the resolvability assessment by authorities. As such it is not an area for which it would be appropriate to develop a scoring framework. Going forward however there will be reviews of practices and, where required, harmonisation of resolvability scoring may be envisaged. The common work on testing together with the EREP will be the opportunity to share best practices, foster synergies and promote convergence in the EU.</p>	<p>No change.</p>
<p>One respondent called for the self-assessment to only consider the EBA guidelines not those on transferability or any other operational guidance.</p>	<p>These draft guidelines aim to specify how resolution authorities should involve institutions in their planning process, with a particular focus on capabilities set out in the EBA Resolvability</p>	<p>No change.</p>



	<p>Guidelines and Transferability Guidelines. But resolution authorities should feel free to include any other requirement they have imposed in the self-assessment.</p>	
<p>Several respondents asked to clarify how there could be a gap analysis after the entry into force of the guidelines.</p>	<p>While there is confidence that EU banks have done their utmost to progress on resolvability since the introduction of BRRD in 2015, some may still need to work on specific aspects, in particular for improving aspects identified by the resolution authorities.</p>	<p>No change.</p>
<p>Several respondents called for the guidelines to standardise the format of the self-assessment to ensure consistency.</p>	<p>Furthermore, when a change of strategy occurs (e.g. move from liquidation to resolution, inclusion of the transfer tool), banks will have three years from that change to comply with the relevant capabilities.</p> <p>The self-assessment refers to the EBA Resolvability GL which should ensure consistency. A detailed template is an implementation element that could be established by RAs. However, we note that a standardised format may not be adapted to the different types/size of banks. Nonetheless, to ensure that all the relevant areas of the EA GL on resolvability are covered, the GL could be more explicit in the content of the executive summary.</p>	<p>GL para. 125 amended as follows: ‘In the executive summary of their <del>preamble to the self-assessment</del> set out in paragraph 124, institutions should summarise:</p> <ol style="list-style-type: none"> <li>a. set out their understanding of the resolution strategy as identified by the resolution authority, and of their role and that of the authority(ies) in the execution of that strategy;</li> <li>b. describe their testing and assurance framework that allows them to ensure their capacity to support the execution of the resolution strategy on a continued basis;</li> <li>c. summarise their self-assessment by key resolvability areas as follows: <ol style="list-style-type: none"> <li>i. Governance;</li> <li>ii. Operational continuity in resolution (OCIR) and access to FMIs;</li> <li>iii. Loss absorbing and recapitalisation capacity;</li> <li>iv. Liquidity and funding in resolution;</li> <li>v. MIS;</li> <li>vi. Communication;</li> <li>vii. Transferability and restructuring.’</li> </ol> </li> </ol>

Some respondents called for reducing the frequency of the self-assessment to every two years.

Resolvability is key and should be maintained at all times. Thus, one could consider that the self-assessment could be a live document that could be submitted upon request. But from a practical point of view, resolvability work is one that normally extends over several years, and looking at international practices there are arguments in favour of decreasing the frequency. In particular, this would allow more time to authorities to review and more time to institutions to remediate. Institutions should, however, consider in their self-assessment any feedback received from the authority in the interim. However, resolution authorities may wish to request complete or partial self-assessment in the meantime.

Amended GL para. 126: 'Reports should be submitted by institutions to the resolution authority once ~~on an annual basis~~ **at least every two years**. The first report should be submitted by 31 December 2024.'

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**Q2. Do you have any comments on the list of questions to banks included in the self-assessment as set out in paras 125-126?**

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A number of respondents called for clarification in the change of competence in the transition from recovery to resolution.

The legislation is clear as to the responsibilities in terms of decision making between recovery and resolution. But the execution of the resolution strategy and the transition from recovery to resolution will require intricate coordination between resolution authorities and institutions. The dialogue on the understanding of the strategy, between institutions and authorities on the basis of the self-assessment, will be key to ensuring that respective responsibilities are clear.

No change.

One respondent called for the assessment by the external auditor not to be included as assurance work in the self-assessment.

Any assurance work undertaken to ensure the adequacy of the capabilities developed with the objectives set out in the EBA Resolvability Guidelines and Transferability Guidelines is relevant to the authorities' resolvability assessment and should therefore be included.

No change.

Some respondents raised the point that only planning for sale of the business and restructuring are linked for recovery planning.

Beyond restructuring and transferability a number of aspects are in fact relevant for recovery, e.g. access to FMIs in times of stress, communications, funding and liquidity, and aspects relating to the business reorganisation plan. And the self-assessment will provide the adequate basis for identifying potential synergies or discarding unrealistic expectations.

No change.

<p>One respondent raised the point that the self-assessment should not cover links to business as usual or recovery planning.</p>	<p>The continuum between recovery and resolution is in fact critical in ensuring the smooth execution of the resolution strategy. Embedding resolvability capabilities in business as usual and linking this to recovery planning appear as a key tool to ensure resolvability is effectively maintained and not simply an addition of playbooks on a shelf.</p>	<p>No change.</p>
<p>Several respondents raised the need for additional information about resolution and the preferred resolution strategy for them to be able to describe it.</p>	<p>The current legislation, Article 22 (2)-(8) of the EBA RTS on resolution planning (CIR 2016/ 1075), already requires authorities to provide a summary of the resolution plan to banks, including ‘an estimation of the timeframe for executing each material aspect of the plan’ and ‘a description of the decision making process for implementing the resolution strategy, including the timeframe required for decisions. Yet, the objective of having banks describing their understanding of the strategy is to identify any misunderstanding and ensure banks have the information they would need to support the execution of the preferred resolution strategy.</p>	<p>Added Background and rationale para. 10: ‘In response to the consultation, institutions have raised the need for additional information from resolution authorities regarding the plan to allow them to adequately plan for resolution. Resolution authorities are already required to provide a summary of the key elements of the resolution plan. And the self-assessment and related dialogue with the resolution authority should ensure that institutions gain an appropriate understanding of the elements of the plan which allows them to adequately prepare for resolution.’</p>
<p>One respondent raised the point that 12f was a duplication of 126b.</p>	<p>The description of the assurance framework asked under GL para. 129(b) differs from the description of the specific testing realised that should be indicated in 124(f).</p>	<p>No change.</p>
<p>One respondent asked to clarify which capabilities in the Transferability Guidelines should be assessed for the purposes of the self-assessment report.</p>	<p>The Transferability Guidelines set out a number of capabilities for banks, in particular the capacity (i) to propose a transfer perimeter and test its applicability under different scenarios; (ii) to map interconnections; and (iii) to establish processes to handle the operational consequences of the transfer – banks should demonstrate to resolution authorities how reliable these processes are. Your resolution authority should confirm which capabilities should be covered.</p>	<p>No change.</p>

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**Q3. Do you have any comments on the proposal to require authorities to communicate a multi-annual testing programme?**

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Several respondents called for resolution authorities to consider overlaps with other supervisory authorities and cooperate in order to gain efficiency and alleviate the burden on the banks, e.g. on-site inspections (OSIs) organised by Joint Supervisory Teams (JSTs), recovery plan dry runs, Internal Model Investigations (IMIs), stress tests, supervisory and regulatory testing.

Some respondents indicated that banks have already launched the testing of their bail-in processes, especially in those areas that are critical to achieve resolvability. Additional testing should remain focused on critical areas, and avoid any significant disruption of the current activities as well as heavy investment requirements, e.g. in IT test environments where they do not exist. A reasonable cost-benefit balance should always be respected. Furthermore, it is essential that the risk-based choice of testing techniques is ensured, while the level of involvement by institutions is addressed and safeguarded.

The EBA agrees that authorities should coordinate their efforts and seek synergies when developing testing programmes. This is particularly true for specific areas where the focus of resolution and supervisory authorities is aligned, for instance (i) operational continuity and operational resilience in the context of DORA, (ii) funding in resolution, (iii) MIS, (iv) transferability, (v) restructuring.

Indeed, some banks have already carried out testing on their capabilities, as part of their development or to ensure their continued adequacy, as is their responsibility. The self-assessment provides institutions with the opportunity to highlight the work they have already done and describe (i) their assurance framework and (ii) how they have tested individual capabilities. And the authorities should base their testing programme on the self-assessment. At the same time, authorities may identify horizontal and bank-specific areas that they need to focus on in order to ensure banks' readiness to support the execution of the resolution strategy – this is the purpose of the multi-annual testing programme, and it should in no way supplement institutions' own testing programme but rather complement it.

Para. 132 of the GL already indicates that the testing programme should be designed on the basis of the self-assessment report.

No change.

GL para. 130 emphasises the importance of testing by banks as described in their self-assessment: 'Resolution authorities should, having regard to the self-assessment report referred to in section 4.6 , and in particular to elements requested under 124 (d-f), adopt a multi-annual resolvability testing programme for institutions under their remit. The programme should include all the capabilities set out in these guidelines and the EBA Transferability Guidelines.' Background and rationale para. 11 added: '10.11. The testing programme should be based on the self-assessment provided by the bank and in particular any testing already realised by them should be taken into account.'

The results of testing led by authorities (i.e. deep dives, inspections) and their assessment of testing performed by the authorities should be transparently shared with the institutions, while conclusions and possible recommendations should be discussed beforehand and ideally agreed upon between the authority and the institution. The latter should also have a formal and effective right to be heard.

The results and assessment of any testing realised by the resolution authority should be clearly communicated to the institution – as part of the bilateral exchange but also as part of the summary of the resolvability assessment that authorities should communicate to institutions following the adoption of the resolution plan and resolvability assessment. Institutions have a right to be heard on the resolvability assessment.

GL para. 137 amended: ‘Resolution authorities should share, **with the institution and, in the case of cross-border groups**, at least with the members of the resolution college, the results of any tests carried out in accordance with the resolvability testing programme referred to in paragraph 129.’

One respondent asked for specification of what the ‘reasonable timeframe’ was for the communication of the testing programme.

Agreed.

Addition to GL para. 132: ‘at the latest along with the summary of the resolution plan and resolvability assessment as per Article 10(7)(a) of Directive 2014/59/EU’

#### Q4. Do you have any comments on the proposal to introduce a master playbook for the more complex banks?

Some respondents called for the master playbook to be expected not only from large and complex banks but also smaller ones.

The master playbook is aimed at ensuring that institutions adopt a holistic approach to their resolution planning effort to ensure that the overall resolvability capabilities are coherent. This is most relevant for the large and complex authorities as for them resolution will be particularly complex. The need for proportionality underpins the narrow scope proposed while recognising that authorities may choose to request a master playbook from small yet complex institutions. Explained in Background and rationale.

No change.

Some respondents called for the guidelines to specify that the master playbook should primarily present how the various sub-playbooks interact with each other, rather than simply compiling and aggregating existing documents – or duplicating them.

Indeed, the master playbook is not expected to be an aggregation of the different sub-playbooks but instead should demonstrate how they interact. The master playbook is not expected to replace existing sub-playbooks but rather to orchestrate them and in particular to describe the decisions senior management would be expected to take and the information flows required to underpin these decisions. It should be concise rather than comprehensive, covering all the elements of the resolution process as in a practicable runbook. It should be a sort

Amended Background and rationale para. 17: ‘The master playbook will ensure that the various aspects supporting the execution of the strategy effectively work together – governance, access to FMIs, funding and liquidity, operational continuity, communication. In this respect, the master playbook should not be seen as another regulatory deliverable, or duplicate **or simply aggregate** existing playbooks and materials, but instead it should serve the purpose of being an overarching guide

of 'umbrella' document, tying together, and where possible referring to, underlying documents like the bail-in playbook, FMI contingency plans and business reorganisation plan. Similarly, it is not meant to replace any aspects of the recovery plan but rather to ensure that it is coherent with resolution readiness.

for senior management to operationally manage and coordinate all firm-wide resolution actions and the execution of other resolution-related playbooks. **The master playbook should set out the timeline and triggers of relevant steps of the resolution process from the contingency planning phase leading up to resolution and coinciding with the recovery phase, all the way up to the restructuring.** It would ultimately allow institutions to ensure the overall coherence of their resolvability capabilities.'

No change.

Some respondents raised the point that some existing deliverables already include elements on governance, so it would be redundant to include them in the master playbook or a governance playbook.

The point of the master playbook is to ensure the coherence of the various sub-playbooks and capabilities developed to support the execution of the preferred resolution strategy. It is thus essential that governance be part of the master playbook.

One respondent suggested that the item 'bail-in' should be modified into 'resolution tools' and include the sub-categories 'bail-in playbook' and 'separability playbook'.

Agreed that the bail-in playbook should be replaced by resolution tool playbook so as to capture both bail-in and transfer playbooks

Annex 5: bail-in changed to resolution tool, board governance playbook given as an example.

Concerning key senior management decisions and board governance decisions, the resolution authorities should specify their view on the governance of the institution under resolution, given the powers granted to them as per BRRD which are substituted for the board or senior management powers;

Resolution authorities should specify what would be their own triggers for a request of information in order for institutions to plan for the activation of the various resolution playbooks, as well as the deadlines for information delivery. This is particularly important in order to make sure that confidentiality would be preserved when triggering some specific resolution processes;

Coordination of communication plans between the institution and the resolution authority is essential to financial stability as well;

More operational insight is still missing from resolution authorities in order to gain a view of the full resolution process, especially on valuation (use of the dataset), funding and liquidity in resolution (sources of funding and collateral criteria), use of the transfer tool and so on.

We would also seek further clarification of the application of the master playbook requirements to non-resolution entities of a non-EU resolution group using a single point of entry (SPE) strategy.

Some respondents called for the master playbook to be updated only once every two years.

The point of the self-assessment and of the master playbook is precisely to foster the dialogue with the resolution authority and ensure institutions have all the necessary information they need and the coordination with the authority at the point of resolution is clear.

With regard to the governance of the institution in resolution and the role of the resolution authority it is clear that institutions should seek clarity from the relevant resolution authority. However, it should also be clear that, although the authority has the power to remove senior management, this is unlikely to come at the point of resolution and unlikely to affect the whole board. The institution and the senior management in particular will play a key role in implementing the decisions of the resolution authority.

The master playbook is an essential part of institutions' readiness for resolution and thus should be updated at least annually or following a significant change.

Added B&R para. 10: 'In response to the consultation, institutions have raised the need for additional information from resolution authorities regarding the plan to allow them to adequately plan for resolution. Resolution authorities are already required to provide a summary of the key elements of the resolution plan. And the self-assessment and related dialogue with the resolution authority should ensure that institutions gain an appropriate understanding of the elements of the plan which allows them to adequately prepare for resolution.'

No change.

One respondent called for master playbooks to be produced earlier.

Master playbooks are an important tool to ensure that institutions as well as authorities adopt a holistic approach, and for some it will require some additional work, and these guidelines need to be proportionate, which makes it difficult to introduce a master playbook before 31 December 2025. But having the concept introduced should already provide the incentive for banks and authorities to adopt a more coherent approach.

No change.

One respondent questioned the relevance of asking the bank in the master playbook to describe the role and responsibility of the senior management or the timeframes of decisions on the basis that the resolution authority will be in charge at the point of resolution.

In resolution, the resolution authority will indeed take over the decision making. However, management retention is part of the resolution plan and senior management will play a key role in implementing these decisions. And the master playbook is aimed at ensuring that the sequence of events is clear to the institution and that they will be ready to support the execution of the preferred resolution strategy.

No change.



