

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
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
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
JLT	Joint Liquidity Template
KLE	Key Liquidity Entity

¹ Directive 2014/59/EU: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0059>

LDR	Liability Data Report
MATP	Multi-Annual Testing Programme
MBDT	Minimum Bail-in Data Template
MIS	Management Information Systems
MPE	Multiple Point of Entry
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
NRA	National Resolution Authority
OBBI	Open Bank Bail-in
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
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
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: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0806>.

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 expectations. It is therefore, essential to confirm that what banks have put in place is fully operational and to test those capabilities.
2. The SRB's Operational Guidance on Resolvability Testing for Banks serves as an instrument to implement the revised EBA Guidelines on improving resolvability⁴ by providing practical direction on the establishment of multi-annual testing programmes. In addition, the Guidance reflects the strategic objectives set out in the SRM Vision 2028⁵ strategy document, namely simplification and operationalisation of resolution strategies. As highlighted in the Vision document, “[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 Guidance has therefore been developed to ensure that resolvability testing not only fulfils the requirements of the EBA Guidelines, but also contributes to the SRB's longer-term strategy of embedding testing as a central element in resolution planning and execution.
3. Resolvability testing encompasses the methods available to assess the preparedness of institutions to operationalise resolution-related capabilities. It encompasses assessments performed by the internal resolution planning function and operational units of the banks⁶ 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 sufficient level of assurance that the resolution-related capabilities can be implemented in an effective and timely manner.

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 EBA Guidelines on improving resolvability (EBA/GL/2023/05): <https://www.eba.europa.eu/publications-and-media/press-releases/eba-published-its-final-resolvability-testing-guidelines>

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

⁶ Although authority-led tests also fall under resolvability testing, Deep-Dives and On-Site Inspections are outside the scope of this guidance.

4. Building resolvability is a continuous and joint effort by the banks and the Internal Resolution Teams (IRTs), involving the SRB and 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 check the effective level of resolvability of the bank, taking into account the preferred and variant resolution strategies.
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 observations and the quality of tests that have been performed.
6. The purpose of the SRB's Operational Guidance on Resolvability Testing for Banks is to ensure a harmonised approach to implementing the multi-annual testing programme (MATP)⁷ and to how to carry out bank-led resolvability testing, while preserving a level playing field across all banks. It covers the following: (i) testing areas and sub-areas (ii) MATP, (ii) testing methods, (iii) testing governance expectations, (iv) testing environment expectations and (vi) steps involved in designing, preparing, performing, reporting and following up 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. While the resolvability self-assessment is not covered by this guidance as a test method, in line with EBA guidelines on improving resolvability and the SRB's *Operational Guidance on Resolvability Self-Assessment*, it will be performed biennially by the banks to assess all the EfB capabilities. This guidance covers the following testing methods: (i) desktop exercises, (ii) walkthroughs and (iii) dry-runs (operational simulations, management simulations and drills). The MATP will also include a reference to the deep-dives that the SRB plans to perform. However, deep-dives are outside the scope of this document.
8. The SRB Operational Guidance on Resolvability Testing for Banks also covers expectations regarding internal audit activities related to resolvability testing.
9. The SRB Operational Guidance on Resolvability Testing for Banks will be reviewed periodically and, where appropriate, amended, taking into account experience in preparing, implementing and assessing tests and MATPs.

⁷ See section 4.7 of EBA Guidelines on improving resolvability (EBA/GL/2023/05)

2. Goals

10. The goals of resolvability testing are the following:
 - a) to gain assurance that the capabilities developed by the banks meet their resolvability objectives;
 - b) to gain information on best practices across institutions;
 - c) to inform the development of future guidance and policy by authorities;
 - d) to promote resolvability, by identifying potential deficiencies and opportunities for improving the practical implementation of resolvability capabilities;
 - e) to promote crisis preparedness, by contributing to the banks' ability to operationalise resolution-related capabilities and identify any corresponding challenges;
 - f) to support the identification of potential working priorities to be defined by the SRB for the different banks, including common and bank-specific priorities;
 - g) to increase the direct contributions by the banks to the resolution planning process, so as to increase overall ownership of the process, and the awareness of resolution matters within the bank.

3. Proportionality

11. Proportionality is a core principle underpinning the SRB's approach to resolvability testing.
12. The IRTs will apply proportionality when setting bank-specific testing priorities and designing test sequences by considering each bank's specific characteristics, including size, complexity, SREP scores and progress toward meeting the SRB's Expectations for Banks. More complex institutions may be expected to carry out more sophisticated testing at an earlier stage. Furthermore, the choice of testing methods will reflect the maturity level of each bank's capabilities.
13. Such calibration ensures that resolvability testing remains both meaningful and manageable, providing a sufficient level of assurance regarding the operational readiness of banks to operationalise resolution strategies, while ensuring a proportionate workload for banks.

4. Scope of application

14. This guidance applies to banks under the SRB's direct remit that are earmarked for resolution, including bank resolution groups^{8,9}, in line with paragraph 26 of the EBA Guidelines on improving resolvability.
15. For hosted banks, irrespective of whether the preferred strategy is single point of entry (SPE) or multiple point of entry (MPE), the SRB will coordinate with home authorities to agree on the best approach for the case at hand. By way of example, for hosted non-EU banks with an SPE group strategy, the SRB will align with third-country authorities on the timelines and priorities on testing with subsidiaries contributing to group-wide testing and assurance activities.

⁸ For banks earmarked for liquidation, in line with paragraph 26 of the EBA Guidelines on improving resolvability and, if relevant, the IRTs may decide to prepare tests or testing programmes depending on the specificities of the bank.

⁹ 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 areas

16. Bank-led resolvability testing, in this guidance, covers the following:

a) Governance: aspects related to governance and the decision-making process will be tested alongside the test areas below

- Principle 1.1 – Active involvement of management body and senior management;
- Principle 1.2 – Governance for resolution activities;
- Principle 1.3 – Quality assurance and internal audit.

b) Bail-in

- Principle 2.3 – Operationalisation of write-down and conversion;
- Principle 2.6 – Effective internal loss transfer and recapitalisation mechanism (this principle should be marked as 'N/A' in case the bank does not have non-resolution entities with internal MREL);
- Principle 5.3 – MIS capabilities to produce the information for the implementation of the resolution tools (only Bail-in related capabilities).

c) Liquidity

- Principle 3.1 – Estimation of liquidity and funding needs in resolution;
- Principle 3.2 – Measurement and reporting of the liquidity situation in resolution;
- Principle 3.3 – Identification and mobilisation of collateral during and after resolution;
- Principle 5.1 – MIS capabilities to produce information necessary for resolution planning (only liquidity related capabilities).

d) OCIR

- Principles 4.1 & 4.2 – Identification and mapping of interconnectedness for operational continuity and assessment of operational continuity risk;
- Principle 4.3 – Actions to mitigate risks to operational continuity and measures to improve preparedness for resolution;
- Principle 5.1 – MIS capabilities to produce information necessary for resolution planning (only OCIR related capabilities).

e) FMI access

- Principle 4.4 – Identifying, mapping and assessing dependencies on FMI service providers;
- Principle 4.5 – Understanding the requirements for continued access;
- Principle 4.6 – FMI contingency plan and measures to ensure continuity in access to FMI services;
- Principle 5.1 – MIS capabilities to produce information necessary for resolution planning (only FMI Access related capabilities).

f) Business reorganisation plan

- Principle 7.3.1 – Business reorganisation plan (BRP) after open bank bail-in.

g) Solvent Wind-down

- Principle 7.3.2 – Solvent Wind-Down (SWD) of trading books (for banks with significant trading activities only).

h) Valuation (indicatively)

- Principle 5.2 – MIS capabilities to produce the necessary information for valuation.

i) Separability (indicatively)

- Principle 7.1 – Structure, complexity and interdependencies;
- Principle 7.2 – Separability and transferability analyses for transfer tools.

j) Transfer Strategies (indicatively)

- Principle 5.3 – MIS capabilities to produce the information for the implementation of the resolution tools (only capabilities related to transfer tools);
- Principle 7.1 – Structure, complexity and interdependencies;
- Principle 7.2 – Separability and transferability analyses for transfer tools.

k) Communication (indicatively)

- Principle 6.1 – Communication plan;
- Principle 6.2 – Communication governance.

17. 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.

6. Multi-annual testing programme

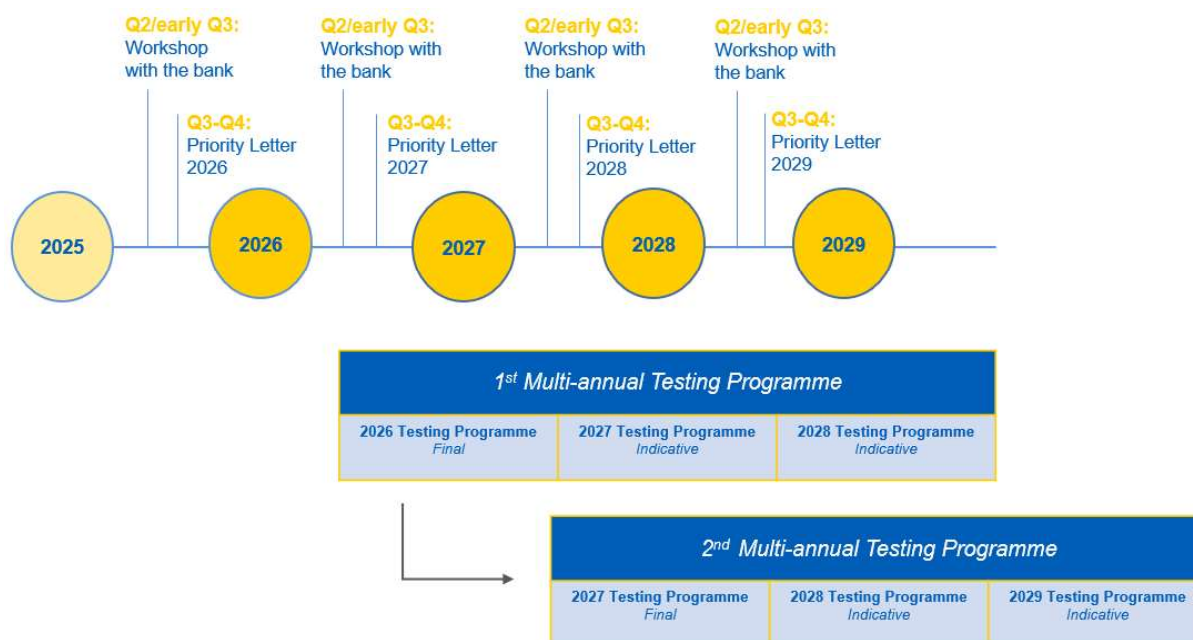
6.1. Overview

18. The MATP ([MATP template](#)) will determine the testing exercises to be performed by the relevant entities within a resolution group. It will specify the resolvability capabilities to be tested, the number of tests, the timing of the test in the specific year and the method to be used by the banks for each testing exercise.
19. The number of tests to be included in the MATP will take into account the bank's size, systemic relevance, past testing outcomes and the complexity of relevant processes¹⁰. This encompasses both the common tests set by the SRB in the context of the annual definition of resolution priorities, as well as bank-specific tests determined by the IRT. For example, in a particular year, a bank may be requested to perform one common and two bank-specific tests.
20. The MATP will be prepared by the IRT, in discussion with the bank and key stakeholders, including other resolution authorities and the prudential supervisor. During these discussions, banks will be provided with information on the potential MATP before receiving the final version, and will be able to provide feedback to the IRT (see paragraph 23 below).
21. The MATP will span a three-year period and will cover all relevant principles outlined in the EfB¹¹. It should be noted that a single test may address multiple principles. For example, a bail-in dry-run could simultaneously assess capabilities related to bail-in, communication, governance, and operational continuity in resolution (OCIR).
22. The final MATP will be communicated to the banks in Q3/Q4 of the preceding year, together with the annual priority letters. In preparation for this, the IRT will hold dedicated workshop(s) with each bank, typically in Q2 or early Q3, as illustrated in Figure 1 below. During the workshop(s), the IRT will discuss the draft MATP, which will include both bank-specific and common testing priorities. The objective of the workshop(s) is to enable a meaningful dialogue, allowing banks to provide input on the proposed timeline and testing methods. Adjustments may be made following the workshop(s) and subsequent exchanges to reflect the bank's views, particularly in relation to the sequencing, scope and specificities of bank-led tests. Common tests will be determined at the horizontal level by the SRB, while for bank-specific tests the IRT will consider the bank's feedback when finalising the MATP.

¹⁰ The SRB will also duly take into account the situation where the bank is under extraordinary operations (e.g., M&A).

¹¹ Relevant principles, the achievement of which has already been sufficiently demonstrated through previous testing may temporarily be excluded from the multi-annual testing programme.

Figure 1. Illustrative resolvability testing process



23. The MATP will be reviewed annually, considering developments from the previous year, based on the bank's self-assessment report (at least biennially) 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.
24. Hosted banks are expected to adequately document their testing plans, as well as the preparation, execution and follow-up actions of each test in line with the group's home authority's standards and expectations. The SRB will accept testing documentation in the format agreed with each of the hosted banks ex-ante.

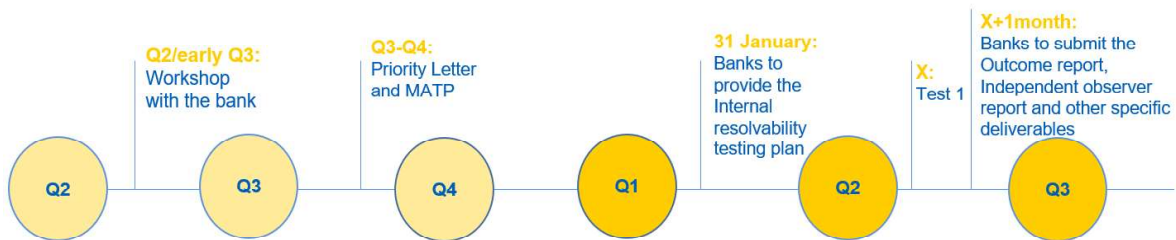
6.2. Implementing the multi-annual testing programme

25. Banks are expected to approve an internal resolvability testing plan, to outline how they intend to implement the MATP submitted by the IRT.
26. To develop the internal resolvability testing plan, banks should fill in the MATP template¹², with the breakdown of the tests for the upcoming year by following the structure set out in the MATP provided by the IRT. Banks should respect the structure of the minimum fields but are also encouraged to add any additional field or content that they consider relevant.

¹² Instructions to fill-in the template are included in the 0. Instructions tab of the MATP template.

27. The internal resolvability testing plan is expected to fully adhere to, and reproduce, the MATP communicated to the bank by the IRT. However, banks may 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 MATP.
28. The internal resolvability testing plan is expected to be approved by the member of the management body responsible for the work on resolution planning and the implementation of the resolvability work programme. It can be approved either as a standalone document or as a part of the Annual Resolvability Work Programme.
29. The internal resolvability testing plan is expected to be reviewed annually or updated each time the MATP is reviewed or updated.
30. The internal resolvability testing plan (i.e., the complete version of the MATP template as approved by the member of the management body) should be submitted to the IRT by 31 January of each year, via IRIS, as illustrated in Figure 2 below. Banks are expected to perform the tests set by the IRT in line with the expectations provided by the MATP. Any deviations after the approval of the internal resolvability testing plan should be minor and duly justified. They should not jeopardise the bank’s ability to meet testing expectations for a given year under the MATP.
31. Material deviations in the internal resolvability testing plan from the MATP 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 and will inform the bank accordingly.
32. When requesting changes that would result in a material deviation from the MATP, banks should also explain which steps they will take to avoid such deviations in the future, in case those deviations represent a downgrade from the original programme.

Figure 2. Illustrative timeline for deliverables



7. Testing methods

7.1. Overview

33. For the purpose of this guidance, banks should consider the following testing methods: desktop exercises, walkthroughs and dry-runs. The guidance distinguishes between bank-led and authority-led tests: (i) bank-led tests refer to those executed by the bank, itself, namely desktop exercises, walkthroughs or dry-runs; whereas (ii) authority-led tests – not covered in this guidance – include, e.g., deep-dives.

Table 1. Overview of the main elements of the testing methods

Testing methods/Key elements	Desktop exercise	Walkthrough	Dry-runs		
			Operational Simulation	Drill	Management Simulation
Focus on full process/set of procedure(s)	✓	✓	✓	Limited scope	✓
Critical review	✓	✓			
Practical demonstration		✓	✓	✓	✓
Real time component			✓	✓	✓
Limited notice to the bank				✓	

7.2. Desktop exercise

34. 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) A 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 capable of discussing them and presenting suggestions for improvement;

- iv) Enough time to be allocated to the desktop exercise to ensure the discussion is of sufficient quality and covers all points to be discussed;
- v) Any material 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 there is a full or partial procedure or set of procedures in place;
- ii) When a capability has not yet been developed to the extent necessary to perform a walkthrough or a dry-run;
- iii) To prepare for a walkthrough;
- iv) To discuss amendments made to the procedures or set of procedures being tested as a result of observations from a prior test.

7.3. Walkthrough

35. 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 demonstrate how those roles would be performed in practice:

a) What is expected:

- i) A 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 to be 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;
- v) Any material 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 there is already a procedure or set of procedures in place;
- ii) When a capability has not yet been developed to the extent necessary to perform a dry-run;
- iii) To prepare for a dry-run;
- iv) To discuss amendments made to the procedures or set of procedures being tested as a result of observations from a prior test.

7.4. Dry-run

- 36. A dry-run can be described as a simulation where banks test resolvability capabilities based on a hypothetical crisis scenario, occurring in real time, to the extent possible.
- 37. Dry-runs can take the form of operational simulations, management simulations, and drills, as described in more detail below.
- 38. Different forms of dry-runs may be combined in a single test, depending on the capabilities being tested.
- 39. During a dry-run, banks should organise themselves during the simulation as they would in a real resolution.
- 40. In principle, dry-runs should be performed in real time. The maximum running time of the simulation should be in line with the expected running time foreseen in the playbook/document being tested. However, they can be spread out over a number of sessions if such spreading is necessary to allow the bank to comply with legal or regulatory requirements the bank is subject to, or if overarching issues, which are outside the bank's control, prevent the bank from performing dry-runs in real time. The number of sessions should be justified, and discussed and agreed in advance by the bank and the IRT.
- 41. Banks have the possibility to skip time spent on steps that do not depend directly on the bank. Any time skipped is expected to be referenced in the outcome report.

7.4.1. OPERATIONAL SIMULATION

- 42. 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 an

observation and presented to the IRT, with clear justification and any follow up actions, and their respective timeline, to mitigate the deviation(s) if necessary;

- 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) Relevant stakeholders, including senior management/management body, 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;
- v) 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.

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 envisioned.

7.4.2. DRILL

- 43.** A drill can be described as a targeted dry-run performed with limited forewarning to institutions, focusing on specific steps within a well-established 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 will be informed via the MATP that a drill is planned for a particular quarter. In particular for planning drill exercises, the IRT will take into consideration the bank's known work priorities (including the supervisory priorities) for the year and other scheduled activities;
- ii) The simulation should be targeted, focusing on specific, well-defined steps within the relevant procedure(s);
- 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 an observation and presented

to the IRT, with clear justification and any follow up actions, and their respective timeline, to mitigate the deviation(s), if necessary;

- iv) 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;
- v) Relevant stakeholders, including senior management/management body, 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.

b) When to use:

- i) When there are no material gaps in the procedure or set of procedures being tested (i.e., for well-established procedures);
- ii) To test a particular step in the procedure or set of procedures, e.g., focusing on adequate and timely delivery of specific data/information;
- iii) To assess whether amendments made due to prior tests have been operationalised as originally envisioned;
- iv) Drills are expected to be used in a limited number of cases: only when the IRT considers the procedures to be very mature and to have been subject to adequate prior operational/ management simulations;
- v) Drills may only be used in a way that limits material disruption in the bank's business as usual activities.

7.4.3. MANAGEMENT SIMULATION

44. A management simulation can be described as a dry-run focusing on the role senior management and/or the management body plays in a crisis event:

a) What is expected:

- i) Simulated practical operationalisation of the resolvability capabilities being tested, focusing on senior management and/or the management body and their role in operationalising the capabilities being tested;
- ii) Unless specified by the IRT in advance of, or during, the management simulation, 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 an observation and presented to the IRT, with clear justification and any follow up actions, and their respective timeline, to mitigate the deviation(s), if necessary;

- iii) 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;
- iv) Senior management/management body members 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;
- v) 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.

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 management body to perform the necessary decision-making approval steps under their responsibility as close to a crisis scenario as possible. The bank should have the possibility to introduce sessions or compressed time for steps that do not directly depend on the bank;
- iii) To assess whether amendments made due to prior tests have been operationalised as originally envisioned;
- iv) Management simulations are not to be used extensively and are to be used in a way that does not cause material disruption to the bank's business as usual activities.

8. Internal governance for resolvability testing

8.1. Internal governance structures for resolvability testing

45. 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 framework on resolvability testing, clearly outlining responsibilities and reporting lines and procedures in this regard. Such a framework should entail procedures involving management body members, senior management and all internal stakeholders that would operationalise capabilities in case of resolution. These procedures should cover the preparation, implementation and follow up of tests, and foresee the involvement of internal audit. The internal framework is expected to be approved by the member of the management body responsible for the work on resolution planning and the implementation of the resolvability work programme;
 - b) **Internal resolvability testing plan:** banks should prepare an internal resolvability testing plan. It is expected to be approved by the member of the management body responsible for the work on resolution planning and the implementation of the resolvability work programme. For more details, see part 1, section 6.2 above;
 - 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 or senior-level executive responsible for resolution planning is expected to monitor resolvability testing activities and to regularly report to the management body on those activities, as a part of its mandate on resolution planning. This should include a briefing on observations from tests and follow up of actions needed to address them. The member of the management body or the senior-level executive responsible for resolution is expected to brief the management body about resolvability testing at least at the end of each year, unless observations from tests indicate an impact on resolvability and there is a need for an immediate follow-up action. In this case, the management body is briefed after the test. Where the management body also has a supervisory function, the member of the management body or senior-level executive responsible for resolution planning updates the supervisory board in the same manner;
 - d) **Internal resolution planning function:** the senior-level executive 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;

- e) **Internal audit plan:** as part of the audit on the resolution planning activities the internal audit function should include the tests covered by the MATP. Resolvability testing issues should be audited regularly, e.g., once every three years. The frequency of audits shall take into account the concrete size and complexity of the bank and the risks to resolvability that have been identified. When performing the audit, the internal auditor should, in particular, take note of the observations reported in the outcome and independent observer reports;
- f) **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;
- g) **Awareness and training:** the internal resolution planning function is expected to disseminate information to all relevant internal stakeholders on resolvability testing internally, including both on 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.

9. Production and test environments

46. In principle, banks can use production environments for testing purposes, provided they apply safeguards to avoid or mitigate associated risks. When using production environments for testing purposes, banks are expected to assess whether the environments are able to handle the additional workload related to the resolution testing event and to identify potential bottlenecks.
47. Banks are expected to use test environments for resolvability testing purposes only where expressly foreseen in Part 2 of this guidance. Banks can leverage on existing test environments they already have available, for resolvability testing, provided they meet the expectations in this guidance.
48. Test environments are expected to allow for the performance of a realistic simulation of all relevant 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 the relevant databases 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 relevant instructions with the actual operations that would be necessary to implement the scenario of the test;
 - b) Ensure that MIS perform as intended in a resolution scenario;
 - c) Ensure that the actions envisaged in playbooks would produce the intended results.
49. Test environments should have the following characteristics:
 - a) The test environment interface of the relevant systems and software – to the extent required and feasible – should match the production environments¹³;
 - b) Where there is an expectation for a bank to perform scenario-based tests, the test environment should be fit for this purpose;
 - c) To ensure that actions envisaged in the playbooks, or any relevant equivalent document, produce the expected results within the accounting books of the bank, technical measures should be put 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;
 - d) The underlying procedures and data sourcing of the testing environment should match those of the production environment.

¹³ In this context, whenever there is a change to the production environment, the bank is expected to change the relevant test environment, if necessary. In this way, the bank is expected to ensure that the test environment adequately reproduces the production environment, to the extent necessary and feasible.

50. Banks are expected to document the specifications of the test environments and to put in place the necessary processes and controls to ensure that they work properly. Therefore, both the resolvability work programmes and the internal resolvability testing plan developed by banks should ensure that this dimension is considered.
51. Banks are expected to have test environments in place in accordance with the MATP requested by the IRTs and approved internally. Until a testing environment is in place, and where such environments are needed, walkthroughs should replace dry-runs to test the execution capabilities focused on the recording of resolution actions in the 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 the local IT systems should be presented to the IRT (e.g., Excel files, screenshots of IT systems' views, dashboards, other presentations, and notes).

10. Preparing for a test

- 52.** 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 MATP. In this context, banks are expected to:
- a)** Develop all preparatory material sufficiently in advance of the testing to be able to review its quality and ensure it is adequate for the test to proceed as envisioned;
 - b)** Discuss the test in advance with relevant staff, including during training on resolvability testing;
 - c)** Start mobilising staff and relevant resources sufficiently in advance to ensure that testing can proceed as envisioned;
 - d)** Allocate sufficient time for testing to ensure that all expected steps can be performed.
- 53.** 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(s).
- 54.** The bank and the IRT may agree on the IRT's participation in the test as an observer. In such a case, the bank and the IRT discuss and agree on the modalities of participation beforehand. Members of the IRT may not play an 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 of surprise to the test (injects) to increase realism and add complexity to the test, if deemed relevant.
- 55.** If the IRT decides that the test may include an inject, the bank will be informed through the MATP. The IRT will only prepare injects when the test applies to well-established procedures that have been tested in the past.

11. Performing a test

56. While performing the test, banks are expected to meet expectations concerning:
 - a) The applicable test method;
 - b) The scope of the test;
 - c) The scenario for the test.
57. 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.
58. Banks are expected to perform tests in accordance with the MATP and the internal resolvability testing plan. Any deviations need to be recorded in the outcome report (see Part 1 section 13.2) and, where applicable, in the independent observer report (see Part 1 section 13.3).

12. Roles

12.1. Independent observer

59. Banks are encouraged to appoint (an) independent observer(s) to be present during the test. The independent observer's role is to assess whether the test was performed in accordance with the procedures expected by the IRT (e.g., as provided for in the MATP or IRT follow-up requests and recommendations), relevant documentation (e.g., playbooks), and to raise observations¹⁴ regarding the procedures being assessed. Independent observers should attend the test in its entirety and remain silent during the test.
60. The independent observer may be an internal bank function (e.g., internal audit)¹⁵, or an external consultant. In all cases, the independent observer (i) should be independent from the unit/function performing the test and (ii) should have the appropriate knowledge, skills and experience to understand the test.
61. Banks may hire external consultants to act as independent observers, particularly in cases where the bank does not have the capacity/resources to perform this function (e.g., it may lack the expertise necessary to act as independent observer in a test for valuation). External consultants that 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. In such cases, the external consultants should confirm that there are adequate safeguards in place to ensure their independence in this role.
62. Independent observers present during the test exercise should prepare a report with their observations as per section 13.3. If the internal audit function does not act as the independent observer, it should be informed of any observations found.

12.2. External consultants

63. 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).

¹⁴ Including any findings if the independent observer is the internal audit function.

¹⁵ The internal audit function is encouraged to take part in a test as an independent observer in the case of more complex tests (e.g., dry-runs).

64. In addition to the roles of independent observer and facilitator, banks may hire consultants to assist in preparing the internal documents regarding resolvability testing and to contribute to the outcome report. These are the main roles an external consultant can perform in respect of resolvability testing. Notwithstanding this, an external consultant may also be used for other activities considered relevant by the bank and for which IRT approval has been granted, on a case-by-case basis.
65. Banks may hire external consultants to prepare internal documentation regarding resolvability testing. However, the bank remains responsible for the quality of its resolvability testing documentation. All relevant internal stakeholders within the bank should be aware of the existence of such documentation and its content, to the extent necessary to perform their duties in resolvability testing. Consultants may also contribute to the outcome report (see section 13.2), although the overall responsibility for the report is expected to remain with the internal resolution planning function of the bank.
66. Banks shall ensure that external consultants are bound by adequate confidentiality arrangements.
67. External consultants should not replace the bank's staff expected to perform a role during the operationalisation of a capability that is being tested.
68. 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.

12.3. Other roles

69. Banks may appoint a facilitator for walkthrough and desktop exercises. The facilitator is expected to play a key role in fostering discussions and debate. The facilitator should create an environment that encourages active participation and asks pertinent questions. However, the facilitator should not take part in the discussions or the demonstrations unless the facilitator is an internal stakeholder responsible for operationalising one or more steps of the procedure or procedures being tested.
70. For dry-runs, banks can appoint an individual to ensure the rules of the test are clear to everyone and being enforced during the exercise to have a meaningful test.

13. Deliverables and follow-ups

13.1. Daily summary

71. The IRT may request ad hoc a daily summary of actions performed during a given day. For example, this may be requested when the IRT plans to introduce new elements (injects) into the test in subsequent days, or if the IRT needs the information for resolution planning purposes and cannot wait for the outcome report.
72. If the IRT requests a daily summary, banks and IRTs will agree on the format (e.g., a short email, minutes, etc.) and the content of the daily summary before the test takes place.
73. Where the IRT requests a daily summary to inform the content of an inject, the daily summary needs to be provided the same day. For other cases, the IRT will agree with the bank on the timing for the submission of the daily summary (e.g., same day, next day).

13.2. Outcome report

74. After each test, banks are expected to prepare an outcome report ([outcome report template](#)). 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 observations;
 - g) A clear outline of remedial actions and timeline for addressing the observations of the test.
75. When preparing an outcome report, 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 IRIS.

76. 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.
77. 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.
78. 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 fields 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.

13.3. Independent observer report

79. Independent observers present during any test exercise should prepare a report with their observations ([independent observer report template](#)).
80. Each independent observer should draft their own report.
81. A report from an independent 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 as agreed in the internal resolvability testing plan template;
 - d) Include a list of observations from the observed test, including both deficiencies/weaknesses and strengths.
82. 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.

13.4. Testing area-specific deliverables

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

13.5. Amendments to deliverables

84. Banks are expected to draw tangible and actionable lessons learned from the tests. After the 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)
<p>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.</p>	<p>Principle 5.3 (only Bail-in related capabilities)</p>
<p>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 manner, including tackling all applicable legal, accounting and tax issues.</p>	<p>Principle 2.3</p>
<p>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.</p>	<p>Principle 2.3</p>
<p>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 liabilities¹⁶), covering the above-mentioned sub-</p>	<p>Principle 2.6</p>

¹⁶ 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.

areas. Hence, the outcome report fields¹⁷ for this sub-area are grouped in the relevant sub-areas above, given the similarities in the process.

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

1.2. Specific test environment needs

85. Banks are expected to develop adequate test environments that allow the bank to perform a realistic simulation of the bail-in execution.
86. The testing environment should not aim to replicate the bank's entire IT infrastructure. Instead, it should be a strategic tool designed to test current processes effectively, allowing the bank to assess its capability to implement changes arising from the application of write-down and conversion powers within their existing systems, as well as ensuring that accounting systems perform as intended and produce the expected results within the accounting books, as outlined in the bail-in playbook.
87. With regard to bail-in operationalisation, banks should have in place testing environments to test various actions in the internal and external execution modules, as outlined in the bail-in playbook. To meet this objective, banks may:
 - a) Rely on existing testing environments, provided they allow for the testing of the execution of the steps outlined in the playbook;
 - b) Create a testing environment within software already used by the bank to manage accounting entries (e.g., SAP); or
 - c) Create ad hoc testing environments, if further IT connections with core banking systems have to be considered.

The preferred option should be discussed and agreed with the relevant IRT before the test.

88. Banks are expected to provide the relevant IRT with assurance about the operational readiness of their testing environment (relying on existing testing environments, new solutions or ad hoc solutions) ahead of the planned test, in line with the timing set out in the MATP. As a general rule, the SRB does not expect banks to set up a testing environment unless a dry-run or other tests on bail-in execution requiring testing environments has been envisaged in the MATP.
89. The IRT should be able to remotely assess and verify through a desk-based review (e.g., using snapshots) the operational readiness of the testing environment used during the test to perform the relevant action outlined in the playbook for the execution of bail-in. Therefore, banks are expected to

¹⁷ Please refer to Part 2 section 2.2

submit to the IRT all relevant output files from the test that should prove the testing of the specific bail-in execution action.

90. Test environments may be set up for the test and then closed afterwards. As a general rule, test environments are not expected to be kept operating on an ongoing basis.
91. For illustration purposes, a non-exhaustive list of examples of different aspects of bail-in execution for which a testing environment is required, include:
 - a) Testing the cancellation of a sample of, or all, debt instruments within the scope of the testing scenario at an individual level (e.g., instruments ranking *pari passu* or senior to AT1 instruments) and adjusting the individual debt positions in the accounting ledger;
 - b) Testing the creation of new securities' accounts at an individual level for the new shareholders of the bank post-balance sheet restructuring due to the bail-in application, in the context of external execution;
 - c) Testing the recalibration of the TREA under the assumed bail-in scenario, which may be conducted within software already used by the bank to manage credit and/or market risk (e.g., SAS) or created ad hoc.
92. In areas, such as data provision (e.g., for the production and delivery of the MBDT), the production environment is expected to be used as the testing would not represent an operational risk. Therefore, no specific testing environment needs to be set up.

1.3. Reference date/period

93. The reference date of the data used for the exercise, at the latest, should be the day immediately before the test.
94. 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).
95. 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). This option should be discussed on a case-by-case basis, taking into account the specific needs and circumstances of each bank.

1.4. Specific deliverable – MBDT report

96. Banks are expected to deliver the MBDT report in line with the instructions included in the MBDT guidance.
97. 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.

98. 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; or
 - b. Receive the file(s) via the bank's virtual data room or any other repository.
99. Regardless of the platform used to receive the file(s), all the relevant IRT members must have access to data, including NRA staff.
100. 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.
101. In the context of testing exercises, IRTs can grant additional flexibility and receive the data within three business days of the request date if there is reasonable justification for splitting the bank's internal process (established to deliver bail-in data within 24 hours) into stages. This extended timeline to submit the data is intended to accommodate national labour law requirements and general staff availability in a business-as-usual scenario. However, it is essential to note that this flexibility is only applicable to testing exercises and not to actual resolution scenarios, where the requirement to submit information within 24 hours must be strictly respected. Moreover, the extension of the timeline is conditional upon the bank's staff availability and not due to limitations in their Management Information Systems (MIS). In other words, banks' MIS systems must be capable of providing the required information within 24 hours (i.e., one calendar day) in a crisis situation, and the additional time granted during testing exercises should not be used to compensate for inadequate MIS capabilities, such as internal batching or data processing limitations.

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

102. 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.
103. The *pro forma* balance sheet, profit & loss statement and the updated own funds estimations should be delivered in excel format via IRIS. The delivery timeline should, in principle, be aligned with the one for the MBDT report. IRTs and banks can agree on an extended timeline, if the complexity of the assumptions defined in the testing requires so. Banks should ensure that the deliverable includes the information provided with FINREP F01.01, F01.02, F01.03, F02.00 and COREP C01.00¹⁸. The level

¹⁸ Bank-specific circumstances and country-related bail-in implementation considerations might be included subject to discussion with the bank and development in the bank's bail-in playbook.

of granularity should allow the IRTs to clearly understand the fields that have been impacted by bail-in or by the loss recognition phase.

104. Considering the short timeline for the delivery, the use of proxies or estimates is allowed, on the condition that such estimates are determined in a comprehensible, appropriate and prudent manner, and are properly documented and communicated to the IRTs in the outcome report.
105. 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 example, in case of a credit risk loss scenario, the reduction of the carrying 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 carrying 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 statement¹⁹.
106. 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 requirements²⁰. 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.
107. 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

108. 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.

¹⁹ This also includes possible impact of tax effects triggered by bail-in and potential adjustments in the preparation of bail-in which generally builds on the bank's reflection on tax effects in the bail-in playbooks as expected by the SRB Operational guidance on bail-in playbooks.

²⁰ The same principle also applies to banks featuring the MPE strategy. In such cases, in principle, banks should be in a position to produce the *pro-forma* financial statements at individual and consolidated levels, unless the IRT sees technical reasons to request that the bank produce such documents also at sub-consolidated level (i.e., resolution group level).

109. Concerning 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 with regard to 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 their supporting documents (see 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). NRAs may require additional elements to reflect national-specific aspects. This means that banks should apply the SRB guidance as a baseline, while also incorporating any necessary national-specific requirements as mandated by the relevant NRAs.

2. Business reorganisation plan

2.1. Testing sub-areas

Testing sub-area: description	Heatmap capability(ies)
<p>Governance arrangements to produce a BRP:</p> <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 and 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 to producing a complete BRP and the timeline necessary for each step. Institutions should consider data gathering processes, operation of MIS, drafting of the BRP, production of financial projections, potential appointment of external advisers, interactions with resolution authorities, internal and external reporting, validations, possible amendments to the BRP, final sign-off and submission, the internal communication arrangements (triggers for internal communication, timeline, content, channels, institution's units responsible for communication...).</p>	<p>Principle 7.3.1</p>
<p>Producing a simplified BRP:</p> <p>Provision of a simplified BRP whereby institutions should demonstrate the viability of the bank post-Open Bank Bail-In (OBBI) within a reasonable timeframe and according to the testing requirements.</p> <p>In this regard, institutions should:</p> <ul style="list-style-type: none"> • Show their capabilities to determine the features of the 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. 	<p>Principle 7.3.1</p>

2.2. Reference date/period

110. For the testing sub-area related to the governance arrangements to produce a BRP, 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.
111. With regard to the testing of the capability to produce the simplified BRP, the reference date should be the day before the test. Banks are expected to produce a simplified BRP within the following timelines:
- a) For dry-runs: within three months of the inception of the test and this could be shortened to one month for more complex tests;
 - b) For drills: the period cannot exceed one month from the communication of the start of the test.

2.3. Specific deliverables – simplified BRP

112. 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.
113. A simplified BRP is not expected to be either a fully-fledged BRP or an update of the BRP Analysis Report.
- a. The “fully fledged BRP” is the result of a detailed process, following the application of the bail-in resolution tool, oriented towards the restoration of the bank’s long-term viability, under concrete and specific circumstances, potentially after the earlier application of crisis prevention measures, under baseline and worst case scenarios and with reference to relevant monitoring milestones throughout the reorganisation period, as per the requirements of Article 52 (4 and 5) BRRD, the Commission Delegated Regulation 2016/1400, EBA/RTS/2015/12 and EBA/GL2015/21;
 - b. The “BRP Analysis Report” is prepared and regularly updated during resolution planning. Its purpose is to demonstrate the banks’ capabilities with regard to a) drafting a “fully fledged BRP” as per the requirements of Article 27(16) SRMR/Article 52 BRRD, as well as to b) defining and implementing all the reorganisation measures available to the bank to ensure long term viability (Article 27(2) SRMR/Article 43(3) BRRD);
 - c. The “simplified BRP” has been introduced as part of testing the capabilities of the bank. Its purpose is to demonstrate the ability of the bank to restore post-OBBI long-term viability under certain scenarios determined by the IRT for testing.

Therefore, the “simplified BRP” does not constitute an update of the “BRP AR”, even though it should be based on the latest available “BRP AR”. While the BRP AR should present all the reorganisation measures available to the bank for the demonstration of post-OBBI long-term viability in a resolution context by the end of the reorganisation period, the “simplified BRP” focuses on the determination of

the necessary measures to demonstrate post-OBBI long-term viability under certain scenarios determined by the IRT for testing.

- 114.** The simplified BRP should cover the following, in a sufficiently granular way, in accordance with the testing requirements as agreed with the IRT:
- a)** A description of the business model post-resolution and geographical footprint:
 - i)** The description of the perimeter of the bank at the end of the reorganisation period (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 bank at the end of the reorganisation period and critical functions that might be sold, substituted or discontinued in an orderly fashion;
 - iii)** The list of business lines, subsidiaries and branches, and servicing entities that would remain in the bank at the end of the reorganisation period;
 - 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 to help restore viability post resolution.
 - c)** Financial projections whereby the institution demonstrates the post-OBBI long-term viability of the bank at the end of the reorganisation period:
 - i)** Projection of the 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)** The 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.
- 115.** 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.
- 116.** 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 bank would be viable in the medium to long run.

117. 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)
<p>Identifying, mapping and assessing dependencies on FMI service providers (FMIs and FMI intermediaries): the identification, mapping and assessment of dependencies related to FMI service providers.</p>	<p>Principle 4.4</p> <p>Principle 5.1 (only FMI Access related capabilities)</p>
<p>FMI contingency plans and measures to ensure continuity of access to FMI services: governance and communications, resolution resilience and alternative measures, substitution and customer portability, requirements for continued access (financial/liquidity, processes, operational arrangements).</p>	<p>Principle 4.5</p> <p>Principle 4.6</p>

3.2. Reference date/period

118. 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.

3.3. Specific deliverable – list of FMI service providers with updated contact list

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

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

120. Banks should deliver a record of information in line with expectations under the SRB's Guidance on FMI Contingency Plans²¹ (see section 1.3 on MIS on pages 16-17).

²¹ SRB's Guidance for FMI Contingency Plans:

https://www.srb.europa.eu/en/system/files?file=media/document/srb_operational_guidance_for_fmi_contingency_plans.pdf

121. Banks should provide this information on material upcoming settlement or delivery obligations by value and type of asset and for a specified upcoming period to and/or via FMIs and FMI intermediaries. The scope should cover at minimum critical and essential FMI service providers, unless the IRT requests the full list.

3.5. Specific deliverable – summary table with all maximum liquidity needs to maintain access to each critical and essential FMI service provider

122. Banks should provide a summary table outlining all maximum liquidity needs (and collateral) to maintain access to each critical and essential FMI service provider.
123. The table should identify the FMI service providers, whether 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 allow them to estimate their liquidity needs in line with the operational guidance, and to take actions to address these needs in a crisis situation. This is of particular importance as the group liquidity set-up in resolution may diverge 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 (hereinafter ‘KLDs’) and their dynamics under different scenarios as laid out in the operational guidance. In addition, banks are expected to test their capabilities to estimate their liquidity and funding needs ex-ante 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 and dynamics of liquidity drivers and ii) Output of the quantification methodology: quantification of liquidity and funding needs.</p>	<p>Principle 1.2</p> <p>Principle 3.1</p>
<p>Measurement and reporting of the liquidity situation in resolution: banks are expected to test that their governance arrangements are adequate 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. The testing of these capabilities through a dry-run is expected to take place during a common liquidity exercise, which is notified</p>	<p>Principle 1.3</p> <p>Principle 3.2</p> <p>Principle 5.1 (only liquidity related capabilities)</p>

to banks 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 test on Principle 3.3.

Identification and mobilisation of collateral during and after resolution:

banks are expected to test management awareness of the arrangements in place for the identification and mobilisation of collateral during resolution (and their alignment with the banks' resolution strategy, internal procedures and documentation). If possible, tests in this sub-area should be run together with other tests.

Principle 1.2**Principle 3.3**

Banks are expected to test their capabilities to identify and mobilise collateral in resolution in accordance with the SRB guidance. These capabilities include 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.

4.2. Reference date/period

124. The reference date should be set very close to the testing period, preferably a day before the testing date or even later.
125. For common 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 set either as the day before the reporting date or there will be a requirement to submit the information multiple times a day (e.g., two hours after the reference date).
126. As regards testing taking place outside of a common exercise, banks can perform the tests at any time during the year.

4.3. Specific deliverable – key liquidity drivers in the context of the estimation of the liquidity position in resolution

127. Banks are expected to update existing information on key liquidity drivers. As an outcome of the test, banks are expected to submit the information on the key liquidity drivers to the IRT, covering the scope set for the test.

4.4. Specific deliverable – standardised set of data points as per the operational guidance (Joint Liquidity Template – JLT)

128. Banks are 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).
129. In case the template is reported under a scenario, banks are expected to provide the scenario-specific assumptions in the first two Liquidity-specific outcome report fields.

4.5. Specific deliverable – note on the assumptions and methodology for the valuation of collateral

130. As an outcome of the test, banks are expected to detail the actual assumptions (e.g., haircuts) and methodology used to identify and measure the collateral type covered in the test, and include also:
 - a) The governing law and location of the instruments;
 - b) The counterparties willing to extend collateralised credit, and the conditions thereof; whether counterparties were to be excluded from the test and the rationale for such exclusion;
 - c) The channel identified by the bank to mobilise these assets as well as the timeframe needed for their mobilisation;
 - d) A gap analysis with 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 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 to support the selection of the preferred resolution strategy and its effective implementation. Therefore, banks should test their ability to retrieve accurate and complete OCIR data in a timely manner in the run-up to, and during, resolution.</p> <p>This sub-area corresponds to the SRB's 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). As clarified by the revised Implementation Technical Standards (ITS) on the provision of information for the purposes of resolution plans²² dated 6 May 2025, the information regarding the identification and mapping of relevant services, assets and staff reflected in the service catalogue should mirror, and be used as a basis for, resolution reporting (CIR). However, the service catalogue provides additional relevant information which is not expected to be reported in the CIR (e.g., the bank's service taxonomy, the costs associated with the provision of the relevant services and the linkage to the contracts governing the relevant services and supporting resources). Moreover, the information received through the CIR refers to the end of the calendar year, which may not consistently be an appropriate cut-off date for the information to be delivered in resolution. The objective of the testing of MIS for OCIR is, therefore, to ensure that banks have the capabilities to provide timely, comprehensive and updated OCIR information needed to support resolution and post-resolution</p>	<p>Principle 4.1</p> <p>Principle 5.1 (only OCIR related capabilities)</p>

²² <https://www.eba.europa.eu/activities/single-rulebook/regulatory-activities/resolution/implementing-technical-standards-overhauling-eba-resolution-planning-reporting-framework?version=2025#activity-versions>

restructuring at any point in time. In this regard, the banks should be able to generate in an automated manner the relevant data within a specific timeline agreed with the IRT, indicatively four hours²³.

The MIS testing sub-area can be combined with tests on other capabilities, using the assumptions for these tests, to ensure that the bank's MIS are sufficient for an actual crisis case. This sub-testing area should, in principle, include in its scope all MIS. However, if needed and agreed between the bank and the IRT, a gradual approach in terms of scope could be adopted²⁴.

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 disruption 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, due to both time constraints, as well as potential challenges in implementing mitigating actions.

Principle 4.2

Principle 4.3

Governance: 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.

Principle 1.2

Principle 4.3

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

²³ The four-hour timeframe is not a strict requirement but serves as an ideal benchmark for delivering OCIR-relevant information.

²⁴ In cases of a very large number of entries to be tested and reconciled, the IRT and the bank could agree not to perform one single test for all MIS in full scope, but to perform more individual tests, each of them for a subset of MIS or services, assets and staff (e.g., differentiate between critical and essential or at entity level).

disruption, the management validation of contingency measures and the implementation of the contingency measures.	
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5.2. Reference date/period

- 131. 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 date²⁵. 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 should be as close as possible to the date of the test. In case of deviation, the bank should provide justification.
- 132. Continuity of services and OCIR governance:** tests on the second and third sub-areas of OCIR focus on the reaction to operational disruption 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, banks are expected to test the ability to mitigate an operational disruption over the resolution weekend (e.g., sudden disruption of a service due to resolution).
- 133.** To make tests in continuity of services and OCIR governance more realistic and optimise the use of banks' resources for testing, banks may be requested to undertake joint tests or bundle tests with those on other dimensions as part of the MATP²⁶. In these cases, the reference date shall be aligned with the one for the other tests.

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

- 134.** Immediately 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 report²⁷.

²⁵ 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.

²⁶ Please refer to Section 6 of Part 1 – Multi-annual testing programme.

²⁷ As it will be part of the outcome report, this extract will be submitted one month after the testing exercise (or any other timing agreed between the IRT and the bank).

5.4. Specific deliverable – reconciliation table with original and golden source information

135. MIS for OCIR are normally expected to aggregate data from different golden sources²⁸.
136. To assess the accuracy of data, after performing an 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 justification, within the reconciliation table.
137. A reconciliation table is expected to be submitted for each MIS that has been tested and include information on the date of the last update from the relevant golden source and the frequency of updates. As above, in cases of a very large number of entries to be tested and reconciled, there can be individual tests for subsets of MIS.
138. In case of inconsistencies identified in the reconciliation table, as mentioned above, the bank is expected to flag this in the outcome report and describe remedial actions. The OCIR MIS extract of paragraph 134 above is expected to be fully reconciled with either the original, or the golden, source of information.

²⁸ 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 relevant data for the MIS.

6. Solvent Wind-down

6.1. Testing sub-areas

Testing sub-area: description	Heatmap capability(ies)
<p>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.</p>	<p>Principle 5.1</p> <p>Principle 7.1</p> <p>Principle 7.3.2</p>
<p>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.</p>	<p>Principle 7.3.2</p>

6.2. Reference date/period

- 139.** 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 and in agreement with the IRT. The reference date could be quarterly and data should be refreshed on a best effort basis.
- 140.** 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 the 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 those applicable at the end of the previous year.

6.3. Specific deliverable – updated SWD plan and corresponding quantitative information

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

Glossary²⁹

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.
Annual Resolvability Work Programme	On the basis of the SRB annual priority letters to banks' CEOs, and in line with the Expectations for Banks, banks are expected to draft a resolvability work programme endorsed by banks' management bodies, which outlines how they intend to address expectations and concrete resolvability priorities through different deliverables, timelines, milestones and budget. This proposal by banks is prepared on an annual basis and outlines measures for the calendar year and any follow-up on the banks' progress towards resolvability.
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 Regulation (EU) 2016/1075, endorsing 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 include a minimum set of

²⁹ Various sources, including online resources.

	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 ³⁰ .
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 itself to be capable of ensuring its financial soundness and long-term viability. The analysis of such capabilities is demonstrated by the bank in a 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.
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 ³¹ .
Clearing	The process of transmitting, reconciling and, in some cases, confirming transfer orders prior to settlement, potentially including the netting of

³⁰ 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.

³¹ Glossary of terms related to payment, clearing and settlement systems, the ECB December 2009.

	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 ³² .
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.
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 time horizon.
Contractual Arrangement	Contract for service provision, master service agreement and service level agreement with other group legal entities, software licence agreement, property lease, etc.
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.
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 part ³³ .
Critical Financial Market Infrastructure (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 critical functions.
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 ³⁴ .
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, which are necessary for one or more critical functions, that are performed for group business units or entities, the discontinuity of which

³² Ibid.

³³ Article 2 (1), (36) BRRD.

³⁴ Article 2 (1), (35) BRRD. The SRB's approach to Critical Functions can be found at <https://www.srb.europa.eu/en/content/critical-functions>.

	would seriously impede or prevent the performance of those critical functions ³⁵ .
Cross-Border Group	A group having group entities established in more than one Member State ³⁶ .
Digital Operational Resilience Act	Regulation (EU) 2022/2554 and Directive (EU) 2022/2556 on digital operational resilience for the financial sector.
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 ³⁷ .
Essential Services	Services associated with core business lines, the continuity of which is necessary for the effective implementation of the resolution strategy and any consequent restructuring ³⁸ .
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.
Facilitator	Individual who is present during a test exercise to foster discussion and debate.
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.
Group Entities	Each legal entity that is part of the group ³⁹ .

³⁵ Recital 8 and Article 6 Commission Delegated Regulation (EU) 2016/778/EU.

³⁶ Article 2 (27) BRRD.

³⁷ Response to consultation on revised EBA Guidelines on internal governance.

³⁸ Article 7 Delegated Regulation (EU) 2016/778/EU.

³⁹ Article 1 (2), (31) BRRD.

Hosted banks	Banks under the direct responsibility of the SRB, which are subsidiaries of banking groups established outside the Banking Union.
Independent observer	Person(s) representing a certain bank function or external consultant(s) who is/are present during the test exercise in silent mode. The independent observer should be independent of the units/activities being tested.
Inject	New pieces of information specifically tailored and introduced by the IRT during the test. Injects are used to add a surprise element to the test and to increase its level of realism. Examples of injects that can be used in a test are: changes to assumptions from playbooks, i.e., fewer people available to complete a task, missing data due to a cyber incident, which would not lead to involvement of additional employees or resources, etc.
Institution	A credit institution or investment firm ⁴⁰ .
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	Team that is responsible for preparing resolution plans for banks under the SRB's remit. Internal Resolution Team consists of experts from the SRB as well as relevant NRAs.
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 so that they can 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.
Key Liquidity Driver	Key drivers of the liquidity position in resolution are factors that are expected to trigger a substantial deterioration in a bank's liquidity position in resolution. This deterioration may take place in the form of an increase in outflows, a decrease in inflows or a decrease in the liquidity value of the counterbalancing capacity.

⁴⁰ Article 2 (1), (23) BRRD.

Key Messages	The main points to be included in communication to achieve the defined objective.
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	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 ⁴¹ . 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" ⁴² .
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 the 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	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, to ensure the bank's long-term viability at the end of the reorganisation period.
Minimum Requirement for Own Funds and Eligible Liabilities	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 and 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.

⁴¹ Article 3 (7) Directive 2013/36/EU.

⁴² Single Rulebook Q&A.

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 would be 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 which underpin the provision of services within the group, such as real estate, intellectual property (including trademarks, patents and software), tangible assets ⁴³ such as equipment and IT hardware, logical assets ⁴⁴ such as IT systems and applications, and data warehouses. Operational assets are critical/essential where they underpin the provision of one or more critical/essential relevant services. Operational assets can be owned or licensed/leased by banks.
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 ⁴⁵ . 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 made to cater for the actual circumstances in the particular resolution scenario.

⁴³ FSB Supplementary note (2024) Digitalisation of critical shared services: Implementing the FSB Guidance on Arrangements to Support Operational Continuity in Resolution.

⁴⁴ FSB Toolkit on Enhancing Third-Party Risk Management and Oversight (2023).

⁴⁵ Articles 39 and 48 the European Market Infrastructures Regulation.

Production environment	IT setup/configuration applied for actual use of an application/software system in day-to-day operations.
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 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	Time span starting from the so-called resolution weekend and ending at the moment the bank is considered viable, within a maximum duration of five years.
RCs	For banks headquartered in the Banking Union and with one or more subsidiaries or significant branches in one or more 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 Group-Level Resolution Authority. The way in which RCs are expected to work and the interaction among the members of the RCs 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 ⁴⁶ .
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

⁴⁶ Article 2 (1) (83b) (a) BRRD, Article 23 (1) (24b) (a) SRMR.

	liabilities and resolvability assessment. The resolution planning cycle implements the requirements for the resolution planning of banks under the 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 required by European Commission Implementing Regulation (EU) 2018/1624 of 23 October 2018, as well as further details required for each area. https://www.srb.europa.eu/en/content/reporting
Resolution-Resilient Features	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 and 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 performed.
Resolution Weekend	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 at any time and covers all processes necessary for the adoption of the scheme. The decision to adopt a resolution scheme must be implemented by the competent NRA. The weekend concludes the next business day when relevant markets open. Depending on the tool(s) used, the possible business restructuring phase starts only thereafter.
Resolution Tools	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 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 ⁴⁷ . 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” ⁴⁸ .
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, 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 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 future steps or follow-up.
Single Point of Entry	An approach in resolution planning which implies the application of resolution tools only to one group entity, usually 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 tools, and operational subsidiaries are preserved and would not, themselves, be subject to resolution.

⁴⁷ Article 3 (9) Directive 2013/36/EU.

⁴⁸ Single Rulebook Q&A.

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 to exit 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.
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 ⁴⁹ .
Test environment	IT setup/configuration applied to simulate and assess the functionalities of a given application/software system without affecting day-to-day operations.
Third-Country	A non-EU country.
Transfer Playbook	Operational document listing the processes needed, organisational units involved and concrete operational steps required 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 learned, as per the 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.
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

⁴⁹ Article 3 (8) Directive 2013/36/EU.

	<p>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 had been wound up under normal insolvency proceedings.</p>
Valuation 3	<p>The valuation that aims at determining whether or not shareholders and creditors would have received better treatment if the institution under resolution had entered into normal insolvency proceedings. In other terms, Valuation 3 aims at assessing any possible breach of the no creditor worse off principle.</p>
Variant Resolution Strategy	<p>Variants of the resolution strategy are necessary to address scenarios or circumstances where the resolution strategy cannot be feasibly and credibly implemented⁵⁰.</p>
Viability	<p>An institution that was declared FOLTF may be deemed viable post resolution as of the moment it sustainably displays an annual RoE of at least [8%-10%]⁵¹ and a maximum CIR of [50%-60%]⁵², while being compliant with its prudential requirements⁵³.</p>
Virtual Data Room	<p>A virtual data room is generally intended to be an online facility where documents and information to perform due diligence are uploaded.</p>

⁵⁰ Article 25 (4) Commission Delegated Regulation (EU) 2016/1075.

⁵¹ In reference to the minimum RoE levels required in past State Aid cases.

⁵² In reference to the maximum Cost to Income levels required in past State Aid cases.

⁵³ In this regard, banks should assume prudential requirements (demand) at least equivalent to those applicable prior to resolution.



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