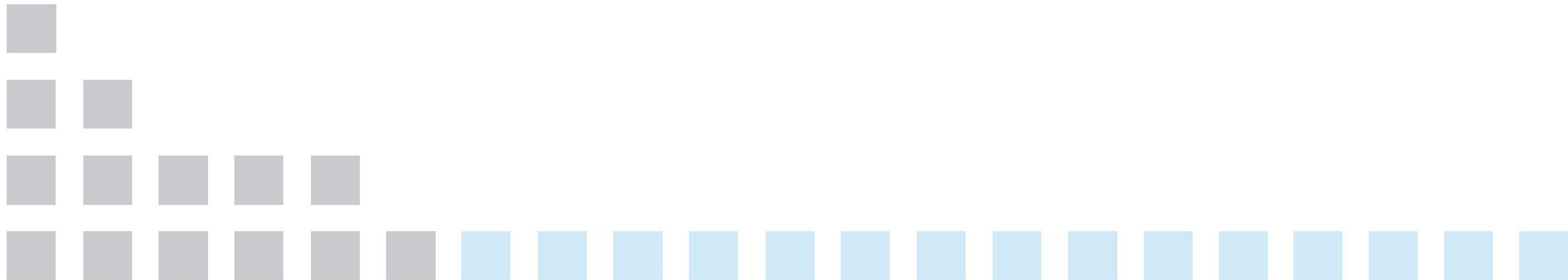




GIBRALTAR RESOLUTION  
AND COMPENSATION UNIT

# RCU Annual Seminar

A year in review and future outlook



# Contents of Presentation

---

- DGS & Bank Resolution Macro Focus
- A year in Review: Achieving our goals
- Industry Dialogue Workshop & Briefing notes
- Single Customer View
- DGS Stress Testing
- Resolution Planning Cycle
- Simplified Obligations
- MREL update
- International engagement
- RCU: Looking Forward



# DGS & Bank Resolution: Macro Focus

---

## **DGS Readiness**

- Advances in pay-out mechanisms
- International stress testing & peer reviews

## **Bank Resolution Readiness**

- Resolution Assessment Frameworks ('Expectations of Banks')
- International stress testing
- Embedding of Valuation frameworks
- Resolution Panels in place
- BRRDII
- MREL advancement

## **Other**

- EU Withdrawal
- Fintech: Move from traditional banking models (including open banking)
- GDPR/Cyber Security



# A year in Review: Achieving our goals

---

## DGS Readiness

- End to end DGS internal processes formalised & documented
- Formal EBA stress tests completed on Operational and Financial Capabilities
- SCV testing

## Bank Resolution Readiness

- MREL targets determined and communicated
- Simplified Obligation firms engagement
- The delivery of Resolution Planning data reporting
- Analysis of critical functions / shared services (where relevant)
- Resolution Planning (incl cross border)

**\*\*With Industry upskilling, transparency and engagement at the heart of everything we do\*\***



# A year in Review: Achieving our goals (Funding)

## Funding

Embedded calculation methodology  
Streamlined process:



## Funding levels

	DGS Ex-Ante	Resolution Fund
Current Level	£4m	£5m
Target Level (2024)	£8m	£10m



# Industry Dialogue Workshops

---



- MREL
- Resolution Banking Templates
- Valuations



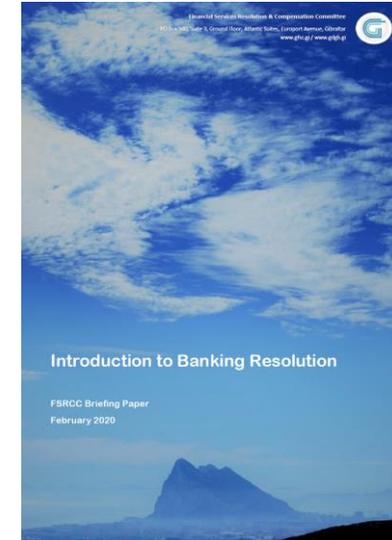
# Industry Briefing Notes

## Briefing notes published

- MREL
- Simplified Obligations
- Updated Methodology for Ex-Ante Funding Contribution
- Introduction to Resolution & explanatory video

## What's next?

- Valuations
- Bank Resolution: How to be resolvable?



# Single Customer View SCV

---

**\*\*An SCV is an overview of a DGS covered deposits, structured by the RCU, and prepared by banks to be used in a live pay-out \*\***

## **Implementation Stages**

- 2016 SCV instructions agreed and issued
- 2017 full roll out
- 2017 formal EBA Stress Testing

## **BAU**

- 8 RCU onsite / offsites completed amongst DGS participants (4 per year)
- Firm level ownership on data quality (controls, quality assurance, governance etc)

## **What's next?**

- Annual RCU onsite / offsites to continue
- Firm remediation to be completed
- Governance enhancements at firm level



# DGS Stress Testing

---

- EBA mandated stress testing
  - Operational Capabilities
  - Funding capabilities
- End to end live scenario developed and invoked (ABC Test Bank)
- FSRCC engagement and governance approvals
- Key (internal) stakeholders involved

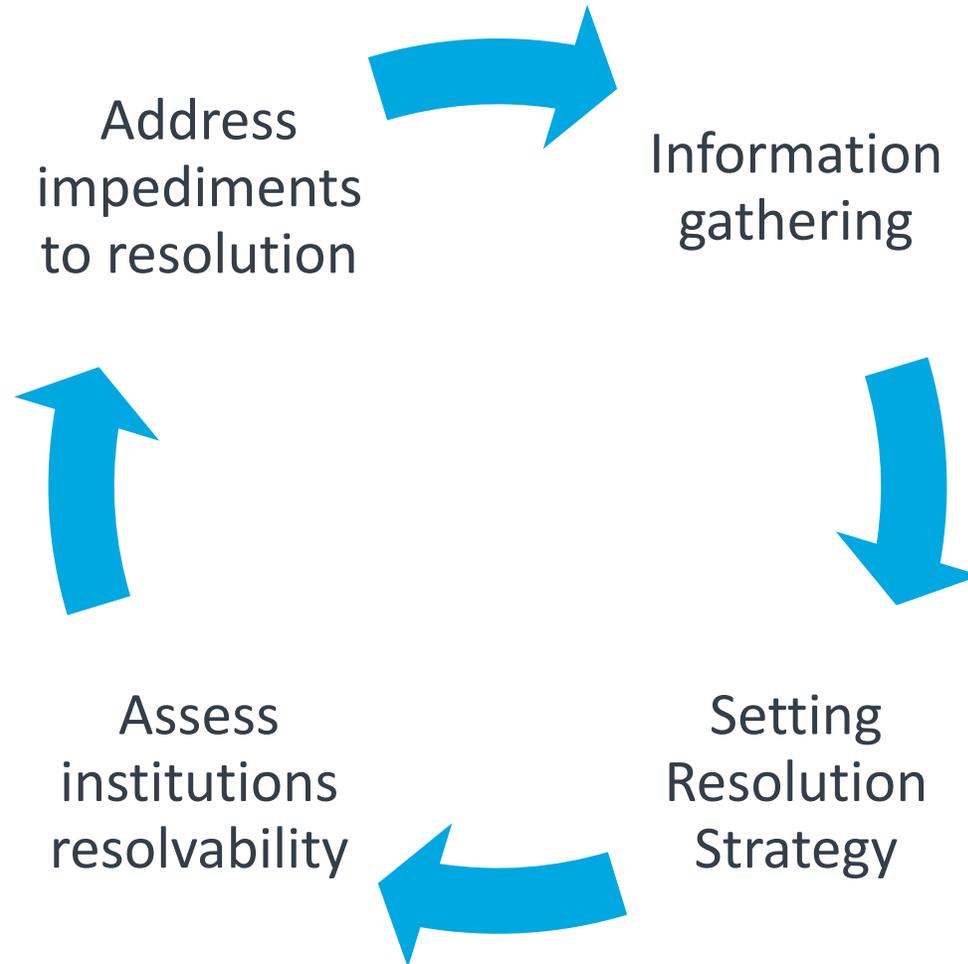
## **Key outcome**

- Submission to EBA (July 2019)
- Enhancements made to process manual
- No stress test will mirror a real life scenario, however...they are extremely useful



# Resolution Planning Cycle

---



# Information Gathering (Res Planning)

---

- Annual data collection by the RCU plays a central role in resolution planning.
- RCU requests the most recent recovery plan of the firm and any relevant information already available to the GFSC.
- RCU also require information direct from institutions through pre-agreed templates which currently include, but are not limited to the following:
  - Bank structure;
  - Liability data reporting (including bail-in-able liabilities);
  - Critical functions report; and
  - Interconnectedness (financial, legal and operational)
- Following a series of IDW's,, 2019 saw the delivery of Resolution Planning data templates

## What's next?

- BRT's to continue to be populated on an annual basis by firms
- RCU to work closely with firms to provide direction and feedback on quality of submissions – they may be through onsite / offsite reviews of data.



# Simplified Obligation Firms

---

- For institutions of less importance to the stability of the financial system, the FSRCC can apply a simplified obligations ('SO') allowance in respect to resolution planning.
- Clear that liquidation is likely strategy
- Information requirements imposed on firms concerned do not need to be as extensive as for firms potentially managed via resolution.
- SO Briefing Paper issued (Q3 2019)

## **What's next?**

- SO firms (where relevant) will now follow the Resolution Planning Cycle



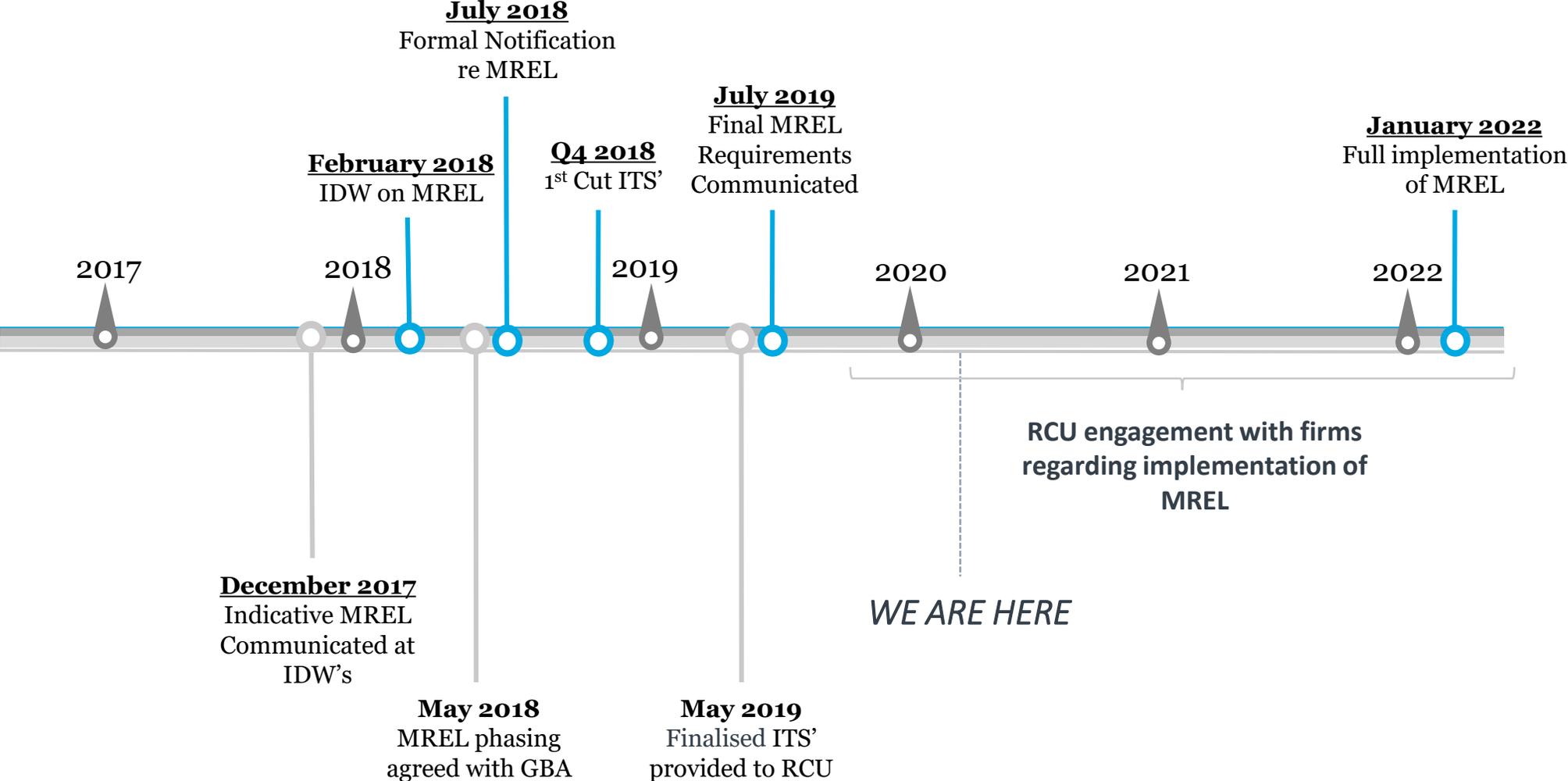
# MREL Update

---

- MREL is the **Minimum Requirement for own funds and Eligible Liabilities**
- It aims to ensure institutions have sufficient capital and liabilities that can be ‘bailed in’, if necessary.
- MREL ensures that investors and shareholders – and not the taxpayer – absorb losses when a firm fails.
- MREL allows Banks to be able to absorb losses and restore their capital position (i.e. enabling continuity of services) during and after a crisis.



# MREL Implementation Journey



# International Engagement

## Beyond Gibraltar:

- Cross Border Resolution Plans completed
- Active participation at Resolution Colleges
- International co-operation further strengthened:
  - EFDI
  - IADI
  - AMES
  - Other forums
  - International DGS'/RA relationship building
- EBA Taskforces / consultation



# Looking Forward...

---

**2020 will be the first year of the RCU's two year work programme;**

Ambitious roadmap towards improving resolution planning & crisis preparedness

- 1) Strengthen resolution readiness amongst participating firms** to reduce systemic risk whilst enhancing Gibraltar's reputation as a financial centre;
- 2) Safeguard depositor funds** whilst continuing to ensure that there is a robust end to end process in the event of an invocation of the GDGS;
- 3) Modernise our service** through improvements to streamline our governance processes, data collection and analytical capabilities;
- 4) Future proof the FSRCC** by improving shared knowledge and skills at both Board and operational level, staying ahead of latest policies & regulations;
- 5) Continue to educate and collaborate with our key stakeholders**, including consumers, firms and international peers, to increase awareness and engagement levels.



# Strengthen resolution readiness amongst participating firms

---

- Deliver next stage of Resolution Planning Cycle (including alternative strategies)
- MREL implementation
- Valuations capabilities
- Operational continuity
- Funding
- Resolution Panels
- Valuations capabilities



# Safeguard depositor funds

---

- SCV enhancement & ongoing testing
- Funding
- Continue to enhance DGS pay-out capabilities
- Enhancing end-to-end capabilities



# Continue to educate and collaborate with our key stakeholders

---

- DGS Awareness at firm level
- IDW's & Briefing notes
- Cooperation with international bodies cross-border jurisdictions, similar sized resolution authorities to continue to be fostered
- BRRDII engagement



