

MREL AND RESOLUTION PLANNING

FEBRUARY 2020



What is MREL and why is it important?

The **minimum requirement for own funds and eligible liabilities (MREL)** is one of the key requirements that make resolution credible. It ensures that banks have enough resources to allow resolution authorities to execute their preferred strategy in case of a bank's failure – usually a bail-in or a transfer to a healthy acquirer. MREL along with effective resolution planning seek to ensure that no public money is required in case of bank's failure. This is critical to ensure that risks are effectively priced, that investors beyond shareholders effectively bear the cost of potential bank failures and that banks are not unduly incentivised to take risk (moral hazard).

What has the EBA done in this field recently?

The EBA has been engaged on resolution-related topics since the adoption of the [Bank Recovery and Resolution Directive](#) (BRRD) in 2014. In particular, the EBA delivered the regulatory technical standards – RTS – that specify the criteria to set MREL laid down in the BRRD.

The EBA also produced MREL reports estimating MREL shortfalls since 2016 albeit without data on the actual population of banks in scope of resolution

as opposed to liquidation or on the actual levels of requirements and eligible resources. More broadly, the EBA published a number of [technical standards, opinions and guidelines](#) covering various topics such as simplified obligations, valuation standards or recovery plan indicators.

The EBA also contributes to resolution colleges where authorities agree on strategies for cross-border banks and acts as a mediator when required.

What does the EBA plan to do in the future?

As mandated by the BRRD, the EBA will continue monitoring the progress in building-up MREL resources and will publish a report annually. The EBA will also soon publish a report on the quality of MREL instruments.

Beyond MREL, the EBA will deliver a number of technical standard as mandated by the recently agreed banking package and continue its work in ensuring progress on the topics of resolution planning and resolution execution. (see BRRD2 roadmap below).

Roadmap for the delivery of the EBA mandates on resolution

OBJECTIVE

SEEING RESOLUTION IN ACTION

Q2 2020

Final draft ITS on disclosure and reporting of MREL and TLAC

Q3 2020

Report on MREL application, levels and shortfalls

Q4 2020

Final draft RTS on the definition of indirect funding and incentives to redeem eligible liabilities instruments

Final draft RTS on permission to reduce eligible liabilities instruments

Final draft ITS on MREL decisions reporting to the EBA

Final draft RTS on the methodology to estimate P2R and CBR for resolution groups not subject to P2R under CDR4

Final draft RTS specifying methods to avoid that internal MREL instruments hamper the smooth implementation of the resolution strategy

Final draft RTS specifying further clarifications with regards to the exclusions from contractual recognition of bail-in

Final draft ITS on notification to Resolution Authorities

Final draft RTS determining the contents of the contractual terms required in financial contracts governed by third-country law for the recognition of resolution stay powers

Q2 2022

Report on cross holdings of MREL among G-SIIs and OSIIs

Q4 2022

Impact assessment
Report on MREL

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