



**MONTE
DEI PASCHI
DI SIENA**
BANCA DAL 1472

Liquidity and funding in resolution

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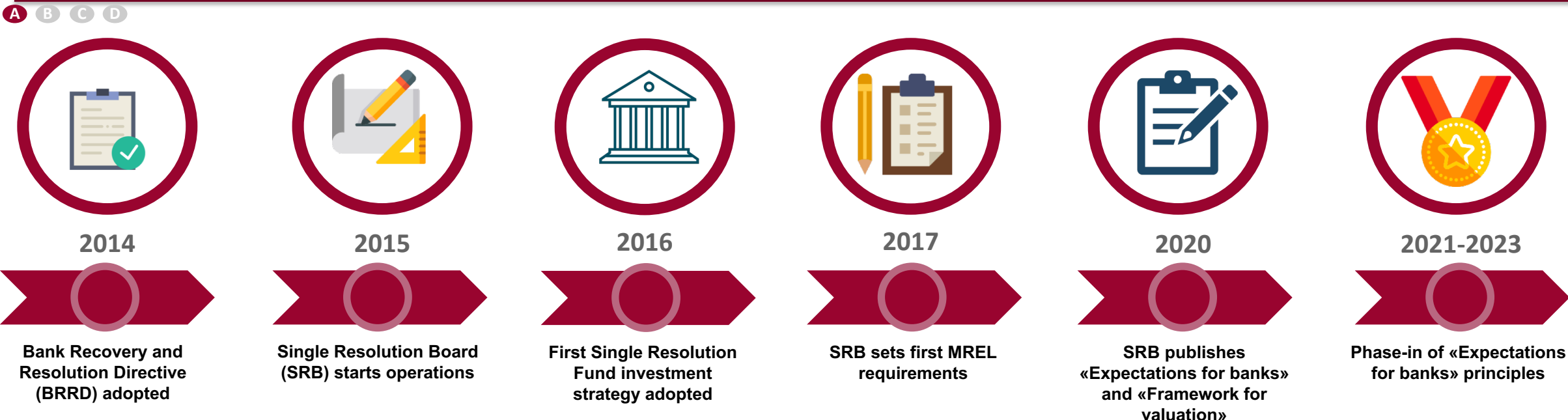
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Index

- A Context
- B SRB expectations for banks
- C Resolution planning cycle 2023
- D Conclusions



Context: SRB milestones

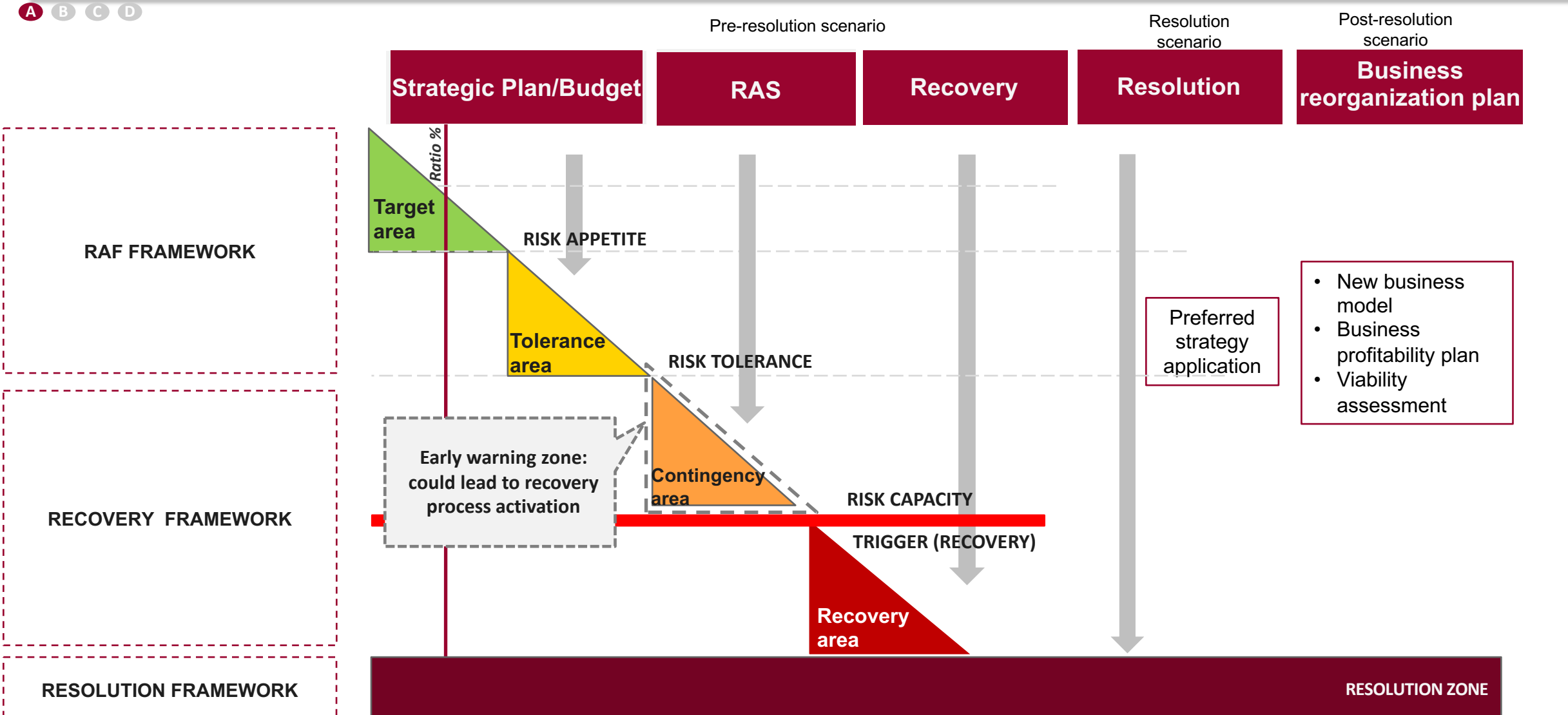


The **Single Resolution Board (SRB)** is the central resolution authority for the Banking Union. Together with the National Resolution Authorities, it forms the Single Resolution Mechanism (SRM). Its mission is to ensure an orderly resolution of failing banks, protecting the taxpayer from state bail-outs and promoting financial stability.



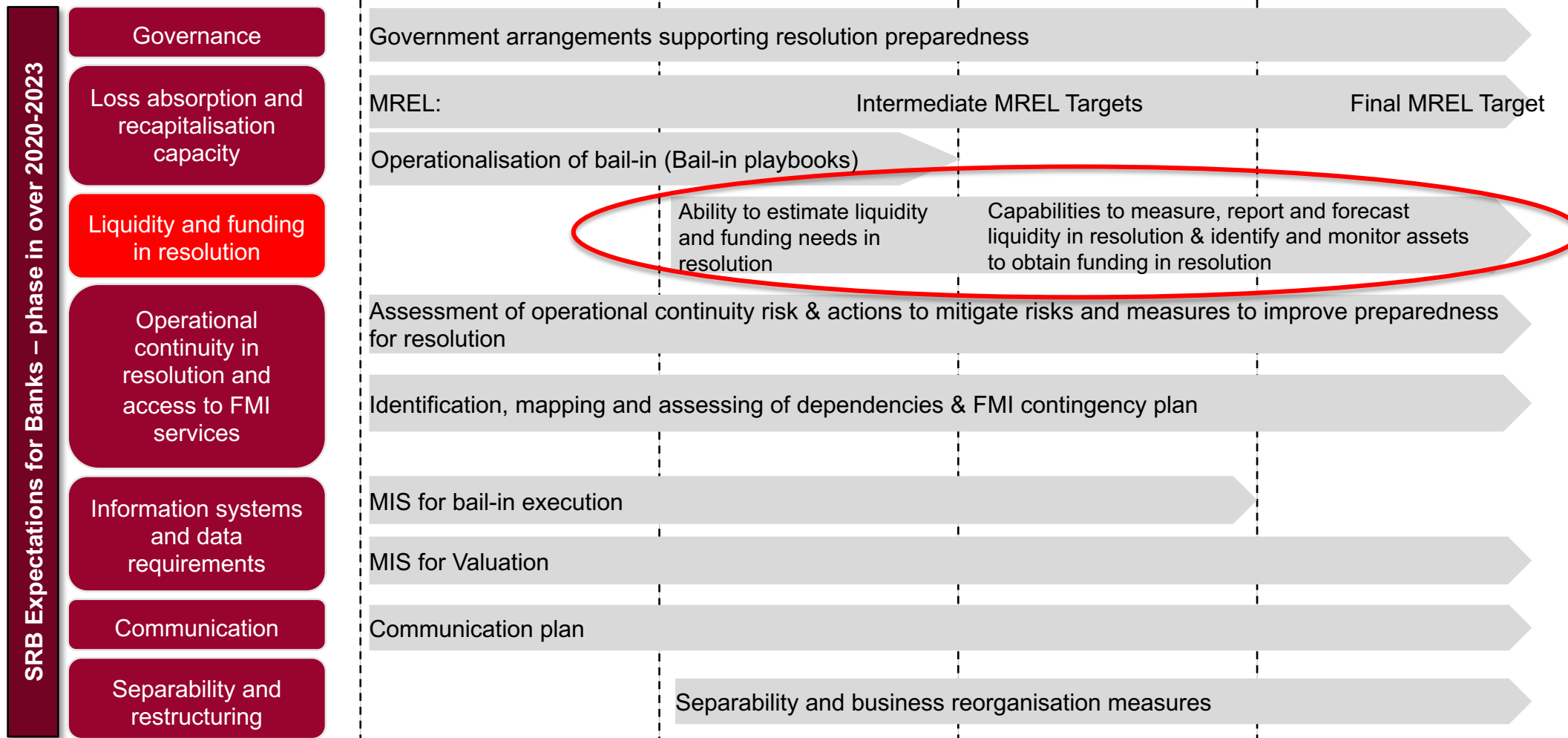
Context: how we get to “resolution”

A B C D



SRB EXPECTATIONS for BANKS - Overview

A B C D

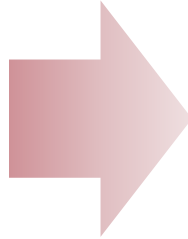


SRB EXPECTATIONS for BANKS - Liquidity and Funding in

resolution

Principle 3.1

ESTIMATION OF LIQUIDITY AND FUNDING NEEDS IN RESOLUTION

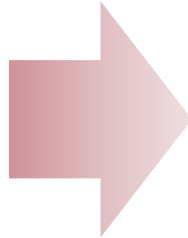


Banks have developed robust methodologies to estimate ex ante, under different assumptions, the liquidity and funding needed for the implementation of the resolution strategy and have identified possible liquidity sources supporting resolution.

Phased in during 2021

Principle 3.2

MEASUREMENT AND REPORTING OF THE LIQUIDITY SITUATION IN RESOLUTION

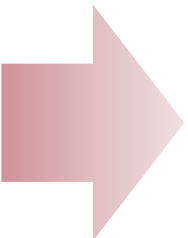


Banks have established processes and developed capabilities to measure and report their liquidity and funding needs in case of resolution, as well as the liquidity sources that are available, at the level of the resolution group and at the level of material legal entities in the perimeter of the resolution group.

To be phased in during 2023

Principle 3.3

IDENTIFICATION AND MOBILISATION OF COLLATERAL DURING AND AFTER RESOLUTION



Banks have established processes and developed capabilities to identify and mobilise assets that can be used as collateral to obtain funding during and after resolution. In order to ensure an effective and efficient deployment of the collateral that is available in resolution, banks have identified the time needed to mobilise it for refinancing operations and anticipated the steps needed to make it acceptable to counterparties.

Phased in during 2022



SRB EXPECTATIONS for BANKS – Principle 3.2

A B C D

Principle 3.2

MEASUREMENT AND REPORTING OF THE LIQUIDITY SITUATION IN RESOLUTION

Counterbalancing capacity and its liquidity value after presumed haircuts

Cash inflows and outflows differentiating between contractual and behavioural flows

Banks are expected to

demonstrate that they are able to measure and report their liquidity position at short notice

be able to forecast their net liquidity position across time periods (including intraday)

Liquidity metrics shall be reported:

- at the level of the resolution group
- for each material legal entity
- when relevant, for specific branches in the perimeter of the resolution group
- by material currency



Resolution planning cycle 2023 – Common Priority for all SRB banks

A B **C** D

SRB PRIORITY LETTER 2023

Deliverable

1

NOTE

Capabilities to measure and report the liquidity situation in resolution. This note should detail the internal framework, governance and Management Information Systems (MIS) to meet the data expectations, including bank's ability to forecast its net liquidity position across time periods (including intraday).

TEMPLATE

A standardised set of data points collected via the joint liquidity template to report the bank's liquidity situation.

2a

SELF-ASSESSMENT

The self-assessment should highlight any deficiencies in bank's capabilities to provide the data points requested by deliverable 2a at the requested level of consolidation and at high-frequency.

2b



Resolution planning cycle 2023 – Deliverable 1 (1/2)

A B **C** D

Deadline

Originally by the end of June 2023, postponed to July 2023

**SRB
PRIORITY
LETTER 2023**

Deliverable

1

NOTE

Capabilities to measure and report the liquidity situation in resolution. This note should detail the internal framework, governance and Management Information Systems (MIS) to meet the data expectations, including bank's ability to forecast its net liquidity position across time periods (including intraday).

Internal framework and governance expectations

- Establish internal processes and define roles and responsibilities for the monitoring and reporting of liquidity risks in resolution, leveraging on work done for supervisory purposes;
- Explicitly document escalation processes and assign the above-mentioned roles to internal stakeholders;
- Incorporate the monitoring and reporting of liquidity risks in resolution into internal crisis management frameworks.

Issues

- A brand new layer of internal processes is really needed?
- How much could escalation processes in resolution really differ from those already envisaged for RAS/recovery?
- Should reporting liquidity risk in a resolution really be so different from reporting liquidity risk in a liquidity crisis?



Resolution planning cycle 2023 – Deliverable 1 (2/2)

A B **C** D

Deadline

Originally by the end of June 2023, postponed to July 2023

**SRB
PRIORITY
LETTER 2023**

Deliverable

1

NOTE

Capabilities to measure and report the liquidity situation in resolution. This note should detail the internal framework, governance and Management Information Systems (MIS) to meet the data expectations, including bank's ability to forecast its net liquidity position across time periods (including intraday).

MIS capabilities to meet data expectations

- Development of MIS capabilities to be able to report the joint liquidity template at the required level of consolidation (i.e. at the level of the resolution group and at individual level of KLEs including for material currencies), on short notice and at high frequency.
- The note should elaborate on the following elements:
 - The systems and sources used to report the data points in the template;
 - The internal stakeholders responsible for generating these data points;
 - The dependencies, in terms of time and resource constrains from the responsible stakeholders, to generate the relevant data points;
 - Any identified obstacles to report particular data points of the template at the frequency and scope requested.

Issues

- As of end of may 2023, no template has been yet submitted to banks.
- Analysis requested could be rather challenging given the time available, especially if a new template is involved.



Resolution planning cycle 2023 – Deliverable 2a

A B **C** D

Deadline
End of Q3/
beginning of Q4

**SRB
PRIORITY
LETTER 2023**

Deliverable

2a

TEMPLATE

A standardised set of data points collected via the Joint Liquidity Template to report the bank's liquidity situation.

Reporting Template

- Banks shall be able to report the data points of the joint liquidity template and, thereby, disclose their liquidity and funding needs, as well as their liquidity sources available in case of resolution.
- The data points are intended to capture banks' estimates of their net liquidity position in resolution, including cash inflows and outflows (differentiating between contractual and behavioural flows); the counterbalancing capacity and its liquidity value after presumed haircuts.
- For the reporting of open maturity items and behavioural flows in resolution, banks are expected to apply the methodologies requested under principle 3.1 of the EfB.
- When estimating and reporting the liquidity resources available, banks should take into account the impact of prevailing market conditions on the method and timing of asset monetisation, aligned with the work requested for principle 3.3.

Issues

- To date, a certain level of discretion is still perceived in the estimation of cash flows during resolution.
- Is the joint Liquidity Template a mere substitution of "SSM Liquidity Template", or is it a new template to implement alongside the previous one?
- Will frequency be daily, or will it be higher as informally anticipated to banks (at least twice per day)?



Resolution planning cycle 2023 – Deliverable 2b

A B **C** D

Deadline
End of Q3/
beginning of Q4

**SRB
PRIORITY
LETTER 2023**

SELF-ASSESSMENT

The self-assessment should highlight any deficiencies in bank's capabilities to provide the data points requested by deliverable 2a at the requested level of consolidation and at high-frequency.

Details

- Provide a note containing analysis of any potential shortcomings regarding capabilities to report the joint liquidity template specified in deliverable 2a, for example in case banks have not developed the capabilities to submit the template at the level of the resolution group or individual level of KLEs.
- The note should also include actions to remove any such shortcomings as well as a timeline for these actions.

Issues

- How does reporting at individual level of KLEs interact with waiver granted by regulator for consolidated reporting only?

Deliverable

2b



Conclusions

A B C **D**



After an initial phase of cautious approach, the resolution issue is bursting forcefully and transversally within banking processes

From the point of view of liquidity and funding risk, many of the principles set out have not yet been defined in a precise manner, so a gradual refinement in the next years is needed

Adapting information systems to SRB requests will have not negligible costs, therefore it is desirable to integrate reporting as much as possible with all existing templates data points and frequencies

