# Disclaimer

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# Abbreviations

BRRD: Bank Recovery and Resolution Directive

CCP: central counterparty

CMG: crisis management group

CSD: credit support deed or central securities depositary

D-SIB: domestic systemically important bank

EEA: European Economic Area

FCA: Financial Conduct Authority

FMI: financial market infrastructure

FPC: The Financial Policy Committee of the Bank of England

FSB: Federation of Small Businesses

G-SIB: global systemically important bank

MPE: multiple point of entry

MREL: minimum requirement for own funds and eligible liabilities

NCWO: no creditor worse off [than they would have been under insolvency]

NSM: the FCA’s [National Storage Mechanism](https://data.fca.org.uk/)

PIF: Proactive Intervention Framework

PRA: Prudential Regulation Authority

RAF: Resolvability Assessment Framework

RLF: Resolution Liquidity Framework

RWA: risk-weighted assets

SIB: systemically important bank

SPE: single point of entry

TLAC: total loss-absorbing capacity

# Introduction

The financial crisis of 2008 was largely the consequence of financial institutions becoming insolvent as a result of reckless risk-taking in pursuit of profits, including exposure to fraudulent financial instruments. In the UK, to avoid widespread contagion and ensuing economic collapse, several major banks deemed ‘too big to fail’ had to be bailed out at public expense. The total cost of these interventions was an eye-watering £137 billion at its peak, and although much of this has since been recouped, the direct net cost to the UK taxpayer was £33 billion. Similar events unfolded in the USA and Europe. In the aftermath, governments around the world enacted ‘bail-in’ legislation, designed to ensure that systemically important banks can be allowed to fail in an orderly way. As when any other business fails, losses arising from bank failure would be imposed on shareholders and investors rather than the taxpayer. This protects the public from loss and incentivises banks to operate more prudently.

This document is an attempt to understand the likely impact of bail-in upon bank depositors, and aims to summarise the relevant provisions described in various documents published by the Bank of England, HM Treasury and HM Government, mostly by way of verbatim document excerpts. The source documents are listed in the References section.

For what it’s worth, I agree with the view that the present central-bank-controlled, debt-based monetary system is corrupt, fundamentally and irreparably flawed. There is an argument that therefore no plan that emanates from it can be lawful or just. However, it is not the purpose of this research paper to propose any alternative solution (e.g. one based on sovereign money) to avert insolvency in systemically important banks. Rather, this document simply attempts to present key aspects of the present bail-in provisions and to understand what their impact might be on those affected.

# Summary

The bail-in tool enables the Bank of England to impose bank insolvency losses on shareholders and unsecured creditors by cancelling or reducing the value of their claims. This process respects the order in which investors would receive compensation in insolvency. Unsecured creditors’ claims will be converted into equity to the extent needed to restore the firm’s capital to the level necessary for it to continue operating. The bail-in mechanism ensures that shareholders and investors bear losses rather than the taxpayer and is designed to leave ‘no creditor worse off’ than under traditional insolvency.

Deposits continue to be protected by the FSCS deposit insurance guarantee up to £85,000 per depositor per institution. The FSCS can also protect certain investments up to £50,000 and for certain types of deposits classed as ‘temporary high balances’, amounts up to £1 million. In limited circumstances, protection may be unlimited, such as for payments in connection with personal injury or incapacity.

In essence, it would seem that from the perspectives of shareholders, investors and depositors, bail-in consists of cancelling shares then exchanging, via ‘certificates of entitlement’, a percentage of eligible deposit funds for the cancelled shares, and possibly swapping bonds for shares. During the bail-in resolution process, trading in the affected bank’s financial instruments such as bonds and shares would be suspended.

The BoE documents also define another resolution strategy described as ‘partial transfer’, which roughly speaking involves transferring protected deposits to a private sector purchaser or temporary ‘bridge bank’, and placing the rest of the firm into insolvency.

Bank employees’ non-variable remuneration (salaries, pensions, etc.) would be unaffected by bail-in, but variable payments such as bonuses would likely be withheld, as would dividend payments to shareholders.

# Discussion

Insolvency is a socio-economically damaging event that affects many parties, from employees to shareholders and investors, to creditors, counterparties and customers and in the case of banks, depositors especially. Prior to the bail-in regime, banks considered ‘too big to fail’ enjoyed the assurance that the government would bail them out if they became insolvent, which created a moral hazard that incentivised reckless risk-taking in pursuit of ever-higher profits. When bailouts occurred, it was at enormous cost to the taxpayer, and with serious disruption and knock-on consequences for third parties.

Bail-in aims to rectify these deficiencies by shifting liability for insolvency away from the public purse onto shareholders, investors and creditors. It aims to ensure continuity of business, minimise disruption and avoid contagion. It requires banks to develop detailed resolution frameworks along with a continuous, proactive capability to monitor and minimise their areas of risk. The Bank of England periodically assesses the financial resilience of the eight major UK banks, making the results public. Potential investors and counterparties will pay close attention to the BoE’s assessments of the banks’ resolution frameworks and resilience and to the RAFs published by the banks themselves, thus incentivising banks to behave with greater financial prudence. (See the section ‘Resolvability of major UK banks’.)

When a bail-in occurs, shareholders suffer the loss of some fraction of their shareholding, and bond-holders and bail-in-eligible depositors have some fraction of their asset converted into shares in the resolved bank. The BoE documents state repeatedly that deposits are still protected up to the FSCS £85,000 per-depositor, per-institution deposit protection guarantee.

The affected bank continues to operate during resolution and there is the possibility that at some point its shares could recover sufficiently to cover the bond-holders’ and depositors’ losses and maybe even turn a profit.

Some financial commentators say that we are teetering on the brink of another global financial crisis that will make that of 2008 look like a ‘walk in the park’. Alternative news outlets have claimed that the bail-in regime has been introduced deliberately to facilitate large-scale financial expropriation when this new financial catastrophe occurs, and there may be some truth in this. However, it seems clear that in the UK the FSCS deposit protection guarantee would continue to apply. According to the Office for National Statistics' 2022 Wealth and Assets Survey, the average savings in the UK is £76,301 per household, reflecting gross financial wealth such as current and savings accounts, ISAs, shares, bonds, trusts and other formal financial assets. The figure is skewed on the high side by a small number of households with extremely high savings levels. A more representative figure is the ‘median’ figure of £12,500 in gross savings: 50% of households have less and 50% have more, although 25% of households have less than £2,100 saved. On this basis, bail-in itself would only affect comparatively wealthy households. Of course, high inflation, crashes in stock and bond markets and widespread insolvencies could also cause high losses to anyone with savings or investments.

The BRRD requires that member states establish a resolution financing arrangement with funding of at least 1% of the amount of FSCS-protected deposits. One is bound to question whether this would be anywhere near sufficient in the context of a major financial crisis affecting multiple banks. Should the FSCS incur costs above its capacity to support a rapid pay-out or transfer of protected deposits, public funds can be loaned to FSCS to enable the required deposit protection and later recouped through the ‘bank levy’ on the industry and recoveries made during the insolvency process. Such a loan would of course be predicated on the government’s ability to raise the necessary amount in the markets, which in a major crisis would by no means be certain.

Finally, it has been suggested (but not in the BoE documents!) that a debt-free sovereign money solution could be used to avoid bail-in altogether. At minimum, the technique could conceivably be used to avoid expropriating depositor’s funds, but might this not constitute a similar hidden subsidy and moral hazard as a traditional bailout?

# Questions about bank bail-ins

This investigation started with the following questions about how a customer/depositor with (say) HSBC might fare in the event of the bank failing and a bail-in resolution being applied. Where the research presented herein provides answers, these are given below.

1. Is HSBC aware of the Bank of England’s ‘bail-in’ provisions?
	1. Yes, clearly, as they have published a RAF.
2. Have the HSBC Terms and Conditions been amended to enable bail-in, and if so which ones, when and how?
	1. The HSBC Personal Banking Ts & Cs do not appear to have any specific reference to bail-in-related limits, conditions, etc. All eight UK SIBs, including HSBC, have filed RAFs with the BoE.
3. Would depositors/customers receive any advance warning of an impending bail-in?
	1. BoE, PRA and FCA perform vigilance on banking firms, rating their risk of failure on a five-point scale, making the results public. Those interested can proactively monitor the published ratings, though the frequency with which the ratings are updated (biannually) would likely be insufficient to provide advance warning.
4. Under what conditions would a bail-in be triggered?
	1. Impending insolvency, identified by regulatory vigilance and assessed on a case-by-case basis.
5. How long would the resolution period last?
	1. The main resolution would take place over a weekend, following which normal banking activities would resume. Resolution would finish when all restructuring is complete, all new shares have been allocated to the bailed-in creditors, and the firm returned to private ownership. This could take months to complete.
6. Would accounts be frozen during the resolution period?
7. Which account types and accounts would be selected for bail-in measures?
8. Would HSBC Premier accounts be subject to bail-in?
9. Would there be a balance threshold above which accounts become subject to bail-in?
	1. The threshold is the FSCS £85,000 per-investor, per-institution deposit guarantee.
10. What percentage of funds would be seized in the event of a bail-in?
	1. Would be assessed according to the bank’s balance sheet and the capital deficit.
11. What provision has been made for customers to honour contractual commitments requiring payments using bank-held deposits subject to bail-in?
	1. Certain ‘temporary high balances’ up to £1 million may be immune from bail-in, so for example, proceeds from a house sale may be protected pending purchase of another.
12. Does money deposited in a bank account become the bank’s property?
	1. Yes, a depositor has the legal status of creditor, unsecured above the £85,000 FSCS deposit guarantee level.
13. Would the customer/depositor ever receive any compensation for the seized funds, and if so in what form (e.g., refund, equity)?
	1. Yes. Seized funds would be converted into equity in the resolved bank.
14. In the event of a bail-in, would banker bonuses be suspended or reduced?
	1. Yes, but salary and other non-variable compensation would remain the same.
15. How is it credible that the FSCS would be capable of honouring the £85,000 per depositor–per institution protection scheme when reportedly, a mere £643 million has been allocated for this purpose? (That’s £9.58 per capita.)
	1. The BoE documents state that the FSCS has a mechanism for raising whatever funds are necessary to uphold the deposit guarantees. See the ‘Discussion’ section.

# Notes

* Resolution based on ‘Certificates of Entitlement’ (CEs) to receive equity in exchange for bailed-in assets. CEs come in different classes.
* There is a hierarchy of creditors. ‘senior debt’ vs ‘junior debt’. Senior debt as a bailed-in liability may receive a higher debt-equity exchange ratio. FSCS-protected liabilities are ‘super-preferred’ over senior unsecured debt. Deposits from individuals and small and medium-sized enterprises that exceed the protected amount are also preferred to other senior unsecured liabilities (including deposits not eligible for FSCS coverage) but rank behind the ‘super-preferred’ protected deposits.
* Trading in shares of the affected institution suspended, voting rights transferred to resolution administrator.
* Stays on termination rights in financial contracts can be overridden by resolution authorities but not necessarily if the contract was outside of the EEA.
* Some banks (e.g. Barclays’ BISL) have cash accounts for uninvested ‘client money’, which is not counted as deposit money in the event of insolvency.

# From the document ‘[The Bank of England: approach to resolution](https://www.bankofengland.co.uk/paper/2017/the-bank-of-england-approach-to-resolution)’

## Executive Summary

Resolution reduces the risks to depositors, the financial system and to public finances that could arise due to the failure of a bank. By ensuring losses will fall on a failed bank’s investors, resolution can both reduce the risk of bank failures and limit their impact when they do occur.

Shareholders and creditors must absorb losses before public funds can be used.

If the Bank finds there are barriers to resolvability it has powers to direct a firm to remove these through changes to their operations or structure.

In the interests of transparency, the Bank will publish summaries of major UK firms’ resolution plans and its assessment of their effectiveness from 2019.

The need to avoid the consequences of bankruptcy meant the costs of financial support for failing banks were imposed on the public finances rather than on the owners and creditors who had benefited from banks’ profits prior to the crisis.

Resolution arrangements change this by enabling losses arising from bank failure to be borne by the shareholders and creditors of failed banks, while ensuring the critical operations of the bank can continue.

The market’s perception that the biggest banks will be rescued by the government as they are ‘too big to fail’ creates an implicit guarantee that acts as a hidden subsidy to these firms. Credible resolution regimes should remove this perception. Doing so should improve market discipline in the pricing of risks being taken by these firms. This should, in turn, strengthen incentives for them to demonstrate to their customers, clients and investors that they are not taking excessive risks.

## BoE statutory resolution objectives:

* Ensure the continuity of banking services and critical functions in the United Kingdom.
* Protect and enhance the stability of the UK financial system.
* Protect and enhance public confidence in the UK financial system’s stability.
* Protect public funds, including by minimising reliance on extraordinary public financial support.
* Protect depositors and investors covered by relevant compensation schemes.
* Protect, where relevant, client assets.
* Avoid interfering with property rights, in contravention of the European Convention of Human Rights.

The Bank must consider each of these objectives in selecting and using its resolution powers, but they are not ranked in any particular order. The Bank decides how to balance these objectives including which of them should be prioritised if they conflict.

## Triggering the resolution regime

Measures that may be taken to prevent the bank from failing or being likely to fail could involve supervisory action to help restore the bank’s financial resources, such as stopping the payment of dividends to shareholders or bonuses to senior management. Or it could involve further action by the bank or its shareholders and creditors, for example a financial restructuring (such as a debt-for-equity swap negotiated with the bank’s bondholders) or a sale of the whole or parts of the business.

## Resolution Tools

Bail-in: The largest and most complex UK firms are likely to have a resolution strategy that involves the use of the bail-in tool. The indicative threshold for such ‘bail-in’ firms is set at a balance sheet size of £15 billion–£25 billion. This covers the United Kingdom’s G-SIBs and D-SIBs and a number of other medium-sized firms.

…

Partial transfer: …For the purpose of the policy, the Bank considers a transactional account to be one used at least nine times in the three months prior to an annual monitoring date. Firms with more than 40,000–80,000 transactional accounts can expect to be set a partial transfer strategy if their balance sheet is less than £15 billion–£25 billion. At a minimum, the resolution strategy would then involve the transfer of deposits that are preferred to senior unsecured claims in the creditor hierarchy, (ie at least all FSCS-protected deposits plus the uncovered component of deposits from individuals and small and medium-sized enterprises) from the firm, backed by good-quality assets, to a private sector purchaser or bridge bank (on a temporary basis pending onwards sale to a private sector purchaser). The rest of the firm would be placed into insolvency.

Insolvency: The smallest firms in the United Kingdom do not supply transactional accounts or other critical functions to a scale likely to justify the use of resolution tools. The preferred resolution strategy for these firms, therefore, is the applicable insolvency procedure.

## Safeguards for creditors

The regime provides statutory safeguards for creditors and counterparties.

## Use of public funds

Shareholders and creditors must absorb losses before public funds can be used… The resolution regime aims to ensure that public funds are not put at risk in resolving a failing bank.

…

In the unlikely case that the resolution objectives are not met using any of the regime’s resolution tools, and where at least 8% of the balance sheet as valued at the point of resolution has already been exposed to loss, the BRRD permits the use of public funds to stabilise the bank. This may be done by the government taking a failing bank into temporary public ownership.

…

The BRRD requires that member states establish a resolution financing arrangement with funding of at least 1% of the amount of FSCS-protected deposits of all the institutions authorised in their territory by 2024. In addition, where this funding is insufficient, the BRRD requires that Member States ensure that subsequent contributions are raised. The United Kingdom is satisfying its obligations under the BRRD by raising contributions through the bank levy.

## Role of insolvency

### Banks and building societies

Under the BRRD, depositors protected by EU deposit guarantee schemes and the scheme operators themselves (including the FSCS) are ‘super-preferred’. This means that in insolvency the FSCS has a higher position in the insolvency creditor hierarchy to recover from the insolvency ahead of other creditors and is likely therefore to recover more of its costs than under the previous creditor hierarchy. (2) This will reduce the risk that the failure of one bank weakens other firms and reduce the overall costs to the industry. Deposits from individuals and small and medium-sized enterprises that exceed the protected amount are also preferred to other senior unsecured liabilities (including deposits not eligible for FSCS coverage) but rank behind the ‘super-preferred’ protected deposits. Figure 4 sets out the creditor hierarchy that has applied since 1 January 2015.



## Conducting a resolution

### Stabilisation Phase

In the stabilisation phase, the Bank will employ one or more of the resolution tools to secure continuity of the firm’s critical functions. The firm will be stabilised either through a bail-in and/or a transfer of some or all of the firm or its business. In either approach, there will need to be some form of loss absorbency (in the form of the firm’s equity, subordinated debt and other unsecured debt) available to the resolution authority at the point of resolution, so that solvency can be restored.

…

During the resolution weekend, the BoE would announce:

* … certain identified liabilities will be affected by the bail-in (and if applicable certain identified liabilities will be excluded from the bail-in on a discretionary basis)
* … those depositors and investors protected by the FSCS will continue to be fully protected

The Bank expects to publish the resolution instrument during the resolution weekend. This would confirm which liabilities are within scope of the bail-in.

…

MREL resources would be the first liabilities subject to bail-in. If the level of losses and recapitalisation needs exceed the available MREL, the Bank has the power to bail-in other liabilities following the creditor hierarchy.

…

Certain liabilities cannot be bailed-in, such as protected deposits and fully secured liabilities. Others may be excluded from a specific bail-in at the discretion of the Bank in one or more exceptional circumstances set out in statute.(1) In summary, these are: (a) it is not possible to bail in the liability within a reasonable time; (b) it is necessary and proportionate not to bail-in the liability to maintain continuity of critical functions; (c) this is necessary and proportionate to avoid widespread contagion; or (d) not to exempt the liability would destroy value and losses borne by other creditors would be higher than if the liability were excluded. The resolution instrument would identify any liabilities that have been excluded under this discretion. The objective of MREL is to ensure firms have sufficient liabilities which can be subject to bail-in to stop such circumstances arising.

…

During this period [after the resolution weekend], the creditors in each class would be issued with ‘certificates of entitlement’, enabling them to be provided with shares or other instruments once the final valuation is complete. The Bank, informed by the valuations, would indicate the terms on which certificates of entitlement may then be exchanged for shares or other securities in the firm.

…

Bail-in is the Bank’s preferred resolution strategy for the largest UK firms, including all the UK G-SIBs and D-SIBs. Bail-in stabilises a failing firm by ensuring the existing shares are cancelled, diluted or transferred, and the claims of unsecured creditors (including holders of other capital instruments) are written down sufficiently to absorb the losses. Creditor claims are converted into equity to recapitalise and restore solvency to the firm.

…

Once creditors whose debt has been converted into equity have received their shares the firm can be returned to private control.

…

In the interests of transparency, the Bank will publish summaries of major UK firms’ resolution plans and its assessment of their effectiveness from 2019.

### The Bank’s approach to providing liquidity in resolution

Ensuring that a firm in resolution continues to have sufficient liquidity to meet its obligations is an essential part of an effective resolution regime. The Bank’s approach below takes into account FSB guidance published in 2016. In the first instance, liquidity would be expected to come from the firm’s own resources. But, where those resources are temporarily insufficient, and access to private sector funding is disrupted, the Bank has put in place a flexible approach for the provision of liquidity in order to support the group resolution strategy.

First, a firm in resolution would have access to the Bank’s published facilities, as set out in the ‘Red Book’, subject to meeting the necessary eligibility criteria.

Second, to supplement those arrangements, the Bank also has a flexible Resolution Liquidity Framework providing the tools to lend to banks, building societies or investment firms subject to the resolution regime…

…

The Bank expects to publish the resolution instrument during the resolution weekend. This would confirm which liabilities are within scope of the bail-in… The MREL resources would be the first liabilities subject to bail-in. If the level of losses and recapitalisation needs exceed the available MREL, the Bank has the power to bail-in other liabilities following the creditor hierarchy.

## Resolution Planning

As a firm’s difficulties increase, it is likely to be placed on ‘watchlists’ maintained by the PRA and FCA.

### The Proactive Intervention Framework

Five stages:

1. Low risk to viability of firm
2. Moderate risk to viability of firm
3. Risk to viability of firm
4. Imminent risk to viability of firm
5. Firm in resolution or being actively wound up

# From the speech ‘[The UK’s Progress on Resolvability](https://www.bankofengland.co.uk/speech/2021/february/dave-ramsden-institute-of-chartered-accountants-in-england-wales)’

By Dave Ramsden, Bank of England’s Deputy Governor, Markets and Banking

Transparency around what is likely to happen if a bank fails is a fundamental complement to a credible resolution regime. Authorities previously relied upon it being ‘constructively ambiguous’ as to whether or not they would bail out a failing bank. This was thought of as ‘constructive’ because it was meant to encourage banks not to rely on bailouts, while at the same time not tying governments’ hands so that they could not act in a crisis. There was very little ex-ante transparency about the path the authorities would follow in a resolution. That led to a hidden subsidy in market pricing of the shares for our largest banks, driven by the market’s belief that the largest banks were ‘too big to fail’, and would be rescued by governments, as proved to be the case in the UK.

…

Having a competitive market means lowering the barriers to entry and exit; the orderly failure of a firm with minimal financial stability implications is a natural part of an efficient economy. This is why we have modified insolvency rules for less systemic firms, which include an explicit objective to prioritise the repayment of eligible depositors by the FSCS within seven days, or have their accounts transferred to another firm.

…

Framing our approach around the three outcomes requires firms to think holistically and ask: “how will we be able to keep the business operating, while losses are borne by investors, and restructuring occurs?” This is more fundamental than just complying with individual policies or submitting data to authorities, and helps ensure that capabilities can be sustained for the long-term.

…

The presence of a credible resolution regime supports our aims, meaning that we can be more confident that if a firm does need to exit, it can do so in a way which minimises contagion and disruption.

…

# From the video ‘[2022: Resolvability Assessment of major UK banks](https://www.youtube.com/watch?v=_-sJQfhMMI8)’

By Sasha Mills, Bank of England’s Executive Director for Resolution

## Resolvability objectives

* Banks that get into difficulties can remain open and continue to provide vital banking services to the economy
* Investors, not taxpayers, first in line to bear the costs

## Three outcomes

1. Having adequate financial resources in the context of resolution. This means having enough loss-absorbing capacity, liquid resources and financial forecasting capabilities for a resolution.
2. Being able to continue to do business through the resolution process, keeping the doors open for depositors and businesses through the bail-in period and then to the restructuring phase that follows.
3. Being able to communicate and coordinate effectively, internally and with authorities and markets, so the resolution and subsequent restructuring are orderly.

## Five terms

To describe each firm’s ability to achieve each of the three resolvability outcomes:

* No material issues identified
* Area for further enhancement (found for six firms)
* Shortcoming, issues that may unnecessarily complicate a resolution (found for three banks)
* Deficiency
* Substantive impediment to resolution (none found in 1st assessment)

# Resolvability assessment framework (RAF)

## From the document ‘[Resolvability assessment of major UK banks: 2022](https://www.bankofengland.co.uk/news/2022/june/resolvability-assessment-of-major-uk-banks-2022)’

This page contains the following statements:

- "The eight major UK banks in scope of RAF reporting, whose disclosures should be read alongside the Bank’s assessment are: Barclays, HSBC, Lloyds Banking Group, Nationwide, NatWest, Santander UK, Standard Chartered and Virgin Money UK. Please refer to the banks’ own websites in order to locate these disclosures."

- "Major UK banks will need to address the outstanding actions identified as part of the Bank’s assessment. They will need to keep their preparations ready and tested over time, and be confident in their use should the need arise. For this reason, the Bank [of England], as resolution authority, and the Prudential Regulation Authority (PRA) have made resolvability a continuing obligation for banks and require them to publish their own summaries of their preparations for resolution."

## UK Banks public disclosures on resolvability

Website searches for “bail-in resolution plan” and “resolvability assessment framework” yielded the following results (07/10/2022). It subsequently turned out that all eight RAFs were linked from the BoE’s ‘Resolvability of major UK banks’ document (see next section).

|  |  |
| --- | --- |
| **Bank** | **Resolvability Assessment Framework Public Disclosure** |
| [Barclays](https://www.barclays.co.uk/) | Not found. No messaging facility. Called complaints, 30 min wait. Found using FCA’s [NSM](https://data.fca.org.uk/):<https://data.fca.org.uk/artefacts/NSM/Portal/NI-000052973/NI-000052973.pdf> -or-<https://home.barclays/content/dam/home-barclays/documents/investor-relations/reports-and-events/annual-reports/2021/20220610-Barclays-RAF.pdf> |
| [HSBC](https://www.hsbc.co.uk/) | No search facility. Found using FCA’s [NSM](https://data.fca.org.uk/):<https://www.hsbc.com/-/files/hsbc/investors/investing-in-hsbc/all-reporting/group/2022/220610-resolvability-assessment-framework-en.pdf> |
| [Lloyds Banking Group](https://www.lloydsbankinggroup.com/) | <https://www.lloydsbankinggroup.com/assets/pdfs/investors/investor-news/2022/lbg-resolvability-assessment-framework-public-disclosure-10-june-2022.pdf> |
| [Nationwide](https://www.nationwide.co.uk/) | <https://www.nationwide.co.uk/-/assets/nationwidecouk/documents/about/how-we-are-run/results-and-accounts/2021-2022/resolvability-assessment-framework-public-disclosures-2022.pdf>  |
| [NatWest](https://www.natwest.com/) | Not found. Found using Google site search:<https://investors.natwestgroup.com/~/media/Files/R/RBS-IR-V2/fixed-income-investors-presentations/our-readiness-for-resolution-2022.pdf> |
| [Santander UK](https://www.santander.co.uk/) | Not found. Found using Google site search:<https://www.santander.co.uk/assets/s3fs-public/documents/sanuk_resolvability_disclosure_2022.pdf> |
| [Standard Chartered](https://www.sc.com/uk/) | No search facility. Found using Google site search:<https://av.sc.com/corp-en/content/docs/sc-plc-preparedness-for-resolution-en.pdf> |
| [Virgin Money UK](https://uk.virginmoney.com/) | No search facility. Found using Google site search:<https://www.virginmoneyukplc.com/downloads/pdf/resolvability-assessment.pdf> |

# From the document ‘[Resolvability of major UK banks](https://www.bankofengland.co.uk/-/media/boe/files/financial-stability/resolution/resolvability-assessment-of-major-uk-banks.pdf)’

The following table summarises the BoE’s assessment of the resolvability of the eight major UK banks.

PRS: preferred resolution strategy (Single or Multiple Points of Entry)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Bank (link to RAF)** | **PRS** | **Adequate Financial Resources** | **Continuity and Restructuring** | **Co-ordination and Communication** |
| [Barclays](https://home.barclays/content/dam/home-barclays/documents/investor-relations/reports-and-events/annual-reports/2021/20220610-Barclays-RAF.pdf) | SPE | Further enhancement1 | Further enhancement2 | No material issues |
| [HSBC](https://www.hsbc.com/-/files/hsbc/investors/investing-in-hsbc/all-reporting/group/2022/220610-resolvability-assessment-framework-en.pdf) | MPE | Shortcoming3 | Shortcomings4 | Further enhancement5 |
| [Lloyds BG](https://www.lloydsbankinggroup.com/assets/pdfs/investors/investor-news/2022/lbg-resolvability-assessment-framework-public-disclosure-10-june-2022.pdf) | SPE | Shortcoming6 | No material issues | No material issues |
| [Nationwide](https://www.nationwide.co.uk/-/assets/nationwidecouk/documents/about/how-we-are-run/results-and-accounts/2021-2022/resolvability-assessment-framework-public-disclosures-2022.pdf) | SPE | Further enhancement7 | No material issues | No material issues |
| [NatWest](https://investors.natwestgroup.com/~/media/Files/R/RBS-IR-V2/fixed-income-investors-presentations/our-readiness-for-resolution-2022.pdf) | SPE | Further enhancement8 | Further enhancement9 | No material issues |
| [Santander UK](https://www.santander.co.uk/assets/s3fs-public/documents/sanuk_resolvability_disclosure_2022.pdf) | MPE | No material issues | No material issues | No material issues |
| [Standard Chartered](https://av.sc.com/corp-en/content/docs/sc-plc-preparedness-for-resolution-en.pdf) | SPE | Shortcomings10 | Shortcoming11 | Further enhancement12 |
| [Virgin Money UK](https://www.virginmoneyukplc.com/downloads/pdf/resolvability-assessment.pdf) | SPE | Further enhancement13 | Further enhancement14 | Further enhancement15 |

1. [Barclays] Relating to Barclays’ Valuations capabilities. This area for further enhancement relates to Barclays’ approach to the assurance expectations set out in the Valuations Statement of Policy.
2. [Barclays] Relating to Barclays’ Restructuring Planning capabilities. This area for further enhancement relates to Barclays’ approach to the assurance expectations set out in the Restructuring Planning Statement of Policy.
3. [HSBC] Relates to the production of resolution specific liquidity analysis, including analysis that identifies and projects collateral balances that may be available to HSBC in resolution.
4. [HSBC] The Restructuring Planning shortcoming relates to how HSBC plans to execute the restructuring actions which could be required in some resolution scenarios for an MPE group. Specifically, HSBC’s capabilities need to be improved to support delivery of a wide range of potential actions that could be required in different resolution scenarios within a reasonable timeframe, including those that go beyond what would be considered in recovery planning. This includes actions in an MPE structure that may require significant changes to business models and structure to address the causes of failure. This shortcoming may limit authorities’ options in a resolution. The Continuity of Access to FMI shortcoming relates to HSBC’s lack of centralised information about non-critical FMI relationships.
5. [HSBC] Relating to HSBC’s Management, Governance and Communication capabilities. This area for further enhancement relates to HSBC’s flexibility to support the wide range of potential roles a Bail-in-Administrator could undertake during a resolution.
6. [Lloyds] Relates to the production of resolution specific liquidity analysis and may impact the ability of LBG’s senior management and the Bank to take timely and robust decisions in a resolution.
7. [Nationwide] Relates to the production of resolution specific liquidity analysis.
8. [NatWest] Relates to NatWest’s approach to the assurance expectations set out in the Funding in Resolution Statement of Policy, specifically for newly completed capabilities.
9. [NatWest] Relating to NatWest’s Operational Continuity in Resolution capabilities. This relates to NatWest’s record keeping for critical services and contracts.
10. [Standard Chartered] The Funding in Resolution shortcoming relates to the production of resolution specific liquidity analysis, including analysis that identifies and projects collateral balances that may be available to Standard Chartered in resolution. The Valuations shortcoming relates to the preparation of sensitivity analysis under different scenarios concurrently and the flexibility of resolution specific models to adapt to different inputs and assumptions, and may impact the ability of the Independent Valuer to carry out resolution valuations. These shortcomings may impact the ability of Standard Chartered’s senior management, the Bank and other authorities to take timely and robust decisions in a resolution.
11. [Standard Chartered] Relates to Standard Chartered’s identification and evaluation of all available restructuring options in a wide range of resolution scenarios and may limit the restructuring options that could be executed in a resolution.
12. [Standard Chartered] Relates to further embedding of its resolution specific capabilities, in line with its multi-jurisdictional business model.
13. [Virgin Money UK] Relating to Virgin Money UK’s Funding in Resolution and Valuations capabilities. The Funding in Resolution area for further enhancement relates to the production of resolution specific liquidity analysis. The Valuations area for further enhancement relates to the processes to produce robust data and flexibility of resolution specific models to adapt to different inputs and assumptions.
14. [Virgin Money UK] Relating to Virgin Money UK’s Restructuring Planning capabilities. This relates to planning for the execution of restructuring options and flexibility to cost options.
15. [Virgin Money UK] Relating to Virgin Money UK’s Management, Governance and Communication capabilities. This relates to communications capabilities in a resolution and flexibility to support the wide range of potential roles a Bail-In-Administrator could undertake during a resolution.

# References

Bank of England:

* <https://www.bankofengland.co.uk/paper/2021/executing-bail-in-an-operational-guide-from-the-boe>
* <https://www.bankofengland.co.uk/paper/2017/the-bank-of-england-approach-to-resolution> (the ‘purple document’)
* <https://www.bankofengland.co.uk/speech/2021/february/dave-ramsden-institute-of-chartered-accountants-in-england-wales> (‘The UK’s progress on resolvability’)
* <https://www.bankofengland.co.uk/news/2022/june/resolvability-assessment-of-major-uk-banks-2022> (‘Resolvability assessment of major UK banks: 2022’)
* <https://www.bankofengland.co.uk/-/media/boe/files/financial-stability/resolution/resolvability-assessment-of-major-uk-banks.pdf>
* <https://www.youtube.com/watch?v=_-sJQfhMMI8> (video from Sasha Mills, Executive Director for Resolution, 10/06/2022)
* <https://www.bankofengland.co.uk/-/media/boe/files/paper/2021/mrel-statement-of-policy-december-2021-updating-2018.pdf> (MREL approach)
* <https://www.bankofengland.co.uk/financial-stability/resolution/mrels> (interim and end-state MRELs)

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* <https://www.gov.uk/government/consultations/bail-in-powers-implementation-including-draft-secondary-legislation/bail-in-powers-implementation>

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* <https://www.gov.uk/government/publications/banking-act-2009-special-resolution-regime-code-of-practice-revised-march-2017>