

# RegCore Client Alert

## Taking stock of the Single Resolution Board's new Single Resolution Mechanism Vision 2028 strategy

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## Financial Services

### Taking stock of the Single Resolution Board's new Single Resolution Mechanism Vision 2028 Strategy

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**QuickTake**

After a year in the making, the Single Resolution Board (**SRB**) used its annual conference on 13 February 2024 to announce (i) that the Single Resolution Fund (**SRF**) had reached its full targeted funding capacity<sup>1</sup> as well as to announce (ii) its new "SRM Vision 2028 Strategy" for the Single Resolution Mechanism (**SRM**).<sup>2</sup>

Following a total of seven different consultations, both internally as well as with the 21 national resolution authorities (**NRAs**) in the Banking Union, the European Central Bank (**ECB**), in its role at the helm of the Single Supervisory Mechanism (**SSM**) as well as with the European Commission and industry, the SRB's new strategy for the SRM through to 2028 focuses on three key areas: 1. Core Business; 2. Governance; and 3. Human Resources. The SRB has set nine strategic objectives with 20 actions to be implemented between February 2024 and the end of 2028. Specific activities and performance indicators are set to be included in the SRB's upcoming Multi-Annual Plan and Annual Work Programmes (see EU RegCORE coverage on that).

As explored in this Client Alert, the SRM Vision 2028 Strategy marks a strategic shift for the SRM since it became fully operational on 1 January 2016. This means the SRB will advance new workstreams that take into account the evolving risk landscape. The SRB and NRAs are set to move from key elements of resolution planning and preparation to include a new focus on operationalisation, resolution testing and crisis readiness. As stated by SRB Chair Dominique Laboureix "This will ensure that each plan and preferred resolution strategy for each bank can be implemented and at short notice, making us even more crisis-ready and resilient." In light of these announcements, Banking Union supervised institutions (**BUSIs**) will want to take preparatory action to accommodate the SRB's and NRA's shift in supervisory focus.

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<sup>1</sup> Of EUR 78 billion (calculated as a threshold equivalent to 1% of total bank deposits) thereby implying that BUSIs may no longer be required to make additional yearly contributions. The purposes of the SRF is to prevent taxpayer-funded bailouts such as those witnessed during the 2008 Global Financial Crisis that ultimately led to the creation of the EU's recovery and resolution legislation and in the Banking Union the creation of the SRB, SRF and the SRM-relevant legislative framework.

<sup>2</sup> Details of the announcement available [here](#). Details of the excellent 2024 conference (which was attended by PwC Legal) available [here](#) and details of the SRM Vision 2028 Strategy available [here](#).

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## Key takeaways from the SRM Vision 2028 Strategy

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Two months after having taken-up office, SRB Chair Dominique Laboueix set out in an SRB Blog-post from 17 March 2023 “Why the SRB needs a new vision”.<sup>3</sup> In that post, it was argued for the intervening 8 years since the SRB began operating with full operational capacity, it was now time to shift gear from the “planning and construction phase” to focus more on testing existing resolution plans and going on-site to BUSIs premises, to ensure that each BUSI is organised in a way which facilitates its resolvability.

The work on resolvability and risk reduction, done in close coordination with the NRAs, has long since completed its planning and construction phase and has strengthened the European financial system. By the end of 2023, the SRB had accomplished a number of significant goals:

- it has a well-established 12-month resolution planning cycle that is understood by all parties involved;
- important policy documents, such as the MREL Policy and Expectations for Banks, which outline the complete range of requirements that BUSIs must meet in order to be resolvable were published on the SRB website along with comprehensive guidelines that BUSIs are operationalising and improving their compliance;
- BUSIs have made good resolvability progress, with comprehensive resolution plans for every BUSI in place, and either have reached or are close to meeting their final MREL targets;
- the SRB established and/or expanded Resolution Colleges and Crisis Management Groups to facilitate efficient cross-border collaboration; and finally, the SRF has been fully funded and mutualised; and
- significant improvements to the legislative and regulatory framework were advanced, as discussed in other Client Alerts from PwC Legal’s [EU RegCORE](#).

Additionally, the SRB, as an organisation, has made investments in its crisis management and preparedness, cooperating with NRAs and other European and international players and putting in place specialised people, a strong system of protocols, information and communication technology tools (ICT) along with frequent simulations and dry runs in respect of recovery and resolution of BUSIs.

The global market turbulences affecting mostly non-EU banks directly and to a lesser degree BUSIs indirectly during March 2023 certainly gripped the headlines with certain echoes of financial crises past. These developments may have also acted as a catalyst not only for communicating the SRB’s commitment to a new vision in the SRB’s Blog post but to also confirm that the SRB would be applying certain lessons learned from that most recent episode as part of its SRM Vision 2028 Strategy. These are reflected in the SRB’s restatement of its mandate, its mission statement and its values.

Ultimately the SRB’s new Vision 2028 Strategy aims to deliver on this restated mandate, its mission statement and reflect its values as well as, for the market, to send a clear and consistent supervisory message to BUSIs under scrutiny. This includes the following three focus areas:

- **Core business.** The SRB intends to continue developing an efficient and flexible crisis management framework, including the establishment of a new crisis readiness approach. The SRB will also work on crisis-oriented resolution planning with an embedded risk-based approach and will work to be the global reference in the field of resolution. In other words, the focus moves from resolution planning to crisis readiness, placing resolvability and operationalisation of resolution plans at the core of the SRM’s work. The SRB and other SRM authorities will engage in regular testing of existing resolution plans to ensure these work in practice;
- **Governance, organisation and tools.** The SRB intends to strengthen its structures so that it becomes more streamlined, efficient and transparent and ensures better integration of NRAs. The SRB will collaborate with NRAs to facilitate the establishment of uniform policies and communication strategies across the SRM. The significance of effectively coordinated communication has been highlighted by recent crises (including March 2023), both during periods of calm and times of emergency. In implementing this measure the SRB aims to guarantee that everyone throughout the Banking Union will consistently get clear and concise information regarding resolution issues, hence fostering confidence in the SRM’s decisions. The SRB also intends to develop strong and positive organisational culture and values and to ensure that it keeps pace with technological innovation through digital transformation and the use of best-practice technologies so as to not only enhance the SRM as an organisation overall but also to increase transparency in the SRB’s expectations towards BUSIs as a whole by ensuring better data capture and less administrative burden for the industry; and

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<sup>3</sup> Post available [here](#).

- **Human resources.** The SRB will focus on improving its recruiting and retention of a motivated and professional pool of talent. It will also focus on learning and development for its staff and on diversity and inclusion within the SRB.

For each of these areas, the SRB sets out a list of actions and potential measurements for assessing its progress both for off-site but equally for the greater volume of expected on-site inspections (**OSIs**) and deep dives to BUSIs, each with more intrusive scrutiny. These include:

- **Core business** focusing on improvements for:
  - **Powerful crisis preparedness and management** through the following actions and potential measurements to:
    - revamp the centralised crisis management function and prepare for evolving threats. This is to be potentially measured through “a percentage on the implementation of lessons learned from dry runs and crisis cases”;
    - develop tools for the operationalisation of resolution strategies. This is to be potentially measured through a “satisfaction level of participants in dry runs and simulations”;
    - develop a comprehensive approach to crisis readiness. This is to be potentially measured through “a percentage of addressed activities and recommendations from mitigation action plans for identified new threats”;
  - **Crisis-oriented resolution planning and resolvability, including simplification of the Resolution Planning Cycle and operationalisation of resolution plans** through the following actions and potential measurements to:
    - revamp the annual Resolution Planning Cycle and ensure resolution plans are fully actionable in resolution. This is to be potentially measured through an “index on overall progress of banks’ resolvability”;
    - ensure BUSIs’ resolvability and develop a comprehensive plan for resolvability testing. This is to be potentially measured by reference to a “percentage of deep dives carried out as planned following coverage criteria”;
    - enhance capability for launching enforcement action to remove substantive impediments. This is to be measured by reference to a “percentage of implementation of OSI recommendations”;
  - **SRM as a reference in resolution** – including as a centre of expertise for resolution issues within the Banking Union through the following actions and potential measurements to:
    - develop a new fully-fledged knowledge management function for the SRM to produce specialised materials, facilitate the understanding of resolution topics to more general audiences, conduct open external dialogue and close collaboration with stakeholders within and outside the Banking Union. Efforts in this area are to be potentially measured by mapping the “adoption rate of knowledge management tools”;
    - demonstrate the SRM’s leadership in the resolution field. This is to be measured with respect to the audience outreach and stakeholder perception survey results;
    - strengthen cooperation with EU bodies and develop closer relations with third countries;
- **Governance, organisation and tools** – through the following actions and potential measurements to:
  - **Strengthen governance and streamline the structure, including driving close interactions within the SRM and SSM as well as with other stakeholders** through the following actions and potential measurements to:
    - streamline decision-making and increase efficiency of internal structures and processes. Potential measurement metrics will focus on the “average duration of decision-making processes”;
    - streamline and update current organisational structure to increase operational efficiency, supporting and being resilient to internal and external changes plus promoting a culture of collaboration and teamwork. A potential measurement metric is the “index of alignment of work programmes”;
    - increase SRM integration of NRAs work with the SRB. This includes the index of alignment of work programmes above as well as another potential metric by “coverage of methodology topics by joint NRA-SRB working groups”;

- **Deliver a strong and positive organisational culture and values** through the following actions and potential measurements to:
  - establishing managerial practices based on trust and shared values that foster a positive SRM culture. A key metric will be the “staff engagement survey indicators on engagement and work environment”;
  - further promote sustainability within the SRB’s work by measuring the SRB’s carbon footprint;
- **Deliver digital transformation and use best-practice technologies in its core processes** through the following actions and potential measurements to:
  - enable the SRB’s digital transformation, with the establishment of a Digital Transformation Group within the SRM “to monitor and understand trends in digital transformation available in the market” and set-up of an “Innovation Laboratory to develop Proofs of Concept in the domains of digitalisation, automation and process management that can improve the efficiency of the SRB. These steps will foster innovation and welcome ideas, build on cooperation with NRAs — and possibly the SSM, other relevant stakeholders and the industry.” Results will be mapped against a business alignment index;
  - reinforce the SRM’s and SRB’s data capabilities, with a dedicated unit to free up resources internally to focus on crisis management capabilities with delivery results mapped against an effective data management framework coverage; and
- **Human resources** – through a number of developments, the most interesting thereof for BUSIs will likely be the SRB focusing on enhancing “external mobility” which is summarised as “...a structured approach to temporary rotations outside the SRB to other institutions and allowing external experts to join the SRB, including within the SRM. This both broadens the options available to staff, while also giving them the opportunity to strengthen their expertise and knowledge while remaining within the SRB.”

A focus on communication, transparency, and involvement with European, international, and industry stakeholders are further crucial components of the SRM Vision 2028 Strategy. The SRB will streamline decision-making and boost efficiency in order to do this. Along with addressing cybersecurity, the SRB will prioritise staff career development, gender parity, and the robustness of its IT systems and digitalisation.

While the SRM Vision 2028 Strategy marks a step in a more focused direction and signals greater supervisory scrutiny, it may be further tweaked on the road to 2028, including to reflect concurrent developments in the SSM pillar to Banking Union. Importantly, the SRB’s Annual Work Programmes and Multi-Annual Plans will outline how it plans to carry out the strategy.

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### What should BUSIs do now?

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The SRB’s SRM Vision 2028 Strategy signals a strategic shift in supervisory focus from resolution planning to crisis readiness, placing resolvability and operationalisation of resolution plans at the core of the SRM’s work. Many BUSIs may want to revisit or step-up their preparatory actions to accommodate for this change and ensure their compliance with the SRB’s and NRAs’ expectations. This may include needing to:

1. review and update their resolution plans and MREL policies in line with the SRB’s published documents and guidelines, and ensure that they have reached or are close to meeting their final MREL targets;
2. enhance their data capabilities and reporting systems to provide accurate, timely, and consistent information to the SRB and NRAs, and to facilitate the exchange of data in a crisis situation;
3. implement the necessary organisational and operational changes to ensure that they are structured in a way that facilitates their resolvability, such as simplifying their legal and operational structures, ensuring the separability of critical functions, and establishing resolution entities and internal bail-in mechanisms;
4. engage with the SRB and NRAs in a constructive and transparent manner, and participate actively in the Resolution Colleges and Crisis Management Groups to foster cross-border cooperation and coordination;
5. prepare for the OSIs and deep dives that the SRB and NRAs will conduct on their premises and demonstrate their readiness to execute their resolution plans and comply with the SRB’s requirements; and
6. monitor the developments and improvements in the legislative and regulatory framework that affect the SRM as well as the Banking Union overall and adapt their policies and practices accordingly.

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## Outlook and next steps

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The SRB's Vision 2028 Strategy sets out an ambitious agenda for the next supervisory and resolution cycles, aiming to enhance the SRM's crisis readiness, resolution planning and resolvability, along with global leadership in the resolution field. The SRB's new strategy also envisages a significant transformation of the SRB's governance, organisation, culture, and technology, as well as a closer integration and cooperation with NRAs and other stakeholders. The aims to be delivered by 2028 reflect the SRB's recognition of the evolving challenges and opportunities in the banking sector, as well as the lessons learned from its previous experience and feedback from its peers and the public. It is conceivable that these may evolve further on the path to 2028.

To implement the strategy, the SRB will develop specific activities and performance indicators that will be included in its upcoming Multi-Annual Plan and Annual Work Programmes. These will provide more details on the expected outcomes, timelines, and resources for each of the nine strategic objectives and further expand on the 20 actions, which are largely still quite at a guiding principles/objectives level in the present publication. The SRB will also monitor and report on its progress and achievements regularly, using both quantitative and qualitative measures, and will seek to ensure accountability and transparency towards its stakeholders and the public. The outcome of that monitoring will likely be of interest not only to existing BUSIs but also to new applicants or incumbent financial services firms that may consider becoming a BUSI.

More fundamentally, the SRB's Vision 2028 Strategy also implies a need for further alignment and coordination within the SRM, as well as with the SSM and other EU bodies and with third countries. The SRB will seek to foster a common understanding and approach to resolution issues across the Banking Union, and to promote the SRM's role and expertise in the international arena. The SRB will also engage in constructive dialogue and collaboration with BUSIs, industry associations, academics, civil society, and the media, to raise awareness and trust in the SRM's work and objectives as well as to solicit feedback and input for its continuous improvement and themes or developments subject to its supervisory scrutiny.

## About us

PwC Legal is assisting a number of financial services firms and market participants in forward planning for changes stemming from relevant related developments. We have assembled a multi-disciplinary and multijurisdictional team of sector experts to support clients navigate challenges and seize opportunities as well as to proactively engage with their market stakeholders and regulators.

Moreover, we have developed a number of RegTech and SupTech tools for supervised firms, including PwC Legal's [Rule Scanner](#) tool, backed by a trusted set of managed solutions from PwC Legal Business Solutions, allowing for horizon scanning and risk mapping of all legislative and regulatory developments as well as sanctions and fines from more than 1,500 legislative and regulatory policymakers and other industry voices in over 170 jurisdictions impacting financial services firms and their business.

Equally, in leveraging our Rule Scanner technology, we offer a further solution for clients to digitise financial services firms' relevant internal policies and procedures, create a comprehensive documentation inventory with an established documentation hierarchy and embedded glossary that has version control over a defined backward plus forward looking timeline to be able to ensure changes in one policy are carried through over to other policy and procedure documents, critical path dependencies are mapped and legislative and regulatory developments are flagged where these may require actions to be taken in such policies and procedures.

If you would like to discuss any of the developments mentioned above, or how they may affect your business more generally, please contact any of our key contacts or PwC Legal's RegCORE Team via [de\\_regcore@pwc.com](mailto:de_regcore@pwc.com) or our [website](#).

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