SRB Publishes Paper on Public Interest Assessment

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The Single Resolution Board (SRB) has today published a paper outlining its approach to an important element of the resolution framework, the Public Interest Assessment (PIA).

The PIA examines whether the resolution of a particular bank that is failing or likely to fail would be necessary, for example to ensure one or more of the following objectives: maintaining financial stability, protecting covered depositors and safeguarding public funds by minimising reliance on extraordinary public financial support. If not, resolution actions would not be taken and national insolvency procedures would apply.

The document gives clarity to the factors the SRB takes into account when conducting a PIA, and explains how the SRB applies the criteria as set out in EU law. The publication of the methodology is aimed at providing more transparency and certainty for banks and the markets.

Speaking in Brussels, the Chair of the SRB, Dr. Elke König commented, ‘The resolution framework as an exception to normal insolvency sets strict conditions and the Public Interest Assessment is a core element in this context. Today’s SRB’s publication aims to provide clarity and transparency to all stakeholders.”

The approach was developed by the SRB and national resolution authorities, in consultation with the ECB and the EBA, to ensure a common understanding across the Banking Union. It is one of the key policies underpinning the work of the SRB.

**Background: The Public Interest Assessment (PIA)**

When the SRB considers whether to plan for or to take resolution action – both at the resolution planning stage and after a failing or likely to fail (FOLTF) declaration – it performs a PIA. The conclusion of the PIA drives the decision as to whether resolution is to be considered as the preferred option in resolution planning respectively a resolution decision taken and not normal insolvency proceedings pursued in case of a failing bank. The PIA ensures that, in the case of resolution action, it would achieve one or more of the resolution objectives better than would be the case with a national insolvency procedure. The resolutions objectives are, inter alia, avoiding significant adverse effects on financial stability, protecting depositors covered by Directive 2014/49/EU (on Deposit Guarantee Schemes) and safeguarding public funds by minimising reliance on extraordinary public financial support,