



International Actuarial Association
Association Actuarielle Internationale



Recovery & Resolution Planning

Key Considerations

Banking Virtual Forum
Steven Claxton

27 August 2024



Agenda

Context – Resilience Risk Management

Key Considerations

Bank of England (BoE) Update

Opportunities for Actuaries in Banking

Questions & Answers

Context – Resilience Risk Management

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Key Considerations

Bank of England Update

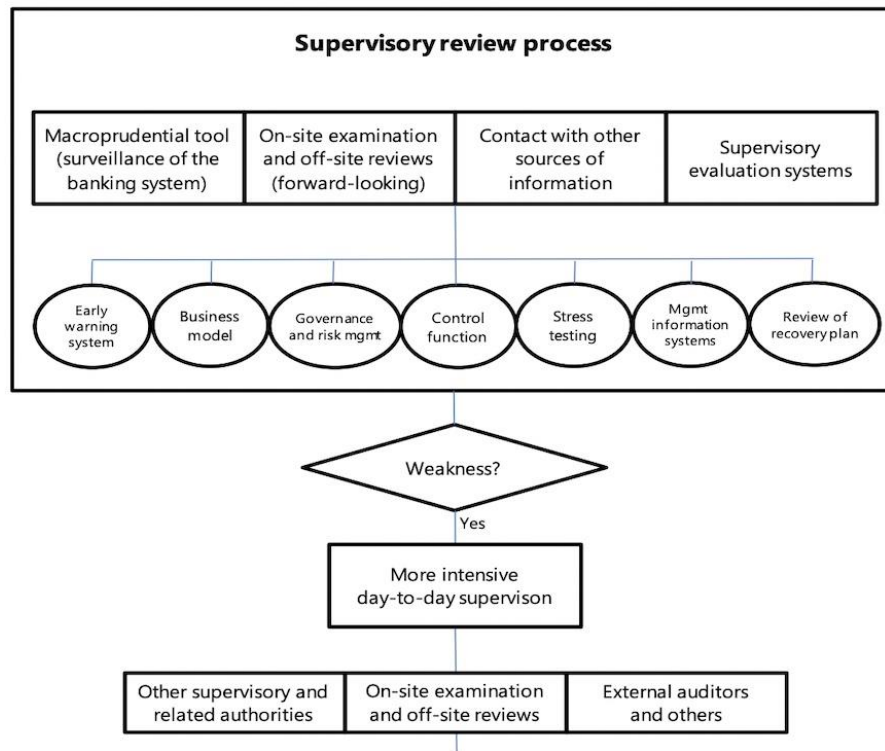
Opportunities for Actuaries in Banking

Question & Answers

I. Identifying weak banks

Guidelines for
identifying and dealing
with weak banks

July 2015



Identification & Intervention

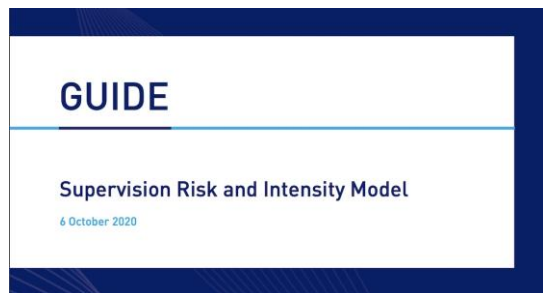


Figure 6. Banking risk categories

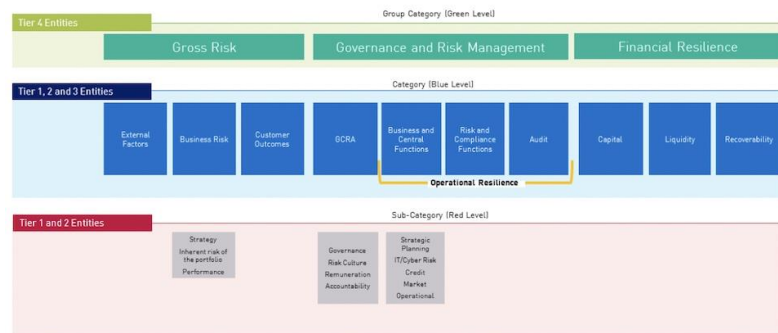
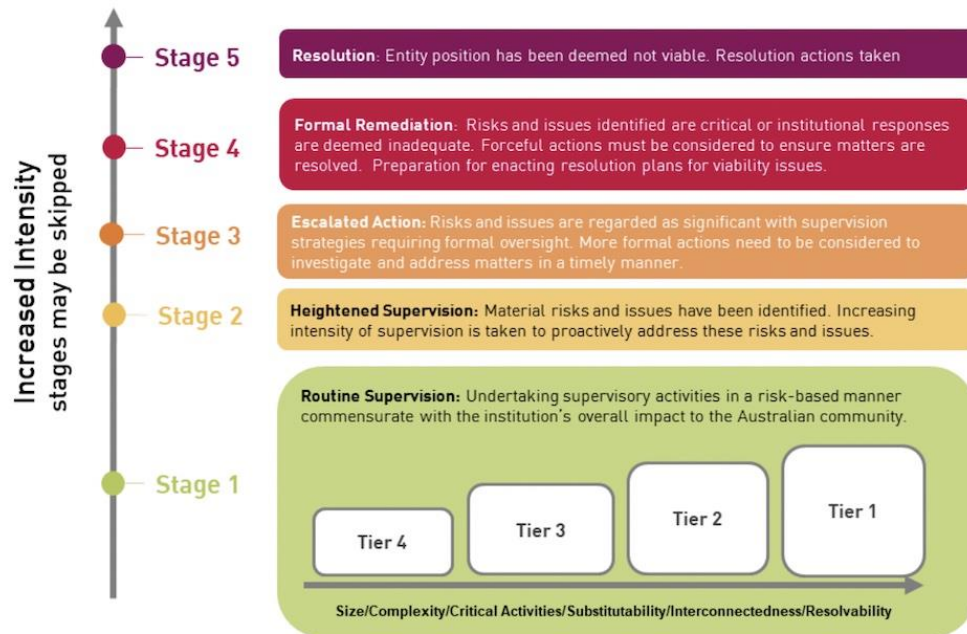


Figure 5. Supervision intensity



Failure still occurs...



Source: <https://www.reuters.com/business/finance/swiss-financial-watchdog-calls-more-powers-after-credit-suisse-crash-2023-12-19/>



Source: <https://www.theguardian.com/business/2023/mar/17/why-silicon-valley-bank-collapsed-svb-fail>

Key Considerations

Context – Resilience Risk Management

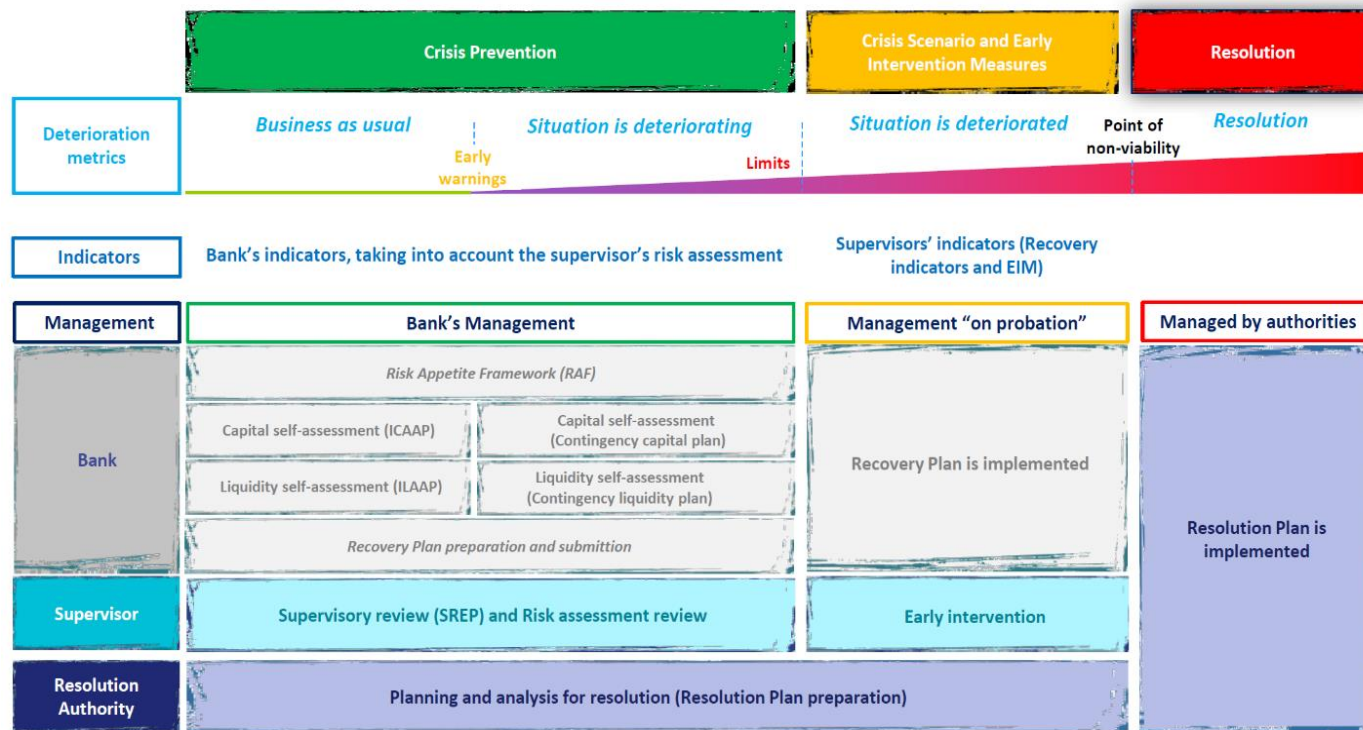
Key Considerations

Bank of England Update

Opportunities for Actuaries in Banking

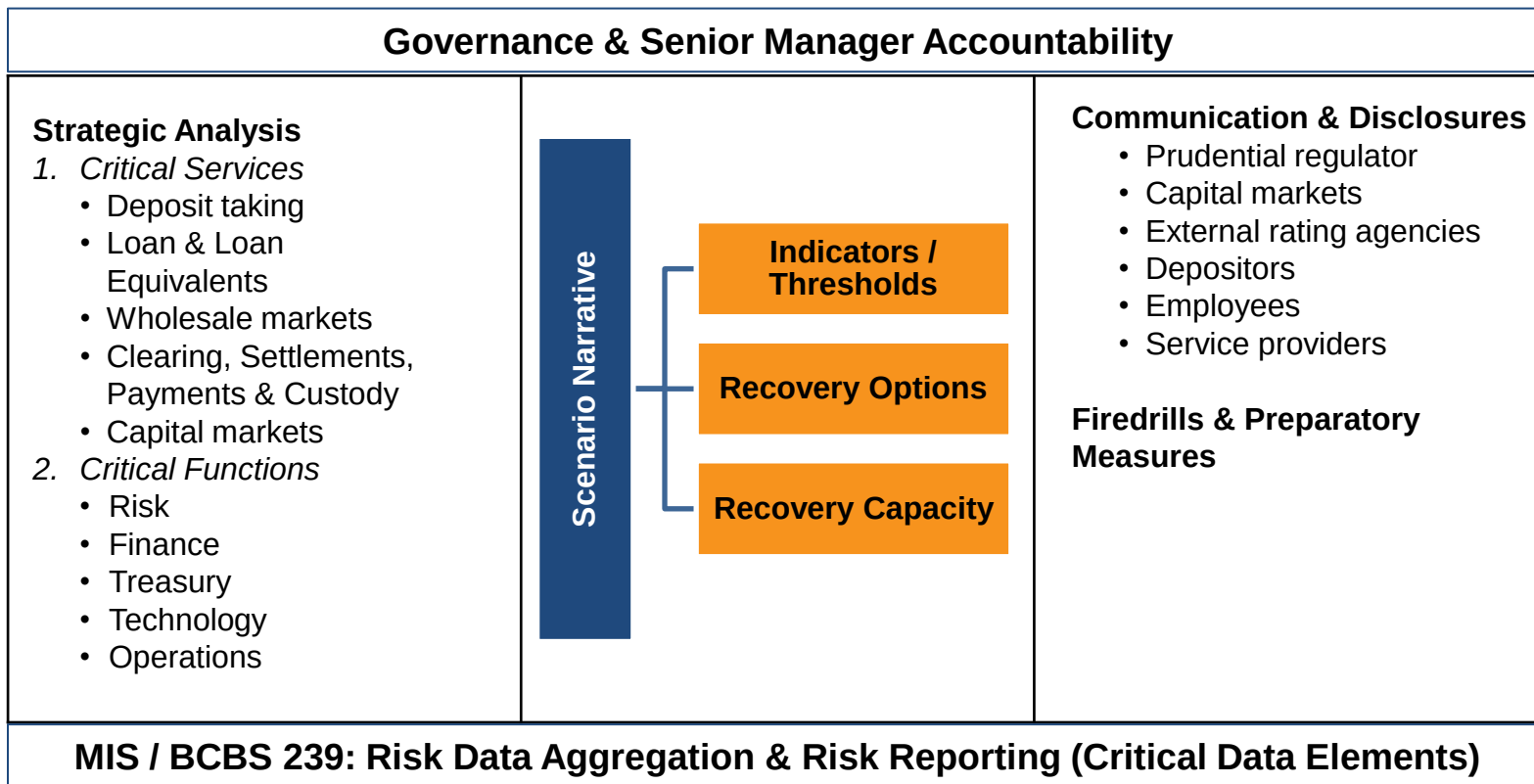
Question & Answers

Integration - Stress Continuum



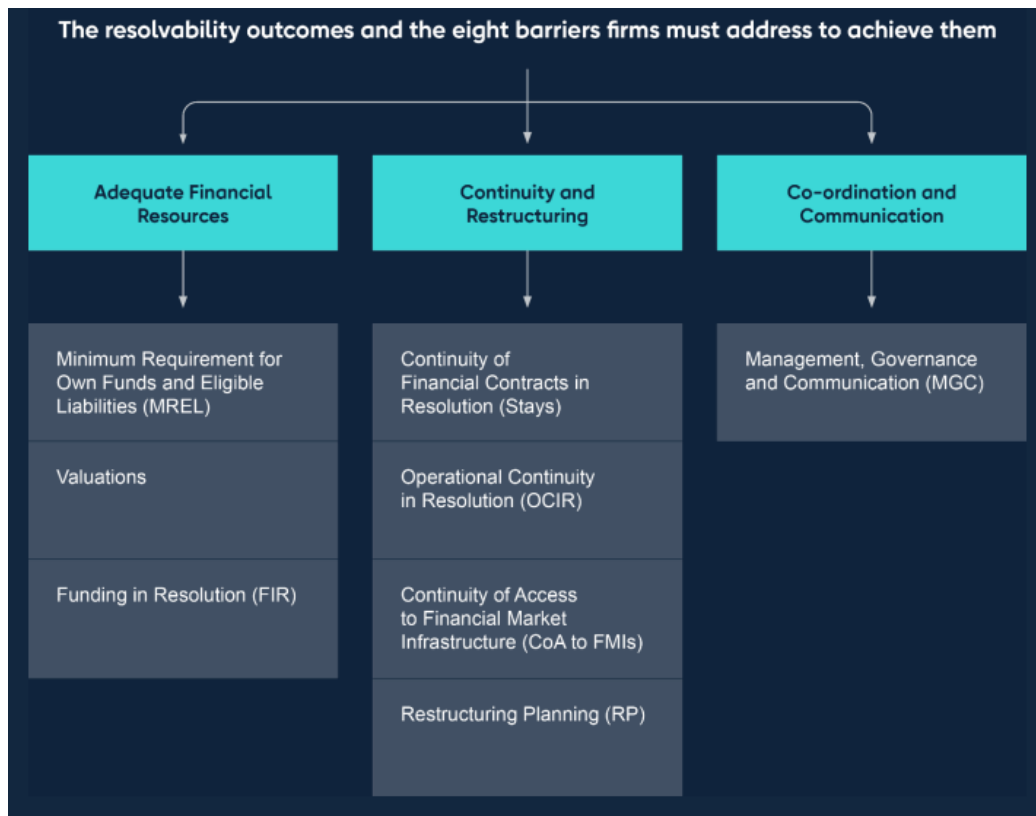
Source: *Early Intervention Measures and SREP in Light of Bank Resolution: The role of supervision in bank resolution, practical experience from the assessment of recovery planning*, World Bank, 2020

Recovery Planning: Building Blocks



Source: <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2022/april/ss917-may-2022.pdf> (Section 2.0)

Bank of England (BoE) Resolvability Assessment Framework (RAF)



Objectives:

- 1. Protect** the tax payer from state funded bailouts
- 2. Preserve** critical functions & services during resolution
- 3. Prevent** contagion spreading within the financial sector

Bank of England Update

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Bank of England Update

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BoE Disclosure Update (2024)

Bank of England

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Resolvability assessment of major UK banks: 2024

The Bank has published the findings from its second assessment of the resolvability of the eight major UK banks as part of the Resolvability Assessment Framework.

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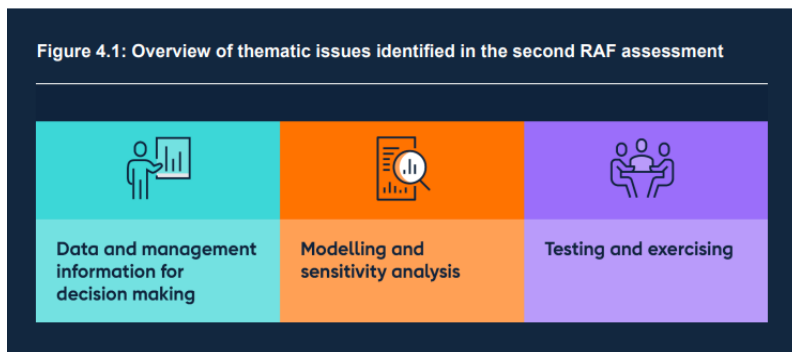
Table A: Overview of the eight major UK firms (a)

Firm	Value of group assets as at 31 December 2023 (b)	Resolution Strategy
Barclays	£1,477 billion	Single point of entry bail-in
HSBC	\$3,039 billion	Multiple point of entry bail-in
Lloyds Banking Group	£881 billion	Single point of entry bail-in
Nationwide	£272 billion (as at 4 April 2024)	Single point of entry bail-in
NatWest	£693 billion	Single point of entry bail-in
Santander UK	£282 billion	Multiple point of entry bail-in
Standard Chartered	\$823 billion	Single point of entry bail-in
Virgin Money UK	£92 billion (as at 30 September 2023)	Single point of entry bail-in

(a) This contains information previously published by the major UK firms

(b) Figures rounded to the nearest billion

Sector Wide



Bank Specific

Shortcomings (one bank)

- Continuity & Restructuring: ability to execute restructuring options

Areas for Enhancement (multiple)

- ViR (Type 2: Asset / Liability)
- FiR (Forecasting & Funding)
- Restructuring capabilities
- Resolution resilient contracts (3rd Party Providers)

Opportunities for Actuaries in Banking

Context – Resilience Risk Management

Foundations of Recovery & Resolution Planning

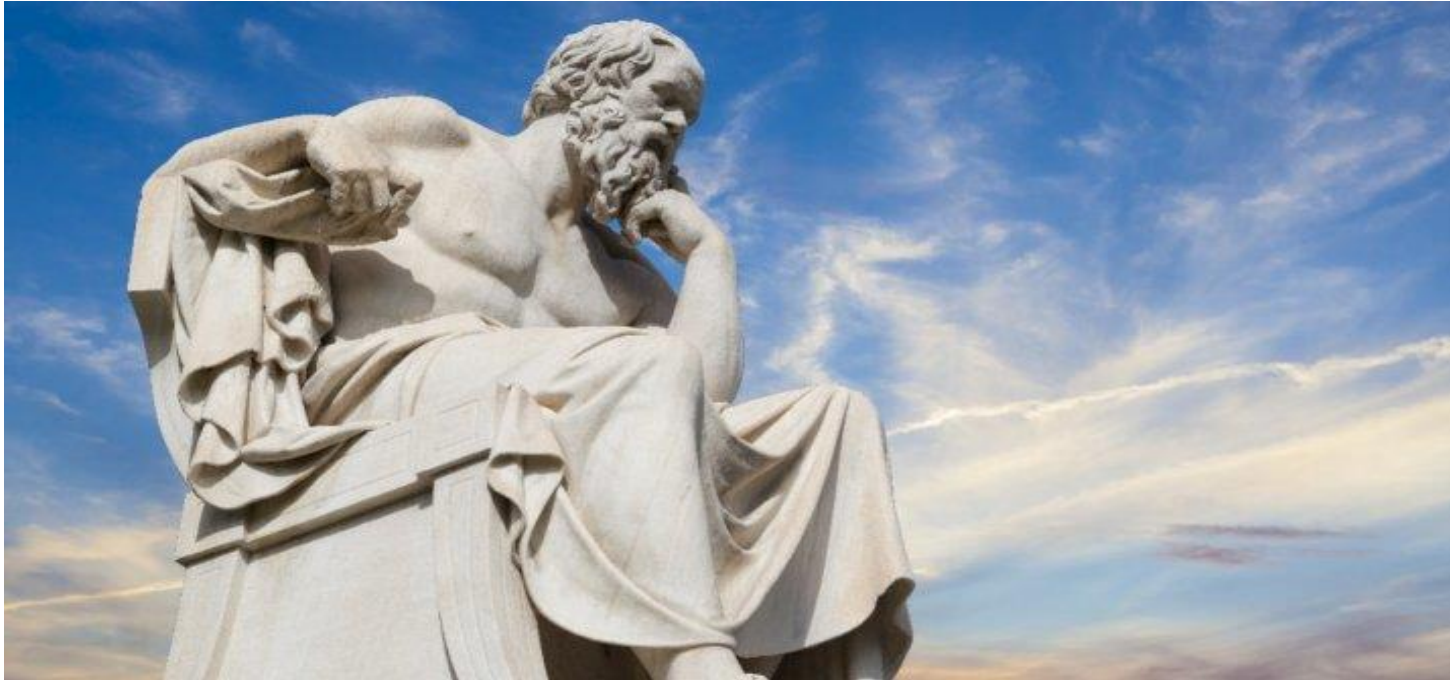
Bank of England Update

Opportunities for Actuaries in Banking

Question & Answers

Opportunities for Actuaries in Banking

“How can actuaries support banks’ Recovery & Resolution Planning activities?”



Questions & Answers

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Thank you



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