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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Content

1: Foreword

This is the second assessment by the Bank of England (the Bank), as resolution authority, of the eight major UK banks' preparations for resolution under the Resolvability Assessment Framework (RAF) – Barclays, HSBC, Lloyds Banking Group, Nationwide, NatWest Group, Santander UK, Standard Chartered and Virgin Money UK. The findings of this second assessment show that the major UK banks have continued to make significant progress in improving their preparations for resolution, including embedding resolution preparations into their everyday business.

A key feature of the post-global financial crisis reforms was to make resolution a cornerstone of financial stability and essential to protect the public purse. As the UK's resolution authority, the Bank has a flexible toolkit to deal with failing banks according to the circumstances and time available to respond.[1] The Bank's resolution of Silicon Valley Bank UK (SVB UK) in March 2023 demonstrated that we remain ready and able to use the resolution regime to protect financial stability if required to do so. Resolution, especially of a large bank, will never be easy to execute given the complexity and risks – but it is better than the alternative of bailing out a failed bank with public funds.

The Bank works with the Prudential Regulation Authority (PRA) to ensure banks are prepared to enter resolution safely if needed. The Bank expects banks to take ownership of, and maintain their resolvability, so they have well-tested capabilities enabling them to react quickly and flexibly. The RAF is our approach to assessing the extent to which banks have met that expectation. We welcome the progress made by the major UK banks and their commitment to, and engagement with, the RAF process.

The RAF requires banks to achieve three resolvability outcomes on an ongoing basis: (1) have adequate financial resources in the context of resolution; (2) be able to continue to do business through resolution and restructuring; and (3) be able to co-ordinate and communicate effectively within the firm and with the authorities and markets so that resolution and subsequent restructuring are orderly. The Bank has used this second RAF assessment to assess the major UK banks' progress against issues outstanding from the first assessment in 2022, and to undertake more detailed assessments of their preparations under the Adequate Financial Resources outcome.

Today's findings provide further reassurance that a major UK bank could enter resolution safely if needed: remaining open and continuing to provide vital banking services, with shareholders and investors – not public funds – first in line to bear the costs of failure. This continues to address the ‘too big to fail’ problem.

As expected, given the more detailed assessment and the ongoing nature of maintaining and enhancing resolvability, both the Bank and the major UK banks themselves have found areas for future work as part of this assessment that were not identified as actions from the first assessment. The major UK banks are expected, as a priority, to address the feedback from this and the previous RAF assessment, and continuously maintain and improve their resolvability capabilities.

The Bank will use future RAF assessments to undertake further detailed analysis of resolvability capabilities. The next RAF assessment for the major UK banks will focus on the Continuity and Restructuring outcome, including an assessment of the readiness of banks to plan quickly for and execute restructuring options to address the causes of failure and restore viability. The Bank will engage with firms to prioritise the remediation of issues identified in this RAF assessment. The Bank also expects the major UK banks to maintain their resolvability and ensure their resolution arrangements are well-tested, including ahead of the next RAF assessment.

In light of the progress made to date on resolvability and to give the Bank and major UK banks time to further enhance and progress testing of their resolution capabilities ahead of the next assessment, the PRA will consult on the necessary rule changes to postpone the third RAF assessment by one year to 2026–27 rather than 2025–26. The Bank will engage with the major UK banks over the coming months on their workplans and anticipated areas of focus during this period, so that progress on resolvability continues to be maintained.

Maintaining a credible and effective resolution regime is a continuous process, and authorities and firms need to respond as the financial system and regulatory landscape evolves. We welcome the progress made by the major UK banks. The Financial Stability Board’s (FSB’s) report on the preliminary lessons learnt from the 2023 bank failures concluded that the international framework for bank resolution remains sound, but also that authorities and firms have important work to do to ensure the effective implementation of that framework: resolvability will never be ‘done’ and there will always be lessons to learn from putting the regime into practice.[2] One lesson of the bank failures of March 2023 was that the UK’s resolution regime would be enhanced by the introduction of a new mechanism to support small bank resolution. We welcome the Bank Resolution (Recapitalisation) Bill currently before Parliament, which would continue to enhance the UK resolution regime. Taken together, our work with both large and small banks ensures we are able to manage any UK bank failure in an orderly way that protects financial stability and the delivery of financial services to households and businesses.

Dave Ramsden
Deputy Governor, Markets, Banking, Payments and Resolution
August 2024

2: Background

This document explains the Bank's second assessment of the resolvability preparations of the eight major UK banks[3] under the RAF, and findings in our role as the UK's resolution authority. This section provides background information on the resolution regime and the RAF. We describe the resolution regime in more detail in the **Bank of England's approach to resolution**.

2.1: The Bank's role as resolution authority and the resolution regime

The Bank is responsible for taking action to manage the failure of certain types of financial institution including banks and building societies – a process known as 'resolution'. We hereafter refer to these as the 'major UK firms' or 'firms'. We operate within a statutory framework that gives us legal powers to resolve firms to meet objectives set by Parliament. These powers are used to enable a failing firm's critical functions to continue while the remaining parts of the firm's business are restructured to restore viability or are wound down. The use of resolution tools has three broad and sometimes overlapping phases:

- **Stabilisation**, ensuring that critical functions, like access to current accounts and payments, continue through the application of resolution tools to minimise disruption to the economy;
- **Restructuring**, to address any causes of failure and return the firm's business model to long-term viability; and
- **Exit from resolution**, where the Bank's involvement ends, and the firm's management take forward any further restructuring according to their new business plan.

As part of maintaining its own preparedness, the Bank undertakes resolution planning for each firm, maintains operational readiness for a resolution and co-ordinates with other authorities, including to identify a preferred resolution strategy and develop a resolution plan for every firm or group in the UK. The largest UK firms have a resolution strategy that involves the Bank's 'bail-in' powers. Bail-in as a resolution strategy enables a firm to be recapitalised by its own investors without the need, over a short period, to find a buyer for its business, or to have to split up its operations.

As many banking groups have international activities, the Bank works closely with authorities in other countries bilaterally and, for global systematically important banks (G-SIBs), through Crisis Management Groups (CMGs). This embeds co-operation and co-ordination between home authorities (where the group is domiciled) and host authorities (jurisdiction(s) where the group has significant operations), making cross-border resolution feasible. More detail on how the Bank approaches international co-operation on resolution can be found in Box A below.

The bank failures of 2023 demonstrated the importance of public liquidity backstops as core components of an effective resolution regime, as highlighted in the **FSB's report on the preliminary lessons learnt for resolution**. As explained in the **Bank's approach to resolution**, the Bank has a flexible Resolution Liquidity Framework (RLF) to lend to firms where the entity is in a Bank-led resolution. Liquidity is expected to come from the firm's own resources in the first instance – 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 to support the resolution. This will continue to be an area of focus in our own preparations for resolution, so the Bank is ready to provide support to a firm should it be needed when it enters resolution.

2.2: The RAF and resolvability

The ability for a firm to fail in an orderly way is a core feature of a stable and competitive financial system. The regulatory system in the UK is not designed to ensure that banks will never fail.[4] It is important that when firms do enter resolution, this happens in a way that causes as little disruption as possible. Firms therefore have a responsibility to ensure they are resolvable at all times.[5]

The RAF is the Bank's approach to assessing whether firms operating in the UK with bail-in or transfer as their preferred resolution strategy are prepared for resolution.[6] The RAF has three key elements (see Figure 2.1):

- The **three resolvability outcomes** (see Figure 2.2) firms must, as a minimum, achieve to support a resolution if they fail. The Bank and PRA have published a number of policies explaining the capabilities firms should implement at a minimum to be considered resolvable;
- A **reporting and disclosure framework** requiring major UK firms with equal to, or more than, £50 billion in retail deposits to carry out an assessment of their preparations for resolution, to submit a report of that assessment to the PRA and to publish a summary of that report (see Section 6); and
- The **publication of a statement** (this document) by the Bank concerning the resolvability of each firm which makes an assessment.

Figure 2.1: The main elements of the RAF

This is the Bank's second assessment of the major UK firms' preparations for resolution under the RAF, following the **first assessment in June 2022**. Since then, we have evolved our assessment approach, both as part of our commitment to maintaining and improving the UK's resolution regime and reflecting the progress firms have made on resolvability as found in the first assessment. This detailed work has complemented firms' own testing of their resolvability preparations and has been valuable in helping the Bank to assess in more detail firms' capabilities that would be key to the delivery of a successful resolution. For example, the Bank has assessed firms' capabilities to:

- identify and report key features of the eligible liability instruments that could be written down in a resolution by the Bank. These instruments can be used to recapitalise a failed firm to enable it to continue to function while it is stabilised and restructured;
- onboard independent valuers in short timeframes to assist the Bank to undertake rapid valuations of firms' assets so the Bank can estimate the extent of any losses; and
- provide rapid forecasts and updates of funding needs so firms' boards and senior management, and the Bank, can understand likely levels of funding required in the approach to and throughout resolution.

More detail on how the Bank carried out the second RAF assessment is set out in Box B and Box C.

Table A provides an overview of the eight major UK firms that are in scope of this assessment. Where we refer in this document to 'the sector' or 'firms', hereafter we mean these eight major UK firms.

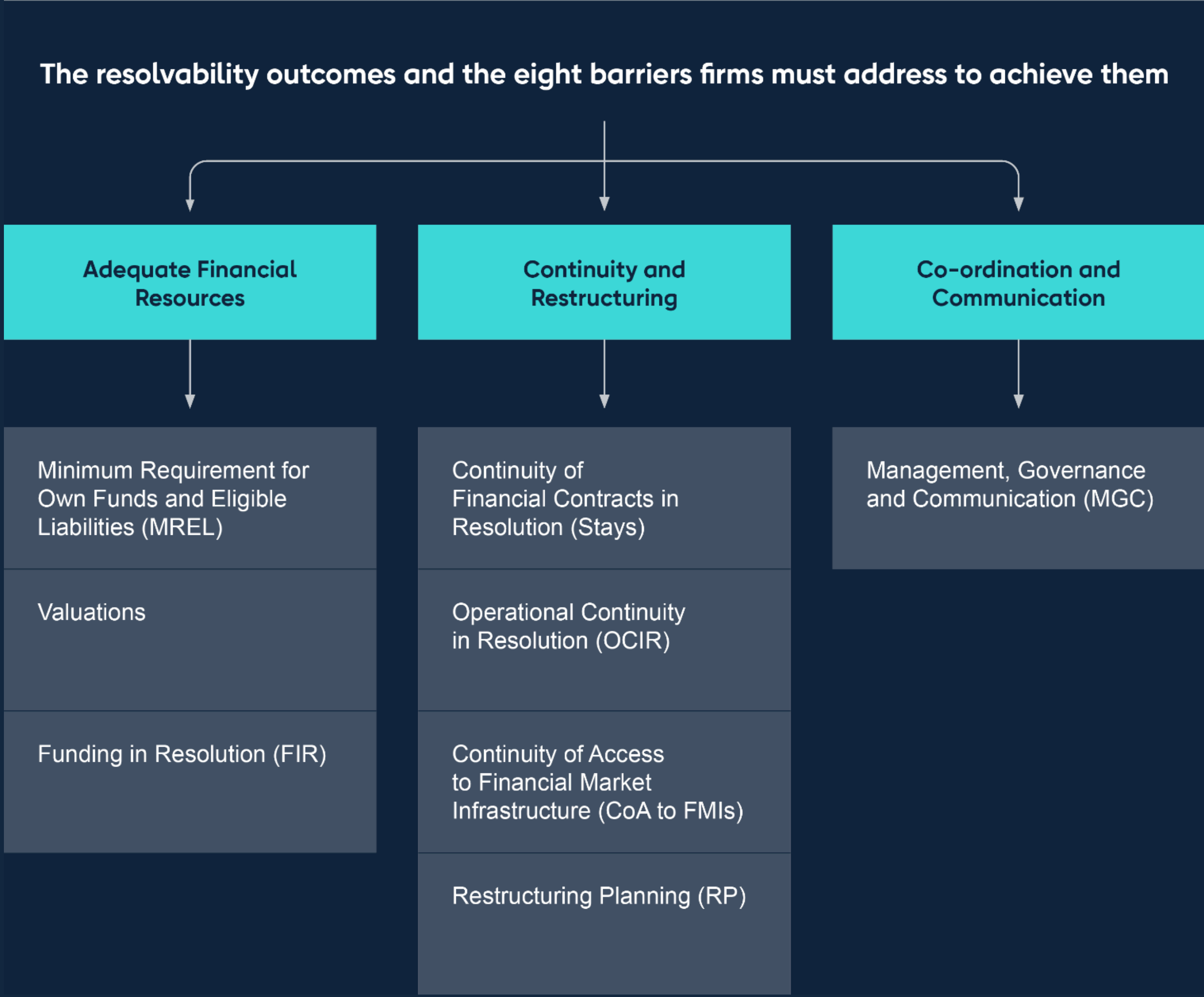
Table A: Overview of the eight major UK firms (a)

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

Figure 2.2: The resolvability outcomes and the eight barriers firms must address to achieve them



The barriers described in Figure 2.2 are not an exhaustive list. To achieve the resolvability outcomes, firms need to consider how their structure or business model may prevent the outcomes from being achieved.

The Bank's assessment is provided in Sections 4 and 5.

Box A: International co-operation on resolution

The Bank and PRA, alongside other authorities, recognise that co-ordination and co-operation are essential in delivering a cross-border resolution, as demonstrated during the resolution actions in 2023. Co-operation is of particular importance for the largest, most complex G-SIBs. The UK engages with other jurisdictions on a regular basis to support cross-border resolution planning and policy development, including via Crisis Management Groups (CMGs).[7]

CMGs have been crucial in delivering credible resolution plans for cross-border firms and for establishing the co-ordinated decision-making processes necessary to execute a G-SIB resolution. CMGs, together with constructive dialogue with the Bank's stakeholders – for example via the Trilateral Principal Level Exercise (TPLE)[8] with US and EU authorities, or through our membership of the FSB – have built a deep understanding of each other's respective resolution frameworks and set a clear path for future work. The **FSB's report on the preliminary lessons learnt for resolution** highlights the importance of co-operation, and the Bank will continue to work with counterparts to continue to enhance international co-operation.

Under the RAF, firms are assessed in the context of their preferred resolution strategy identified by the Bank, which has implications for the capabilities they need to achieve the three RAF outcomes. Firms should tailor their preparations for resolution, with larger, more complex firms requiring more sophisticated capabilities. For example, firms with a 'multiple point of entry' (MPE) resolution strategy, where resolution would be executed by multiple resolution authorities co-ordinated by the 'home' resolution authority, need to consider what specific additional capabilities they require to plan for, and execute, the separation of each of the resolution entities and their subsidiaries which make up an MPE group.

Where the Bank is the home resolution authority for an MPE firm, the Bank is responsible for resolving the UK resolution entity and for co-ordinating the resolution of the overall group. This could include actions requiring significant changes to business models and structure, such as separating resolution groups. The Bank's RAF assessment therefore focuses on the capabilities of the UK resolution group, but also considers how MPE firms' capabilities enable the resolution of a whole group to occur in a co-ordinated way. Consistent with that, the Bank considers that where appropriate, firms may be able to rely on capabilities across the resolution group to achieve the resolvability outcomes. The Bank’s assessment of cross-border groups is on the basis that co-operation and co-ordination between authorities will work as intended.

3: Findings and next steps

The eight major UK firms have continued to make significant progress in enhancing their preparations for resolution, working to address the issues identified in the first assessment and embedding resolvability within their organisations. As a natural consequence of the more detailed assessment conducted by the Bank, and the work done by firms themselves to test their capabilities, this second RAF assessment has also identified new issues. Firms need to prioritise actions to address issues identified and to continue to test and refine their preparations for resolution. Some of the issues are specific to the structures or business models of each of the eight major UK firms and some firms have more work to do than others. But none of the issues found are likely to impede the Bank's ability to execute a resolution.

As noted, the PRA will consult on the necessary rule changes to postpone the third RAF assessment by one year to 2026–27 rather than 2025–26. Ahead of this assessment, the Bank will work with the major UK firms to ensure they continue to meet our expectations, and will ask firms to undertake targeted activities ahead of the third RAF assessment. Resolution will never be easy to execute – but the progress made by firms and authorities to maintain and continuously improve the resolution regime puts us in a better place than in the 2007–08 global financial crisis.

The findings from the assessment reflect the progress made by firms in the period up to January 2024 and are structured thematically (Section 4) and by firm (Section 5), including guidance about how to interpret our firm-specific findings (Section 5.1). Box B provides further detail on how we carried out the second RAF assessment, while Box C outlines our more detailed assessment activities. Given we have undertaken a detailed assessment of the Adequate Financial Resources outcome in this second assessment, the Bank's findings reflect variable levels of work undertaken by both the Bank and firms across the resolvability outcomes and barriers. Box D outlines some of the ways we maintain a fit and ready resolution regime. Resolvability is best understood as a spectrum, not a binary judgement, and therefore the Bank has not made a pass-or-fail judgement as part of this point-in-time assessment.

Firms have made progress in addressing the thematic and firm-specific issues identified during the first RAF assessment. We welcome the investment made by firms to prioritise the remediation of these issues, and as detailed in Section 5, many of the 'shortcomings' identified in the first assessment have been addressed by the relevant firms. This underlines the importance of the RAF as a key vehicle for incentivising firms to take accountability for their resolvability.

As noted, the Bank has evolved its approach to assessing the resolvability of the major UK firms, to understand firms' resolvability in more detail. Given the more detailed assessment and that resolvability is an ongoing obligation and a process of continuous improvement, both the Bank and firms themselves have found areas for future work. This second assessment has identified a 'shortcoming' for one firm, but not any more serious 'deficiencies' or 'substantive impediments to resolution'. A shortcoming is an issue that may impede (ie unnecessarily complicate) the Bank's ability to undertake a resolution. We have also found 'areas for further enhancement' for five of the firms. These are specific areas where continued work is needed by firms to enhance or embed capabilities to further reduce execution risks associated with resolution. Further improvements by firms against the firm-specific and thematic areas identified in this assessment will help to smooth the execution of a resolution, should one occur.

The thematic findings highlight progress made by the sector against the Bank's expectations and since the previous assessment. For example, Funding in Resolution (which expects firms to develop necessary forecasting capabilities rather than setting expectations for access to liquid assets) was identified during the first RAF assessment as an area where further work was required across the sector and firms have made material progress in addressing previous areas of feedback. We have also identified areas where further work is needed, for example:

- Our assessment identified substantial variation in the quality and accuracy of firms' data, documentation and management information that could be used to support decision-making by senior management in a resolution.
- On Valuations (capabilities that enable a valuer to carry out the necessary resolution valuations on a sufficiently timely and robust basis), our detailed assessment work highlighted some further areas for improvement.
- Restructuring Planning (the ability to plan for and execute restructuring effectively and on a timely basis in the event of resolution) is also an area where relatively more work is required across the sector compared with other barriers. This should be a focus for firms' testing and assurance ahead of the third RAF assessment, where the Bank expects to undertake a detailed assessment of the Continuity and Restructuring outcome.

In addition to addressing the firm-specific and thematic findings, all firms will need to keep their preparations for resolution 'live' through assurance. This will ensure that their capabilities keep pace with the evolution of their business, changes in market and economic conditions, and the regulatory landscape so the authorities have credible choices and the flexibility to respond to a crisis. The Bank expects firms' boards and senior management to continue to test and refine their preparations for resolution, so these preparations remain fit for purpose and ready to respond to events.

As noted, the PRA will consult on the necessary rule changes to postpone the third RAF assessment by one year to 2026–27 rather than 2025–26. This reflects the progress made to date on resolvability and gives the Bank and firms time to prepare for further, more detailed assessments, and for firms to continue to enhance their capabilities. In addition to an overall assessment of firms' capabilities, the Bank expects the next assessment will include detailed consideration of firms' ability to meet the Continuity and Restructuring outcome and is likely to include a focus on the Restructuring Planning and Operational Continuity in Resolution (OCIR) barriers to resolvability.

Ahead of this assessment, the Bank expects firms to remediate the issues identified in the recent assessment as a priority, and to continue to embed and improve their preparations for resolution, including through rigorous testing and assurance. In the meantime, the Bank will work very closely with the major UK firms to ensure that they meet our resolvability expectations and maintain momentum. This will include regular progress updates as firms address the identified issues. The Bank will also ask firms to undertake targeted work ahead of the third assessment on several areas, including on Valuations, Restructuring Planning and their own assurance (see Figure 3.1). By the start of the third RAF assessment, the Bank expects firms to evidence how they have improved their capabilities to achieve the resolvability outcomes. The Bank and PRA will consider the timing of subsequent assessments in light of the third assessment and progress made by firms.

Figure 3.1: Areas for further work ahead of the next RAF assessment

Box B: How the Bank carried out the second RAF assessment

The eight major UK firms submitted reports on their preparations for resolution to the PRA in October 2023. Further updates to these reports were provided in January 2024. These reports, along with supervisory and other materials received from the firms ahead of and during the RAF assessment, were reviewed by the Bank as part of its assessment. Naturally, the information received, along with the quality of assurance and testing carried out by each firm, varied. This variation is reflected in, and necessarily places a limitation on, the Bank's findings and comparability across firms.

The Bank carried out a desktop review of the reports and other materials. Taking each firm's structure, business model and preferred resolution strategy into account, we assessed firms' preparations for resolution against **the Bank's resolution policy expectations** to identify gaps or weaknesses in firms' abilities to achieve the three resolvability outcomes in the event of their resolution (Figure 2.2). These policy expectations outline the capabilities firms are required to have, at a minimum, to support a successful resolution. For example, the Bank's Funding in Resolution Statement of Policy (SoP) includes capabilities to estimate, anticipate and monitor potential liquidity needs in resolution.[9] It does not set quantitative requirements for the resources firms should have available for resolution, and so the Bank's assessment has not assessed this. We also assessed firms' progress in addressing the issues previously identified in the first assessment.

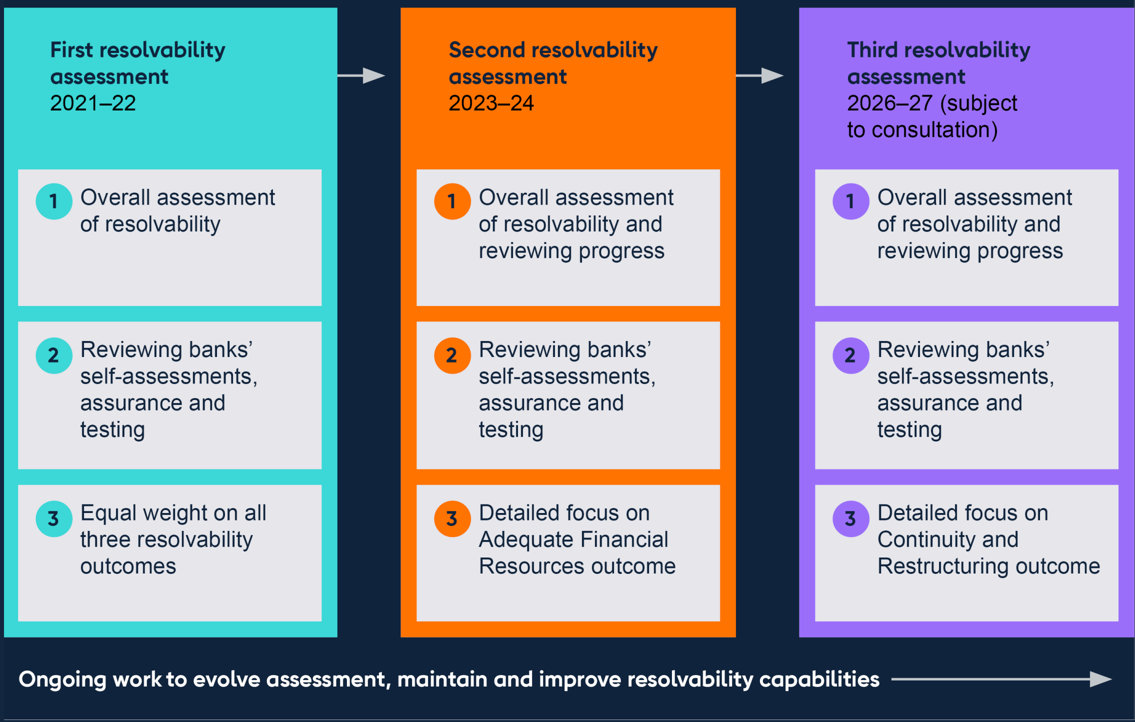
The Bank has evolved its approach in this RAF assessment as we committed to doing in **the Bank's 2022 resolvability assessment**. Our focus in this second assessment was on the Adequate Financial Resources outcome. We conducted five detailed assessment activities with all eight major UK firms and conducted additional activities on a firm-specific basis. Where further firm-specific activities were conducted, this may have resulted in the Bank identifying additional areas for further work for those individual firms. The cross-firm activities are outlined in Box C.

Firms are expected to take responsibility for their own resolvability and have conducted their own governance and assurance processes when performing their resolvability assessments. Consistent with this expectation, the Bank reviewed these governance and assurance processes to explore how firms gained assurance that they had adequately identified, designed and tested their resolvability capabilities and could achieve the three resolvability outcomes. The Bank's assessment highlighted that there was some variation in the scope and quality of assurance carried out by each firm as part of this assessment (Section 4.1), noting that firms undertaking more ambitious assurance activities were generally in a better position to self-identify improvements.

The Bank's assessment is focused on firms' resolvability and is on a point-in-time basis. It is not an assessment of firms' likelihood of entering resolution, nor their ability to recover from a stress on a going-concern basis. Our assessment is based on the current structure of the firms. The Bank has also not assessed firms' compliance with UK statutory or regulatory requirements (including, but not limited to, any prudential capital, liquidity, or structural requirements including ring-fencing), or any other legal or regulatory requirements imposed by jurisdictions outside of the UK. The RAF assessment only considers issues within a firm's control and assesses whether firms have done what they need to do to prepare for resolution. It does not take into consideration other factors relevant to a resolution, for example, authorities' preparedness (Box A).

The findings from the RAF assessment are an input into the Bank's statutory resolvability assessments which evaluate whether it would be feasible and credible to place a firm into resolution and implement its preferred resolution strategy, while avoiding to the maximum extent possible any significant adverse effect on the UK financial system or the continuity of the firm's critical functions.

Figure 3.2: Evolving approach to assessing resolvability



Box C: The Bank's detailed assessment of the Adequate Financial Resources outcome

In this second RAF assessment, the Bank conducted more detailed analysis of the Adequate Financial Resources outcome. This was the outcome where we found relatively more work was required by firms in the first RAF assessment, compared with the other resolvability outcomes. The Bank also committed in the **2022 resolvability assessment** to assess firms' ability to provide information on unencumbered collateral. This exercise was carried out before the second RAF assessment.

The Bank undertook five cross-firm detailed assessment activities, designed to test firms' readiness and flexibility to use their resolution capabilities to achieve the Adequate Financial Resources outcome and the Bank's policy expectations for: Minimum requirement for own funds and eligible liabilities (MREL); Valuations; and Funding in Resolution, an overview is provided in Figure A. The activities did not cover the full breadth of capabilities required by these policies but focused on firms' capabilities based on their importance in relation to supporting a resolution (informed by previous contingency planning experience). The activities did not assess the quantum of capital and liquidity resources held by firms that could be used to absorb losses and meet payment obligations in a resolution. The five activities were as follows:

MREL eligibility processes

Background: MREL instruments must meet certain eligibility criteria so they can absorb losses in resolution, (for example, the liability must have an effective remaining maturity of greater than one year and be fully paid up). Firms are responsible for ensuring that their MREL instruments meet the relevant eligibility criteria on an ongoing basis. So it is important that firms' processes for ensuring and monitoring the eligibility of MREL eligible liabilities instruments (ELIs) are robust.

Activity: We tested firms' processes for obtaining independent legal advice on ELIs' eligibility, as required in the MREL SoP.[10] We asked firms to provide relevant information to the Bank, including (i) procedure manuals and/or process descriptions, (ii) evidence of the process for ensuring the eligibility of a small sample of instruments (selected by the Bank), including independent legal advice on eligibility, and (iii) firms' own assurance reports around these processes. We did not assess the underlying eligibility of the instruments as a part of this activity.

MREL regulatory data reporting

Background: The Bank needs to have a clear view on how much loss-absorbing capacity a firm would have in resolution. This requires accurate and complete MREL data to monitor a firm's MREL resources, and, in the event of resolution, to support the write-down or conversion of MREL instruments. Firms submit regular MREL regulatory reports containing this data, which are an important information source in planning for and effecting a resolution. These reports include a list of relevant MREL instruments and their key features, such as their governing law and maturity date.

Activity: We tested firms' processes for ensuring the accuracy and completeness of their reported MREL data. We asked firms to provide relevant information including procedure manuals and/or process descriptions, an overview of any exercise or test conducted covering MREL reporting, and firms' own assurance reports around their MREL data processes. In addition, we asked firms to reconcile a specific regulatory return to other regulatory reports or public disclosures, such as their Pillar 3 disclosures. The Bank also conducted its own high-level completeness check of fields in relation to that specific regulatory return (as per the firms' latest regulatory return submission). This activity did not assess the quantum of MREL held by firms.

Asset and liability valuation processes

Background: Various valuations are required in a resolution. An economic valuation of assets and liabilities will be used to estimate the extent of incurred and expected losses and the extent of recapitalisation required. This valuation involves a granular assessment of the balance sheet, valuing assets and liabilities based on fair, prudent and realistic assumptions of expected cashflows. It should also reflect the likely resolution actions under consideration. It is important that firms ensure their valuation processes are able to provide robust and timely outputs and clear management information that would be used to support decision-making in resolution. Given a resolution scenario may unfold quickly and various resolution actions may be considered, firms should be able to update and revise rapidly the key input assumptions of valuation models and demonstrate the sensitivity of the valuation outcomes to alternative assumptions, to provide clarity around the valuation uncertainty.

Activity: We asked firms to provide an economic valuation of their resolution group's assets and liabilities, and to produce the accompanying management information resulting from this valuation that would be presented to boards and senior management. We also asked for a general description of the process to generate this valuation output.

Onboarding an independent valuer

Background: For UK-led resolutions, the Bank will appoint an independent valuer. The independent valuer would be responsible for undertaking valuations using the firm's systems and processes. The independent valuer will form judgements on valuation assumptions and methodologies to be used and apply judgements to the valuation analysis provided by the firm. The firm is expected to (i) provide the valuer with timely access to relevant data, information and documentation, (ii) facilitate the valuer's access to relevant staff, and (iii) run models and produce business forecasts based on the assumptions and level of granularity specified by the valuer. It is important that firms are able to provide clear and concise information in a timely fashion to allow an independent valuer to quickly understand a firm's valuation capabilities so that they can carry out their duties in a resolution.

Activity: We asked firms to provide, within three business days, the documentation that they would share with an independent valuer to onboard them following appointment by the Bank. In addition to a desk-based review, we also met with each firm to discuss the documentation and broader onboarding process.

Liquidity needs analysis

Background: Firms should have the capability to estimate, anticipate and monitor their potential liquidity needs in the approach to and throughout resolution. Firms' Funding in Resolution capabilities need to be sufficiently flexible and able to produce timely and robust estimations of their liquidity needs in a resolution, given the speed at which events can evolve (for example due to rapid deposit outflows), and to support the decisions that the firm and the Bank may need to take at short notice.

Activity: On two different dates (during 2023 Q4), we asked each firm to provide, within 24 hours, liquidity analysis in relation to a hypothetical resolution event within a scenario chosen by the firm. The analysis covered the relevant resolution group and a specific material entity (determined by the Bank) as well as material currencies. The analysis was expected to cover a 180–day forecast horizon. In the first submission, firms were to assume a resolution event at 90 days. For the second submission, firms were asked to assume the resolution event was taking place on day 65 of the scenario. As part of their submissions, firms were asked to provide key scenario assumptions and financial information (including relevant liquidity metrics) as well as key outputs from sensitivity analysis in a format that would be used within the firm to support decisions on funding and liquidity in the approach to and throughout resolution. In addition, we met with each firm, during which they provided a demonstration of the systems that supported their liquidity analysis.

In addition to the five cross-firm detailed assessment activities undertaken during the second RAF assessment, the Bank also assessed the ability of the major UK banks to provide information on unencumbered collateral in 2022–23.

Unencumbered collateral

Background: The Bank expects firms to be able to monitor and mobilise liquidity sources in resolution, and in particular to be able to identify their current unencumbered assets and project these balances. This includes all unencumbered balance sheet items that might be available to be used in a resolution event as collateral to obtain funding from third parties, including central banks. When considering liquidity support that might be provided by the Bank via the RLF, firms should be able to provide relevant information, including projections, on unencumbered collateral beyond that eligible in **Sterling Monetary Framework (SMF) operations**. Firms should also be able to identify any legal and operational features that impact the management of collateral, including the transfer of collateral both within the group and to third parties. These capabilities are important in ensuring firms are able to source liquidity in a timely manner when needed, to continue to meet their obligations as they fall due in resolution.

Activity: We asked firms to provide information on their current unencumbered financial assets, ie loans and securities, for specific material entities (determined by the Bank). We asked firms for information regarding the type of asset, maturity and relevant legal features, as well as their processes and system capabilities. The exercise was not specific to a resolution scenario.

Figure A: Cross-firm detailed assessment activities to assess firms' capabilities under the Adequate Financial Resources outcome

MREL	Valuations	Funding in Resolution
MREL eligibility processes	Asset and liability valuation	Liquidity forecasting
MREL regulatory reporting	Independent valuer onboarding	Unencumbered collateral identification

Box D: Maintaining a fit and ready resolution regime

The bank failures of 2023 underline the importance of credible resolution arrangements and the importance in resolution authorities maintaining operational readiness, to use resolution powers flexibly to address the challenges of each specific case.

The Bank's **resolution of SVB UK in March 2023** demonstrates that we remain ready and able to use the resolution regime to protect financial stability, exercising our stabilisation powers to effect the transfer of SVB UK to HSBC. In the resolution of SVB UK, public funds were not exposed to loss. Instead, the firm's regulatory capital was fully written down to bear loss as intended in a resolution.

Nevertheless, there will always be lessons to learn from putting the resolution regime into practice, as well as from the testing and exercising of the resolution regime undertaken by the Bank in co-ordination with UK and international authorities. For example, **the Bank Resolution (Recapitalisation) Bill** was recently introduced to Parliament, which will help provide the Bank with more flexibility to manage the failure of smaller banks. We are also working with other UK authorities to explore opportunities to minimise the disruption caused by insolvency to depositors protected by the Financial Services Compensation Scheme (FSCS). And following this RAF assessment, we also intend to consult on updates to the MREL SoP in certain areas.

The resolution events of 2023 – including the failure of Credit Suisse and subsequent merger with UBS – also demonstrated the importance of international authorities' commitment to ensuring the resolution framework and plans for G-SIBs remain credible.

We have supported domestic and international efforts to identify improvements, including the findings from the **FSB's report on the preliminary lessons learnt for resolution**. For example, the FSB noted further work is needed on bail-in execution, including issues related to national securities laws and exchange requirements. The Bank has a flexible bail-in power and published an **operational approach to bail-in** in 2021. We also provided updated information in **The Bank of England's approach to resolution**. Consistent with maintaining the resolution regime, the Bank will keep the operational guide updated so stakeholders understand how the Bank expects to use the bail-in power should it be required.

No matter how much preparation is done, a resolution will always be complex to carry out. This RAF assessment provides further reassurance that the major UK firms could enter resolution safely, even though resolvability will never be ‘done’. There is more work to do for authorities and firms to ensure the resolution regime is maintained, and the Bank will continue to work with the FSB and the UK authorities to ensure the regime continues to be fit and ready for use when required.

4: Thematic findings

Sections 4 and 5 explain the findings from the Bank's assessment of the eight major UK firms. This section outlines thematic findings on firms' assurance of their resolvability, as well as progress made by firms against the three resolvability outcomes. Firms have made progress in some areas, including Funding in Resolution. But there are areas for further improvement and future work, such as assurance (including testing), Valuations and Restructuring Planning.

Firms have made progress in addressing the thematic issues identified during the first RAF assessment. During this assessment, the Bank identified common findings across firms where further work is required, including those emerging from the more detailed assessment of firms' capabilities under the Adequate Financial Resources outcome (Figure 4.1). For example:

- In relation to **MREL** (see Section 4.2), firms have made progress in reducing legacy capital instruments. There is still more to do in this area, as well as in ensuring that MREL regulatory reporting is complete (ie including all relevant data fields) and accurate.
- We have seen progress on previously identified issues relating to **Valuations**. Our detailed assessment work in respect of asset and liability valuations however, as well as independent valuer onboarding, highlighted some further areas for improvement.
- Our first RAF assessment found **Funding in Resolution** to be an area where relatively more work was required across the sector compared with other barriers. Firms have made material progress, and the Bank has not identified remaining significant gaps during this second assessment; but further work remains as firms continuously improve their capabilities.
- The Bank has also seen improvements in the way firms are approaching **Restructuring Planning**, with firms generally able to show progress in identifying additional and more complex restructuring options compared with the first RAF assessment. Some firms have further to go in demonstrating their ability to utilise and operationalise these plans, and the Bank will ask firms to undertake targeted work in this area ahead of the third RAF assessment.

In general, the Bank observed notable variation in the quality of firms' data, documentation and management information that could be used to support decision-making by senior management in resolution. In demonstrating how boards and senior management would receive and use the information presented, some firms evidenced more clearly that they had considered how their capabilities would be used in practice. Data should be clear and accessible for use in resolution, both for the Bank as resolution authority and firms' own senior management, given they will likely need to make decisions within a short timeframe and in a stressed environment.

The quality of sensitivity analysis (that is, the assessment of the extent to which model outputs are affected by certain assumptions), particularly relating to Valuations and Funding in Resolution, also varied between firms. Given the uncertainty around the circumstances in which a resolution might actually take place, it is important that firms are able to set out how sensitive their model outputs are to changes in the underlying assumptions. Some firms demonstrated good practice of modelling a base case scenario supplemented by at least two other scenarios, highlighting alternative potential outcomes depending on changes in the assumptions. The Bank expects firms to ensure their capabilities are sufficiently flexible to deal with changing assumptions.

Figure 4.1: Overview of thematic issues identified in the second RAF assessment

4.1: Firms' assurance arrangements

A key principle of the RAF is that firms are responsible for their own resolvability, with clear accountability and familiarity with resolvability in senior leadership and boards. Firms should have robust internal governance processes and testing arrangements to ensure they achieve the three resolvability outcomes on an ongoing basis, adapting where necessary to changes in the external environment and their business models. Firms should also consider whether additional resolvability capabilities, beyond those set out in published policy, are necessary to allow them to achieve the resolvability outcomes.

Most firms have made progress since the first assessment in enhancing their governance processes to monitor and maintain their resolvability capabilities, supported by testing arrangements to ensure capabilities work as intended. Firms' preparations for resolution, as well as their processes for assuring themselves that their resolvability capabilities are delivering the required resolvability outcomes, are now more fully embedded in the day-to-day running of firms. However, some firms have made more progress than others. The Bank will engage with firms to understand how they will continue to ensure they can achieve the resolvability outcomes on an ongoing basis ahead of the next assessment.

Governance processes

Firms continue to have clearly defined governance processes and accountability models for the implementation and maintenance of resolvability capabilities, including at senior levels. For most firms, the board and senior management appeared to be suitably engaged on the topic of resolution. In a minority of firms, there was evidence of both limited board engagement and challenge, and, in isolated cases, a lack of familiarity with key resolution issues and concepts. Firms with greater board engagement generally performed better in elements of the RAF assessment. As resolvability continues to move into day-to-day governance arrangements, boards and senior management should ensure resolvability continues to be a key consideration as part of their business change processes.

Risk and Internal Audit

Firms were generally able to demonstrate that Risk and Internal Audit were well-embedded in their resolution governance processes, with Internal Audit functions engaging on issues identified during the first RAF assessment and, in some cases, identifying new issues. There was also evidence of some firms moving towards having clearly defined engagement plans and incorporating resolution as a consistent element in all Audit reviews, rather than running resolution-specific reviews. Firms have also continued to use external consultants, including where they lacked sufficient internal capacity or expertise, to allow for more robust challenge. The Bank welcomes these examples of good practice. However, the Bank also noted that, in some firms, the Risk function had less coverage of resolution issues, without a clear justification for this approach. There was also evidence of Internal Audit functions identifying less material issues, with additional, more material findings emerging from the Bank's own detailed assessment activities.

The Bank encourages firms to consider documenting their approach to and the criteria for Risk and Internal Audit engagement on resolution, where such an approach does not already exist, and to consider how their Internal Audit functions could play an increased role in identifying and assessing issues through the testing of capabilities. For example, the Bank's assessment has shown that Risk and Internal Audit can play a particularly valuable role in assuring firms of the robustness of capabilities which are not typically used in the day-to-day running of the business.

Testing arrangements

All firms have increased, at least to some degree, the scope of the testing of their resolvability capabilities since our first assessment. In doing so, some firms have moved from testing capabilities on an individual basis to testing their ability to operate collectively to deliver the resolvability outcomes.

There were, however, notable differences in the extent to which firms have adopted testing and exercising (ie, simulating elements of a resolution) as an assurance mechanism. The Bank's assessment identified a number of examples of good practice in this area. Firms which have undertaken more comprehensive, end-to-end testing of their resolution capabilities have generally performed better in the Bank's RAF assessment, as have those using external consultants to provide targeted and tailored support for their testing activities. Firms which undertook more integrated versions of 'fire drills' – ie, those which included direct, real-time, scenario-based testing of relevant capabilities, with board and senior management actively engaged and provided with live, evolving inputs – were generally better able to demonstrate that they had assured themselves of the effectiveness of their capabilities. Some firms have also developed testing strategies and programmes which took into account the interconnectedness of their capabilities, testing them against a variety of different resolution scenarios.

The Bank considers that, together with the RAF self-assessment process, testing and exercising has served as an effective channel for senior management to engage, build understanding and strategically steer their respective firm's resolution readiness programmes. Ahead of the next RAF assessment, the Bank expects firms to evidence that decision-makers are familiar with key documentation, including playbooks, decision-making points, and data, which would be relied upon by them in a live resolution scenario. The Bank encourages firms to consider the examples of good practice we have identified, together with the **good practice guidance published in February 2021** and other relevant communications. The Bank expects testing and exercising to continue to play an important role, including in respect of the Continuity and Restructuring outcome (and its interdependencies with other barriers), which will be the focus of the Bank's detailed assessment in the next RAF assessment. The Bank has found it helpful to see the details and outputs of firms testing and will likely continue asking firms for this type of information ahead of the next assessment.

4.2: Adequate Financial Resources

To achieve the Adequate Financial Resources outcome, firms need to ensure they have resolution-ready financial resources available to absorb losses and recapitalise them without exposing public funds to loss. Firms must also have access to sufficient liquid resources to meet their financial obligations in resolution. Both are necessary to keep the firm operating. Firms need to:

- Meet the 'minimum requirement for own funds and eligible liabilities' (MREL) and to ensure that these resources are appropriately distributed across the business;
- Be able to support a timely assessment of their capital positions and recapitalisation needs (Valuations); and
- Be able to analyse and mobilise liquidity in resolution (Funding in Resolution).

As set out in Box C, the Adequate Financial Resources outcome has been the area of more detailed focus for this second RAF assessment. The Bank carried out a more detailed assessment of specific capabilities within the MREL, Valuations and Funding in Resolution barriers, alongside an overall assessment of firms' ability to achieve the outcome more generally.

MREL

The Bank sets the level of MREL that firms need to hold to ensure they can be resolved in line with the Bank's resolution objectives. It is important that firms maintain their MREL resources and ensure these can be credibly and feasibly used to absorb losses and recapitalise the firm in resolution to a level that enables the firm to continue to comply with the conditions for regulatory authorisation and sustain market confidence. This avoids the costs of bank failure being borne by public funds. For MREL resources to fulfil their intended purpose, the Bank must be confident that it can effectively apply the bail-in stabilisation power. As part of the first RAF assessment, the Bank noted that we expect firms to continue to manage and mitigate the risks to resolvability posed by certain legacy capital instruments.[11]

This assessment found that firms have continued to reduce the stock of these instruments, and we welcome firms' action taken so far although there is still more to do in this area. Firms should also ensure that MREL regulatory reporting includes all relevant data fields. In assessing firms, the Bank considered how they have implemented the Bank and PRA's policies relating to MREL. As set out in Box C, the Bank also undertook more detailed assessments of firms' MREL processes.

All the major UK firms have reported that they continue to meet their MREL requirements, holding over £550 billion of MREL resources in aggregate.[12] [13] In addition to the amount of MREL, the MREL SoP sets eligibility criteria liabilities must meet in order to qualify as MREL, to ensure the Bank can effectively apply its powers in a resolution. Firms are responsible for ensuring that liabilities intended to qualify as MREL meet the applicable eligibility criteria – for example, ensuring MREL liabilities have an effective remaining maturity of greater than one year and are fully paid up.

The Bank's assessment found variations in firms' interpretation of the expectations in the MREL SoP regarding the need to obtain independent legal advice on each eligible liability instrument's (ELI) eligibility. Such legal advice provides firms and the Bank with assurance that the instruments meet the relevant eligibility criteria and can be written down or converted in a resolution scenario. Firms are expected to ensure they have robust processes for obtaining independent, external legal advice on each eligible liability that they intend to qualify as MREL, including those governed by non-UK law. Good practice observed is to include MREL ELIs eligibility processes and relevant internal authorisation in an ELI issuance operations manual which is regularly reviewed and maintained. Some firms also embedded the need for a relevant senior individual, eg a senior member of the firm's Treasury team, to confirm that the relevant non-legal eligibility criteria had been met within their new issuance process for MREL ELIs.

Since the first RAF assessment, firms have continued to reduce the stock of certain legacy capital instruments. These instruments may pose a risk to the orderly execution of a resolution, including confidence in the resolution action, which could consequently affect financial stability.[14] The Bank expects firms to continue to manage and mitigate these risks, including, where appropriate and proportionate to do so, to continue to take steps to reduce the remaining stock of these instruments. In the case of instruments without contractual recognition of bail-in terms and that would not be subject to statutory recognition of bail-in under the principal governing law, the Bank considers that the instruments will nevertheless be available to absorb losses if it were to use its resolution powers to write down or convert them.

Firms must submit regulatory returns to provide information on MREL resources.[15] This is required to identify what resources are in scope of bail-in or transfer to enable a resolution. As part of the detailed assessment activity, a number of firms identified the need for improvements to detailed aspects of their MREL data reporting, including to ensure the completeness and accuracy of the reporting and to strengthen governance processes and controls. This was corroborated by the Bank's assessment of firms' MREL processes more generally and reflects the PRA's broader findings around controls over data, governance, systems, and production related to regulatory reporting.[16] The review of firms' MREL processes did not identify concerns regarding firms' ability to meet their MRELs. The Bank welcomes actions taken so far to improve data reporting and expects firms to continue to ensure that MREL data is complete and accurate to support a resolution. The Bank, working with the PRA, will also consider if there are updates that can be made to reporting guidance to support these improvements.

Valuations

Timely and robust valuations are critical to ensuring that resolution actions address the full extent of any actual and potential losses, that creditors are treated fairly through resolution, and that risks to public funds are minimised. Valuations in resolution require a large amount of analysis to be undertaken in a short timeframe. Firms should have valuation capabilities that would enable an independent valuer – the person appointed by the Bank in contingency planning responsible for producing resolution valuations of a firm – to carry out sufficiently timely and robust valuations, under time pressure and with all relevant information to hand, to support effective resolution. Firms should therefore focus on ensuring their processes and capabilities are efficient, accurate and flexible and their testing approach should mirror the use of this capability in resolution.

In assessing firms, the Bank has considered how they have implemented the Bank's Statement of Policy on Valuations[17] and supporting guidance.[18] As set out in Box C, the Bank also carried out detailed assessments of firms' valuation capabilities to examine processes in more detail.

During the first RAF assessment, the Bank found that while firms had made substantial progress with respect to their valuation capabilities, for some firms there was room for further improvement in certain areas, such as automation of data production and enhancing modelling capabilities. In addition, some firms needed to consider more fully how their capabilities would be used in practice.

The Bank's second RAF assessment found that firms have made progress on previously identified issues, but the additional detailed assessment activities highlighted some further areas for improvement. In particular, the Bank's assessment highlighted variations in the quality of the management information firms produced for asset and liability valuations in resolution to enable senior management to evaluate the valuation output. It is important that firms ensure their information is clear and accessible for use in resolution, as senior stakeholders will likely need to make decisions within a short timeframe and in a stressed environment. This information should outline the extent of valuation uncertainty and limitations.

In addition, some firms need to do more to demonstrate the flexibility of asset and liability valuation capabilities to accommodate alternative assumptions that would allow the independent valuer to understand how sensitive, and therefore uncertain, the asset and liability valuations are to changes in the external environment. Where firms are expected to have models in place ahead of time to produce the valuations needed in resolution, [19] and for business-as-usual models to produce forecasts needed in resolution, these models should be sufficiently flexible to respond to a wide range of scenarios reflecting the uncertainty of how a resolution could unfold. In some cases, the sensitivity analyses firms provided as part of their asset and liability valuation output were overly simplistic. Few firms tested their ability to change valuation outputs based on different scenarios, which would require a change to several assumptions concurrently. This could limit the flexibility and timeliness of valuations in a resolution scenario.

Firms have made improvements in considering how their valuation capabilities would be used in practice, in particular their preparations to onboard an independent valuer. A number of firms have clear, well-considered plans, incorporating the use of effective tools for sharing information, such as virtual data rooms (VDRs). We also observed that some firms prepared more than one approach for providing the independent valuer with documentation (eg VDR and/or a shared drive), demonstrating that they could be responsive to the preference of the appointed independent valuer in a timely manner. However, firms should be clear on what may be needed to onboard a Bank-appointed independent valuer compared to their standard process for onboarding an external party who they have appointed. For example, they should ensure they have a process for sharing data, consistent with any data protection constraints, and mindful of any internal third-party supplier management policies. Furthermore, a Bank-appointed independent valuer will likely have limited prior detailed knowledge of the firm compared to other external parties which firms may use, or have used, for other activities.

There was also variety in the approach to, and quality of, the documentation intended to be used for rapidly familiarising an independent valuer with a firm’s valuation capabilities. Given the speed at which resolution events can occur, firms should consider the accessibility of their documentation and the ease with which an independent valuer would be able to obtain sufficient understanding of a firm’s valuation capabilities in a timely manner during a resolution.

Consistent with the overall findings on assurance, the Bank observed that where a firm undertook testing exercises involving a third party playing the role of an independent valuer, the firm developed a stronger understanding of how its capabilities might work in practice during a resolution scenario. They were also able to identify limitations in their capabilities, resulting in clear remediation plans. Firms should consider the interaction of their valuation capabilities with other resolvability capabilities, for example Restructuring Planning. The Bank expects firms to be able to demonstrate how they have considered these aspects and will engage with firms to discuss their plans.

Funding in Resolution

> Firms need to be able to estimate, anticipate and monitor their potential liquidity resources and needs, and mobilise liquidity resources in the approach to and throughout resolution, to ensure they continue to meet their obligations as they fall due. The conclusions of RAF assessments are solely based on our assessment of firms' capabilities to estimate and monitor resources, as set out in the Bank's SoP on Funding in Resolution and supporting guidance.[20] [21]
>
> For the avoidance of doubt, the Bank does not set expectations for the level of liquidity firms should have available for resolution, ie we have not set requirements for liquidity resources beyond those present in the going-concern regime. In assessing firms, the Bank has considered how they have implemented the Bank's SoP on Funding in Resolution.[22] As set out in Box C, the Bank carried out detailed assessments of firms' Funding in Resolution capabilities to examine firms' processes in more detail.

In the first RAF assessment, Funding in Resolution was identified as an area where further work was required across the sector compared with other barriers. During the second RAF assessment, the Bank has observed a general improvement in firms' Funding in Resolution capabilities, particularly in relation to firms' ability to estimate their liquidity needs were they to enter resolution following a prolonged period of stress, covering a forecast horizon of at least 180 days. As demonstrated by the bank failures of 2023, explained further in Box D, it is critical that these capabilities are robust and can be deployed in periods of high stress, which may see high deposit outflows in a short period of time.

Firms' ability to identify and forecast collateral available to support funding in resolution was found to be an area of particular weakness during the first RAF assessment. In response, during 2022–23 the Bank tested firms' ability to provide information on unencumbered financial assets that could be pledged to secure funding in resolution if needed. This included assets beyond those routinely eligible for the Bank's SMF operations. Some firms faced challenges in providing the required information in a timely manner, including, for some portfolios, the identification of legal features that could affect their potential transferability to a third party. It is important that firms ensure they have identified transferability restrictions on their unencumbered assets, which could prevent them from using these as collateral for secured funding from third parties, including central banks.

The Bank will continue to engage with firms on their ability to identify unencumbered assets on a spot basis and project collateral balances. As a next step we would like to understand better firms' ability to link their projected collateral balances with their modelled potential funding gaps in a resolution. The Bank welcomes the steps firms are taking to enhance their collateral identification and collateral balance projection capabilities and will continue to review firms' capabilities in this area in future assessments.

Another key aspect of Funding in Resolution is firms' ability to estimate and project funding and liquidity needs in resolution, which requires a large amount of analysis to be undertaken in a relatively short timeframe. Firms therefore need to ensure they have the relevant information, systems, people and processes to produce timely and robust projections of their liquidity and funding needs that would be relied upon by firms' senior management to inform their decision-making. Firms should also consider how this data and information is presented and the ease with which it could be used to make decisions in practice.

As part of our detailed assessment summarised in Box C, the Bank observed a range of practices in firms' processes for performing liquidity analysis in resolution. For example, some firms have automated more processes than others. In all cases, but particularly where firms rely on manual processes, these processes should have adequate and robust controls in place to ensure the consistency and accuracy of firms' analysis without compromising timeliness. Where firms rely on inputs from a range of different teams, they should ensure this does not lead to bottlenecks in what is likely to be a time-sensitive period. Good practice observed during the second assessment saw firms incorporating their liquidity analysis in resolution capabilities into their business-as-usual processes, helping to ensure they have sufficiently skilled and experienced staff that could complete their liquidity analysis in an actual resolution scenario.

Firms should be able to provide clear and accessible liquidity and funding analysis to enable senior management to take informed decisions in a resolution scenario. For example, the Bank assessed firms' capabilities to run sensitivity analysis in a time-constrained scenario. The Bank notes that firms' capability to run one or, ideally, more sensitivity analyses concurrently with their base case resolution scenario allows for more timely and robust analysis to inform decision-making. As part of its assessment, the Bank observed some firms using a similar format for their information presented to seniors in a resolution scenario that they would also use as part of their business-as-usual information sharing processes. This ensures that senior management are familiar with the format and supports them being able to make decisions within a short timeframe.

Funding in Resolution is a focus of several workstreams in which the Bank is participating, which have been identified by the Basel Committee on Banking Supervision (BCBS) and FSB in response to the 2023 resolution actions. Consistent with maintaining a fit and ready resolution regime, the Bank will consider whether any revisions to the Funding in Resolution SoP may be required once these workstreams have concluded.

4.3: Continuity and Restructuring

To meet the Continuity and Restructuring outcome, firms need to ensure they can continue activities throughout resolution, serving their clients and customers. This includes:

- Ensuring the resolution does not result in a firm’s financial and operational contracts being materially disrupted or terminated (Continuity of Financial Contracts in Resolution and OCIR);
- That direct or indirect access to services delivered using financial market infrastructure is maintained (Continuity of Access to FMIs) so firms can continue to process payments and access settlement systems; and
- Developing a restructuring plan that enables them to address the causes of failure and return to a viable business model that is sustainable in the long term and meets regulatory requirements on a forward-looking basis. A clear and credible plan should support market confidence in the respective firm and enable it to execute post-resolution restructuring effectively, including supporting the ongoing achievement of the Bank’s statutory resolution objectives, in particular ensuring the continuity of banking services and critical functions in the UK (Restructuring Planning).

In assessing firms’ ability to achieve the Continuity and Restructuring outcome, the Bank has considered how they have implemented the relevant Bank and PRA policies and rules for each barrier. The Bank’s assessment has not currently identified any material issues with firms’ capabilities relating to the Continuity of Financial Contracts in Resolution or Continuity of Access to FMIs barriers. The Bank will continue to review this as part of future RAF assessments and expects to undertake a more detailed assessment of firms’ ability to meet the continuity and Restructuring outcome in the next RAF assessment. This is likely to include a focus on the Restructuring Planning and OCIR barriers to resolvability.

Operational Continuity in Resolution

Firms should ensure their operational continuity arrangements provide continuity at the point of entry into resolution and permit post-stabilisation restructuring, to ensure the continuity of banking services and critical functions. In carrying out the second RAF assessment, the Bank has assessed firms for the first time against the expectations set out in the revised PRA policy published in 2021, which became effective from 1 January 2023.[23] During the first RAF assessment firms' capabilities were assessed against the previous policy.[24] The Bank is likely to undertake more detailed analysis of firms' OCIR capabilities in the next RAF assessment.

Firms continue to make progress on their OCIR capabilities and have put in place expanded systems that 'map' their critical service providers to both their critical economic functions and core business lines. Some firms had also gone further by expanding the scope of their 'mapping' beyond the policy minimum to include all third-party contracts. Firms should continue to focus on ensuring their service catalogues – which is one of the ways firms can document their operational arrangements – are up to date and are usable in any resolution scenario at any time, including having the ability to identify and extract key information on a timely basis. Specifically, in testing and developing their service catalogues, firms should think about the users (eg authorities, bail-in administrator and advisors) in a resolution scenario and ensure that the service catalogue is easy to understand. The Bank expects firms to have in place service catalogues that are designed to effectively support relevant capabilities, particularly in relation to OCIR and Restructuring Planning, for example hosting the necessary information for the development and implementation of transitional service agreements in a timely manner during resolution, recovery and related restructuring.

The current OCIR policy requires firms to put in place resolution-resilient contracts with their critical service providers (ie those that help support a firm's core business lines and/or critical economic functions), to ensure continuity of service in a resolution. These contracts should contain resolution-specific clauses that allow for continued provision and use of services. While firms have generally progressed their resolution-resilience by inserting these clauses in their contracts with critical service providers, they should continue to ensure all new contracts and renegotiated contracts have resolution-resilient clauses and consider tailored remediation or mitigation plans for their remaining outstanding contracts – particularly in the minority of cases where critical service providers have refused to add resolution-specific clauses.

Firms are expected to have arrangements in place to ensure they can meet payment obligations for critical services and ensure that intra-group critical service providers would remain financially resilient during recovery, resolution and related restructuring. Ahead of the third RAF assessment, the Bank expects firms to have developed and carried out scenario analysis that enables them to understand the risks to continuity of critical service provision from multiple severe but plausible scenarios, in addition to monitoring and maintaining their early warning indicators of risks in being able to meet these expectations. These should be scenarios that are relevant to their business models and are sufficiently severe to test the operational continuity of critical service providers. In this assessment, some firms considered only single scenarios in isolation, rather than multiple scenarios, to determine their key continuity risks. In line with PRA expectations, firms should consider multiple scenarios for ensuring they can meet these expectations. We encourage firms to consider how their approach to scenario analysis achieves the intended outcome and how this expectation feeds into related capabilities, such as their ability to calibrate the appropriate amount of segregated liquidity asset holdings for their firm in relation to OCIR.

Restructuring Planning

> Firms should be able to plan and execute restructuring effectively and on a timely basis in the event of resolution. Restructuring should address the causes of failure and enable the firm to return to a viable and sustainable business model. In assessing firms, the Bank has considered how they have implemented the Bank's Statement of Policy on Restructuring Planning.[25]

While progress has been made on Restructuring Planning, relatively more work is required across the sector compared with other barriers, and this should be a key area of focus for firms. Firms are expected to consider the information, data and analysis that would be required to support their identified restructuring options in resolution. Restructuring Planning therefore has strong links to, and reliance on, other resolvability capabilities including, but not limited to, Valuations, Funding in Resolution and OCIR.

Restructuring a firm in resolution is an inherently complex and time-consuming task and will result in difficult decisions having to be made to address the causes of failure, potentially including significant changes to a business model and a firm's structure. Restructuring Planning capabilities ensure firms have the ability to develop, at pace, viable plans that can be executed in resolution and that are flexible to different and evolving scenarios. Where relevant, firms should also continue to develop their approach to trading activities in resolution and the capabilities that would be needed to support restructuring. A number of firms have idiosyncratic issues to consider for their Restructuring Planning capabilities, as set out in Section 5.

Firms need to consider in advance how their Restructuring Planning capabilities would be used in practice in the periods leading up to the resolution weekend, over the resolution weekend and post-resolution, and understand the specific challenges that would be associated with a resolution. This includes the possibility that pre-identified potential restructuring options may have been exhausted in the run-up to the resolution event, eg as firms execute their recovery options, or they may no longer be possible because of market conditions. Firms should also be able to determine and describe how they would execute their available identified restructuring options, and to evidence their approach, including through simulation exercises that take into account the interlinkages across the spectrum of resolvability barriers.

Firms should also consider the interplay between stakeholders (eg regulators, other relevant authorities, the bail-in Administrator (BIA), customers and markets) and the various resolvability barriers, which will ensure effective co-ordination and timely information exchange. For example, if a recovery option is expected to generate liquidity benefits for the firm during its Funding in Resolution time horizon, then such liquidity flows need to be modelled into the firm's forecast. Similarly, if a recovery option reduces the asset side of the balance sheet, it should be appropriately reflected in the firm's Valuations and Funding in Resolution analysis.

Firms should consider the benefits of having clear indicators to support escalation of resolution preparations, including when to transition from recovery, to facilitate the evaluation of remaining restructuring options and the generation of new options where needed. Given that restructuring options are likely to be more complex and therefore may be harder to execute, it is important that firms give themselves sufficient time to prepare. Firms may also need to identify new options, or combinations of options, at pace ahead of resolution.

Consistent with the overall findings on assurance, firms need to do more to assure themselves of the effectiveness of their Restructuring Planning capabilities. In particular, firms should consider the benefits of simulation exercises for providing greater assurance over their capabilities, for example to demonstrate how restructuring options would be executed, and the interlinkages these options may have with other resolvability barriers. Some firms have also benefited from undertaking board-level and independent third-party engagements to improve the efficiency of their decision-making in resolution scenarios. Ahead of the next RAF assessment, firms are expected to demonstrate how they have considered the interaction between Restructuring Planning and other resolvability capabilities, for example via an end-to-end test of a resolution scenario. The Bank will engage with firms on their plans to demonstrate this.

Restructuring Planning will likely be an area of focus for more detailed analysis in the next RAF assessment. We may also take into account the **PRA Trading Activity Wind-Down policy** expectations that will be effective from March 2025 for our future assessment, in as far as these are applicable for resolution for the relevant firms.

4.4: Co-ordination and Communication

To achieve the Co-ordination and Communication outcome, firms need to have capabilities, resources and arrangements in place to meet the objectives set out in the Bank's Statement of Policy (SoP) on Management, Governance and Communication. [26]

Management, Governance and Communication

> Firms should be able, during the execution of a resolution, to ensure that their key roles are suitably staffed and incentivised, that their governance arrangements provide effective oversight and timely decision-making, and that they deliver timely and effective communications to staff, authorities, customers and other external stakeholders. In assessing firms, the Bank has considered how they have implemented the Bank's SoP on Management, Governance and Communication.

The Bank's assessment has currently identified no material issues with firms' ability to meet the Co-ordination and Communication outcome, or the Management, Governance and Communication barrier expectations. The Bank will review this in future RAF assessments. Firms are required to maintain and continuously improve their resolvability capabilities across all three resolvability outcomes.

4.5: Next steps

Resolvability is a permanent obligation and a process of continuous improvement. Firms are expected to address issues identified during this RAF assessment, and any previous issues identified, as a priority. Addressing both the thematic and firm-specific areas of feedback will help to smooth the execution of resolution should one occur. Firms' respective board and senior management should continue to build on the progress already made and keep testing and refining their preparations for resolution, to ensure they have the flexibility to respond quickly if needed.

As firms continue to make progress and our approach to assessing resolvability evolves, the Bank expects to continue to conduct its own more detailed assessments of firms' resolvability preparedness in future, consistent with the objective of maintaining a fit and ready resolution regime (as outlined in Boxes B and C). As previously communicated to the major UK firms, the area of focus for the next RAF assessment will be the Continuity and Restructuring outcome. This is likely to include a focus on the Restructuring Planning and OCIR barriers to resolvability. The Bank will continue to engage with firms on these issues, and on resolvability more generally on an ongoing basis ahead of the next RAF assessment.

As previously noted, the PRA will consult on the necessary rule changes to postpone the third RAF assessment by one year to 2026–27 rather than 2025–26. This reflects the progress made to date on resolvability and gives the Bank and firms time to prepare for further, more detailed assessments. The additional time will also allow for firms to continue remediating the issues already identified in previous RAF assessments. By the start of the third RAF assessment, the Bank expects firms to evidence how they have improved their capabilities to achieve the resolvability outcomes, through both maintenance of their current capabilities and by addressing identified actions from previous assessments. The Bank will continue to engage with firms on their plans to demonstrate their ability to achieve the resolvability outcomes on an ongoing basis ahead of the next RAF assessment. The Bank and PRA will consider the timing of subsequent assessments in light of the third assessment and progress made by firms.

5: Firm-specific findings

The findings below are specific to individual firms, their business models and resolution strategies and should not be directly compared to one another. Accordingly, firms should tailor their preparations for resolution. Larger, more complex firms – particularly those with large, international footprints – are likely to require more sophisticated systems or processes than smaller, less complex firms. Firms should also tailor their preparations and capabilities to the Bank's preferred resolution strategy, including their ability to separate and restructure their group structure to facilitate an MPE resolution strategy.

5.1: How to read the Bank's firm-specific findings

The firm-specific findings identify issues that could prevent a firm from achieving each of the three resolvability outcomes, described using the terminology in Table B. Where relevant, we have reported back on progress made by firms against 'shortcomings' identified in the first assessment.

The findings should be read in conjunction with the Bank's thematic findings in Section 4. This sets out the significant progress firms have made to improve their resolvability, including since the Bank's **first assessment in 2022**. Firms have also published their own disclosures setting out a summary of their preparations for resolution (Section 6).

While a resolution, especially of a large firm, will never be easy to execute given the complexity and risks, firms have continued to make significant progress since the **first assessment in 2022** in improving their preparations for resolution. Consistent with firms' progress, we have evolved our approach in this RAF assessment to consider firms' resolvability through more detailed assessment activities. As expected, as a result of this deeper analysis, and as firms have conducted further assurance, it is natural that we, and firms have identified areas for future work needed to improve firms' resolvability.

The assessment considers the adequacy of individual firms' preparations for resolution. The Bank is not making an assessment of the likelihood of failure for any given firm, or the capability of firms to respond to, or recover from, stress on a going concern basis. Our assessment is based on firms' structure as at January 2024 and has not assessed compliance with UK statutory or regulatory requirements (including, but not limited to, any prudential, capital, liquidity or structural requirement including ring-fencing), or any other legal or regulatory requirements imposed by jurisdictions outside of the UK. This assessment does not make pass-or-fail judgements.

The findings relate to a point-in-time assessment reflecting the progress made by firms in the period up to January 2024. Further information about the assessment undertaken by the Bank can be found in Box B. As in the Bank's first assessment, we have relied on the information provided to us by the firms about their capabilities and assurance work they have undertaken, alongside PRA supervisory materials. Naturally, the information received, along with the quality of assurance and testing carried out by each firm, varied. This variation is reflected in, and necessarily places a limitation on, the Bank's findings and comparability across firms. For the second assessment, the Bank has carried out more detailed assessment activities of firms alongside additional information requests to support a more detailed assessment of firms' resolvability capabilities (see Box C). In some cases, our findings reflect additional firm-specific assessment activities.

Firms have a continuing obligation to maintain and continuously improve their resolvability capabilities and ensure these can respond to changes in their business model, structure and external environment. In future assessments, we may review work on a thematic or firm-specific basis. This, as well as firms' own future assurance work, may lead to future RAF assessments identifying additional gaps or weaknesses in firms' resolvability preparations.

Table B: Terminology used to describe firm-specific issues identified

Terminology	Meaning
'No material issues currently identified'	No shortcoming, deficiency or area for further enhancement identified with the firm's implementation of the RAF. The Bank will continue to test firms' capabilities and the Bank reserves the right to subsequently identify issues with a firm's approach.
'Area for further enhancement'	Issues not identified by the Bank as a shortcoming or deficiency, but where continued work is needed by the firm to enhance and/or embed capabilities within the business in order to further reduce execution risks associated with resolution.
'Shortcoming'	An issue which **may impede** the Bank's ability to execute the firm's preferred resolution strategy in a manner consistent with its statutory resolution objectives.
'Deficiency'	An issue which is **likely to impede** the Bank's ability to execute the firm's preferred resolution strategy in a manner consistent with its statutory resolution objectives.

Terminology	Meaning
'Substantive impediment', as per section 3A and 3B of the Banking Act 2009	The formal statutory process through which the Bank, as UK resolution authority, can direct banks to remove substantive impediments to resolvability. Further information on how the Bank would exercise these powers is set out in '**Statement of Policy on the Bank of England's power to direct institutions to address impediments to resolvability**.'

Although these findings are specific to individual firms, their business models, and resolution strategies and cannot be directly compared with one another, these terms provide a consistent way of describing the impact the issues identified would have on the Bank's ability to execute the preferred resolution strategy. The findings for each firm, most notably for firms with a large presence overseas, should be read with the continuing assumption of close engagement with international authorities as explained in Box A.

In Sections 5.2 to 5.9, for each firm we make a judgement, using the terminology in Table B, against each resolvability outcome, which is informed by our assessment of the underlying barriers to resolvability. For example, an 'area for further enhancement' for Adequate Financial Resources would be driven by one or more areas for further enhancement identified in the three underlying barriers: MREL, Valuations, or Funding in Resolution. The judgements are specific to the capabilities of each individual firm, their business model and their preferred resolution strategy.

Consistent with the findings from the first assessment, the Bank has not identified any 'deficiencies' or 'substantive impediments', both of which are serious issues likely to impede the Bank's ability to execute the preferred resolution strategy of a firm in a manner consistent with its statutory resolution objectives.

Some findings in this assessment are classified as 'shortcomings' or 'areas for further enhancement'. Further improvements in the areas identified will help smooth the execution of a resolution. In addition, the Bank has found 'no material issues' in a number of areas. The Bank expects firms to demonstrate a commitment to improve continuously their resolvability capabilities, with future assessments reviewing previously identified shortcomings and areas for further enhancement. Failure to address such issues over time may lead to a change in classification, for example where an area for further enhancement becomes a shortcoming should a firm fail to evidence its own efforts to remediate a specific issue.

5.2: Resolvability Assessment Framework 2024: Barclays

Please read in conjunction with Section 5.1.

Preferred Resolution Strategy

The preferred resolution strategy for Barclays PLC (Barclays) is a single point of entry (SPE) bail-in at Barclays PLC, the group holding company, led by the home resolution authority, the Bank of England.

Adequate Financial Resources – Area for Further Enhancement

The Bank's assessment has identified an area for further enhancement with respect to Barclays' approach to achieving the Adequate Financial Resources outcome, 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, in particular Barclays' ability to evidence that it could produce the valuations expected of firms on a timely basis. This is a continuing issue from the Bank's previous assessment. The Bank notes the steps taken by Barclays since the last assessment to address this issue. However, the firm has not yet demonstrated that it has fully addressed the previously identified issues, and further work remains. The Bank acknowledges Barclays has recently committed to further assurance activities. The Bank will continue to engage with Barclays on this issue.

Continuity and Restructuring – Areas for Further Enhancement

The Bank's assessment has identified areas for further enhancement with respect to Barclays' approach to achieving the Continuity and Restructuring outcome, relating to Barclays' Operational Continuity in Resolution and Restructuring Planning capabilities.

The Operational Continuity in Resolution area for further enhancement relates to a number of service contracts that do not contain resolution-resilient language. The Bank will continue to engage with Barclays on this issue.

The Restructuring Planning area for further enhancement relates to Barclays' approach to the assurance expectations set out in the Restructuring Planning Statement of Policy, in particular Barclays' approach to describing its identified restructuring options in enough detail to evidence they are credible and can be actioned. This is a continuing issue from the Bank's previous assessment. The Bank notes the steps taken by Barclays since the last assessment to address this issue. However, the firm has not demonstrated that it has fully addressed the previously identified issues, and further work remains.

The Bank notes that Barclays continues to develop its assurance activities to address the issues previously identified. The Bank will continue to engage with Barclays on this issue.

Co-ordination and Communication – No material issues currently identified

The Bank's assessment has not currently identified any material issues in Barclays' approach to achieving the Co-ordination and Communication outcome. Barclays needs to maintain and continuously improve its capabilities and ensure that they are adapted to reflect any changes in its operations. The Bank will review this as part of future RAF assessments.

5.3: Resolvability Assessment Framework 2024: HSBC

Please read in conjunction with Section 5.1.

Preferred Resolution Strategy

The preferred resolution strategy for HSBC Holdings plc (HSBC) is a multiple point of entry bail-in (MPE). In the UK, the Bank of England will apply its resolution powers at HSBC Holdings plc, the group holding company. As an MPE firm, in the event of resolution the Bank would expect HSBC to be able to facilitate actions that could require significant changes to its business models and structure. The Bank requires HSBC to tailor its preparations to facilitate this MPE resolution strategy. The Bank will continue to engage with HSBC and other authorities in the HSBC Crisis Management Group on this as part of future RAF assessments. See Box A setting out further detail about MPE resolution strategies and the capabilities MPE firms require to facilitate resolution.

Adequate Financial Resources – Areas for Further Enhancement

The Bank's assessment has identified areas for further enhancement with respect to HSBC's approach to achieving the Adequate Financial Resources outcome, relating to HSBC's Funding in Resolution and Valuations capabilities.

The Funding in Resolution area for further enhancement relates to HSBC's continued implementation of timely resolution-specific liquidity forecasting capabilities for all relevant entities and consolidations. The Valuations area for further enhancement relates to HSBC's outstanding work on capabilities to support its ability to produce equity valuations in the context of resolution. The Bank will continue to engage with HSBC on these issues.

The Bank's **2022 assessment** identified a shortcoming with respect to HSBC's approach to achieving the Adequate Financial Resources outcome, relating to HSBC's Funding in Resolution capabilities. This issue related to the production of resolution-specific liquidity analysis that identifies and projects collateral balances that may be available to HSBC in resolution. The Bank acknowledges the progress made against this issue and no longer considers there to be a shortcoming in this area. The Bank will review this as part of future RAF assessments.

Continuity and Restructuring – No material issues currently identified

The Bank's assessment has not currently identified any material issues in HSBC's approach to achieving the Continuity and Restructuring outcome. HSBC needs to maintain and continuously improve its capabilities and ensure they are adapted to reflect any changes in its operations. The Bank will review this as part of future RAF assessments.

The Bank's **2022 assessment** identified shortcomings with respect to HSBC's approach to achieving the Continuity and Restructuring outcome, relating to HSBC's Restructuring Planning and Continuity of Access to FMIs capabilities. The Restructuring Planning issue related to how HSBC planned to execute the restructuring actions which could be required in some resolution scenarios for an MPE group. The Continuity of Access to FMIs issue related to HSBC's lack of centralised information about non-critical FMI relationships. The Bank acknowledges the progress made against these issues and no longer considers there to be shortcomings in these areas. The Bank will review this as part of future RAF assessments.

Co-ordination and Communication – No material issues currently identified

The Bank's assessment has not currently identified any material issues with respect to HSBC's approach to achieving the Co-ordination and Communication outcome. HSBC needs to maintain and continuously improve its capabilities and ensure they are adapted to reflect any changes in its operations. The Bank will review this as part of future RAF assessments.

5.4: Resolvability Assessment Framework 2024: Lloyds Banking Group

Please read in conjunction with Section 5.1.

Preferred Resolution Strategy

The preferred resolution strategy for Lloyds Banking Group plc (LBG) is a single point of entry (SPE) bail-in at Lloyds Banking Group plc, the group holding company, led by the home resolution authority, the Bank of England.

Adequate Financial Resources – Area for Further Enhancement

The Bank's assessment has identified an area for further enhancement with respect to LBG's approach to achieving the Adequate Financial Resources outcome, relating to LBG's Valuations capabilities. The area for further enhancement relates to LBG's ability to deliver analysis of asset and liability valuations in sufficient detail in the context of resolution, and having the necessary information prepared, ahead of a resolution, to onboard an independent valuer. The Bank will continue to engage with LBG on this issue.

The Bank's **2022 assessment** identified a shortcoming with respect to LBG's approach to achieving the Adequate Financial Resources outcome, relating to LBG's Funding in Resolution capabilities. This issue related to the production of resolution-specific liquidity analysis. The Bank acknowledges the progress made against this issue and no longer considers there to be a shortcoming in this area. The Bank will review this as part of future RAF assessments.

Continuity and Restructuring – No material issues currently identified

The Bank's assessment has not currently identified any material issues with respect to LBG's approach to achieving the Continuity and Restructuring outcome. LBG needs to maintain and continuously improve its capabilities and ensure that they are adapted to reflect any changes in its operations. The Bank will review this as part of future RAF assessments.

Co-ordination and Communication – No material issues currently identified

The Bank's assessment has not currently identified any material issues with respect to LBG's approach to achieving the Co-ordination and Communication outcome. LBG needs to maintain and continuously improve its capabilities and ensure that they are adapted to reflect any changes in its operations. The Bank will review this as part of future RAF assessments.

5.5: Resolvability Assessment Framework 2024: Nationwide Building Society

Please read in conjunction with Section 5.1.

Preferred Resolution Strategy

The preferred resolution strategy for Nationwide Building Society (Nationwide) is a single point of entry (SPE) bail-in at the group parent level, led by the Bank of England as resolution authority. As a building society, in the event of resolution, Nationwide may be subject to demutualisation which would be a process led by the Bank of England as resolution authority. The Bank will continue to engage with Nationwide on the capabilities needed to support any demutualisation in the context of resolution as part of ongoing engagement on resolvability.

Adequate Financial Resources – No material issues currently identified

The Bank's assessment has not currently identified any material issues in Nationwide's approach to achieving the Adequate Financial Resources outcome. Nationwide needs to maintain and continuously improve its capabilities and ensure that they are adapted to reflect any changes in its operations, including those related to the potential acquisition of Virgin Money UK. The Bank will review this as part of future RAF assessments.

Continuity and Restructuring – No material issues currently identified

The Bank's assessment has not currently identified any material issues in Nationwide's approach to achieving the Continuity and Restructuring outcome. Nationwide needs to maintain and continuously improve its capabilities and ensure that they are adapted to reflect any changes in its operations, including those related to the potential acquisition of Virgin Money UK. The Bank will review this as part of future RAF assessments.

Co-ordination and Communication – No material issues currently identified

The Bank's assessment has not currently identified any material issues in Nationwide's approach to achieving the Co-ordination and Communication outcome. Nationwide needs to maintain and continuously improve its capabilities and ensure that they are adapted to reflect any changes in its operations, including those related to the potential acquisition of Virgin Money UK. The Bank will review this as part of future RAF assessments.

5.6: Resolvability Assessment Framework 2024: NatWest

Please read in conjunction with Section 5.1.

Preferred Resolution Strategy

The preferred resolution strategy for NatWest Group plc (NatWest) is a single point of entry (SPE) bail-in at NatWest Group plc, the group holding company, led by the home resolution authority, the Bank of England.

Adequate Financial Resources – No material issues currently identified

The Bank's assessment has not currently identified any material issues with respect to NatWest's approach to achieving the Adequate Financial Resources outcome. NatWest needs to maintain and continuously improve its capabilities and ensure that they are adapted to reflect any changes in its operations. The Bank will review this as part of future RAF assessments.

Continuity and Restructuring – No material issues currently identified

The Bank's assessment has not currently identified any material issues with respect to NatWest's approach to achieving the Continuity and Restructuring outcome. NatWest needs to maintain and continuously improve its capabilities and ensure that they are adapted to reflect any changes in its operations. The Bank will review this as part of future RAF assessments.

Co-ordination and Communication – No material issues currently identified

The Bank's assessment has not currently identified any material issues with respect to NatWest's approach to achieving the Co-ordination and Communication outcome. NatWest needs to maintain and continuously improve its capabilities and ensure that they are adapted to reflect any changes in its operations. The Bank will review this as part of future RAF assessments.

5.7: Resolvability Assessment Framework 2024: Santander UK

Please read in conjunction with Section 5.1.

Preferred Resolution Strategy

The preferred resolution strategy for Santander UK Group Holdings plc (Santander UK) is a multiple point of entry (MPE) bail-in. In the UK, the Bank of England will apply its resolution powers at Santander UK Group Holdings plc, the UK intermediate holding company. As a hosted MPE firm, in the event of resolution the Bank expects Santander UK to be able to facilitate actions that could require significant changes to its business model and structure. The Bank will continue to engage with Santander UK on this as part of future RAF assessments. See Box A setting out further detail about MPE resolution strategies and the capabilities MPE firms require to facilitate resolution.

Adequate Financial Resources – No material issues currently identified

The Bank's assessment has not currently identified any material issues in Santander UK's approach to achieving the Adequate Financial Resources outcome. Santander UK needs to maintain and continuously improve its capabilities and ensure that they are adapted to reflect any changes in its operations. The Bank will review this as part of future RAF assessments.

Continuity and Restructuring – No material issues currently identified

The Bank's assessment has not currently identified any material issues in Santander UK's approach to achieving the Continuity and Restructuring outcome. Santander UK needs to maintain and continuously improve its capabilities and ensure that they are adapted to reflect any changes in its operations. The Bank will review this as part of future RAF assessments.

Co-ordination and Communication – No material issues currently identified

The Bank's assessment has not currently identified any material issues in Santander UK's approach to achieving the Co-ordination and Communication outcome. Santander UK needs to maintain and continuously improve its capabilities and ensure that they are adapted to reflect any changes in its operations. The Bank will review this as part of future RAF assessments.

5.8: Resolvability Assessment Framework 2024: Standard Chartered

Please read in conjunction with Section 5.1.

Preferred Resolution Strategy

The preferred resolution strategy for Standard Chartered PLC (Standard Chartered) is a single point of entry (SPE) bail-in at Standard Chartered PLC, the group holding company, led by the home resolution authority, the Bank of England.

Adequate Financial Resources – Area for Further Enhancement

The Bank's assessment has identified an area for further enhancement with respect to Standard Chartered's approach to achieving the Adequate Financial Resources outcome, relating to Standard Chartered's Valuations capabilities. The area for further enhancement relates to Standard Chartered's ability to produce sufficiently robust valuations in resolution that would support decision-taking by the Bank, as set out in the Valuations Statement of Policy. This includes the firm's capabilities to produce updated forecasts of its financial statements on a timely and robust basis. The Bank will continue to engage with Standard Chartered on this issue.

The Bank's **2022 assessment** identified shortcomings with respect to Standard Chartered's approach to achieving the Adequate Financial Resources outcome, relating to Standard Chartered's Valuations and Funding in Resolution capabilities. The Valuations' issues related to preparation of sensitivity analysis under different scenarios concurrently and the flexibility of resolution-specific models to adapt to different inputs and assumptions. The Bank acknowledges the progress made against these issues and now finds an area for further enhancement (as noted above) with respect to Standard Chartered's broader Valuations capabilities in the context of resolution. The Funding in Resolution issue related to the production of resolution-specific liquidity analysis. The Bank acknowledges that Standard Chartered has addressed this specific issue. The Bank will review these capabilities as part of future RAF assessments.

Continuity and Restructuring – Shortcoming

The Bank's assessment continues to identify a shortcoming in Standard Chartered's approach to achieving the Continuity and Restructuring outcome that may impede the Bank's ability to execute the preferred resolution strategy, relating to Standard Chartered's Restructuring Planning capabilities, specifically the firm's ability to plan for the execution of its identified restructuring options. The Bank notes the significant work that Standard Chartered has already undertaken to improve its Restructuring Planning capabilities since 2022, including to address the previously identified shortcoming and that the firm has committed in its RAF disclosure to improve further its Restructuring Planning capabilities. The Bank expects Standard Chartered to address this shortcoming and will closely monitor progress as part of its engagement with Standard Chartered. The Bank will assess progress and report on this in the next RAF assessment.

The Bank's **2022 assessment** identified a shortcoming with respect to Standard Chartered's approach to achieving the Continuity and Restructuring outcome, relating to Standard Chartered's Restructuring Planning capabilities. This related to the firm's identification and evaluation of all available restructuring options in a wide range of resolution scenarios. The Bank notes Standard Chartered's significant progress on these specific issues and will continue to engage with Standard Chartered on its Restructuring Planning capabilities.

Co-ordination and Communication – No material issues currently identified

The Bank's assessment has not currently identified any material issues with respect to Standard Chartered's approach to achieving the Co-ordination and Communication outcome. Standard Chartered needs to maintain and continuously improve its capabilities and ensure they are adapted to reflect any changes in its operations. The Bank will review this as part of future RAF assessments.

5.9: Resolvability Assessment Framework 2024: Virgin Money UK

Please read in conjunction with Section 5.1.

Preferred Resolution Strategy

The preferred resolution strategy for Virgin Money UK PLC (Virgin Money UK) is a single point of entry (SPE) bail-in at Virgin Money UK PLC, the group holding company, led by the Bank of England as resolution authority.

Adequate Financial Resources – No material issues currently identified

The Bank's assessment has not currently identified any material issues with respect to Virgin Money UK's approach to achieving the Adequate Financial Resources outcome. Virgin Money UK needs to maintain and continuously improve its capabilities and ensure that they are adapted to reflect any changes in its operations, including those related to the potential acquisition of Virgin Money UK by Nationwide. The Bank will review this as part of future RAF assessments.

Continuity and Restructuring – Area for Further Enhancement

The Bank's assessment has identified an area for further enhancement with respect to Virgin Money UK's approach to achieving the Continuity and Restructuring outcome, relating to Virgin Money UK's Restructuring Planning capabilities. The area for further enhancement relates to Virgin Money UK's approach to obtaining assurance that its capabilities would operate together in a timely manner in a resolution scenario, including the pre-resolution contingency planning period. The Bank will continue to engage with Virgin Money UK on this issue.

Virgin Money UK needs to maintain and continuously improve its capabilities and ensure that they are adapted to reflect any changes in its operations, including those related to the potential acquisition of Virgin Money UK by Nationwide. The Bank will review this as part of future RAF assessments.

Co-ordination and Communication – No material issues currently identified

The Bank's assessment has not currently identified any material issues with respect to Virgin Money UK's approach to achieving the Co-ordination and Communication outcome. Virgin Money UK needs to maintain and continuously improve its capabilities and ensure that they are adapted to reflect any changes in its operations, including those related to the potential acquisition of Virgin Money UK by Nationwide. The Bank will review this as part of future RAF assessments.

6: Link to firms' disclosures

Firms have also published their own disclosures setting out a summary of their preparations for resolution, which can be accessed via the following links.

Barclays

HSBC

Lloyds Banking Group

NatWest

Nationwide

Santander UK

Standard Chartered

Virgin Money UK

Glossary

Bail-in – A resolution tool that enables shares, debt and other liabilities of a bank to be written down or converted to absorb losses and recapitalise the bank.

Bailing-out / Bailout – The absorption of losses and recapitalising of a bank using public funds.

Banking Act 2009 – Domestic legislation that established the UK's resolution regime and sets out the responsibilities and powers of the Bank of England as UK resolution authority.

Barrier – An impediment to the effective implementation of a firm's resolution strategy, which could impact the resolvability of the firm.

Basel Committee on Banking Supervision (BCBS) – BCBS provides a forum for co-operation on banking supervisory matters. **Its mandate** is to strengthen the regulation, supervision and practices of banks worldwide with the purpose of enhancing financial stability.

Core business lines – Business lines and associated services which represent material sources of revenue, profit or franchise value for a firm or its group.

Crisis Management Group (CMG) – A forum bringing key supervisory and resolution authorities of a G-SIB together periodically and in a crisis, to plan for a cross-border financial crisis affecting the firm.

Critical economic functions – Activities (such as deposit-taking and lending) that some firms provide, which would lead to an impact on the real economy if they immediately stopped.

Critical services – means activities, functions or services performed for one or more business units of the firm or for the firm and another member of its group, whether by the firm itself, any other group member or a person outside the firm's group, the failure of which would lead to the collapse of or present a serious impediment to the performance of the firm's critical functions or core business lines.

Financial Conduct Authority (FCA) – The FCA regulate the conduct of nearly 45,000 businesses in the UK to ensure that financial markets work well.

Financial market infrastructure (FMI) – Payment systems, securities settlement systems and central counterparties.

Financial Services Compensation Scheme (FSCS) – The UK's deposit guarantee scheme.

Financial Stability Board (FSB) – An international body that monitors and makes recommendations about the global financial system.

Global systemically important banks (G-SIBs) – Banks identified by the FSB as being systemic to global financial stability. They are subject to additional regulation, and each has a Crisis Management Group.

HM Treasury – The UK Government's economic and finance ministry, maintaining control over public spending, setting the direction of the UK's economic policy and working to achieve strong and sustainable economic growth. With regards to resolution, they have responsibility for any decision on whether and how to use public funds, including authorising the use of any stabilisation power.

Home authority – The resolution authority that co-ordinates the resolution of a cross-border group, which would usually be the resolution authority in which the bank is headquartered.

Host authority – A resolution authority in a jurisdiction in which the firm provides services through one or more subsidiaries or branches.

Independent valuer – For UK-led resolutions, the Bank of England would be required to appoint an independent valuer responsible for producing the valuations required for resolution.

International authorities – Includes host authorities as well as authorities that work with them.

Loss-absorbing capacity – Firms must ensure that sufficient loss-absorbing and recapitalisation capacity would be available in resolution for an orderly resolution to be implemented.

Minimum requirement for own funds and eligible liabilities (MREL) – A requirement to maintain a minimum amount of equity and liabilities which meet certain criteria so that if a firm fails the resolution authority can implement the resolution strategy.

Multiple point of entry (MPE) – A resolution strategy that envisages applying resolution powers to multiple entities within a group.

Operational continuity in resolution (OCIR) – A regulatory requirement that firms' operational arrangements allow the continuity of critical services during stress or resolution.

Prudential Regulation Authority (PRA) – The PRA is responsible for the prudential regulation and supervision of 1,500 banks, building societies, credit unions, insurers and major investment firms.

Regulatory return – This information is provided to the PRA every quarter and would support the Bank's preparations for a bail-in. Firms provide details on individual characteristics of internal and external MREL resources, issued by entities within the UK consolidation group.

Resolution – A way to manage the failure of a bank, building society, central counterparty or certain types of investment firm, to minimise the impact on depositors, the financial system and public finances.

Resolution authority – The Bank of England is the UK's resolution authority.

Resolution entity – An entity within a group to which powers would be applied under the group resolution plan.

Resolution Liquidity Framework – The framework providing the tools to lend to banks, building societies or investment firms subject to the resolution regime, where the entity or its holding company is in a Bank of England led resolution (but not subject to an insolvency or administration procedure).

Resolution plan – A plan developed by the Bank for each firm which provides detail on the implementation of that firm's resolution strategy.

Resolution strategy – The Bank identifies firm-specific preferred resolution strategies, which indicate the Bank's intended approach in resolution (ie bail-in, transfer, modified insolvency).

Resolution weekend – The period from the point when the Bank determines that a firm has met the conditions for resolution, and that the relevant resolution entity will be placed into resolution, until the start of the next business day. The Bank will endeavour to ensure that this phase takes place over a weekend, but in exceptional circumstances resolution may need to take place mid-week.

Resolvability Assessment Framework (RAF) – The Bank's and PRA's approach to assessing whether firms operating in the UK with bail-in or transfer as their preferred resolution strategy are prepared for resolution.

Senior Managers and Certification Regime (SMCR) – Aims to reduce harm to consumers and strengthen market integrity by making individuals more accountable for their conduct and competence.

Sensitivity analysis – Evaluating firms ability to respond to alternative assumptions or different scenarios in relation to valuation outputs.

Single point of entry (SPE) – A single point of entry resolution involves the application of resolution powers at a single resolution entity within the group, generally the parent or holding company.

Sterling Monetary Framework – The Bank's set of official operations in sterling short-term money markets. This includes operations and facilities that help the Bank to achieve both its monetary policy and financial stability objectives, which are available to a range of eligible financial firms. For further information see the **Bank of England Market Operations Guide**.

Transfer – A resolution power that transfers part or all of a failing firm to a purchaser or, temporarily, to a bridge bank.

Trilateral Principal Level Exercise (TPLE) – Principals of US, European Banking Union, and UK Financial Authorities meet for Regular Co-ordination Exercise on Cross-Border Resolution Planning. This is part of a series of regular exercises and exchanges among the principals of these key financial sector authorities to enhance understanding of each jurisdiction's resolution regime for global systemically important banks and to strengthen co-ordination on cross-border resolution: **Principals of U.S., European Banking Union, and U.K. Financial Authorities Meet for Regular Coordination Exercise on Cross-Border Resolution Planning | FDIC**

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1. **The Bank of England's approach to resolution**.
2. **2023 Bank Failures: Preliminary lessons learnt for resolution | Financial Stability Board**.
3. Barclays, HSBC, Lloyds Banking Group, Nationwide, NatWest Group, Santander UK, Standard Chartered and Virgin Money. The assessment is based on firms' structure as at January 2024.
4. **The Prudential Regulation Authority's approach to banking supervision**.
5. This means that firms have taken the steps necessary to ensure the Bank as a resolution authority could undertake an orderly resolution that minimises disruption – to the financial system or to the banking services provided to households and business, and without exposing public funds in general to loss.
6. The RAF also applies to firms the Bank has notified, in its capacity as host resolution authority, that they are a 'material subsidiary' of an overseas-based banking group for the purposes of setting internal 'minimum requirement for own funds and eligible liabilities' (MREL) in the UK.
7. The UK proactively contributes to cross-border policy development, in particular via the FSB. The FSB has **published guidelines** on a number of policy areas that the UK considers in its own policy development.
8. **Principals of U.S., European Banking Union, and U.K. Financial Authorities Meet for Regular Coordination Exercise on Cross-Border Resolution Planning | FDIC**.
9. **Bank of England's SoP on Funding in Resolution**.
10. **The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL)**.
11. Such instruments include those issued by UK entities (including both resolution entities and non-resolution entity UK subsidiaries) that are governed by non-UK law where there is no statutory or contractual recognition of UK bail-in requirements, and also those issued from non-resolution entity UK subsidiaries to holders outside the group and that are ineligible as own funds or will be ineligible as own funds after 28 June 2025.

12. The requirements published on 28 March 2024 can be found at '**Interim and end-state requirements for own funds and eligible liabilities (MRELs)**'.

13. The MREL resources value is based on 2024 Q1 data.

14. For example, contractual recognition of bail-in clauses, which are not included in the contracts governing some of these legacy instruments, can help improve certainty and timeliness in the implementation of resolution actions. Moreover, some of these instruments are not, or will soon no longer be, eligible as regulatory capital. This could affect how the Bank's resolution powers may be applied to them.

15. The PRA expects firms that are, or are likely to be, subject to MREL in excess of regulatory capital requirements to provide this information as per Supervisory Statement 19/13. (**Supervisory Statement 19/13 UPDATE 'Resolution planning'**).

16. **UK Deposit Takers Supervision: 2024 priorities.**

17. **The Bank of England's policy on valuation capabilities to support resolvability**.

18. **Supporting guidance on valuation capabilities to support resolvability**.

19. In a limited range of cases, a firm may identify that it would not need to have any valuation models in place ahead of time in order to meet the expectations set out in **The Bank of England's policy on valuation capabilities to support resolvability**. In these cases, the Bank would need to be satisfied that the timeliness and robustness objectives would still be met.

20. **Bank of England's SoP on Funding in Resolution**.

21. **Bank of England | 2023 | Letter from Mel Beaman on firms' preparations for second RAF assessment**.

22. **Bank of England's SoP on Funding in Resolution**.

23. **PRA Supervisory Statement 4/21: Ensuring operational continuity in resolution**, May 2021.

24. **PRA Supervisory Statement 9/16: Ensuring operational continuity in resolution**, July 2016.

25. **The Bank of England's Statement of Policy on Restructuring Planning**.

26. **The Bank of England's Statement of Policy on Management, Governance and Communication**.