

Bank of England

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Dear Chief Financial Officer,

The Bank of England ('the Bank') would like to thank you for your work to date to enhance your firm's resolvability. We recognise your continued work to address the findings from the first assessment of the eight major UK firms' preparations for resolution under the Resolvability Assessment Framework (RAF), published on 10 June 2022.¹

Following the previous letter sent on 7 March 2023, we are writing to provide further information on the second RAF assessment, due to begin on 6 October 2023 with the submission of your firm's Resolution Assessment report.² This is to support your firm's planning and your ongoing work to maintain and enhance your firm's resolvability.

Maintaining a credible and effective resolution regime

Resolvability continues to be a key priority for the Bank and the Prudential Regulation Authority (PRA). Recent market events have demonstrated that it is impossible to predict exactly how a live scenario will unfold, and have highlighted the continued

¹ June 2022: <https://www.bankofengland.co.uk/financial-stability/resolution/resolvability-assessment-framework/resolvability-assessment-of-major-uk-banks-2022>.

² March 2023: <https://www.bankofengland.co.uk/letter/2023/march/raf-assessment-dcfo-letter>.



importance of maintaining a credible and effective resolution regime. As such, firms must continue to take responsibility for their resolvability to help the UK's resolution regime to remain fit and ready at all times. Maintaining a credible and effective resolution regime is a continuous process, with authorities and firms needing to keep their preparations live and tested so that they are ready to respond if required.

As previously communicated, the Bank will repeat its resolvability assessment of the major UK firms in 2023-24. Utilising firms' Resolution Assessment reports, we will conduct activities to evaluate firms' work to address issues identified as part of the first assessment, and will monitor progress in maintaining and enhancing their ability to achieve the three resolvability outcomes:

- having adequate financial resources in the context of resolution;
- being able to continue to do business through resolution and restructuring; and
- co-ordinating and communicating effectively internally and with the authorities and markets so that resolution and subsequent restructuring are orderly.

The Bank places significant importance on firms' ability to achieve all three resolvability outcomes on a continuing basis, and that resolvability is fully embedded into firms' assurance arrangements. The Bank will assess firms' own assurance over their resolvability, building on the first assessment. Firms are reminded that we will review our judgements from the first RAF assessment, and we may update, modify or change our overall assessment depending on the information obtained and on individual firm circumstances.

Assessing the Adequate Financial Resources (AFR) outcome

As previously confirmed, during the second RAF assessment the Bank intends to undertake a more detailed assessment of firms' preparations for resolution, with a focus in 2023-24 on the Adequate Financial Resources (AFR) outcome. This assessment will focus on firms' capabilities to support a resolution transaction and remove the MREL,³ Valuations,⁴ and Funding in Resolution (FiR)⁵ barriers to resolution.

The Bank's activities will assess firms' provision of timely data and the flexibility and readiness to execute their capabilities. In doing so, the Bank may request data, documentation, or live demonstrations, consistent with the examples of the type of evidence we may request from firms as set out in the RAF Statement of Policy (SoP).⁶

³ December 2021: <https://www.bankofengland.co.uk/paper/2021/the-boes-approach-to-setting-mrel-sop>.

⁴ May 2021: <https://www.bankofengland.co.uk/paper/2018/the-boes-policy-on-valuation-capabilities-to-support-resolvability>.

⁵ July 2019: <https://www.bankofengland.co.uk/financial-stability/resolution/resolvability-assessment-framework/resolvability-assessment-framework-policy-documents> (see 'The Bank of England's Statement of Policy on Funding in Resolution').

⁶ May 2021: <https://www.bankofengland.co.uk/paper/2019/the-boes-approach-to-assessing-resolvability>.

These activities will form an additional input to the Bank's assessment of each firm, alongside firms' Resolution Assessment reports.

The Bank will be proportionate in how it assesses firms' ability to achieve the AFR outcome, and is likely to focus on specific issues and capabilities, including whether systems and processes can provide suitable outputs in a timely fashion. The Bank is providing information on these activities now to assist firms in their planning.

Next steps

The Bank will continue to engage with firms ahead of and during the second assessment, including engagement on the Bank's public statement and on issues identified by the Bank as part of the first assessment and BAU work.

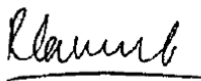
We would like to thank you again for your ongoing engagement with the RAF. If you have any further questions regarding this letter, please get in touch with your usual Resolution Directorate contacts.

Yours sincerely,



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