

## REGULATION

### **on information in recovery plans, information gathering for resolution plans and assessment of the resolvability of credit institutions and investment firms**

#### Article 1

##### *Scope*

This Regulation applies to the recovery plans of credit institutions and investment firms and their groups, as provided for in Chapter IX A of the Act on Financial Undertakings, no. 161/2002.

The Regulation also applies to the information disclosure of credit institutions and investment firms to the Resolution Authority of the Central Bank of Iceland for resolution plans under Chapter III of the Act on the Resolution of Credit Institutions and Investment Firms, no. 70/2020. The Regulation also applies to issues that the Resolution Authority must take into account when assessing the resolvability of credit institutions, investment firms and their groups under the same Chapter of the Act.

#### Article 2

##### *Information in recovery plans*

A recovery plan shall include the following information:

1. a summary of the key elements of the recovery plan, cf. Article 4 of Regulation (EU) 2016/1075, and a summary of the overall recovery capacity;
2. a summary of any material changes to the credit institution or investment firm since the previous recovery plan was submitted;
3. a plan for communication and disclosure, cf. Article 14 of Regulation (EU) 2016/1075, providing i.a. an account of how the undertaking intends to manage any potential negative market reactions;
4. a strategic analysis, cf. Articles 6-12 of Regulation (EU) 2016/1075, explaining the extent of the financing and liquidity measures that must be taken to maintain or restore the viability and financial position of the credit institution or investment firm;
5. the estimated time frame for the implementation of each material element of the plan;
6. a detailed description of any material impediment to the effective and timely execution of the plan, including consideration of impact on the rest of the group, customers and counterparties;
7. identification of critical functions;
8. a detailed description of the procedure for determining the value and marketability of core business lines, other activities and assets of the credit institution or investment firm;
9. information on governance, cf. Article 5 of Regulation (EU) 2016/1075, and a detailed description of how the development of the recovery plan is integrated in the governance of the credit institution or investment firm, as well as the policies and procedures governing approval of the recovery plan and the identification of those parties responsible for the development and implementation of the plan;

10. measures to conserve or restore the own funds of the credit institution or investment firm;
11. measures to ensure that the credit institution or investment firm has adequate access to contingency funding sources, including potential liquidity sources, an assessment of available collateral and an assessment of the possibility to transfer liquidity across group entities and business lines, to ensure that the credit institution or investment firm can carry on their operations and meet their obligations as they fall due;
12. measures to reduce risk and leverage;
13. measures to restructure liabilities;
14. measures to restructure business lines;
15. measures necessary to maintain continuous access to financial market infrastructure;
16. measures necessary to maintain the continuous functioning of the operational processes of the credit institution or investment firm, including infrastructure and IT services;
17. preparatory arrangements to facilitate the sale of assets or business lines within an appropriate time frame to regain a solid financial position;
18. other actions or plans to regain a solid financial position and the intended financial effects of those actions or plans;
19. preparatory measures that the credit institution or investment firm has taken or plans to take to facilitate the implementation of the recovery plan, cf. Article 15 of Regulation (EU) 2016/1075, including those necessary to make the timely recapitalisation of the credit institution or investment firm possible; and
20. a framework of indicators identifying the points at which appropriate actions referred to in the plan can be taken.

### Article 3

#### *Information gathering for the resolution plan*

For the purpose of preparing or updating a resolution plan, the Resolution Authority may require the following information from credit institutions and investment firms, as appropriate:

1. a detailed description of the institution's organisational structure including a list of all legal persons;
2. identification of the owners and the percentage of voting and non-voting rights of each legal person;
3. the location, jurisdiction of incorporation, licensing and key management associated with each legal person;
4. a mapping of the critical operations and core business lines of the credit institution or investment firm, including material asset holdings and liabilities relating to such operations and business lines, by reference to legal persons;
5. a detailed description of the components of the liabilities of the credit institution or investment firm and all entities within the group, distinguishing them, at a minimum, by types and amounts of short-term and long-term debt, secured, unsecured and subordinated liabilities;
6. details of the eligible liabilities of the credit institution or investment firm;
7. an identification of the processes needed to determine to whom the credit institution or investment firm has pledged collateral, the party that holds the collateral and the jurisdiction in which the collateral is located;

8. a description of the off balance sheet exposures of the credit institution or investment firm and their legal entities, including a mapping of the exposures concerned to its critical operations and core business lines;
9. the material hedges of the credit institution or investment firm, including a mapping to legal persons;
10. identification of the major or most critical counterparties of the credit institution or investment firm, as well as an analysis of the impact of the failure of major counterparties on the financial situation of the credit institution or investment firm;
11. all systems through which the credit institution or investment firm conducts a material number or value amount of trades, including a mapping of these to the legal persons of the credit institution or investment firm, its critical operations and core business lines;
12. all payment, clearing or settlement systems of which the institution is directly or indirectly a member, including a mapping of these to the legal persons of the credit institution or investment firm, its critical operations and core business lines;
13. a detailed inventory and description of the key management information systems, including those for risk management, accounting and financial and regulatory reporting, including a mapping of the location of files and systems among the legal persons of the credit institution or investment firm, and links to its critical operations and core business lines;
14. identification of the owners of systems referred to in Point 13, service level agreements related thereto, and any software and systems or licenses, including a mapping to their legal entities, critical operations and core business lines;
15. an identification and mapping of the legal persons and the interconnections and interdependencies among the different legal persons such as:
  - a. common or shared personnel, facilities and systems,
  - b. capital, funding or liquidity arrangements,
  - c. existing or contingent credit exposures,
  - d. cross-guarantee agreements, cross-collateral arrangements, cross-default provisions and cross-affiliate netting arrangements,
  - e. risks transfers and back-to-back transactions and
  - f. service level agreements;
16. the competent and resolution authority for each legal person;
17. identification of the director or managing director responsible for providing the information necessary to prepare the resolution plan of the credit institution or investment firm, as well as those responsible, if different, for the different legal persons, critical operations and core business lines;
18. a description of the arrangements that the credit institution or investment firm has in place to ensure that, in the event of resolution, the Resolution Authority will have all the necessary information, as determined by the Resolution Authority, for applying its resolution tools and powers;
19. all the agreements entered into by the credit institution or investment firm with third parties, the termination of which may be triggered by a decision of the resolution authorities to apply a resolution tool, and whether the consequences of termination may affect the application of the resolution tool;
20. a description of possible liquidity sources for supporting resolution;

21. information on asset encumbrance, liquid assets, off-balance sheet activities, hedging strategies and accounting practices.

#### Article 4

##### *Assessment of resolvability*

When assessing the resolvability of a credit institution, investment firm or group, the Resolution Authority shall consider the following, as appropriate:

1. the extent to which the credit institution or investment firm is able to map core business lines and critical operations to legal persons;
2. the extent to which legal and corporate structures are aligned with core business lines and critical operations;
3. the extent to which arrangements are in place to provide for essential staff, infrastructure, funding, liquidity and capital to support and maintain the core business lines and the critical operations;
4. the extent to which the service level agreements that the credit institution or investment firm maintains are fully enforceable in the event of resolution;
5. the extent to which the governance structure of the credit institution or investment firm is adequate for managing and ensuring compliance with the internal rules of the credit institution or investment firm with respect to its service level agreements;
6. the extent to which the credit institution or investment firm has a process for transitioning the services provided under service level agreements to third parties in the event of the separation of critical functions or of core business lines;
7. the extent to which contingency plans are in place to ensure continuity in access to payment and settlement systems;
8. the adequacy of the management information systems in ensuring that the Resolution Authority is able to gather accurate and complete information regarding the core business lines and critical operations so as to facilitate rapid decision making;
9. the capacity of the management information systems to provide the information essential for the effective resolution of the credit institution or investment firm at all times, even under rapidly changing conditions;
10. the extent to which the credit institution or investment firm has tested its management information systems under stress scenarios as defined by the Resolution Authority;
11. the extent to which the credit institution or investment firm can ensure the continuity of its management information systems, both for the affected credit institution or investment firm and the new legal entity, in the case that the critical operations and core business lines must be separated from the rest of the operations and business lines;
12. the extent to which the credit institution or investment firm has established adequate processes to ensure that it provides the Resolution Authority with the information necessary to identify depositors and the amounts covered by the Depositors' and Investors' Guarantee Fund;
13. where the group uses intra-group guarantees, the extent to which those guarantees are provided at market conditions and how robust the risk management systems concerning those guarantees are;
14. where the group engages in back-to-back transactions, the extent to which those transactions are performed at market conditions and the risk management systems concerning those transactions practices are robust;

15. the extent to which the use of intra-group guarantees or back-to-back transactions increases contagion across the group;
16. the extent to which the legal structure of the group inhibits the application of the resolution tools as a result of the number of legal persons, the complexity of the group structure or the difficulty in aligning business lines to group entities;
17. the amount and type of eligible liabilities of the credit institution or investment firm;
18. where the assessment involves a mixed activity holding company, the extent to which the resolution of the credit institution, investment firm or financial institutions within the group could have a negative impact on the non-financial part of the group;
19. the existence and robustness of service level agreements;
20. whether third-country authorities have the resolution tools necessary to support resolution actions by Member States' resolution authorities, and the scope for co-ordinated action between Member State and third-country authorities;
21. the feasibility of using resolution tools in such a way that they meet the resolution objectives, given the tools available and the structure of the credit institution or investment firm;
22. the extent to which the group structure allows the Resolution Authority to resolve the whole group or one or more of its group entities without causing a significant direct or indirect adverse effect on the financial system, market confidence or the economy and with a view to maximising the value of the group as a whole;
23. the arrangements and means through which resolution could be facilitated in the cases of groups that have branches established in different jurisdictions;
24. the credibility of using resolution tools in a manner which meets the resolution objectives, given possible impacts on creditors, counterparties, customers and employees and possible actions that third-country authorities may take;
25. the extent to which the impact of the resolution of the credit institution or investment firm on the financial system and on financial market confidence can be adequately evaluated;
26. the extent to which the resolution of the credit institution or investment firm could have a significant direct or indirect adverse effect on the financial system, market confidence or the economy;
27. the extent to which contagion to other credit institutions or investment firms or to financial markets could be contained through the application of the resolution tools and powers;
28. the extent to which the resolution of the credit institution or investment firm could have a significant effect on the operation of payment and settlement systems.

When assessing the resolvability of a group, the reference to a credit institution and investment firm under this Article should be understood as referring to all credit institutions, investment firms and units covered by subparagraphs c and d of the first paragraph of Article 2 of Act no. 70/ 2020 which are part of group.

Article 5

*Transposition*

This Regulation transposes the provisions of Annexes A, B and C to Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014, establishing a framework for the recovery and resolution of credit institutions and investment firms.

Article 6

*Entry into force*

This Regulation is issued on the basis of the fifth paragraph of Article 82 of the Act on Financial Undertakings, no. 161/2002, and the second paragraph of Article 12, the fourth paragraph of Article 13 and the fourth paragraph of Article 14 of the Act on Resolution of Credit Institutions and Investment Firms, no. 70/2020, and shall enter into force immediately.

At the same time, the Regulation on the Recovery Plans of Credit Institutions and Investment Firms and their Groups, no. 50/2019, is repealed.

*Ministry of Finance and Economic Affairs 15 June 2021.*

On behalf of the Minister,  
**Guðrún Þorleifsdóttir**

*Hjörleifur Gíslason*