



Policy Statement 2023/01

Resolution Planning and Resolvability

Issued: 11 August 2023

Glossary of Terms

Defined terms are indicated throughout this document as follows:

| | |
|--------------------------|---|
| Bank | A person registered to carry on deposit-taking business in or from within Jersey under the Banking Law; or A company incorporated under the Companies Law that is a Holding Company or a Subsidiary of a person so registered. |
| Banking Law | Banking Business (Jersey) Law 1991 |
| Companies Law | Companies (Jersey) Law 1991 |
| Core Business Lines | Business lines and associated services which represent material sources of revenue, profit or franchise value for a bank or a bank's group. |
| Critical FMI Services | FMI services that are necessary for the continuity of Critical Functions and Core Business Lines. |
| Critical Function | Activities, services or operations the discontinuance of which is likely to lead to the disruption of services that are essential to the real economy in Jersey or the disruption of financial stability due to the size, market share, external and internal interconnectedness, complexity, or cross-border activities of a bank or bank's group, with particular regard to the substitutability of those activities, services or operations. |
| Critical IT Systems | Information Technology systems that are necessary for the continuity of Critical Functions and Core Business Lines. |
| Critical Shared Service | An activity, function or service performed by either an internal unit, a separate legal entity within the group or an external provider the sudden and disorderly failure of which would lead to the collapse of or present a serious impediment to the performance of a Critical Function. |
| FMI | Financial Market Infrastructure |
| Holding Company | has the meaning given by Article 2(4) of the Companies Law |
| Jersey Bank | A person registered to carry on deposit-taking business in or from within Jersey under the Banking Law |
| Jersey DCS | Jersey Bank Depositors Compensation Scheme |
| JFSC | Jersey Financial Services Commission |
| Jersey Branch | The Jersey operations of an Overseas Incorporated Bank |
| Jersey Incorporated Bank | A Jersey incorporated company registered to carry on deposit-taking business under the Banking Law |
| JRA | Jersey Resolution Authority |
| MIS | Management Information Systems |

| | |
|----------------------------|--|
| MREL | Minimum requirement for own funds and eligible liabilities |
| OCiR | Operational Continuity in Resolution |
| Overseas Incorporated Bank | A person not incorporated in Jersey that is registered to carry on deposit-taking business under the Banking Law |
| Resolution Law | Bank (Recovery and Resolution) (Jersey) Law 2017 |
| Subsidiary | shall be construed in accordance with Article 2 of the Companies Law |

Table of Contents

| | | |
|--|--|-------------------------------|
| 1 | Background | 6 |
| 2 | Overriding approach | 7 |
| 2.1 | Risk Based Approach to Resolution Planning..... | 7 |
| 2.2 | Resolution Outcomes | 7 |
| 2.3 | Risks to Resolution | 7 |
| 2.4 | Assessing Resolvability | 8 |
| 2.5 | Guidance..... | 9 |
| 3 | Preferred Resolution Strategies..... | 10 |
| 3.1 | Determining Critical Functions | 10 |
| 3.2 | Determining Preferred Resolution Strategies | 10 |
| 4 | General Requirements applicable to all Jersey Banks | 12 |
| 4.1 | Communication with the JRA | 12 |
| 4.2 | A Risk Based Approach | 12 |
| 4.3 | Management Information Systems..... | 12 |
| 4.4 | Provision of information to the DCS..... | 12 |
| 5 | Requirements for Jersey Banks performing Critical Functions | 13 |
| 5.1 | Minimum requirement for own funds and eligible liabilities (MREL)..... | 13 |
| 5.2 | Valuations..... | 14 |
| 5.3 | Liquidity and Funding in Resolution | 15 |
| 5.4 | Continuity of Financial Contracts (Stays) | 16 |
| 5.5 | Operational Continuity in Resolution (OCiR)..... | 17 |
| 5.6 | Continuity of Access to Financial Market Infrastructure (FMI)..... | 19 |
| 5.7 | Restructuring | 20 |
| 5.8 | Management and Governance..... | 21 |
| 5.9 | Communications..... | 22 |
| 6 | Requirements for Jersey Banks not performing Critical Functions | 24 |
| 7 | Phased rollout of requirements..... | <u>26</u>²⁵ |
| Appendix A: Summary of Jersey’s Resolution Framework and requirements for Jersey Banks that perform Critical Functions..... | | <u>27</u>²⁶ |

Appendix B: Phased rollout of requirements and additional Policy Statements and guidance.....2928

1 Background

- 1.1.1 The JRA was established as Jersey’s Resolution Authority on 31 January 2022 in accordance with the Bank (Recovery and Resolution) (Jersey) Law 2017 (the Resolution Law).
- 1.1.2 The JRA has statutory responsibility to prepare for and administer the resolution of banks in Jersey. In doing so the JRA aims to:
 - 1.1.2.1 Ensure continuity of banking services and Critical Functions in Jersey;
 - 1.1.2.2 Protect and enhance the stability of the financial system in Jersey;
 - 1.1.2.3 Protect and enhance public confidence in the stability of the financial system in Jersey;
 - 1.1.2.4 Protect public funds;
 - 1.1.2.5 Protect covered deposits (deposits covered by Jersey’s Deposit Compensation Scheme); and
 - 1.1.2.6 Protect client assets.
- 1.1.3 This Policy Statement sets out the JRA’s approach to resolution planning and resolvability assessments. It provides a framework that can be applied immediately but which will be developed, enhanced, and tailored as the JRA takes steps to ensure Jersey Banks are resolvable.
- 1.1.4 The framework set out in this Policy Statement provides a common approach that will ensure consistency across Jersey Banks whilst allowing flexibility to account for each Jersey Bank’s particular circumstances.
- 1.1.5 Whilst the requirements set out in the Policy Statement are not intended to impose any additional requirements on Jersey Banks over and above the requirements in the Resolution Law, it sets out clear expectations of the capabilities the JRA requires Jersey Banks to develop to demonstrate that they are resolvable. Where Jersey Banks cannot demonstrate these requirements are met, the JRA has powers under the Resolution Law to require them to implement measures to improve their resolvability.
- 1.1.6 The JRA’s approach has been designed based on standards and guidance issued by the Financial Stability Board, the Bank of England, and the European Union’s Single Resolution Board.
- 1.1.7 The approach is based on the current industry structure in Jersey and may need to be revisited if new banks set up in Jersey or if existing banks adopt alternative banking models.
- 1.1.8 The remainder of this Policy Statement is structured as follows:
 - 1.1.8.1 Sections 2 & 3 outline the JRA’s overring approach to resolvability;
 - 1.1.8.2 Section 4 sets out general requirements applicable to all Jersey Banks;
 - 1.1.8.3 Section 5 sets out requirements applicable to Jersey Banks that perform Critical Functions;
 - 1.1.8.4 Section 6 sets out requirements applicable to Jersey Banks that do not perform Critical Functions; and
 - 1.1.8.5 Section 7 explains the phased rollout of requirements.

2 Overriding approach

2.1 Risk Based Approach to Resolution Planning

- 2.1.1 The JRA has developed an approach to prioritising resolution planning activity and deployment of its resources that focuses on Jersey Banks meeting the following criteria:
- 2.1.1.1 Jersey Banks in distress (financial or otherwise) that results in an increased likelihood of failure;
 - 2.1.1.2 Jersey Banks performing Critical Functions;
 - 2.1.1.3 Jersey Banks that are structured as Jersey Incorporated Banks (subsidiaries); and
 - 2.1.1.4 Jersey Banks that are not part of a group that has a credible group resolution plan based on an open-bank bail-in resolution strategy.
- 2.1.2 Banks that do not ~~meet the above criteria~~ perform Critical Functions (as determined by the JRA) are still required to prepare for resolution or to minimise the impact of their failure (see Section 6).

2.2 Resolution Outcomes

- 2.2.1 Having considered international standards and guidance the JRA has established a resolution framework based on three Resolution Outcomes, being:
- 2.2.1.1 Financial Resources: Jersey Banks should have sufficient financial resources to absorb losses, recapitalise the bank and ensure it can meet its obligations in resolution.
 - 2.2.1.2 Continuity and Restructuring: Jersey Banks should ensure that:
 - › Resolution does not result in financial and operational contracts being materially disrupted or terminated; and
 - › Direct or indirect access to Critical Shared Services and Financial Market Infrastructure is maintained.
 - 2.2.1.3 Coordination and Communication: Jersey Banks should be able to coordinate and communicate effectively internally, with authorities and with markets so that resolution and restructuring are orderly.

2.3 Risks to Resolution

- 2.3.1 In considering the Resolution Outcomes set out above, the JRA has identified nine common Risks to Resolution that need to be adequately mitigated to maximise the credibility and feasibility of resolution plans.
- 2.3.2 The Risk to Resolution, which are set out in detailed in Section 5, cover:
- 2.3.2.1 Minimum requirement for own funds and eligible liabilities (MREL);
 - 2.3.2.2 Valuations;
 - 2.3.2.3 Liquidity and Funding in Resolution;
 - 2.3.2.4 Continuity of Financial Contracts (Stays);
 - 2.3.2.5 Operational Continuity in Resolution (OCiR);
 - 2.3.2.6 Continuity of access to Financial Market Infrastructure (FMI);

- 2.3.2.7 Restructuring;
 - 2.3.2.8 Management and Governance; and
 - 2.3.2.9 Communication.
- 2.3.3 As well as general requirements applicable to all Jersey Banks (set out in Section 4), the JRA has identified specific requirements for Jersey Banks that have been identified as performing Critical Functions. These requirements are designed to address the nine Risks to Resolution and are set out in detail Section 5. Taking account of the structure of Jersey’s banking industry, reduced requirements apply to Jersey Branches of Overseas Incorporated Banks. Appendix A provides a summary of the resolution framework and requirements for Jersey Banks.
- 2.3.4 It is anticipated that Jersey Banks that are part of Global Systemically Important Banks (or other banking groups subject to resolution planning requirements in their home jurisdictions) will have already developed capabilities at a group level that address the requirements set out in this framework.
- 2.3.5 However, in some cases there may be a need for Jersey Banks to perform additional preparatory work at a local level to demonstrate that this is the case.
- 2.3.6 Jersey Banks may request to apply alternative approaches to the requirements set out in this framework if the Jersey Bank can demonstrate to the JRA that these adequately address the Risks to Resolution. The onus is on the Jersey Bank to demonstrate that the Risks to Resolution are appropriately addressed by the suggested alternative approach.

2.4 Assessing Resolvability

Jersey Banks’ Self-Assessments

- 2.4.1 Jersey Banks will be requested to perform self-assessments vs the requirements set out in this framework. ~~The specific timeframes for self-assessments will be set out after consultation with Jersey Banks.~~
- 2.4.2 Jersey Banks’ self-assessments and the JRA’s Resolvability Assessments will be based on the phased rollout of requirements set out in Section 7¹. Deadlines for submission of self-assessments are also set out in Section 5 (for Jersey Banks that perform Critical Functions) and Section 6 (for Jersey Banks that do not perform Critical Functions).
- 2.4.3 The JRA will issue further guidance in relation to Jersey Banks’s self-assessments. This will either be included in planned guidance relating to each Risk to Resolution or as a separate document. However, the JRA expects that the self-assessments will take the form of:
 - 2.4.3.1 Submission of required structured information via templates (for example providing base-line information relating to MREL or OCiR);
 - 2.4.3.2 A narrative self-assessment against each applicable Risk to Resolution and the associated requirements set out in this Policy Statement; and
 - 2.4.3.3 Relevant supporting documentation appended to the self-assessment (for example, copies of communication plans).

¹ Jersey Banks will be asked to provide information relating to aspects of the framework that have not yet been implemented to assist the JRA in developing resolution plans and determining feasibility of preferred resolution strategies.

JRA Resolvability Assessments

2.4.32.4.4 When performing Resolvability Assessments, the JRA will consider how well Jersey Banks have demonstrated that they have met the requirements set out in Sections 4, 5 and 6 or otherwise addressed the Risks to Resolution.

2.4.42.4.5 Where the JRA can obtain satisfactory comfort from existing Group Resolution Plans and group preparations for resolution, the JRA will apply proportionality and will tailor specific requirements accordingly.

2.4.52.4.6 In some cases, this will require Jersey Banks to provide explanations of how group preparations for resolution address the applicable Risks to Resolution set out in this framework.

2.4.62.4.7 The JRA may require additional information and analyses on specific topics from Jersey Banks either to address the Risks to Resolution or to address any other relevant risks identified.

2.4.72.4.8 Where the JRA identifies material impediments to resolvability it has powers under the Resolution Law to require Jersey Banks to implement measures to improve their resolvability. In such circumstances, the Jersey Bank will be required to submit a plan to address or remove material impediments and the JRA will, in consultation with the JFSC, determine whether the measures effectively address the impediments.

2.4.82.4.9 Where necessary the JRA will work with relevant Jersey Bank to identify alternative measures to address the impediments.

2.4.92.4.10 In the most extreme circumstances this may require the Jersey Bank to change its legal structure, for example requiring a Jersey Branch of an Overseas Incorporated Bank to become a Jersey Incorporated Bank to improve resolvability.

2.5 Guidance

2.5.1 The JRA will produce additional policy statements and guidance documents in due course and in consultation with industry and other key stakeholders. In this respect, the JRA's initial focus will be on:

- 2.5.1.1 A policy statement and associated guidance relating to MREL;
- 2.5.1.2 Reporting templates and guidance associated with OCiR requirements;
and
- 2.5.1.3 Guidance in relation to Communication planning.

3 Preferred Resolution Strategies

3.1 Determining Critical Functions

- 3.1.1 During 2022 the JRA requested information from all Jersey Banks as well as from the JFSC in order to analyse and determine which Jersey Banks perform Critical Functions. The outcome of this work has been communicated to all Jersey Banks.
- 3.1.2 The methodology applied by the JRA was consistent with guidance issued by the Financial Stability Board² and included consideration of:
 - 3.1.2.1 Analysis of the impact of a sudden discontinuance of the function (“impact assessment”); and
 - 3.1.2.2 Assessment of the substitutability of the function either by incumbent market participants or new entrants.
- 3.1.3 Going forward the JRA intends to issue further details setting out its approach to determining Critical Functions and consult with industry and other stakeholders regarding required data collections.
- 3.1.4 The JRA intends to re-assess Critical Functions every two years. However, to accommodate rollout of the resolution framework, the next assessment will take place during 2025 based on 2024 data.
- 3.1.5 If necessary, for example during the lead up to a resolution event, the JRA may require a Jersey Bank to provide updated data to allow the JRA to reconfirm Critical Functions.

3.2 Determining Preferred Resolution Strategies

- 3.2.1 The JRA ~~is in the process of developing its approach to determining~~ determines Preferred Resolution Strategies ~~on a bank by bank basis. However, in principle these will be~~ based on:
 - 3.2.1.1 The JRA’s determination of whether the Jersey Bank performs Critical Functions;
 - ~~3.2.1.1~~ 3.2.1.2 ~~The size and complexity of the bank;~~ and
 - ~~3.2.1.2~~ 3.2.1.3 The extent and nature of Group Resolution Plans, the group’s Preferred Resolution Strategy and group preparations for resolution³.
- 3.2.2 ~~The JRA will engage with Jersey Banks in relation to suggested resolution strategies during the first half of 2023 with a view to adopting preferred resolution strategies early in the second half of 2023. Preferred Resolution Strategies will generally align to the following approach:~~
 - 3.2.2.1 ~~Bail-in Strategies: Applicable to large, complex Jersey Banks that perform a lot of Critical Functions in Jersey and those Jersey Banks that are part of groups that have Bail-in Strategies at a group level;~~
 - 3.2.2.2 ~~Sale or Transfer Strategies: Applicable to medium sized Jersey Banks that perform some Critical Functions in Jersey;~~

² The Financial Stability Board’s Guidance on Identification of Critical Functions and Critical Shared Services issued 16 July 2013.

³ The JRA will seek to align local preferred resolution strategies to group preferred resolution strategies wherever possible. However, in doing so, the JRA will consider how well Group Resolution Plans protect Critical Functions in Jersey.

3.2.2.3 Bank Winding Up: Applicable to small Jersey Banks that do not perform Critical Functions in Jersey and are not part of a banking group that is systemically important in its home jurisdiction.

3.2.3 Whilst Preferred Resolution Strategies indicate the preferred approach we will take locally in relation to the failure of a Jersey Bank, the actual approach taken will depend on the facts relating to any specific failure and careful consideration of the following resolution objectives (as set out in Article 33 of the Resolution Law):

3.2.3.1 To ensure continuity of banking services in Jersey and the provision of Critical Functions in Jersey;

3.2.3.2 To protect and enhance the stability of the financial system in Jersey, including preventing contagion and maintaining market discipline;

3.2.3.3 To protect and enhance public confidence in the stability of the financial system in Jersey;

3.2.3.4 To protect public funds, including minimizing reliance on extraordinary public financial support;

3.2.3.5 To protect eligible depositors to the extent that they have covered deposits; and

3.2.3.6 To protect client assets.

~~3.2.23.2.4~~ The resolution objectives set out above are not listed in any order of significance and will be balanced as appropriate in each case.

4 General Requirements applicable to all Jersey Banks

4.1 Communication with the JRA

- 4.1.1 The JRA expects Jersey Banks to proactively engage on the topic of resolution and communicate openly and transparently with the JRA.
- 4.1.2 Article 166 of the Resolution Law makes it an offence to knowingly provide the JRA with false or misleading information.
- 4.1.3 Article 28 of the Resolution Law requires the management of a Bank to notify both the JFSC and the JRA if they consider that the Bank is failing or likely to fail.
- 4.1.4 In practice the JRA expects Banks to notify the JRA on a timely basis of material events that impact the financial standing of the Jersey Bank or its group.

4.2 A Risk Based Approach

- 4.2.1 Jersey Banks are expected to take a risk-based approach to ensuring they are resolvable in line with the framework set out in this document and the preferred resolution strategy set by the JRA.
- 4.2.2 In doing so, Jersey Banks must consider whether any other risks pose a threat to their resolvability and take appropriate steps to mitigate those risks (liaising with the JRA accordingly).

4.3 Management Information Systems

- 4.3.1 Jersey Banks must maintain adequate Management Information Systems (MIS) to enable submission of information and data to the JRA both during Business as Usual, periods of financial stress, and during resolution.

4.4 Provision of information to the DCS

- 4.4.1 Jersey Banks must maintain adequate systems and processes (including relevant controls) to enable provision of information, including a "fit for purpose" Single Customer View (SCV) file, to the Jersey Bank Depositors Compensation Scheme (Jersey DCS) to facilitate timely pay-out of covered deposits. [Further details in relation to the Jersey DCS's SCV Specification can be found on the Jersey DCS's website: https://www.jerseydcs.je/index.html](https://www.jerseydcs.je/index.html)

5 Requirements for Jersey Banks performing Critical Functions

5.1 Minimum requirement for own funds and eligible liabilities (MREL)

Risk to Resolution

- 5.1.1 Jersey Banks may have insufficient capacity to absorb losses to support effective execution of the preferred resolution strategy and recapitalise them to a level that enables them to comply with conditions for regulatory authorisation and to maintain market confidence.

Applies to

- 5.1.2 Jersey Incorporated Banks only.

Key Requirements

- 5.1.3 Jersey Banks must have sufficient loss absorption and recapitalisation capacity to ensure effective application of the preferred resolution strategy. Jersey Banks must maintain a sufficient amount of eligible instruments to meet the bank specific MREL requirements set by the JRA.
- 5.1.4 Jersey Banks must have adequate policies, procedures, and controls in place to ensure the cross-border recognition and effectiveness of resolution actions (including complying with Article 72 of the Resolution Law once in effect⁴).
- 5.1.5 Jersey Banks must have in place adequate governance, processes, and Management Information Systems (MIS) capabilities to support the operational execution of the write-down and conversion power (this should include an appropriate playbook in line with the preferred resolution strategy that is evaluated and tested on a periodic basis).
- 5.1.6 Jersey Banks must have adequate MIS capabilities to identify and report, in a timely manner, information relating to its liabilities and capital structure to effectively support resolution (e.g. amounts and nature of loss absorbing and recapitalisation capacity, amounts of excluded liabilities, estimated treatment during relevant insolvency proceedings).
- 5.1.7 Where applicable, Jersey Banks must maintain a credible and feasible internal loss transfer and recapitalisation mechanism within resolution groups, in order to upstream losses and downstream capital in resolution.

Guidance

- 5.1.8 The JRA intends to consult with industry on levels of MREL, eligibility criteria, subordination requirements and a phased implementation of MREL limits. Bilateral engagement with Jersey Incorporated Banks will commence in Q2 2023 with a consultation paper issued in Q4 2023.

⁴ The JRA will consult with industry regarding the application of Article 72 of the Resolution Law (e.g. whether to apply it to all Jersey Banks or just Jersey Incorporated Banks and an appropriate timeframe for implementation).

- 5.1.9 Jersey Incorporated Banks are encouraged to consult the following publications, which are the primary source documents that the JRA will use to develop its policy in respect of MREL:
- 5.1.9.1 The Financial Stability Board’s Total Loss-Absorbing Capacity (TLAC) Principles and Term Sheet⁵;
 - 5.1.9.2 The Financial Stability Board’s Guiding Principles on the Internal Total Loss-Absorbing Capacity of G-SIBs (‘Internal TLAC’)⁶;
 - 5.1.9.3 The Bank of England’s approach to setting a minimum requirement for own funds and eligible liabilities⁷; and
 - 5.1.9.4 The Single Resolution Board’s Policy on Minimum Requirements for Own Funds and Eligible Liabilities⁸.

Self-Assessment due date

- 5.1.1 Interim target MREL to be met by 31 December 2024.
- 5.1.2 Final MREL to be met by 31 December 2025.
- 5.1.15.1.3 Self-assessment against MREL requirements due by 30 June 2026 (and every two years thereafter).

5.2 Valuations

Risk to Resolution

- 5.2.1 Jersey Banks’ policies, procedures and systems may be inadequate to support an independent valuer in conducting timely and robust valuations to support effective resolution.

Applies to

- 5.2.2 Jersey Incorporated Banks only⁹.

Key Requirements

- 5.2.3 Jersey Banks must have in place MIS capabilities to produce information that is as up-to-date and complete as reasonably possible to ensure fair, prudent, and realistic valuations.
- 5.2.4 Jersey Banks must have in place appropriate quality assurance in respect of data provided to the JRA, or valuers¹⁰.
- 5.2.5 Jersey Banks must self-assess the availability of data and their data reporting capabilities and report their self-assessment to the JRA on a frequency determined by the JRA on a bank specific basis.

⁵ <https://www.fsb.org/2015/11/total-loss-absorbing-capacity-tlac-principles-and-term-sheet/>

⁶ <https://www.fsb.org/2017/07/guiding-principles-on-the-internal-total-loss-absorbing-capacity-of-g-sibs-internal-tlac-2/>

⁷ <https://www.bankofengland.co.uk/-/media/boe/files/paper/2021/mrel-statement-of-policy-december-2021-updating-2018.pdf?la=en&hash=513F77100E9424C7F4019928FEFA42AC2C025AA0>

⁸ https://www.srb.europa.eu/system/files/media/document/mrel_policy_may_2021_final_web.pdf

⁹ A Jersey Branch of an Overseas Incorporated Bank may be required to demonstrate group capabilities to address this risk to resolution.

¹⁰ The JRA intends to develop and publish a Valuation Standard and a Data Set for Valuations in due course and following consultation with industry.

- 5.2.6 Jersey Banks must perform dry-run exercises, on a periodic basis, to test the bank's capacity to produce the required JRA Data Set for Valuations⁷¹⁰ within a timeframe specified by the JRA on a bank specific basis.
- 5.2.7 Where applicable, Jersey Banks must develop and maintain a document (or documents) that explains and clearly justifies the underlying data sources, assumptions, and methodologies of each of their internal valuation models.

Guidance

- 5.2.8 The JRA intends to develop and publish a Valuation Standard and a Data Set for Valuations in due course and following consultation with industry.
- 5.2.9 Jersey Incorporated Banks are encouraged to consult the following publications, which are some of the source documents that the JRA will use to develop its approach in relation to valuations:
 - 5.2.9.1 The Bank of England's Statement of Policy on valuation capabilities to support resolvability¹¹;
 - 5.2.9.2 The Single Resolution Board's Valuation Framework¹².

Self-Assessment due date

- 5.2.10 First self-assessment against Valuations requirements due by 30 June 2025.
- 5.2.11 Subsequent self-assessment due by 30 June 2026 (and every two years thereafter).

5.3 Liquidity and Funding in Resolution

Risk to Resolution

- 5.3.1 Jersey Banks may be unable to reliably estimate, anticipate and monitor their liquidity position and needs or to mobilise liquidity resources on a timely basis, resulting in them having insufficient liquidity to meet their obligations as they fall due in the approach to and during resolution.

Applies to

- 5.3.1 Jersey Incorporated Banks only¹³.

Key Requirements

- 5.3.2 Jersey Banks must develop methodologies to estimate their liquidity needs in the build up to and during resolution, based on the preferred resolution strategy. This includes documenting and justifying key assumptions in a dedicated document.
- 5.3.3 Where relevant, Jersey Banks must be able to demonstrate how potential shortfalls could be addressed.
- 5.3.4 Jersey Banks must have adequate processes and capabilities to measure and report, on a timely basis, their liquidity and funding needs in the lead up to and during resolution.

¹¹ <https://www.bankofengland.co.uk/-/media/boe/files/paper/2021/bank-of-englands-sop-valuation-capabilities-to-support-resolvability-may-2021.pdf?la=en&hash=76B01E08F3ED5D168A7296A505024CF1627419B0>

¹² <https://www.srb.europa.eu/en/content/valuation-framework>

¹³ A Jersey Branch of an Overseas Incorporated Bank may be required to demonstrate that its liquidity needs in resolution have been adequately captured by group preparations for resolution.

- 5.3.5 Jersey Banks must have adequate processes and capabilities to identify the liquidity sources that are available to it. Where applicable, this includes at the level of any Jersey incorporated holding company or subsidiaries.
- 5.3.6 Jersey Banks must have adequate processes and capabilities to identify, report and mobilise, on a timely basis, assets as collateral and describe operationally how to mobilise those assets. This should include regularly evaluating and testing its ability to effectively mobilise available collateral.

Guidance

- 5.3.7 The JRA plans to develop additional policy and guidance in relation to Liquidity and Funding in Resolution. Jersey Banks are encouraged to consult the following publications, which are some of the source documents that the JRA will use to develop its approach in this respect:
 - 5.3.7.1 The Financial Stability Board’s Guiding Principles on the temporary funding needed to support the orderly resolution of a global systemically important bank¹⁴;
 - [5.3.7.2 The Bank of England’s Statement of Policy on Funding in Resolution¹⁵](#);
 - [5.3.7.25.3.7.3](#) Section 2.3 of the Single Resolution Board’s Expectations for Banks¹⁶.

Self-Assessment due date

- [5.3.8 First self-assessment against Liquidity and Funding in Resolution requirements due by 30 June 2026 \(and every two years thereafter\).](#)

5.4 Continuity of Financial Contracts (Stays)

Risk to Resolution

- 5.4.1 Entry into resolution may cause early termination of financial contracts or trigger other contractual terms, resulting in significantly negative impact on the stability of the Jersey Bank or the wider financial system (e.g. through contagion).

Applies to

- 5.4.2 Jersey Incorporated Banks only¹⁷.

Key Requirements

- 5.4.3 Jersey Banks must maintain detailed records of financial contracts to be able to quickly identify their counterparties and determine contract values (notional and market) and maturity.

¹⁴ <https://www.fsb.org/wp-content/uploads/Guiding-principles-on-the-temporary-funding-needed-to-support-the-orderly-resolution-of-a-global-systemically-important-bank-%E2%80%99CG-SIB%E2%80%9D.pdf>

¹⁵ As set out in Appendix 2 of the Bank of England’s approach to assessing resolvability and available at: <https://www.bankofengland.co.uk/-/media/boe/files/paper/2019/bank-of-england-funding-in-resolution-sop.pdf>

¹⁶ https://www.srb.europa.eu/system/files/media/document/efb_main_doc_final_web_0_0.pdf

¹⁷ A Jersey Branch of an Overseas Incorporated Bank may be required to demonstrate that group preparations for resolution have adequately addressed the risk to resolution posed by early termination of financial contracts and other contractual terms.

- 5.4.4 Jersey Banks must be able to demonstrate a clear understanding of the risks posed by early termination of financial contracts, or other contractual terms¹⁸, on the orderly implementation of the preferred resolution strategy.
- 5.4.5 Jersey Banks must take appropriate steps to ensure that counterparties to relevant non-Jersey Law financial contracts agree in an enforceable manner to recognise the application of a stay¹⁹ imposed either under the Resolution Law or the resolution regime in the Jersey Bank’s home jurisdiction (or, in the case of a Multiple Point of Entry strategy, the jurisdiction in which the Jersey Bank’s resolution group is located)²⁰.

Guidance

- 5.4.6 The JRA plans to develop additional guidance in relation to Continuity of Financial Contracts. Jersey Banks are encouraged to consult the following publications, which are some of the source documents that the JRA will use to develop its approach in this respect:
 - 5.4.6.1 Section 5 of the Bank of England’s Approach to Assessing Resolvability²¹;
 - 5.4.6.2 The Prudential Regulation Authority’s Policy Statement PS25/15 Contractual stays in financial contracts governed by third-country law²².

Self-Assessment due date

- 5.4.7 First self-assessment against Continuity of Financial Contract requirements due by 30 June 2026 (and every two years thereafter).

5.5 Operational Continuity in Resolution (OCiR)

Risk to Resolution

- 5.5.1 Jersey Banks may have inadequate operational continuity arrangements in place to ensure their ability to provide banking services and critical functions in resolution (including during post-stabilisation restructuring).

Applies to

- 5.5.2 Both Jersey Incorporated Banks and Jersey Branches of Overseas Incorporated Banks.

Key Requirements

- 5.5.3 Jersey Banks must develop appropriate systems, policies, and procedures (including controls) to identify, map, and report Critical Shared Services. This should include capabilities to:
 - 5.5.3.1 Map Critical Shared Services to Critical Functions, Core Business Lines, and legal entities; and

¹⁸ For example, clauses that allow for suspension, modification, netting or set-off, or enforcement of security rights as a result of the Jersey Bank, or a member of its group, entering resolution.

¹⁹ Stay meaning restrictions on early termination and close-out as set out in the Resolution Law.

²⁰ The JRA intends to develop specific guidance in relation to the applicability of this requirement with the aim of avoiding duplication with or contradicting the requirements set by Jersey Banks’ Home Resolution Authorities.

²¹ <https://www.bankofengland.co.uk/-/media/boe/files/paper/2021/bank-of-englands-approach-to-assessing-resolvability-sop-may-2021.pdf>

²² <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policy-statement/2015/ps2515>

- 5.5.3.2 Develop and maintain appropriate MIS to catalogue ~~of~~ all Critical Shared Services that can be relied on and easily accessed in a stress situation for resolution planning or execution.
- 5.5.4 Jersey Banks must develop appropriate systems, policies, and procedures (including controls) to identify, map, and report Critical IT Systems.
- 5.5.5 Jersey Banks must ensure contractual arrangements and service level agreements for Critical Shared Services and Critical IT Systems are clearly documented and resolution resilient. This includes:
 - 5.5.5.1 Contractual clauses that prevent termination of the service during resolution (so long as the Jersey Bank meets its on-going obligations relating to the contract);
 - 5.5.5.2 Contractual clauses that facilitate transfer of the service to other parties (e.g. if required to support a sale or transfer resolution strategy); and
 - 5.5.5.3 Robust cost and transparent pricing structures that are predictable and set on an arm's length basis and which do not alter solely as a result of the Jersey Bank's entry into resolution.
- 5.5.6 For internal Critical Shared Services and Critical IT Systems, Jersey Banks must ensure mechanisms are in place for those services to continue in resolution. This will include ensuring that internal service providers have sufficient financial resources to meet their obligations in respect of the Critical Shared Services they provide.
- 5.5.7 Jersey Banks must ensure adequate governance oversight for delivery of Critical Shared Services, including clearly defined reporting lines.

Guidance

- 5.5.8 The JRA plans to develop guidance on OCiR, including reporting templates for Critical Shared Services and Critical IT Systems.
- 5.5.9 Jersey Banks are encouraged to consult the following publications, which are some of the source documents that the JRA will use to develop its approach in relation to OCiR:
 - 5.5.9.1 The Prudential Regulation Authority's Supervisory Statement SS4/21 Ensuring operational continuity in resolution²³;
 - 5.5.9.2 The Single Resolution Board's Operational Guidance on Operational Continuity in Resolution²⁴.

Self-Assessment due date

- 5.5.10 Interim, summary update to be provided by 31 March 2024²⁵.
- 5.5.11 First self-assessment against OCiR requirements due by 31 December 2024.
- 5.5.12 Subsequent self-assessment due by 30 June 2026 (and every two years thereafter).

²³ <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2021/ss421-may-2021.pdf?la=en&hash=52D22A9C1F4FFF0B8E5B06B1D2CB8457695F59F6>

²⁴ https://www.srb.europa.eu/system/files/media/document/2021-11-29_SRB-Operational-Guidance-for-Operational-Continuity-in-Resolution.pdf

²⁵ This interim, summary update should utilise the Jersey Bank's pre-existing internal documentation used to enable appropriate governance oversight of work underway to ensure resolvability requirements are met (e.g. the latest internal reports to those charged with governance, or project governance forums).

5.6 Continuity of Access to Financial Market Infrastructure (FMI)

Risk to Resolution

- 5.6.1 Jersey Banks may be unable to maintain continued access to Financial Market Infrastructure (FMI) in the lead up to and during resolution, thereby leading to disruption to critical functions.

Applies to

- 5.6.1 Both Jersey Incorporated Banks and Jersey Branches of Overseas Incorporated Banks.

Key Requirements

- 5.6.2 Jersey Banks must identify all providers of Critical FMI Services and map these providers to Critical Functions and Core Business Lines.
- 5.6.3 Jersey Banks must develop a clear understanding of the conditions for continued access to Critical FMI Services and have documented and assessed the potential financial and operational requirements that FMI service providers may impose ahead of and during resolution.
- 5.6.4 Jersey Banks must develop an FMI playbook outlining the measures that they (or their group) have implemented to support continued access to FMI services or a smooth transfer or wind down of activities in line with the preferred resolution strategy.
- 5.6.5 Where necessary to address the risk, Jersey Banks must take additional steps to enhance resolution preparedness. For example, amending contractual arrangements with FMI service providers or identifying alternative FMI services.

Guidance

- 5.6.6 It is recognised that most Jersey Banks access FMI indirectly via their group's access. Therefore, it is anticipated that, in the majority of cases, Jersey Banks will simply be required to identify and map critical FMI service providers and ensure intra-group arrangements are in place to enable the Jersey Bank to continue to access FMI via their group's access.
- 5.6.7 The JRA plans to develop guidance on Continuity of Access to FMI. Jersey Banks are encouraged to consult the following publications, which are some of the source documents that the JRA will use to develop this guidance:
 - 5.6.7.1 The Bank of England's Statement of Policy on Continuity of Access to Financial Market Infrastructure (FMIs)²⁶;
 - 5.6.7.2 The Single Resolution Board's Operational Guidance for FMI Contingency Plans²⁷.

Self-Assessment due date

- 5.6.8 First self-assessment against Continuity of Access to FMI requirements due by 30 June 2026 (and every two years thereafter).

²⁶ <https://www.bankofengland.co.uk/-/media/boe/files/paper/2019/bank-of-england-continuity-of-access-to-fmis-sop.pdf>

²⁷

https://www.srb.europa.eu/en/system/files?file=media/document/srb_operational_guidance_for_fmi_contingency_plans.pdf

5.7 Restructuring

Risk to Resolution

- 5.7.1 Jersey Banks (where applicable in conjunction with their wider group) may not develop or execute adequate post-stabilisation restructuring options.

Applies to

- 5.7.2 Jersey Incorporated Banks only^{28 29}.

Key Requirements

Requirements in respect of Restructuring vary depending on the preferred resolution strategy set by the JRA.

- 5.7.3 Bail-in: Jersey Banks must develop capabilities to be able to plan and execute restructuring effectively and on a timely basis (including to meet requirements of Article 70 of the Resolution Law). This should:
- 5.7.3.1 Address the cause of failure;
 - 5.7.3.2 Ensure continuity of banking services and Critical Functions in Jersey;
 - 5.7.3.3 Describe the measures to restore the long-term viability of the Jersey Bank;
 - 5.7.3.4 Ensure compliance with existing regulatory requirements that will continue to apply to the Jersey Bank;
 - 5.7.3.5 Include a timescale for implementation;
 - 5.7.3.6 Identify the potential costs and the impact of the restructuring on the profit and loss statement and balance sheet of the Jersey Bank; and
 - 5.7.3.7 Where applicable, be consistent with restructuring plans in place at a group level.
- 5.7.4 Bail-in: Jersey Banks must identify and evaluate measures available to restore long-term viability.
- 5.7.5 Sale of Transfer (including Partial Transfer): Jersey Banks must perform and maintain a separability assessment for the current structure, and for the structure after implementation of recovery measures. This assessment should include:
- 5.7.5.1 Identify groups of interconnected activities and associated services that could be separated from the Jersey Bank without undue delay or excessive costs;
 - 5.7.5.2 Identify whether assets, liabilities, services, staff, and where relevant, other supporting infrastructure related to critical services that are part of a possible transfer could be transferred to third parties;
 - 5.7.5.3 Identify whether other assets and liabilities that are part of a possible transfer could be transferred;

²⁸ A Jersey Branch of an Overseas Incorporated Bank is required to provide the JRA with information regarding the likely impact of restructuring plans on its Jersey operations and to factor this, as well as any Jersey regulatory approvals, into its Communication Plans (see Section 5.9).

²⁹ A Jersey Branch of an Overseas Incorporated Bank may also be required to demonstrate that its Jersey operations have been considered as part of group preparations for restructuring.

- 5.7.5.4 Where clearing, payment and settlement activities are located and whether they can be transferred or liquidated;
 - 5.7.5.5 IT systems and licences, people and Critical Shared Services that are necessary to support the new arrangement (post sale or transfer);
 - 5.7.5.6 Any potential constraints on separability;
 - 5.7.5.7 Operational efforts and the expected time necessary for delivery of information and the relevant assessments;
 - 5.7.5.8 The costs that would apply to the transfer; and
 - 5.7.5.9 The liquidity and funding needs for the transfer as well as the description of potential sources of funding after separation.
- 5.7.6 Sale of Transfer (including Partial Transfer): Jersey Banks must develop capabilities to enable purchaser due diligence to be performed on a timely basis. This should include:
- 5.7.6.1 Identifying the expected information needs of potential purchasers and ensuring adequate MIS are in place to enable timely provision of such information;
 - 5.7.6.2 Preparing and maintaining draft confidentiality agreements that will need to be entered into prior to allowing potential purchasers access to due diligence information; and
 - 5.7.6.3 Identifying methods of easily sharing required due diligence information with potential purchasers (e.g. electronic data rooms).

Guidance

- 5.7.7 The JRA plans to develop guidance on Restructuring capabilities. Jersey Banks are encouraged to consult the following publications, which are some of the source documents that the JRA will use to develop this guidance:
 - 5.7.7.1 The Bank of England’s Statement of Policy on Restructuring Planning³⁰;
 - 5.7.7.2 The Single Resolution Board’s Operational Guidance for Banks on Separability for Transfer Tools³¹.

Self-Assessment due date

- 5.7.8 First self-assessment against Restructuring requirements due by 30 June 2025.
- 5.7.9 Subsequent self-assessment due by 30 June 2026 (and every two years thereafter).

5.8 Management and Governance

Risk to Resolution

- 5.8.1 Jersey Banks may lack the necessary governance structures to ensure effective oversight and timely decision-making in respect of resolution planning and during the execution of a resolution.
- 5.8.2 Key roles may not be adequately staffed in the lead up to and during resolution.

³⁰ <https://www.bankofengland.co.uk/-/media/boe/files/paper/2021/bank-of-england-restructuring-planning-sop-may-2021.pdf?la=en&hash=24739216935855BDFDAFCBA06B8D0DDB5BFC9A87>

³¹

<https://www.srb.europa.eu/system/files/media/document/20211025%20SRB%20Operational%20guidance%20for%20banks%20on%20separability%20for%20transfer%20tools%20FINAL.pdf>

Applies to

- 5.8.3 Both Jersey Incorporated Banks and Jersey Branches of Overseas Incorporated Banks.

Key Requirements

- 5.8.4 Jersey Banks must put in place governance processes to support the preparation and implementation of the preferred resolution strategy.
- 5.8.5 Jersey Banks must establish quality assurance (including internal audit) to ensure completeness and accuracy of information provided to the JRA and, where applicable, valuers.
- 5.8.6 Jersey Incorporated Banks must maintain, evaluate, and test playbooks describing the operational aspects of the local resolution strategy. Where applicable these should align to and compliment equivalent playbooks in place at a group level.
- 5.8.7 Jersey Banks must identify an appropriate experienced member of senior management to manage resolution-related activities.
- 5.8.8 Jersey Banks must identify key roles and take steps to ensure they're suitably staffed (e.g. use of retention and succession plans).

Guidance

- 5.8.1 The JRA plans to develop guidance on Governance capabilities. Jersey Banks may are encouraged to consult the following publications, which are some of the source documents that the JRA will use to develop this guidance:
- 5.8.1.1 The Bank of England's Statement of Policy on Management, Governance and Communication³²;
- 5.8.1.2 Section V of the Financial Stability Board's Principles of Bail-in Execution³³.

Self-Assessment due date

- 5.8.2 First self-assessment against Management and Governance requirements due by 30 June 2025.
- 5.8.3 Subsequent self-assessment due by 30 June 2026 (and every two years thereafter).

5.9 Communications

Risk to Resolution

- 5.9.1 Jersey Banks may have inadequate plans and capabilities to ensure timely and effective communications to relevant stakeholders in the lead up to and during resolution.

Applies to

- 5.9.2 Both Jersey Incorporated Banks and Jersey Branches of Overseas Incorporated Banks.

³² <https://www.bankofengland.co.uk/-/media/boe/files/paper/2021/bank-of-england-management-governance-and-communication-sop-may-2021.pdf?la=en&hash=CAC7A0C053522902E01E21B4C27A8A3C4C4023CF>

³³ <https://www.fsb.org/wp-content/uploads/P210618-1.pdf>

Key Requirements

- 5.9.3 Jersey Banks must identify key external and internal stakeholder groups.
- 5.9.4 Jersey Banks must develop and maintain a comprehensive communication plan with the aim of limiting contagion and avoiding uncertainty throughout the resolution timeline (including in respect of restructuring).
- 5.9.5 Jersey Banks must establish appropriate governance arrangements to ensure effective execution of the communication plan.
- 5.9.6 Jersey Banks must take appropriate steps to prevent leaks of information.

Guidance

- 5.9.7 The JRA plans to develop guidance on Communication planning. Jersey Banks are encouraged to consult the following publications, which are some of the source documents that the JRA will use to develop this guidance:
 - 5.9.7.1 The Bank of England’s Statement of Policy on Management, Governance and Communication³⁴;
 - 5.9.7.2 Section VI of the Financial Stability Board’s Principles of Bail-in Execution³⁵.

Self-Assessment due date

- 5.9.1 Interim, summary update to be provided by 31 March 2024³⁶.
- 5.9.2 First self-assessment against Communications requirements due by 31 December 2024.
- 5.9.3 Subsequent self-assessment due by 30 June 2026 (and every two years thereafter).

³⁴ <https://www.bankofengland.co.uk/-/media/boe/files/paper/2021/bank-of-england-management-governance-and-communication-sop-may-2021.pdf?la=en&hash=CAC7A0C053522902E01E21B4C27A8A3C4C4023CF>

³⁵ <https://www.fsb.org/wp-content/uploads/P210618-1.pdf>

³⁶ This interim, summary update should utilise the Jersey Bank’s pre-existing internal documentation used to enable appropriate governance oversight of work underway to ensure resolvability requirements are met (e.g. the latest internal reports to those charged with governance, or project governance forums).

6 Requirements for Jersey Banks not performing Critical Functions

6.1.1 In this Section 6 of the Policy Statement, references to Jersey Banks should be taken to mean Jersey Banks that do not perform Critical Functions (as determined by the JRA).

6.1.16.1.2 Jersey Banks must ensure adequate communication plans are in place to ensure the JRA is updated, on a timely basis, in respect of periods of stress, initiation of recovery actions (either locally or at a group level) and in the event of failure of either the Jersey Bank or its group (including, if applicable, any group resolution event).

6.1.26.1.3 Where a Jersey Bank may be subject to restructuring as a result of its group entering resolution, it must ensure plans are in place so that the JRA and other relevant Jersey Authorities are kept informed of the likely impact of restructuring on its Jersey operations.

6.1.36.1.4 Where a Jersey Bank's preferred resolution strategy is a Bank Winding Up (or equivalent in the Jersey Bank's home jurisdiction) it must develop and maintain a simplified plan for winding up the Jersey Bank in a way that minimises the risks to financial stability. This plan should include, but not limited to:

6.1.3-16.1.4.1 A summary of the Jersey Bank's business activities and key customer segments;

6.1.3-26.1.4.2 A communication plan covering relevant internal and external stakeholders;

~~6.1.3-31.1.1.1 A plan for providing relevant information to the appointed bank liquidator;~~

6.1.3-46.1.4.3 A plan for providing the required SCV file to the Jersey DCS³⁷;

~~6.1.4.4 A In the case of a Jersey Incorporated Bank, a plan for providing relevant information to the appointed bank liquidator; and~~

6.1.4.5 A In the case of a Jersey Incorporated Bank, a self-assessment of any legal and practical obstacles to application of a Bank Winding Up process.

6.1.5 The plans referred to above should be reviewed and updated in line with self-assessment timeframes set out below or more frequently if there are material changes to the Jersey Bank's business.

6.1.6 The JRA expects that communication plans are put in place by 31 December 2024 with a copy provided to the JRA on or before that date.

6.1.7 Jersey Banks are expected to be able to demonstrate that the remaining requirements of Section 6 have been met by 30 June 2026.

6.1.46.1.8 A self-assessment against the applicable requirements of Section 6, supported by copies of relevant plans, must be submitted to the JRA on or before 30 June 2026. Thereafter, periodic self-assessments must be submitted to the JRA

³⁷ Further details in relation to the Jersey DCS's SCV Specification can be found on its website: <https://www.jerseycds.je/index.html>

every two years (i.e. aligned to periodic self-assessments for Jersey Banks that perform Critical Functions).

7 Phased rollout of requirements

- 7.1.1 The JRA proposes a phased rollout of the requirements associated with Jersey’s Resolution Framework over a period of three years commencing Q3 2023. Appendix B sets out the proposed timetable for rollout of requirements in conjunction with relevant Policy Statements, Guidance and reporting templates.
- 7.1.2 The phased rollout focuses on three Risks to Resolution each year. During each year the JRA will develop policies, templates and guidance associated with those Risks to Resolutions and consult with industry and other relevant stakeholders.
- 7.1.3 Jersey Banks should commence implementation of the associate requirements set out in Section 5 of this Policy Statement in parallel to the work of the JRA.
- 7.1.4 Jersey Banks will be required to submit a self-assessment against the relevant requirements set out in Section 5 in line with the timeline set out in Appendix B. The JRA’s resolvability assessments will take account of the phased rollout. For example, Jersey Banks must submit a self-assessment against the OCiR and Communications requirements by 31 ~~March-December~~ 2024. ~~The JRA’s resolvability assessment in 2024 will focus on Jersey Banks’ capabilities in this in respect of these Risks to Resolution, will follow in H1 2025. as well as assessment of Jersey Incorporated Banks plans to meet MREL requirements³⁸.~~
- 7.1.5 The phased rollout will not prevent the JRA from:
 - 7.1.5.1 requesting additional information from Jersey Banks to aid with resolution planning; or
 - 7.1.5.2 in certain circumstances, requesting that Jersey Banks perform other activities to ensure resolvability.
- 7.1.6 Additionally, where Jersey Banks can benefit from existing group capabilities, they are encouraged to take steps to meet the requirements set out in Section 5 ahead of the timeframe set out in the phased rollout.
- 7.1.7 As the JRA progresses with implementation of Jersey’s Resolution Regime it will keep the timetable of the phase rollout under review and, if necessary, will adjust it accordingly.
- 7.1.8 Following the phased rollout of requirements, it is anticipated that the JRA will adopt a two-year resolution planning cycle with 2026 seeing the first assessment against all Risks to Resolution and associated requirements.

³⁸~~The deadline for submitting plans to meet MREL requirements will be determined as part of consultation on MREL.~~

Appendix A: Summary of Jersey’s Resolution Framework and requirements for Jersey Banks that perform Critical Functions

| Resolution Outcomes | Financial Resources | | | Continuity and Restructuring | | | | Coordination and Communication | |
|---------------------|---|---|---|---|---|---|---|--|---|
| | <p>Jersey Banks should have sufficient financial resources to absorb losses, recapitalise the bank and ensure it can meet its obligations in resolution.</p> <p>This includes:</p> <ul style="list-style-type: none"> - Meeting MREL requirements; - Having the ability to support a timely assessment of its capital position and recapitalisation needs; and - Being able to analyse and mobilise liquidity in resolution. | <p>Jersey Banks should ensure that:</p> <ul style="list-style-type: none"> - Resolution does not result in financial and operational contracts being materially disrupted or terminated; and - Direct or indirect access to Critical Shared Services and Financial Market Infrastructure is maintained. <p>Jersey Banks should build on existing operational risk, business continuity and recovery planning capabilities so that operational and support services can be identified, separated and re-organised.</p> | | | <p>Jersey Banks should be able to coordinate and communicate effectively internally, with authorities and with markets so that resolution and restructuring are orderly.</p> | | | | |
| Risks to Resolution | Minimum requirement for own funds and eligible liabilities (MREL) | Valuations | Liquidity and Funding in Resolution | Continuity of Financial Contracts (Stays) | Operational Continuity in Resolution (OCiR) | Continuity of access to Financial Market Infrastructure (FMI) | Restructuring | Management and Governance | Communication |
| | Jersey Banks may have insufficient capacity to absorb losses to support effective execution of the preferred resolution strategy and recapitalise them to a level that enables them to comply with conditions for regulatory authorisation and to maintain market confidence. | Jersey Banks’ policies, procedures and systems may be inadequate to support an independent valuer in conducting timely and robust valuations to support effective resolution. | Jersey Banks may be unable to reliably estimate, anticipate and monitor their liquidity position and needs or to mobilise liquidity resources on a timely basis, resulting in them having insufficient liquidity to meet their obligations as they fall due in the approach to and during resolution. | Entry into resolution may cause early termination of financial contracts or trigger other contractual terms, resulting in significantly negative impact on the stability of the Jersey Bank or the wider financial system (e.g. through contagion). | Jersey Banks may have inadequate operational continuity arrangements in place to ensure their ability to provide banking services and critical functions in resolution (including during post-stabilisation restructuring). | Jersey Banks may be unable to maintain continued access to Financial Market Infrastructure (FMI) in the lead up to and during resolution, thereby leading to critical disruption to critical functions. | Jersey Banks (where applicable in conjunction with their wider group) may not develop or execute adequate post-stabilisation restructuring options. | Jersey Banks may lack the necessary governance structures to ensure effective oversight and timely decision-making in respect of resolution planning and during the execution of a resolution. Key roles may not be adequately staffed in the lead up to and during resolution. | Jersey Banks may have inadequate plans and capabilities to ensure timely and effective communications to relevant stakeholders in the lead up to and during resolution. |
| Applies to | Subsidiaries | Subsidiaries | Subsidiaries | Subsidiaries | Subsidiaries and Branches | Subsidiaries and Branches | Subsidiaries | Subsidiaries and Branches | Subsidiaries and Branches |
| Implementation | 2023 - 2025 | 2024 - <u>2025</u> | 2025 - <u>2026</u> | 2025 - <u>2026</u> | 2023 - <u>2024</u> | 2025 - <u>2026</u> | 2024 - <u>2025</u> | 2024 - <u>2025</u> | 2023 - <u>2024</u> |

| | Resolvability Requirements | | | | | | | | |
|--|--|---|--|---|--|---|---|---|--|
| Risks to Resolution | MREL | Valuations | Liquidity and Funding in Resolution | Continuity of Financial Contracts (Stays) | Operational Continuity in Resolution (OCiR) | Continuity of access to FMI | Restructuring | Management and Governance | Communication |
| Requirements for Jersey Banks performing Critical Functions | <ul style="list-style-type: none"> - Maintain sufficient loss absorption and recapitalisation capacity - Ensure cross-border recognition of resolution actions - Maintain and test a Playbook for execution of write down and conversion power - MIS capabilities to identify and report, on a timely basis, its liability and capital structure - Maintain internal loss transfer and recapitalisation mechanisms | <ul style="list-style-type: none"> - MIS capabilities to enable timely and robust valuations - Appropriate quality assurance in respect of data provided for valuation purposes - Perform self-assessment of data capabilities - Perform dry-run exercises on a periodic basis - Adequately document internal valuation models | <ul style="list-style-type: none"> - Able to estimate liquidity needs in the build up to and during resolution - Demonstrate how potential shortfalls could be addressed - Measure and report liquidity and funding needs on a timely basis - Able to identify available sources of liquidity - Identify, report, and mobilise, on a timely basis, assets as collateral | <ul style="list-style-type: none"> - Maintain detailed records of financial contracts (e.g. counterparty, notional and market values, and maturity) - Demonstrate a clear understanding of the risks of early termination on the preferred resolution strategy - Take appropriate steps to ensure counterparties to relevant non-Jersey Law financial contracts agree, in an enforceable manner, to recognise the application of stays | <ul style="list-style-type: none"> - Identify, map, and report Critical Shared Services - Identify, map, and report Critical IT Systems - Ensure contractual arrangements for Critical Shared Services and Critical IT Systems are clearly documented and resolution resilient - For internal Critical Shared Services and Critical IT Systems, ensure mechanisms are in place for those services to continue in resolution - Ensure adequate governance oversight for delivery of Critical Shared Services | <ul style="list-style-type: none"> - Identify and map critical FMI service providers - Develop clear understanding of the conditions for continued access to critical FMI services - Develop an FMI playbook outlining the measures implemented to support continued access to FMI services - Where necessary, take additional steps to enhance resolution preparedness | <ul style="list-style-type: none"> - Bail-in: Develop capabilities to be able to plan and execute restructuring effectively and on a timely basis (including to meet requirements of Article 70 of the Resolution Law) - Bail-in: Identify and evaluate measures available to restore long-term viability. - Sale of Transfer: Perform and maintain a separability assessment. - Sale of Transfer: Develop capabilities to enable purchaser due diligence to be performed on a timely basis | <ul style="list-style-type: none"> - Put in place governance processes to support the preparation and implementation of the preferred resolution strategy - Establish quality assurance (including internal audit) to ensure completeness and accuracy of information provided to the JRA - Maintain, evaluate, and test playbooks describing the operational aspects of the resolution strategy - Identify an appropriate experienced member of senior management to manage resolution-related activities - Identify key roles and take steps to ensure they're suitably staffed (e.g. use of retention and succession plans) | <ul style="list-style-type: none"> - Identify key external and internal stakeholder groups - Develop and maintain a comprehensive communication plan with the aim of limiting contagion and avoiding uncertainty throughout the resolution timeline (including in respect of restructuring). - Establish appropriate governance arrangements to ensure effective execution of the communication plan - Take appropriate steps to prevent leaks of information. |
| General Requirements applicable for to all Jersey Banks | <ul style="list-style-type: none"> - Jersey Banks must notify the JRA on a timely basis of material events that impact the financial standing of the Jersey Bank or its Group. - Jersey Banks are expected to take a risk-based approach to ensuring they are resolvable in line with the framework set out in this document and the preferred resolution strategy set by the JRA. In doing so, Jersey Banks must consider whether any other risks pose a threat to their resolvability and take appropriate steps to mitigate those risks (liaising with the JRA accordingly). - Jersey Banks must maintain adequate MIS to enable submission of information and data to the JRA both during Business as Usual, periods of financial stress and during resolution. - Jersey Banks must maintain adequate systems and processes (including relevant controls) to enable provision of information, including a "fit for purpose" Single Customer View file, to the Depositors Compensation Scheme to facilitate timely pay-out of covered deposits. | | | | | | | | |

Appendix B: Phased rollout of requirements and additional Policy Statements and guidance

| | Q3 2023 | Q4 2023 | Q1 2024 | Q2 2024 | Q3 2024 | Q4 2024 | Q1 2025 | Q2 2025 | Q3 2025 | Q4 2025 | Q1 2026 | Q2 2026 | |
|---|---|---------|---|--------------------------------------|----------------------------------|------------------------------|------------------------------------|-----------------|----------------|----------------------------------|-----------------------------|---|--|
| Framework | Issue Framework | | | | | | | | | | Review and update Framework | | |
| MREL | Develop Policy | Consult | Issue Policy | Interim MREL target 31 December 2024 | | | Final MREL target 31 December 2025 | | | | | | |
| Article 72 (contractual recognition) | Develop approach | Consult | The timing of law change will be determined post consultation | | | | | | | | | Jersey Banks Self-Assessment Q2 2026 | |
| OCiR | Consult and issue guidance ³⁹ | | Progress Update | | | Jersey Banks Self-Assessment | JRA Resolvability Assessment | | | | | JRA Resolvability Assessment Q3 – Q4 2026 | |
| Communication | Consult and issue guidance ^{39,40} | | Progress Update | | | Jersey Banks Self-Assessment | JRA Resolvability Assessment | | | | | | |
| Critical Functions (second round) | | | | | Develop data collection template | Consult | | Data collection | JRA Assessment | Feedback outcome to Jersey Banks | | | |

³⁹ The JRA will develop guidance in relation to OCiR and Communication requirements during Q2 2023 (including relevant templates for OCiR reporting).

| | Q3 2023 | Q4 2023 | Q1 2024 | Q2 2024 | Q3 2024 | Q4 2024 | Q1 2025 | Q2 2025 | Q3 2025 | Q4 2025 | Q1 2026 | Q2 2026 |
|------------------------------|---------|---------|---|---------|---------|--------------------|------------------------------|------------------------------|------------------------------|----------------|---------|---|
| Valuations | | | Develop Policy and Data Set ⁴⁰ | | Consult | Finalise Templates | Issue Policy | Jersey Banks Self-Assessment | JRA Resolvability Assessment | | | |
| Restructuring | | | Develop Guidance | | Consult | Issue Guidance | Jersey Banks Self-Assessment | | JRA Resolvability Assessment | | | |
| Governance | | | Develop Guidance | | Consult | Issue Guidance | Jersey Banks Self-Assessment | | JRA Resolvability Assessment | | | |
| Funding in Resolution | | | | | | | | Develop Policy | Consult | Issue Policy | | Jersey Banks Self-Assessment Q2 2026 JRA Resolvability Assessment Q3 – Q4 2026 |
| Financial Contracts | | | | | | | | Develop Guidance | Consult | Issue Guidance | | |
| Access to FMI | | | | | | | | Develop Guidance | Consult | Issue Guidance | | |
| Bail-in Execution | | | | | | | | Develop Policy | Consult | Issue Policy | | |

⁴⁰ The JRA’s Valuation Policy and Data Set will likely be developed with the assistance of a third-party professional services firm experienced in valuing banks.