BANKING AGENCY OF REPUBLIKA SRPSKA

OPERATIONAL GUIDANCE
ON OPERATIONAL CONTINUITY IN RESOLUTION

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Pursuant to Article 22, Paragraph 1, Item f) of the Law on the Banking Agency of Republika Srpska ("Official Gazette of Republika Srpska", No.: 59/13 and 4/17), Article 22, Paragraph 4, Item m) of the Statute of the Banking Agency of Republika Srpska ("Official Gazette of Republika Srpska", No.: 63/17), and Section 3 of the Expectations for banks in resolution planning – guidelines (No. 01-582-1/24 dated 9 April 2024), the Director of the Banking Agency of Republika Srpska issued

OPERATIONAL GUIDANCE ON OPERATIONAL CONTINUITY IN RESOLUTION

1. PURPOSE AND OBJECTIVES

The Operational guidance on operational continuity in resolution (hereinafter: OCIR Guidance) set out some of the key factors that banks are expected to consider when implementing the expectations regarding operational continuity, as defined in the document Expectations for banks in resolution planning – guidelines (hereinafter: EfB). As stated in the EfB document, operational continuity in resolution (hereinafter: OCIR) refers to the ability to effectively execute a resolution strategy from an operational perspective, and consequently, to stabilize and reorganize business operations. To achieve this, irrespective of other requirements, banks are expected to:

- identify all relevant (i.e., critical and essential) services, as well as underlying relevant operational assets and staff/roles, and map them to the legal entities, providers and recipients, core business lines (CBLs) and critical functions (CFs) (mapping interconnectedness for operational continuity – EfB – Principle 4.1.);
- ensure that relevant contractual arrangements with both third-party and intra-group legal entity providers are clearly and comprehensively documented, kept up to date, and are mapped to relevant services (EfB – Principle 4.1.);
- assess the operational continuity risks in resolution, such as the interruption of relevant services, loss of access to relevant operational assets and unavailability/vacancy of relevant staff/ roles (EfB – Principle 4.2.);
- mitigate the identified operational continuity risks by putting in place appropriate operational arrangements, e.g., resolution-resilient service contracts (EfB – Principle 4.3.);
- have in place cost and pricing structures for services which are predictable, transparent and set on an arm's length basis (EfB – Principle 4.3.);
- ensure the financial resilience of service providers (EfB – Principle 4.3.);
- have in place management information system (MIS) capabilities that provide timely access to the up-todate information needed to identify potential operational continuity risks to resolution, and to carry out separability and restructuring, e.g., repository of the contracts governing provision of the relevant services (EfB – Principle 5.1.);
- ensure adequate governance arrangements for OCIR purposes (EfB – Principle 1.2.).

The OCIR Guidance aim to enhance banks' preparedness for potential resolution, in line with the areas identified in the EfB, by providing additional operational guidance on the OCIR-related aspects covered in the EfB.

2. SCOPE OF APPLICATION AND GRADUAL IMPLEMENTATION

The OCIR Guidance are intended for banks headquartered in Republika Srpska for which a resolution strategy has been established within a resolution plan. Although general in nature, their application to an individual bank may be tailored to its specific circumstances, in accordance with the principle of proportionality.

The guidance set out in the following chapters may be the subject of further communication from the Agency regarding requirements to remove impediments to bank resolution. In this context, the Agency may request information and analyses on topics beyond those covered by these guidance, where relevant

to progress in resolution planning, with the aim of enhancing a bank's resolution preparedness throughout the respective resolution planning cycle.

Banks should implement the expectations set out in the OCIR Guidance on a gradual basis.

3. OPERATIONAL GUIDANCE

The table below shows the indicative implementation sequence for the individual segments:

Continuity of CFs in relation to:

- identification and mapping of interconnections, including an adequate management information system (MIS) for these purposes;
- assessment of operational continuity risk;
- securing adequately documented resolution-resilient contracts;
- implementing governance arrangements (in continuity).

Continuity of CFs in relation to:

- securing adequately documented resolution-resilient contracts;
- alternative risk-mitigation measures for resolution-non-resilient contracts;
- collection structure in line with market conditions.

Continuity of CBLs in relation to:

- identification, mapping, and risk assessment, as stated above.

Continuity of CFs in relation to:

- measures to ensure financial resilience;
- measures to ensure that relevant roles are adequately staffed.

Continuity of CBLs in relation to:

- measures to ensure financial resilience;
- measures to ensure that relevant roles are adequately staffed.

3.1. Introduction

Operational continuity in resolution refers to the ability to effectively implement the resolution strategy from an operational point of view and, consequently, to stabilise and restructure the bank. To this end, appropriate arrangements need to be in place to ensure the continued provision of services needed for:

(a) maintaining the bank's critical functions in the real economy and financial markets ('critical services');

(b) supporting the bank's core business lines that are necessary for the effective implementation of the resolution strategy and any consequent restructuring ('essential services').

Together these services are referred to as 'relevant services'.

A bank can organise the provision of services for the performance of its activities, i.e., its service delivery model, in several ways, which may in practice be combined:

- it can outsource the provision of services to an external party (third-party provision of services);
- it can allocate the provision of services to another entity within its group (provision of services by another group legal entity);
- it can operate a business unit within the bank itself that provides services to one or more of its business units (intra-entity or in-house provision of services).

Whatever the service delivery model adopted by a bank, it needs to ensure the continuity of the relevant services during resolution and to facilitate separability and post-resolution restructuring.

Appropriate operational continuity arrangements may differ depending on the service delivery model employed by the bank. Preferred resolution strategy and other factors, such as the law applicable to the contracts governing relevant services and operational assets ('relevant contracts'), may also impact the prioritisation for implementing the arrangements described in the sections below.

3.2. Service identification and mapping

The identification and mapping of the interconnectedness of the relevant services (under EfB - Principle 4.1.) is the foundation of a bank's plan for ensuring the continuity of these services in resolution, and for facilitating separability and post-resolution restructuring. Identification and mapping enables the bank to conduct an assessment of the risks to operational continuity in resolution, which will be the basis for identifying and implementing appropriate mitigating actions to address them, including preparedness measures.

In this regard, banks are expected to:

- undertake and maintain a comprehensive identification of all the relevant services (provided by intra-group providers or by third parties), operational assets (owned or licensed/leased) and staff/roles;
- undertake and maintain a comprehensive mapping of relevant services to the (a) CFs and (b) CBLs needed for the effective implementation of the resolution strategy and consequent restructuring, (c) legal entities (providing and receiving the services), and (d) relevant operational assets and staff/roles and their location;
- undertake and maintain the mapping of relevant services and operational assets to the contracts/arrangements governing them;
- gather the above information in a catalogue of relevant services relationships across the group (service catalogue, Section 3.5.1 of the Service catalogue).

3.2.1. Service identification

In order to identify the relevant services, banks are expected to:

- develop their own tiered service taxonomy, e.g., categorising the services in hierarchical levels;
- perform a criticality assessment of the dependency of CFs on services (including the ones provided by third parties);
- assess the dependency of CBLs (the continuity of which is deemed necessary for the effective implementation of the resolution strategy and any consequent restructuring) on services according to the same criteria.

The service taxonomy provides the basis for a comprehensive functional representation of the bank's operational structure, i.e., how the bank is structured to provide the necessary services to operate its CBLs and perform CFs. In turn, it provides a baseline for the mapping of interconnectedness for operational continuity. The service taxonomy is expected to be adequately granular, to enable the identification of relevant services in a targeted way. This means that it should balance simplicity (i.e., avoid undue stratification of the services) with the need to provide ex-ante certainty and transparency about the services that are actually and genuinely necessary for the continuity of the bank's CFs and CBLs.

As a reference point regarding the service taxonomy, banks can use the list of services set out in the reporting template Z 08.00 – Critical services. However, the service taxonomy is expected to be more granular to ensure that relevant services can be identified in a more precise and targeted way.

The criticality assessment of dependencies of CFs on services is expected to be carried out according to the following cumulative criteria:

(a) **material impact on the CF if the service is interrupted**: a service dependency is considered as critical if its disruption or failure can present a serious impediment to or completely prevent the performance of a CF;

(b) **substitutability of the service**: if the service can be substituted with one of comparable scope, cost and quality within a reasonable time frame, it is not considered as critical.

A service is considered critical for the support of a CF if its interruption would have a material impact on the CF and it is not substitutable.

With regard to the substitutability of the service, the 'reasonable time frame' may differ from one service to another, as well as between CFs. In general terms, the reasonable time frame should be understood as the period of time following a disruption of the service within which the service must be credibly

replaced (e.g., by moving it to an alternative provider or insourcing it) in order to ensure the continuity of the CFs throughout resolution.

When assessing the comparability of a service, the resolution context should be taken into account: a substitute service provider or service may not be the optimal choice in a 'business-as-usual' (BAU) environment, but may be considered reasonable and as providing a comparable service in a resolution context.

If a service is not deemed critical on the grounds of its substitutability, depending on the degree of the material impact of its disruption on one or more CFs, it may require the ex-ante identification of a number of substitute providers of similar services.

Similarly to critical services, the bank's determination of essential services depends on the assessment of the dependencies of CBLs (needed for the effective implementation of the resolution strategy and consequent restructuring) on services, on the basis of the materiality of impact of the interruption of the service and its substitutability.

The determination of which CBLs are necessary for the effective implementation of the resolution strategy and any consequent restructuring depends mainly on the resolution strategy and on the bank's CBL characteristics and their operational.

- **In the case of a transfer strategy,** CBLs where continuity must be preserved should be identified according to the selected transfer perimeter to be transferred in resolution (to third parties or a bridge bank). To this end, the separability analysis informs the choice of transfer perimeter.
- **In an open bank bail-in strategy,** the objective of restoring the bank's future viability implies the need to ensure the continuity of a broader set of CBLs than those already involved in the provision of CFs. In this context, continuity has to be ensured for the CBLs which, if disrupted, could affect the bank's franchise value and viability, lead to a significant loss of customers and reputational damage and/or financial losses for the bank. To this end, it may be appropriate for all CBLs to be continued during and after resolution to achieve the continuity objective and ensure long-term viability. Therefore where this strategy is involved, the starting point is that banks are expected to consider all CBLs.

Banks are also expected to assess the dependency of the operational assets and staff/roles in order to determine whether they should be considered relevant or not. As for critical and essential services, this assessment should be based on the same main drivers: (a) the materiality of the impact of the loss of access to assets and staff/roles, and (b) their substitutability or replacement.

3.2.2. Mapping interconnectedness for operational continuity

Banks are expected to undertake and maintain, at an appropriately granular level, a comprehensive mapping of:

- relevant (internal) services to relevant: (a) third-party service suppliers, and (b) operational assets and (c) staff/roles which support their provision;
- relevant services to: (a) CFs, (b) CBLs needed for the effective implementation of the resolution strategy and any consequent restructuring and (c) legal entities (providing and receiving the services);
- relevant services and relevant operational assets to the related contractual arrangements.

This mapping should also allow the bank to capture the relevant services provided between service providers, if relevant (e.g., an intra-group service provider sub-contracting with a third-party service provider) and those provided by critical third-party ICT service providers.

3.3. Assessment of operational continuity risk

The scope of the assessment of risks to operational continuity by banks (under EfB - Principle 4.2.) is expected to cover all relevant services, operational assets and staff/roles.

For this assessment banks are expected to use the interconnectedness mapping referred to in the previous section.

The risk analysis needs to take into account elements such as:

- interruption of relevant services from third parties and other group legal entities;
- loss of access to bank's relevant operational assets; and
- the potential vacation of relevant roles in resolution, including where relevant staff are employed by a group legal entity that could be wound down or divested in resolution.

Important information with respect to relevant operational assets includes the following:

- whether they are owned or licensed/leased by the entity using them to deliver a relevant service;
- if they are licensed, where the licence is registered;
- if they are leased, where the property is located;
- if owned, where they are located within the group and geographically.

Important information with respect to relevant staff/roles includes:

- which legal entity is the employer of the relevant staff;
- where the relevant staff/roles are located within the group and geographically.

The above information on relevant operational assets and staff/roles should be able to be retrieved from the inventory of relevant operational assets and the database of relevant staff/roles (Section 3.5.3 Inventory of relevant operational assets and the database of relevant staff/roles).

Banks are expected to employ a comprehensive risk identification framework, with the aim of identifying all types of risks to operational continuity to which they are exposed, including risk derived from digitalisation of activities.

To this end, in conducting the risk assessment, banks are expected to:

- identify a comprehensive list of risk drivers, which are potential events (linked to the bank being put in resolution) that may cause the operational continuity risk to materialise. The identified list of risk drivers is expected to fit the unique risk exposures of the bank. Some common risk drivers include: divestment of a group entity or separation of a business upon resolution and post-resolution restructuring, unilateral termination of relevant contracts, etc. The definition of the risk drivers should take into account elements such as: the group service delivery model; governing law and jurisdiction of relevant contracts/arrangements; relevant services provided by joint venture entities co-owned and controlled by the bank; the location of relevant operational assets and staff/roles; the legal status (owned, leased, licensed) of relevant operational assets;
- assess each category or sub-category of relevant dependency identified against the identified list of risk drivers, to determine which combinations of dependency type and risk driver apply for each CF and CBL needed for the effective implementation of the resolution strategy and any consequent restructuring.

To facilitate this assessment, for each CF and CBL needed for the effective implementation of the resolution strategy and any consequent restructuring (and preferred resolution strategy or variant strategy), banks could organise their identified relevant dependencies into sub-categories. For example, banks can group their relevant dependencies into:

- services provided by an intra-group provider;
- services provided by third-party suppliers;
- IT assets;
- other operational assets;
- staff/roles.

Dependency categories are not intended to imply higher or lower riskiness, but rather are aimed at allowing banks to better assign applicable risk drivers and, eventually, the most appropriate mitigating actions. An illustrative example of this exercise is shown in the following table, but banks can apply a different structure tailored to their specificities if it is more conducive to achieving the overall aim of this exercise.

Dependency categories	Risk drivers Separation of part of the business	Termination by group	Termination by third party	E.g.,...
Services provided on third-party basis	√	x	√	...
Access to IT systems	√	√	√	...
Access to other operational assets	x	√	√	...
E.g.,...	...	...	...	...

3.4. Actions to mitigate risks to operational continuity and measures to improve preparedness for resolution

Expectations under this section include the contractual arrangements relating to relevant services and operational assets.

3.4.1. Adequate documentation

In accordance with EfB (Principle 4.3. - Actions to mitigate risks to operational continuity and measures to improve preparedness for resolution), banks are expected to adequately document all relevant services (including relevant ICT services), in such a way as to allow the Agency to take resolution action while ensuring operational continuity.

For this purpose, the relevant services cover: a) those provided by units/divisions within the same group legal entity (intra-entity), b) those provided by another group legal entity, and c) those outsourced to third parties.

In the case of services provided on an intra-entity basis, banks are expected to document the information which would facilitate the services being easily identified and transitional service agreements (TSAs) being quickly drawn up, should this be required in the event of a resolution. Where relevant, clear links should be established between the original direct cost of the service and the allocated one, so banks should be able to explain how the costs of the relevant services have been allocated internally. In this regard, the minimum information expected comprises:

- a clear indication of which units provide and receive the services;
- a detailed description of the nature/type of the service;
- the estimated cost associated with providing the services, where these services support the divisions/CBLs of a bank that are planned to be transferred to third parties or a bridge institution in resolution or the divestment of which has been identified as a restructuring option;
- where relevant, performance targets/service levels.

In the case of services provided by another entity in the group or by a third party, the minimum information comprises:

- a detailed description of the nature/type of service;
- clear parameters (quantitative/qualitative performance targets);
- details of the provider(s) and recipient(s) of the service (and contracting counterparties if different), including any onward provision to other entities or sub-contracting to third party providers, as well as relevant contact persons for the purposes of contractual notifications;
- pricing structure;
- associated licences (where relevant);
- substantive obligations under the contract (e.g., payment/delivery).

In this regard, banks are expected to have policy and governance arrangements in place that ensure that all relevant contracts contain the minimum information needed to ensure adequate documentation for OCIR purposes (Section 3.6. Governance arrangements).

3.4.2. Resolution-resilient features – contractual provisions

Resolution-resilient features are properties a relevant service contract is expected to have in order to be considered resolution-resilient. They include the following, provided that the substantive obligations under the contract continue to be performed:

(a) **Non-termination, suspension or modification**: service providers may not terminate, suspend or amend the terms and conditions of service provision on the grounds of resolution;

(b) **Transferability of the service provision**: services can be transferred or assigned to a new recipient by the service recipient or the Agency because of resolution;

(c) **Support in transfer or termination**: in the case of the transfer of a service provision because of resolution, the current provider should ensure the orderly transition of the service provision to a new recipient or to a new provider. Where required, including in the case of termination/expiry during resolution, the provider should ensure the continuity of the service provision under the same terms and conditions for a reasonable period, e.g., 24 months; and

(d) **Continued service provision to a divested group entity**: services can continue to be provided by the current intra-group provider to entities divested from the group as part of resolution. Service provision should continue for a reasonable period following the divestment of the group entity, e.g., 24 months.

Resolution-resilient features are expected for all intra-group or third-party contracts underpinning relevant services (including relevant ICT services). Banks are expected to analyse their relevant contracts to identify whether they are resolution-resilient.

The provisions of Article 238 of the Banking Law address the resolution-resilient features, particularly in the context of the exercise of powers by the Agency. Regarding contracts for outsourced services and ICT services, the relevant provisions of applicable regulations, specifically the Decision on outsourcing management and the Decision on information system management and ICT risks in banks, apply in the context of resolution continuity. For other types of contracts, which may be governed by either domestic or foreign law, the bank is not expected to negotiate specific clauses addressing resolution continuity. Instead, where such provisions are not explicitly stated in the contract, the bank must demonstrate that the counterparty is aware of the applicable regulatory powers and their potential impact on the contractual relationship. This approach reduces the likelihood of challenges to the exercise of resolution powers. While including a specific clause in the contractual arrangements is the preferred method, providing notice to the counterparty may also be considered sufficient, provided the bank maintains documented, written evidence that such notice was given. The Agency may also require the bank to include specific clauses or provide other forms of assurance (e.g., legal opinions) to ensure that the Agency's powers can be effectively exercised.

In addition, in the case of an open bank bail-in resolution strategy (either preferred or variant), contracts to which domestic legislation applies are expected to include explicit clauses to ensure their resolution-resilience in the implementation of business reorganisation plans.

It is expected that contracts governed by foreign law, which form the basis for relevant services, explicitly provide for resolution-resilient features and acknowledge that the contract may be subject to the exercise of the Agency's powers to suspend or limit rights or obligations. Banks should specify that the powers to prevent termination, suspension, or modification are conditional upon continued payment as agreed.

If continued access to relevant operational assets cannot be adequately ensured, banks are expected to arrange for such assets to be owned or leased by a company within the group or by a regulated entity that provides critical shared services (see Annex II).

3.4.3. Resolution-resilient features – alternative mitigating actions in terms of risks to operational continuity

Where contracts should be amended to ensure resolution-resilience, and banks have not been able to do so, banks are expected to explore alternative mitigating actions in terms of risks to operational continuity.

For contracts with third-party providers not amended to ensure resolution-resilience, banks will be expected to be able to demonstrate that they have informed the respective providers about the possible powers of the Agency (e.g., making reference to laws/by-laws). Banks could indicate that the Agency's

powers to prevent termination, suspension and modification are subject to the condition of continued payment as contractually agreed.

For these contracts with third-party providers, banks are expected to try to implement potential alternative measures to mitigate the risk of interruption of relevant services. For example, (where feasible) banks could remove the outsourced services from the supplier and transfer them to an alternative provider who would accept the resolution-resilient terms or, alternatively, transfer them back to a group legal entity.

In practice, regardless of the terms of the agreement or the Agency's powers, the key issue for a third-party service provider in determining how to react to a service recipient in a financial crisis is likely to be whether they will continue to be paid.

Therefore, if alternative measures cannot be put in place, and depending on the importance of the services governed by these contracts, banks may also be expected to maintain sufficient liquidity resources to pre-fund the contract costs of the service for a reasonable period of time (minimum six months) once a resolution procedure is applied. In this regard, since the aim is to protect the provision of these services during resolution, these liquid resources should be available for this purpose regardless of the failure or resolution of any group entity. This implies that:

- the six months would date from the application of the crisis prevention or crisis management measures and the payee should be providing relevant services at this time;
- the liquidity resources are expected to be 'ring-fenced' (legally separated) from other group assets, and this may imply holding liquid assets or making deposits in a segregated account with third parties (physically separated);
- for this purpose, banks should use assets that can easily be converted into cash at little or no loss of value and within a very short period of time.

Where the bank pre-funds contractual costs, it is expected to ask the provider to formally commit to continue providing the service during the period covered by the pre-funding amount.

3.4.4. Measures to ensure financial resilience

Banks in resolution may suffer from the discontinuity of relevant services if the service providers cannot perform their services due to the lack of financial resources to support the service provision. For this reason, the EfB are aimed at ensuring that unregulated intra-group ("UIG")[1] service providers of relevant services remain financially resilient in resolution and related restructuring. It is expected that where relevant services are provided by an unregulated intra-group provider, banks receiving the services are expected to ensure that the provider has adequate liquid resources (at least equivalent to 50% of annual fixed overheads) which are segregated from other group assets. This may imply holding liquid assets or making deposits with third parties" (EfB Principle 4.3).

As a bank can organise the provision of services in a number of ways, the EfB distinguishes how banks are expected to ensure that service providers are financially resilient depending on whether the services are provided from within the group, or from outside the group. This guidance focuses on financial resilience related to UIG service providers and is addressed to banks receiving relevant services from those providers.

- Where relevant services are provided by a third-party provider, banks are expected to undertake adequate due diligence of the financial resilience of the third-party provider, in line with the approach which the banks need to follow in normal times, as outlined in the "Decision on outsorcing management".
- Where relevant services are provided intra-group, while regulated intra-group service providers are covered by prudential requirements in this regard, for UIG service providers banks are expected to ensure a certain minimum of liquid resources.

In order to achieve financial resilience of UIG service providers banks should ensure that UIG service providers are supported by appropriate financial resources to cover liquidity needs that they can come across

[1] Dedicated intra-group service companies which provide services to another entity within their group, and are not operating institution entities subject to prudential regulation regarding capital/liquidity on an individual basis, including where prudential requirements are waived.

in resolution and related restructuring. In particular, over the course of the resolution process of another legal entity in the group, UIG service providers may experience liquidity stress due to the materialisation of financial risks such as:

- delay of the service recipients in fulfilling their payment obligations related to the services provision during stress, resolution and related restructuring;
- internal frictions that can arise in resolution, whereby financial resources are otherwise available within the group but cannot be accessed in a timely manner by the service providers;
- mismatch between expenses and revenue related to the reduced demand for services from the group's legal entities, but with constant fixed overheads for the service provider.

Therefore, it is important that risks to the financial resilience of the relevant UIG service providers are comprehensively understood, and properly mitigated, in particular, by maintaining adequate and readily available liquid resources (hereinafter: OCIR financial resources).

In identifying the risks to financial resilience and putting in place appropriate mitigating actions, banks are expected to take into account the resolution strategy and tool(s) planned to be applied in the respective cases.

3.4.4.1 OCIR financial resources determination

Banks that receive relevant services are expected to ensure that UIG service providers maintain, or are supported by, an adequate amount of OCIR financial resources to enable these providers to independently cope with financial stress that may arise over the course of the resolution process and related restructuring.

Banks are expected to ensure that UIG service providers have immediate access to a minimum amount of OCIR financial resources in case of a resolution event. This minimum amount is expected to be equivalent to at least 50% of the UIG service provider's annual fixed overheads of the relevant services provided to group legal entities.

In addition, banks are also expected:

- to perform an analysis with the aim of obtaining a comprehensive understanding of the risks preventing UIG service providers from remaining financially resilient during resolution and any consequent restructuring and
- to monitor the OCIR financial resources available for intra-group providers of relevant services.

Banks are expected to ensure that their UIG service providers have access to the additional OCIR financial resources to the extent needed as a result of the analysis above.

In order to ensure financial resilience of UIG service providers financial resources, OCIR financial resources should consist of high-quality liquid assets (HQLA) and/or other marketable securities (i.e., assets that can be monetised quickly, even in stressed conditions, without significant loss in value through outright sales or repurchase agreements).

3.4.4.2 Modalities for maintaining financial resources

UIG service providers need promptly available liquid resources to cover their liquidity needs in resolution and related restructuring to continue providing relevant services. To this end, banks are expected to ensure that OCIR financial resources are:

a. maintained, on an ongoing basis, for the specific purpose of enabling UIG service providers to continue providing relevant services in resolution;

b. readily available to the UIG service provider, if and as needed in resolution.

Banks may adopt different approaches depending on their group specificities as long as they demonstrate that appropriate operational arrangements are in place to achieve the objectives under a. and b. The location of the OCIR financial resources can be different as follows:

1. Where OCIR financial resources are owned by the UIG service providers, banks should ensure that appropriate governance arrangements are established to achieve the objectives under a. and b. above, ensuring that in case of resolution the OCIR financial resources will not mix with the bank's assets and are at the services provider's disposal.

2. Where OCIR financial resources are booked on the balance sheet of a group legal entity other than the UIG service provider, banks are expected to have in place appropriate contractual and governance arrangements to ensure that OCIR financial resources:
    - are segregated from the other group assets to ensure immediate and continuous availability. Achieving segregation may imply holding liquid assets with third parties or holding securities as custody assets within another group entity; and
    - can be made readily available to the UIG service providers if and as needed in resolution (Section 3.6. Governance arrangements).

3.4.4.3 Operational readiness and reporting

Banks are expected to put in place appropriate and effective governance arrangements to ensure:

- **during the preparation for resolution**, the ability to provide in a timely manner: (a) information needed for the identification of the potential risks to financial resilience faced by the UIG service providers; and (b) information on the arrangements the bank has in place to make the appropriate liquidity resources to these providers available;
- **during the resolution weekend** and the implementation of the resolution scheme: that appropriate liquid resources are made readily available to the UIG service providers.

Banks are expected to demonstrate that the governance arrangements and preparatory measures for financial resilience for OCIR are able to achieve their purpose.

Data concerning OCIR financial resources are among the information that banks should be able to report. Banks are expected to provide at a minimum the information needed for the Agency to assess whether the financial resilience in resolution of the UIG providers is ensured. This includes:

- a list of UIG service providers providing critical and essential services to the group;
- data supporting the determination of the annual fixed overheads of the UIG providers;
- other information on the liquidity resources maintained for ensuring the financial resilience of the UIG providers;
- information on the modalities adopted for maintaining OCIR financial resources (e.g., governance/contractual arrangements).

The Agency could request the bank for further information in case this is deemed necessary.

3.4.5. Measures to ensure that relevant roles are adequately staffed

Banks are expected to ensure the continued staffing of relevant roles. The measures below are applicable to relevant roles[2] and relevant staff[3], as defined in the EfB and as identified in accordance with the criteria below.

As for other risk mitigating measures, banks are expected to have in place governance arrangements to ensure that staff retention measures are swiftly and appropriately implemented in resolution. To this end, in the resolution planning phase banks are expected to develop staff retention and succession policies and procedures and ensure that:

- they are approved by senior management;
- management oversees their execution in resolution;
- the relevant stakeholders are informed.

[2] Roles whose vacancy in resolution may present an obstacle to the continuity of critical functions and the core business lines needed for the effective implementation of the resolution strategy and any consequent restructuring.
[3] Employees of any group legal entity covering relevant roles.

3.4.5.1 Identification and mapping of relevant roles

Banks are expected to identify in BAU the relevant roles similarly to the identification of relevant services (Section 3.2.1. Service identification), based on the material impact of the role not being performed, and whether staff cannot be substituted with staff of comparable competency within a reasonable timeframe.

When determining that an individual in a relevant role could not be effectively replaced, banks are expected to consider the following:

- level of professional experience or certification required for performance of the role, and whether this can be realistically expected outside the current role holder;
- specific technical, client or market knowledge of the current role holder considered to be of significant value prior to or during resolution and post-resolution restructuring;
- if internal substitutes are considered, the impact on potentially substituting employee's current role and the potential impact that could result from the unavailability of such staff for processing delays, errors or inadequate client or market knowledge to support operations;
- if there are obstacles to internal mobility for current staff members;
- if there is a market scarcity of suitably qualified and experienced candidates;
- if the onboarding process would take too long for external or internal candidates to substitute within a reasonable timeframe,
- as well as other factors that the bank considers relevant.

The assessment whether roles are relevant is expected to be made on a case-by-case basis and in accordance with documented methodology, approach, and criteria that the bank can demonstrate to the Agency. This could also involve input from HR and business units. Banks are also expected to indicate whether the deployment of recovery options might have an impact on the relevant staff in resolution.

The bank's identification of relevant staff is expected to include at least (but is not expected to be limited to) senior management.

Banks can leverage on the work carried out for the business continuity plans ("BCP") developed for supervisory purposes. It could be used as a basis for the identification of relevant roles. Key roles identified as a result of the BCP business impact analysis may also be considered relevant for operational continuity in resolution. However, the specific scope criteria above will need to be met. The link has to be made between relevant roles and critical and essential services.

Once all relevant roles have been identified, banks are expected to map them to the underlying and already identified relevant services (Section 3.2.2. The mapping of interconnectedness in relation to operational continuity) forming a part of the services catalogue (Section 3.5.1. Service catalogue). The identification and mapping exercise should be reviewed as necessary in order to be able to provide the up-to-date information expected from the database of relevant staff (Section 3.5.3. Inventory of relevant operational assets and database of relevant staff).

3.4.5.2 Retention planning

Banks are expected to take reasonable precautions to ensure availability of, to retain, or to substitute relevant staff. What is important is that the bank is prepared to implement its pre-arranged retention planning quickly in a resolution situation and to have the capability to put arrangements in place to retain, substitute, or transfer relevant staff.

To do this, banks are expected to consider how they would retain staff in the roles that have been identified as relevant for operational continuity, depending on factors such as the nature of the role, applicable legal constraints, etc. Retention planning for resolution should aim to incentivise relevant staff to remain notwithstanding stress and resolution, and this involves consideration of the special circumstances of these scenarios and how to address employee concerns. Where services are provided from within the group, arrangements should be considered for the retention of relevant staff from

business lines that may be wound down or disposed of in resolution. Where relevant staff paid by one legal entity provides services to another entity or entities within the group ("dual-hatted staff"), arrangements are expected to be put in place to address the risks that their roles may not be performed if resolution measures result in loss of access to the staff (due to sale, restructuring or wind-down).

Staff retention planning in general already exists as the costs of staff turnover (recruitment, training, supervision) are high. If a bank already has such a general retention plan, it should also explicitly cover resolution and post-resolution restructuring (general references to organisational change for example would not be sufficient). Whether already existing or developed specifically for resolution planning purposes, the retention plan should cover the following topics:

- Different labour law or related legislation at different geographic locations, where relevant;
- Time horizon of retention agreements (e.g., minimum of 12 months);
- Compensation and retention costs;
- Governance and processes to execute the retention plan (execution steps in case of resolution).

The retention plan should also contain:

- Clear descriptions of staff covered, including cross-references to the database of relevant staff (Section 3.5.3. Inventory of relevant operational assets and database of relevant staff);
- Differentiation between staff directly employed by the bank, and those paid on contract basis for specific work e.g., contractors, consultants or temporary workers, who would not require the same incentive strategy to continue to perform;
- The specific actions that may be taken under different levels of stress which should be clearly delineated and defined, covering particularly the run-up to and during resolution;
- The triggers for activation and any conditionality (e.g., coordination with wider group retention plan, review required before activation) should be clearly described;
- Full details of retention packages including financial incentives.

3.4.5.3 Succession planning

Banks are expected to adopt and maintain a policy for the assessment of the suitability of members of the management body, which should include, among others, principles on the succession planning of its members and should set out the process for the succession planning.

Existing staff succession plans drafted in accordance with the above requirements for supervisory purposes may be considered as a starting point for developing succession plans for the members of the management body at least, which are valid in resolution. Resolution succession plans have to be feasible in the context of resolution, where expected attrition may be higher than in business as usual.

Such succession plans should determine substitute staff for relevant roles who have been trained internally to take over such positions, if necessary. The scope of the succession plan is expected to include relevant staff at any level and all necessary details for its implementation such as:

- based on the bank's assessment of relevant roles, identifying the roles potentially vacant in resolution;
- sourcing talent that is currently within the bank to replace those positions or seeking external possibilities for candidates, if necessary;
- creating robust performance metrics and a process for evaluating staff against them;
- identification and development of potential successors within the bank;
- assessing training needs and addressing them through implementation of training programmes;
- conducting regular emergency succession dry-run exercises;
- preparing for the handover process – identifying relevant steps and timeline; drawing up an outline of handover documents;
- periodic revision of the succession plan and its update, etc.

Banks are expected to prepare on how they could clarify the responsibilities of individual employees in a resolution case should they be different from those applicable in BAU. Key staff identified as relevant during the resolution planning phase might be assigned with different responsibilities in resolution, while personnel not identified as relevant might be considered as relevant in light of the circumstances of the case. The bank may also need to fill gaps in necessary roles and responsibilities by selecting non-relevant personnel with complementary skill-sets.

3.4.5.4 Responsibilities and incentives

As above, banks are expected to take reasonable precautions to ensure availability of, to retain, or to substitute relevant staff. As part of the contingency arrangements referred to in EfB (Principle 4.3. Actions to mitigate risks to operational continuity and measures to improve preparedness for resolution), banks are expected to consider developing incentive systems to increase the likelihood of retaining relevant staff for a defined period through resolution and in post-resolution restructuring, where relevant and legally possible. Such systems could help motivate relevant staff to remain in their current post notwithstanding resolution. Incentive systems could include a financial award that would be offered to relevant staff beyond their current remuneration, but also other measures to motivate staff could serve the same purpose. Banks are expected to assess that there is no legal obstacle for developing their incentive systems.

Banks are expected to have in place contingency arrangements, which ensure that incentives in a resolution event could be awarded at short notice. Incentive schemes should ensure fair, transparent, and objectively justifiable treatment of staff and be developed sufficiently in advance so that staff would know how the reward process works and which categories of employees are affected.

Retention incentives should be aligned to the specific needs of the businesses, the relevant role's level of criticality to resolution activities and the practical aspects of the resolution case. Incentive systems should not overburden the bank, and to this end they need to be adapted to the particular urgencies of the business and be calibrated to the level of importance the staff represent in maintaining the continuity of relevant services. Also, incentives should be subject to some safeguard conditions, such as that staff stay in the bank for a predefined period of time. Moreover, the consideration of the practical aspects of the resolution (e.g., resolution strategy, tool, etc.) should facilitate the choice of the most appropriate level of incentive as different activity duration as well as potential employment outcome for employees at the conclusion of resolution activity necessitate different approaches in both award size and payout timing.

Where retention incentives take the form of a financial reward, banks are expected to consider to identify and clarify ex-ante the relevant conditions on the basis of the facts and circumstances that exist at that time. They should include as a minimum the following:

- the size and terms of the retention award;
- indicative time of the payment, and duration of the award;
- form of payment (e.g., lump sum, instalments);
- any requirement to comply with relevant law and other regulatory constraints specific to each jurisdiction.

3.4.5.5 Regulatory approvals

Banks are expected to take into account relevant labour law when taking measures regarding relevant staff in resolution. Changes to employee legal and contractual status such as responsibilities, remuneration, working hours etc. need to be in line with the respective legal framework.

Banks are expected to have in place arrangements to ensure compliance with the relevant legal, contractual, and regulatory requirements where applicable. Already during the resolution planning phase, and particularly for succession planning, banks are expected to identify for relevant staff roles:

- which regulatory approvals would be necessary for any change to relevant staff, responsibilities, and remuneration structures in resolution;
- any registration requirements and the modalities thereto;
- any need to consult the staff subject to the measure and any social partners (e.g., trade unions) according to the national framework.

Where approval, registration, or consultation with the social partners is required, banks are expected to have in place contingency arrangements to ensure that complete applications are made in a timely manner, also in stressed situations.

3.4.5.6. Organisational support to retain staff

Banks are encouraged to put in place appropriate and effective governance arrangements to ensure additional support to relevant staff during resolution. Such arrangements could include policies and processes containing:

- **Credible leadership.** Management could, where appropriate, set clear expectations regarding corporate performance goals and employee performance metrics and roles, in light of any changes of responsibilities required by the resolution case.
- **Clear communication.** In line with the communication plan (EfB - Principle 6.1.), the banks should ensure effective organisational communication practices that allow key personnel to have access to sufficient information about organisational changes.
- **Learning and professional development.** During BAU banks could provide relevant staff with information or training regarding resolution. It should also provide staff with more familiarity and reassurance in relation to the resolution process, which would mitigate against staff attrition in resolution.
- **Management support.** In BAU, additional engagement and support such as monitoring workloads may also help retention of relevant staff in resolution.

3.5. Adequate MIS

Use of the relevant MIS/databases (under EfB - Principle 5.1.) may be required in the following circumstances:

- during resolution planning to ensure they are fit for purpose;
- during dry-runs (exercises simulating a resolution case and testing access to the information needed in an emergency situation);
- before (preparing for resolution, e.g., by conducting an on-site inspection), during (deciding on ad-hoc measures to ensure continuity) and after resolution (stabilisation and restructuring phase).

Banks are expected to have MIS capability to produce timely, customised reporting of up-to-date data which enables rapid access to the information needed to identify potential risks to service continuity resulting from entry into resolution, to facilitate separability and to develop the bank's business reorganisation plan.

Banks are expected to have centralised processes and governance arrangements in place for ongoing updates and maintenance of the databases.

3.5.1. Service catalogue

The service catalogue is an MIS instrument in which all the granular service information is gathered and can be accessed in a reliable way, including in a stress situation, for resolution planning and to support the effective implementation of the resolution scheme, including separability (where required) and post resolution restructuring.

Therefore, the service catalogue should provide granular information in relation to:

- the bank's service taxonomy as described in section 3.2.1. Service identification, including the description of the nature of the services;
- relevant and non-relevant services, as a result of the analysis of (a) the materiality of the impact of interruption to the services, and (b) their substitutability;
- the mapping of interconnectedness described in section 3.2.2. Mapping interconnectedness for operational continuity;
- the costs associated with the provision of the services and
- the linkage to the contractual arrangements governing the relevant services and supporting resources (e.g., operational assets).

The service catalogue is expected to be searchable (i.e., the information should be easily retrieved according to criteria relevant for resolution purposes) and able to produce detailed reports on the different dimensions.

Since the service catalogue normally aggregates data from different golden source systems, it is important for it to receive updates from these data sources sufficiently regularly.

3.5.2. Repository of relevant contracts

Banks are expected to maintain an updated repository of all the contractual arrangements governing the relevant services, with both internal and external service providers.

The repository is expected to be both searchable and exhaustive (i.e., it should include information on all contracts that may be relevant from a resolution perspective).

For resolution planning and especially for resolution execution purposes, timely access to quality data regarding contracts needs to be ensured. At a minimum, the essential data fields reported in Annex I should be available in the repository.

The list of the essential data fields is not meant to be exhaustive and banks may also be expected to include additional data fields.

Ideally, the repository would take the form of a centralised database. In case this is not feasible, relevant data sources are expected to be linked to allow for accurate mapping and customised reporting of data, to ensure that the objectives and purposes of the OCIR expectations are fulfilled.

Irrespective of the tool used for this purpose, it is important that the repository receives regular updates from the related golden sources with sufficient frequency.

3.5.3. Inventory of relevant operational assets and database of relevant staff/roles

Banks are expected to have a searchable and up-to-date inventory of relevant operational assets, as well as a database of their relevant staff/roles in place (Annex II).

Irrespective of the tool used for this purpose, it is important that this database receives updates from the related golden sources with sufficient frequency, and that it is exhaustive and has a search functionality which ensures that the objectives and purposes of the OCIR expectations are fulfilled.

3.6. Governance arrangements in resolution

Banks are expected to have adequate policy and governance arrangements in place to ensure that operational arrangements are implemented in such a way as to meet operational continuity expectations (under EfB - Principle 1.2.). This overall expectation, which applies to intra-entity providers as appropriate, is to be met over time in line with the substantive expectations.

Banks should ensure that intra-group providers of relevant services:

- have sufficient governance oversight and contingency arrangements;
- have a management body with sufficient seniority and operational independence;
- do not depend on senior staff performing significant duties for other group entities;
- where multiple roles are held, those relating to relevant services are prioritised;
- do not overly rely on staff employed by other members of the group;
- ensure that the staff responsible for the running of relevant services will continue to be remunerated in resolution.

Banks should also ensure that during resolution:

- organisational structures and contracts/service agreements do not require an intra-group relevant service provider to prioritise their resources to support CFs and CBLs performed by certain group entities over others;
- contracts/service agreements do not contain clauses which would enable an intra-group provider of relevant services to support CFs and CBLs performed by one group entity to the disadvantage of another;
- in the event of a deterioration in the financial circumstances of another group entity performing CFs and CBLs, the intra-group relevant service provider continues to treat that entity in accordance with the existing agreement.

Banks should put in place appropriate and effective governance arrangements to ensure:

- during the preparation for resolution, their operational readiness. This implies in particular the ability to provide, promptly:
  - information needed to identify potential risks to service continuity resulting from entry into resolution;
  - information on the operational arrangements needed: (a) to ensure service continuity (e.g., staff required, pre-positioned liquid resources to be made available, etc.), (b) to facilitate separability and (c) to implement a plan for communications with service providers and other key stakeholders;
- during the resolution weekend and during the implementation of the resolution scheme, the continuity of CBLs and CFs as planned, including through appropriate communications with service providers and other key stakeholders, and accessing pre-positioned liquid resources. Rapid access to the information necessary to develop the bank's business reorganisation plan should also be ensured.

4. FINAL PROVISIONS

The OCIR Guidance shall enter into force on the eighth day following their adoption and shall be published on the Agency's official website.

A bank for which the Agency, under the resolution plan in effect on the date these Guidance enter into force, has determined the application of a resolution strategy, shall implement the expectations set out in these Guidance by December 31, 2028.

A bank for which the application of a resolution strategy is not stipulated under the current resolution plan, but for which the application of such a strategy is subsequently determined, shall implement the expectations set out in these Guidance within two years from the date of receipt of the notification regarding the application of the resolution strategy.

Number: D-14/26

Date: 2 July 2026

Director

Srđan Šuput

ANNEX I: List of the minimum fields to be included in the repository of contracts

Essential fields

1) Identifier [as in Reporting template Z 8.00 – Critical services]
2) Start date of the contract
3) End date of the contract
4) Next renewal date
5) Parties to the contracts and contact details (name, registered address, country of registration, LEI or corporate registration number, parent company where applicable)
6) Subcontractor (Y/N)
7) Part of the group (whether the service is provided from inside or outside of the group - Y/N)
8) Part of the resolution group (whether the service is provided from inside or outside of the resolution group - Y/N)
9) Group department responsible for dealing with the main operations covered by the contract (name and unique identifier)
10) Brief description of the service
11) Pricing structure is predictable, transparent and set on an arm's length basis (Y/N)
12) (Estimated) total annual budget cost for the service
13) Degree of criticality (high, medium, to be assessed)
14) Critical function for which the service is relevant
15) Core business lines for which the service is relevant
16) Resolution group/s for which the service is relevant (name of resolution group)
17) Name of alternative service provider
18) Jurisdiction/s of the contract or dispute process, including agreed adjudication procedures, mediation, and arbitration or internal dispute resolution
19) Governing law
20) Country(ies) in which the services are provided (if different from country of registration of the provider)
21) Resolution-resilient contract (according to the resolution resilient features) (Y/N/)
22) Penalties for suspension, breach of contract or termination, delay with payments
23) Trigger/s for early termination
24) Termination notice period for the provider
25) Duration of post-termination assistance (months)

Additional fields

1) Relationships between contracts (e.g., cross-referencing between SLAs and master contracts)
2) Conditions of payment (e.g., pre-payment/post-payment)
3) Existence of automatic renewal clauses (Y/N)
4) Quantitative performance targets for the provider (e.g., number of licences)
5) Qualitative performance targets
6) Party(ies) allowed to terminate
7) Estimated time for substitutability

ANNEX II: Inventory of relevant operational assets and database of relevant staff

List of minimum information to be included in the inventory of relevant operational assets

1) Identifier
2) Type of asset
3) The type of title giving access to the asset (i.e., ownership, lease or other type of right)
4) The owner of the asset (distinguishing between group legal entity or third party) and parties to the contract(s) giving rise to access to the asset
5) Relevant services, critical functions and core business lines where provision and performance are underpinned by the asset
6) Group legal entities requiring access to the asset to enable relevant service performance
7) Physical location of the relevant asset
8) Arrangements in place to ensure continued access to the asset in resolution

List of minimum information to be included in the database of relevant staff

1) Identifier
2) The function/role of the relevant staff
3) The legal entity of the official contractual employer
4) The legal entity or entities to which the staff provides its service
5) Relevant services, critical functions and core business lines where provision and performance are nderpinned by the staff
6) Identifier of potential replacement/substitute for the post/role
7) Relevant references to retention/succession plans