

– The Chairman –

7 September 2015

Opinion of the CMFB on the statistical classification of entities under resolution

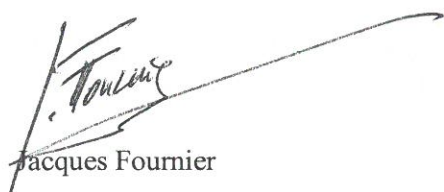
The CMFB has adopted the annexed opinion on the statistical classification of entities under resolution, in compliance with Article 4 of the Council Decision establishing the CMFB (2006/8568EC), via written procedure as provisioned for in Article 6 of the CMFB Rules of Procedure. The opinion is addressed to the European Commission (Eurostat) and the European Central Bank. The procedure took place between 16 July and 25 August 2015.

In issuing this opinion, the CMFB is exercising its advisory role on statistical classification pursuant to Article 9.1 of Regulation 549/2013 of the European Parliament and of the Council (ESA 2010 Regulation). The opinion consists of a cover note and two tables which are annexed.

The submitted opinion has been prepared over almost a year by a dedicated Task Force gathering the Chair and the Vice-Chair of the CMFB, the ECB, Eurostat, two directors of national accounts and two head of statistics in National Central Banks. It had been endorsed by the vast majority of the CMFB Executive Body before being presented to the CMFB plenary meeting on 2 July 2015 and sent to all members.

While the CMFB has to advise on the implied statistical classification, its opinion needs to be kept under review in the light of changing circumstances. The CMFB will therefore continue to discuss this issue on the basis of experience, including in respect of individual cases when they occur. Moreover, a significant minority asked for more work in this area, essentially on a few lines pertaining to the classification of the residual entities before they enter liquidation legal procedures.

For all those reasons, a CMFB Task Force will continue its work in a monitoring role. This will include cross-checking the present CMFB opinion and the classification tables in particular, against the actual cases that appear. Based on this work, the CMFB will propose changes to the tables thereof, if and when needed.



Jacques Fournier
Chairman of the CMFB

Annexed:

Opinion by the CMFB addressed to the European Commission (Eurostat) and the European Central Bank on the statistical classification of entities under resolution

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As set out in the Memorandum of Understanding on the cooperation between the Members of the ESS and the ESCB, signed on 22 April 2013, the CMFB shall facilitate close cooperation between the ESS and ESCB in areas of shared responsibility and/or common interest, which is obviously the case for entities under resolution. Furthermore, it has to give advice under article 9.1 of the ESA Regulation (Regulation EU 549/2013 of the European Parliament and of the Council). The obligation of the two systems to cooperate closely in the implementation of the ESA rules for financial defeasances structures has been underlined by a legal opinion of the Commission that was presented by Eurostat.

Accordingly, the CMFB has established, as decided at its plenary meeting in January 2015, a mapping of the statistical classification of entities under resolution with reference to ESA 2010. This mapping is necessary for taking into account the new European Parliament and Council legislation pertaining to resolution (mainly the Banking Resolution and Recovery Directive (BRRD) Directive 2014/59/EU) that creates a new legal regime and new entities.

The CMFB mapping allows:

- Consistency between financial and non-financial statistical classifications,
- Level playing field across countries and various statistics,
- Economic substance to be duly taken into account.

The current note lays down the status of the mapping which is presented in the two accompanying tables and its intended usage.

The tables constitute support for the statistical classification of the entities under the resolution regime. It pertains to national accounts, both financial and non-financial, statistics.

The opinion is however applicable only for cases that comply with the EU legislation. Should other cases occur, the CMFB would have to complement its advice to the Commission (Eurostat) and the ECB by analysing the specificities of the case, without deviating from the statistical rules and from the three principles thereof.

It must be underlined that the opinion does also not specify how the classification may be affected when the resolution is finished and the entities enter the legal and administrative liquidation phase that starts with the formal decision of the court to appoint a liquidator -which in particular takes place at a certain stage for the residual entities.

In consideration of the relatively recent adoption of the BRRD, the tables are a (practical) tool in the analysis: as this opinion accompanies the implementing phase of the new resolution regime, it is also a first -though carefully prepared- step in the statistical area. Hence, while supporting the statisticians of the ESS and of the ESCB in their regular work of classifying entities within the dynamics of the new resolution regime, it will be reviewed in the light of the experience gained in this domain.

The opinion does not always imply a unique classification as obvious in the mapping tables. Case-by-case studies will always be necessary to implement classification within this clearly defined framework.

TABLE A: STATISTICAL CLASSIFICATION OF ENTITIES UNDER RESOLUTION IN THE EURO AREA AND OTHER EU MS PARTICIPATING IN BANKING UNION, EXCEPT IF PERTAINING TO TABLE B¹ (SRM REGULATION 2014/806/EU & BRRD DIRECTIVE 2014/59/EU)²

<i>Diagnosis</i>	<i>Resolution measures/tools</i>	<i>Institutional unit (ESA 2.12)</i>	<i>Unit holding deposits (or close substitutes) and loans (and/or securities) as authorised CI (ESA 2.75 and Reg. 1071/2013)</i>	<i>Control of the unit (ESA 2.35 to 2.38)</i>	<i>ESA 2010 sector classification par. 2.67, 2.86, and 20.46 (Reg. 549/2013)</i>	<i>EDP effects (Reg. 479/2009)</i>	
<i>Not likely to fail</i>	1. Supervisory measures (BRRD art 27-30)	<i>Existing credit institution (CI)</i>	Yes	Public	S.122	Possible (debt). All additional capital requirements requested to general government as shareholder.	
				Private			
<i>Failing or likely to fail</i>	2. Sale of business tool (BRRD art 38-39)	<i>Residual entity (existing CI)</i>	Yes	<i>Non-resident (SRB)</i>	S.122	Possible. All capital injections made by general government to the residual entity impacts the general government accounts (deficit and debt).	
			No		S.125		
	3. Bridge institution tool (BRRD art 40-41)	<i>New CI</i>	Yes	<i>Non-resident (SRB)</i>	S.122	No.	
			<i>Residual entity (existing CI)</i>		Yes	<i>Non-resident (SRB)</i>	S.122
	No	S.125					
	4. Asset separation tool (BRRD art 42)	<i>New Asset Management Vehicle (restructuring agency not related to the existing CI)</i>	No	<i>Non-resident (SRB)</i>	S.125	Possible. All capital injections made by general government to the AMV impacts the general government accounts (deficit and debt).	
	5. Bail-in tool (BRRD art 43-44)	<i>Existing CI</i>	Yes	<i>Non-resident (SRB)</i>	S.122	Possible (debt). All additional capital requirements requested to general government as shareholder.	
	6. Public equity support (BRRD art 57) To be used exceptionally as a last resort	<i>Existing CI</i>	Yes		Public	S.122	Yes (possibly deficit or debt).
					Private		
	7. Temporary public ownership (BRRD art 58) To be used exceptionally as a last resort	<i>Existing CI</i>	Yes	<i>Public</i>	S.122	Yes (possibly deficit or debt).	

¹ Pursuant to article 7 and 31 of the SRM Regulation 2014/806/EU, the local RAs of the Eurozone are exerting the control of the resolution process of entities that are not supervised by the ECB if a number of specific conditions that are set out in the Regulation are met.

² This table shall be read, used and if and when necessary disclosed in conjunction with the cover note that presents the status and the limits of the table.

TABLE B: STATISTICAL CLASSIFICATION OF THE OTHER ENTITIES UNDER RESOLUTION IN EU COUNTRIES (BRRD DIRECTIVE 2014/59/EU)³

<i>Diagnosis</i>	<i>Resolution measures/tools</i>	<i>Institutional unit (ESA 2.12)</i>	<i>Unit holding deposits (or close substitutes) and loans (and/or securities) as authorised CI (ESA 2.75 and Reg. 1071/2013)</i>	<i>Control of the unit (ESA 2.35 to 2.38)</i>	<i>ESA 2010 sector classification par. 2.67, 2.86, and 20.46 (Reg. 549/2013)</i>	<i>EDP effects (Reg. 479/2009)</i>
<i>Not likely to fail</i>	1. Supervisory measures (BRRD art 27-30)	<i>Existing credit institution (CI)</i>	<i>Yes</i>	<i>Public</i>	<i>S.122</i>	Possible (debt). All additional capital requirements requested to general government as shareholder.
				<i>Private</i>		
<i>Failing or likely to fail</i>	2. Sale of business tool (BRRD art 38-39)	<i>Residual entity (existing CI)</i>	<i>Yes</i>	<i>NRA (S13 or non-S13)</i>	<i>S.122</i>	Possible. All capital injections made by general government to the residual entity impacts the general government accounts (deficit and debt).
			<i>No</i>	<i>NRA (non-S13)</i>	<i>S.125</i>	
				<i>NRA (S13)</i>	<i>S.13</i>	
	3. Bridge institution tool (BRRD art 40-41)	<i>New CI</i>	<i>Yes</i>	<i>NRA (S13 or non-S13)</i>	<i>S.122</i>	<i>No.</i>
		<i>Residual entity (existing CI)</i>	<i>Yes</i>	<i>NRA (S13 or non-S13)</i>	<i>S.122</i>	Possible. All capital injections made by general government to the residual entity impacts the general government accounts (deficit and debt).
	<i>No</i>		<i>NRA (non-S13)</i>	<i>S.125</i>		
		4. Asset separation tool (BRRD art 42)	<i>New Asset Management Vehicle (restructuring agency not related to the existing CI)</i>	<i>No</i>	<i>NRA (S13)</i>	<i>S.13</i>
	<i>NRA (non-S13)</i>				<i>S.125</i>	Possible. All capital injections made by general government to the AMV impacts the general government accounts (deficit and debt).
	<i>Private</i>					
	5. Bail-in tool (BRRD art 43-44)	<i>Existing CI</i>	<i>Yes</i>	<i>NRA (S13 or non-S13)</i>	<i>S.122</i>	Possible (debt). All additional capital requirements requested to general government as shareholder.
	6. Public equity support (BRRD art 57) To be used exceptionally as a last resort	<i>Existing CI</i>	<i>Yes</i>	<i>Public</i>	<i>S.122</i>	<i>Yes (possibly deficit or debt).</i>
				<i>Private</i>		
7. Temporary public ownership (BRRD art 58) To be used exceptionally as a last resort	<i>Existing CI</i>	<i>Yes</i>	<i>Public</i>	<i>S.122</i>	<i>Yes (possibly deficit or debt).</i>	

³ This table shall be read, used and if and when necessary disclosed in conjunction with the cover note that presents the status and the limits of the table.