Restructuring in Resolution Guidance Note

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Glossary of terms

Defined terms are indicated throughout this document as follows:

Asset Management Vehicle	Has the meaning described in Article 1 of the Resolution Law.
Asset Separation Tool	The mechanism described in Article 63(1) of the Resolution Law for effecting a transfer of assets, rights or liabilities of a Bank in Resolution to an asset management vehicle.
Bail-in Tool	The mechanism described in Article 65(1) of the Resolution Law for recapitalising a bank or exercise of the write down or conversion powers.
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.
Bank in Resolution	A Bank in respect of which resolution action is being taken.
Banking Code	Code of Practice for Deposit-taking Business.
Banking Law	Banking Business (Jersey) Law 1991.
BoE	Bank of England – in its capacity as the Resolution Authority for UK headquartered banking groups.
Bridge bank	Has the meaning described in Article 58(1) of the Resolution Law.
Business Reorganisation Plan	A plan that must be developed and implemented after a bail-in to address the causes of the JIB's failure and restore long-term viability.
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 or Core Business Line.
Depositor Compensation Regulations	Banking Business (Depositors Compensation) (Jersey) Regulations 2009.
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.
JFSC	Jersey Financial Services Commission.
Jersey Branch	The Jersey based operations of an Overseas Incorporated Bank.
JIB	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.
Overseas Incorporated Bank	A person not incorporated in Jersey that is registered to carry on deposit-taking business under the Banking Law.
Preferred Resolution Strategy	The tool(s) which have been identified as the most credible approach to successfully resolve a failing Jersey Bank.
PS2023/01	The JRA's Policy Statement 2023/01 'Resolution Planning and Resolvability'.
Residual Bank	The part of a Bank in Resolution that is not sold to a private sector purchaser or transferred to a bridge bank.
Resolution Law	Bank (Recovery and Resolution) (Jersey) Law 2017.
Resolution Outcomes	The outcomes intended to be achieved by the resolution framework which has been adopted by the JRA.
Special Manager	The person appointed by the JRA to replace the management of a Bank in Resolution (as set out in Article 42 of the Resolution Law).
SRB	Single Resolution Board – the central resolution authority within the European Banking Union.
Subsidiary	shall be construed in accordance with Article 2 of the Companies Law.
VDR	Virtual Data Room.

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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 On 11 August 2023, the JRA issued Policy Statement 2023/01 'Resolution Planning and Resolvability' ("PS2023/01"), which sets out the requirements and capabilities that the JRA expects Jersey Banks to develop to demonstrate that they are resolvable. The Policy Statement was subsequently updated in February 2024[1].

1.1.4 This document sets out guidance for Jersey Incorporated Banks (JIBs) on the restructuring capabilities they are expected to put in place and maintain to meet the restructuring requirements set out in PS2023/01. It does not set out any additional requirements beyond those set out in PS2023/01.

1.1.5 The following core publications have been referenced as part of the development of this Guidance Note. JIBs may wish to consider consulting them for additional guidance when developing the capabilities required to meet the restructuring requirements:

1.1.5.1 The Bank of England's Statement of Policy on Restructuring Planning[2]; and

1.1.5.2 The Single Resolution Board's Operational Guidance for Banks on Separability for Transfer Tools[3].

[1] The JRA's Policy Statement (PS2023-01) 'Resolution Planning and Resolvability': https://jra.org.je/images/documents/20240229-PS2023-01-JRA-Approach-to-Resolution-Planning-and-Resolvability-v02.00.pdf

[2] The BoE's Statement of Policy on Restructuring Planning: https://www.bankofengland.co.uk/-/media/boe/files/paper/2021/bank-of-england-restructuring-planning-sop-may-2021.pdf?la=en&hash=24739216935855BDFDAFCBA06B8D0DDB5BFC9A87

[3] The SRB's Operational Guidance for Banks on Separability for Transfer Tools: https://www.srb.europa.eu/system/files/media/document/20211025%20SRB%20Operational%20guidance%20for%20banks%20on%20separability%20for%20transfer%20tools%20FINAL.pdf

2 Objective

2.1.1 By developing restructuring capabilities as part of business-as-usual activities, JIBs will help ensure the credibility and feasibility of resolution plans.

2.1.2 JIBs need to be able to plan and execute restructuring effectively and in a timely manner in the event of resolution, considering the objectives applicable to that JIB's Preferred Resolution Strategy. The nature of restructuring capabilities varies depending on the Preferred Resolution Strategy for each JIB.

2.1.3 Where the JRA envisages the use of the bail-in tool as the Preferred Resolution Strategy, JIBs should be able to identify and evaluate restructuring options to enable them to restore their long-term viability following stabilisation. These measures and a critical evaluation of them should be set out in a business reorganisation plan which is to be submitted to the JRA, within 1 month of the application of the bail-in tool.

2.1.4 Where the JRA envisages the use of the transfer or sale tool as the Preferred Resolution Strategy, JIBs should prepare and maintain a separability assessment which analyses the regulatory, operational, legal, tax, contractual and economic linkages associated with the identified transfer perimeter(s). This assessment should also be accompanied by a business plan reflecting the current state view of operations and structure together with a go-forward view following the transfer or sale transaction. These JIBs also need to develop and maintain capabilities to facilitate a potential transfer or sale transaction including timely due diligence by prospective purchasers.

2.1.5 Where the JRA envisages the use of a bank winding up procedure (or similar in the JIB's home jurisdiction) as the Preferred Resolution Strategy, JIBs should put in place and maintain a simplified plan for winding up the JIB in a manner which minimises risks to financial stability.

3 General Guidance

3.1.1 This Guidance Note applies principally to JIBs. However, this section also sets out relevant general guidance applicable to all Jersey Banks and specific guidance that Jersey Branches of Overseas Incorporated Banks should consider.

3.1.2 It is anticipated that work completed by Jersey Banks (and where relevant their wider banking groups) on recovery, resolution and operational resilience and continuity shall be consistent and considered as complementary to one another. Indeed, it is probable that many of the restructuring capabilities for resolution purposes are likely to be extensions of capabilities already developed and in place to meet other requirements.

3.1.3 It is also recognised that the structure of the industry in Jersey is such that Jersey Banks are typically part of large international banking groups. As such, the JRA anticipates that extensive work will likely have been completed as part of wider group recovery planning and that Jersey Banks will look to leverage wider group capabilities and expertise to assist with addressing the JRA's restructuring requirements. Additional guidance on the use of group capabilities can be found in Section 4.6 of this Guidance Note.

3.1.4 Should a Jersey Bank identify any conflict between this Guidance Note and the requirements imposed by their group or legal entity's Home Resolution Authority, this should be brought to the attention of the JRA to discuss and agree the approach which will be taken to address the conflict.

Jersey Incorporated Banks

3.1.5 JIBs may also find it prudent to consider their preparedness for the full range of resolution tools. For example, a JIB which has bail-in as a Preferred Resolution Strategy may wish to pursue a transfer or sale of certain lines of business as one of its restructuring options which would require it to have conducted some form of separability assessment.

3.1.6 Likewise, whilst a Preferred Resolution Strategy has been determined for each JIB, it ought to be borne in mind that the JRA may need to ultimately utilise a broader range of tools to achieve a satisfactory resolution outcome.

3.1.7 JIBs may also wish to consider the extent to which it would be prudent to maintain documentation, where practicable, in a business-as-usual state to meet the requirements of PS2023/01.

Jersey Branches of Overseas Incorporated Banks

3.1.8 The restructuring requirements do not apply to Jersey Branches of Overseas Incorporated Banks. Instead, it is envisaged that any restructuring required to support resolution will take place at legal entity and/or group level and therefore be coordinated by Home Resolution Authorities.

3.1.9 Notwithstanding, Jersey Branches of Overseas Incorporated Banks should keep in mind they are required to provide to the JRA a sufficient level of information regarding the likely impact of any restructuring plans on their Jersey operations during or in the build-up to any resolution action.

3.1.10 Jersey Branches of Overseas Incorporated Banks should also be prepared to demonstrate to the JRA that their Jersey operations have been fully considered and documented as part of wider group and/or legal entity preparations for restructuring.

3.1.11 In this respect Jersey Branches of Overseas Incorporated Banks should have regard to the requirements and guidance set out in the following documents:

3.1.11.1 Section 5.9 – 'Communications' of PS2023/01 on Resolution Planning and Resolvability[4]; and

3.1.11.2 Communications Planning Guidance Note[5].

3.1.12 In particular, communications plans should be extended to ensure that the JRA and other relevant authorities (e.g. the JFSC) are kept informed of the likely impact of restructuring on the Jersey Bank's Jersey operations.

[4] The JRA's Policy Statement (PS2023-01) 'Resolution Planning and Resolvability': https://jra.org.je/images/documents/20240229-PS2023-01-JRA-Approach-to-Resolution-Planning-and-Resolvability-v02.00.pdf

[5] The JRA's Communication Planning Guidance Note: https://jra.org.je/images/documents/20240222-JRA-Communication-Guidance-Note-V01.00-clean.pdf

4 Guidance for Jersey Incorporated Banks performing Critical Functions

4.1 Guidance on structure, complexity, and interdependencies

4.1.1 JIBs should consider identifying, reducing, and where appropriate, removing unnecessary complexity and interconnectedness in their organisational structure and operations which may pose an undue risk to the satisfactory implementation of the Preferred Resolution Strategy.

4.1.2 To achieve this, JIBs should consider:

4.1.2.1 Implementing changes to facilitate operationally independent material legal entities to support the Preferred Resolution Strategy, particularly where it envisages a transfer or sale.

4.1.2.2 Restricting complex practices relating to trading or hedging operations in terms of how they are marketed, booked, funded and risk managed.

4.1.2.3 Minimising the complexity and size of the trading book if this is necessary to apply the envisaged resolution tool.

4.1.2.4 Taking measures to ensure that their legal and operational structure is not overly complex and interconnected to maintain and ensure continuity of access to critical functions in the event of resolution. Where considered appropriate, JIBs, should consider taking measures to reduce their complexity and to simplify their legal entity structure.

4.1.2.5 Aligning the legal organisational structure to Core Business Lines and Critical Functions.

4.1.2.6 Ensuring that the number of legal entities and organisational structure does not limit the application of the envisaged resolution tools.

4.1.2.7 Fostering a legal entity structure and intragroup funding arrangements which facilitates the implementation of the Preferred Resolution Strategy.

4.1.3 JIBs which operate mixed activities (e.g. insurance products), may wish to consider whether it is prudent for any such material non-banking activities to be operated independently of banking operations or arranged in such a fashion to avoid any negative impact for customers and/or third parties should resolution action be taken in relation to the banking operations.

4.2 Guidance on developing Business Reorganisation Plans where bail-in is the Preferred Resolution Strategy

4.2.1 JIBs performing Critical Functions, where bail-in is the Preferred Resolution Strategy, ought to have capabilities in place to identify and evaluate restructuring options during both resolution itself and pre-resolution contingency planning.

4.2.2 The remainder of this section and Section 4.3 set out further information about business reorganisation plans to enable JIBs to develop capabilities necessary to produce them either during resolution or pre-resolution contingency planning.

4.2.3 A post bail-in restructuring will be triggered by the JRA requiring the directors of the failed JIB, or a Special Manager appointed to oversee the resolution to prepare and submit a business reorganisation plan within 1 month of the application of the bail-in tool.

4.2.4 The business reorganisation plan must provide a diagnosis of the causes of the JIB's failure, a set of restructuring options aimed at restoring the long-term viability of the JIB, and a timetable for the implementation of the restructuring options.

4.2.5 The extent of any restructuring will be contingent on the causes and consequences of failure. If losses have materialised in just a single business line or are caused by a single event (such as a major fraud) the level of restructuring may be relatively moderate. Conversely, if the overarching business model of the JIB has been compromised, then a broader based restructuring will be required.

4.2.6 Restructuring options should be thought of as the potential range of measures available to a JIB which could plausibly be expected to support restoring it to long-term viability. Potential restructuring options may include the following:

4.2.6.1 A reorganisation of the JIB's operations to make them competitive;

4.2.6.2 Changes to the JIB's operational systems and infrastructure;

4.2.6.3 A withdrawal by the JIB from loss-making activities;

4.2.6.4 A sale of assets and/or business lines; and

4.2.6.5 A solvent wind-down of trading activities.

4.2.7 In this context, JIBs may wish to consider whether recovery options identified as part of recovery planning required under the JFSC's Pillar 2 and ICAAP framework might represent credible restructuring options[6].

4.2.8 When contemplating whether existing recovery options might represent credible restructuring options, JIBs should be cognisant that some of its identified recovery options may already have been utilised as part of its attempt to recover from a stress event and may therefore no longer be available having entered resolution.

4.2.9 Likewise, JIBs should reflect on the possibility that options identified as part of recovery planning may not be sufficient to address issues arising in the event of resolution.

4.2.10 JIBs should also ensure they can identify restructuring options which have not been developed already as recovery options. This may entail setting out restructuring options which potentially contribute towards the overall restructuring objective but may not yield near-term capital or liquidity benefits. By way of example:

4.2.10.1 A JIB may identify restructuring options which would materially alter its business model but only yield benefits over a longer-term horizon but in the meantime contribute to achieving a successful resolution outcome.

4.2.11 When developing restructuring options, a JIB ought to ensure it can demonstrate in the business reorganisation plan how it will meet its minimum regulatory requirements on a forward-looking basis (e.g. minimum capital and liquidity to meet the JFSC's Pillar 2 requirements). The restructuring options should also take into consideration any relevant structural separation requirements which might apply to

[6] The JFSC's Pillar 2 Guidance Note: https://www.jerseyfsc.org/media/2962/gn-basel-iii-pillar-2-appendix-b-pillar-2.pdf

its banking group – for example ring-fencing in the United Kingdom or the intermediate parent undertaking requirements in the European Union.

4.2.12 JIBs should include within their business reorganisation plan a detailed description of how they intend to implement the restructuring options which will shape, and be shaped by, their evaluation of the business reorganisation plan. Specifically, JIBs should ensure they include the following information:

4.2.12.1 A timescale and costs for implementation and key assumptions underpinning the business reorganisation plan. This should include an explanation of the time required to execute each restructuring option and the time needed to realise its benefits.

4.2.12.2 A detailed description of potential barriers and the risks associated with executing the restructuring options together with potential mitigants. Barriers may relate to interconnectedness, legal, regulatory, operational or business impediments.

4.2.12.3 A description of approvals which may be required to execute the restructuring options including legal entity board, shareholders, regulatory and customers.

4.2.13 JIBs should also describe, where relevant, how their restructuring plans fit within any wider group restructuring plans. It is also expected that JIBs will comment on the nature of support being provided by their wider banking group to develop, implement and evaluate their restructuring measures.

4.2.14 Whilst not anticipated to be a significant feature given the nature of business undertaken locally, JIBs should also outline, where relevant, in their restructuring plan how they would achieve a solvent wind down of any trading activities.

4.2.15 JIBs might also wish to consider the guidance published by the European Banking Authority in May 2016 on the minimum criteria to be fulfilled by a business reorganisation plan[7].

4.3 Guidance on evaluation of Business Reorganisation Plans where bail-in is the Preferred Resolution Strategy

4.3.1 JIBs need to have the capability to provide timely and sufficiently detailed information to support the evaluation of identified restructuring options during both resolution and pre-resolution contingency planning.

4.3.2 It is anticipated that there will be a broad range of stakeholders engaged in the evaluation of restructuring options – ranging from the Senior Management and Board of the JIB and/or its wider group as part of developing or reviewing the restructuring plan. Evaluations may also be undertaken by the JRA and other relevant authorities – for example home resolution and regulatory authorities or those supervising overseas branches. Stakeholders might also include a Special Manager who will also review restructuring options.

4.3.3 In terms of the evaluation of restructuring options identified in the business reorganisation plan, JIBs should consider as a starting point the information which must be provided to support the development of recovery plan options. JIBs should

[7] The European Banking Authority's Final Guidelines on the minimum criteria to be fulfilled by a business reorganisation plan: https://www.bankofengland.co.uk/-/media/boe/files/paper/2020/december/Guidelines%20on%20Business%20Reorganisation%20Plans.pdf

have regard to the guidance published by the JFSC in Appendix E of its Pillar 2 Guidance Note[8]. JIBs may also wish to refer to the Prudential Regulation Authority's Supervisory Statement on Recovery Planning, which details information to be provided to support the viability and credibility of recovery options[9].

4.3.4 When documenting restructuring options JIBs may wish to include the following information:

4.3.4.1 An articulation of the financial and prudential impacts of the restructuring options accompanied by a sensitivity analysis. This ought to also include information on the costs associated with the restructuring options and impacts on the income statement and balance sheet.

4.3.4.2 Information on the liquidity and funding needs of the proposed restructuring options together with a sensitivity analysis. Details of the potential anticipated funding sources should also be incorporated.

4.3.4.3 A description of the operational arrangements including provision of functions and shared services which would be required to support the restructuring or be impacted by the restructuring options.

4.3.4.4 A summary of restructuring options which have been considered but discounted, and a clear rationale as to why they have been discounted.

4.3.4.5 An explanation of restructuring options which would result in a material alteration to the JIB's business model and/or materially alter the scale of their business.

4.3.4.6 Commentary on the circumstances which might influence when certain restructuring options could be used. For example, if certain restructuring options might not be feasible because of prevailing market conditions or because certain restructuring options are mutually exclusive.

4.3.4.7 Specific, appropriate and measurable implementation milestones and reorganisation plan performance indicators.

4.3.5 The restructuring options contained within the business reorganisation plan should be based on credible assumptions, include scenario-based analysis and outline clear performance indicators for the go-forward structure and business activities of the JIB. The following factors ought to be considered by JIBs when evaluating the credibility of their restructuring options:

4.3.5.1 Assumptions and performance indicators within the business reorganisation plan should be compared, where practicable, with appropriate banking sector benchmarks and reflect the available macro-economic forecasts.

4.3.5.2 Forecast financial return indicators provided should be benchmarked against relevant peers and historical data.

[8] The JFSC's Pillar 2 Guidance Note: https://www.jerseyfsc.org/media/2962/gn-basel-iii-pillar-2-appendix-b-pillar-2.pdf

[9] The Prudential Regulation Authority's Supervisory Statement SS9/17 Recovery Planning: https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2022/april/ss917-may-2022.pdf

4.3.5.3 Scenario analysis should incorporate a base-case scenario and a worst-case scenario reflecting a significant, yet plausible, change in the underlying assumptions relative to the base-case scenario.

4.3.5.4 Risks considered in the evaluation of the restructuring options should be consistent with the idiosyncratic risks of the JIB concerned and wider banking sector risks.

4.3.6 The JRA may wish to sight evidence that the JIB's Board and/or other senior governance forums have provided sufficient challenge of the business reorganisation plan, comprehensively reviewed it and approved it. Accordingly, the Board of the JIB should clearly articulate its view as to why the business reorganisation plan is considered credible and deliverable.

4.3.7 It is also anticipated that JIBs will be able to demonstrate that business areas which would be involved in the execution of specific restructuring options have been appropriately engaged in developing the restructuring options. Likewise, JIBs should be prepared to demonstrate that sufficiently senior individuals have been involved and engaged in the development, review, challenge and approval of the business reorganisation plan.

4.3.8 The JRA may request that JIBs share copies of any assurance opinions undertaken by the internal audit function on the development and readiness of restructuring capabilities.

4.3.9 Following submission of the business reorganisation plan, the JRA in conjunction with the JFSC will assess whether the proposed plan will restore the long-term viability of the JIB.

4.3.10 Following this assessment the JRA will either approve the plan or request amendments to the plan. Such amendments must be made within two weeks. Accordingly, JIBs should factor this in when developing capabilities to produce business reorganisation plans.

4.3.11 In the case of JIBs with branches in other jurisdictions, the JRA will be responsible for communicating the business reorganisation plan with other relevant resolution authorities within the assessment period. We will also consider communicating the plan to any relevant resolution college, where applicable. Relevant resolution authorities will be given the opportunity to comment on the business reorganisation plan and the JRA will, where practicable, take their comments into account as part of the assessment process.

4.3.12 Senior Management, or if appropriate the Special Manager, should seek approval from the JRA and the JFSC prior to making any material changes to the agreed business reorganisation plan. Changes to the business reorganisation plan will be approved by the JRA should they consider that the changes are required to restore the long-term viability of the JIB.

4.3.13 The Resolution Law requires Senior Management to submit a report to the JRA at least every 6 months on the progress of the implementation of the business reorganisation plan until such time as the JRA advises that it is no longer required. In practice the JRA anticipates requiring reporting on a quarterly basis and JIBs should factor this in when developing capabilities to execute restructuring.

4.4 Guidance on preparing and maintaining Separability Assessments where transfer or sale (including partial transfers) is the Preferred Resolution Strategy

4.4.1 Separability underpins Preferred Resolution Strategies which envisage transfers or sales of assets, liabilities or legal relationships from a JIB to a new legal entity. This might, by way of example, see a transfer or sale of Critical Functions and/or Core Business Lines to an acquirer or a bridge institution; or it could also entail the transfer of non-performing loans to an asset management vehicle.

4.4.2 Separability should be considered as the JIB's readiness to swiftly facilitate a transfer of (a) legal entities, (b) business lines, or (c) portfolios of assets and liabilities to a third party. Being prepared for separability will enable the JRA to oversee a market transaction on a timely basis to achieve a successful resolution outcome in line with the Preferred Resolution Strategy.

4.4.3 JIBs which perform Critical Functions and where transfer or sale (including partial transfers) is the Preferred Resolution Strategy should carry out a Separability Assessment ("SA"). A SA considers the interconnections between assets, liabilities and other legal relationships (e.g. services, staff and technology infrastructure), having regard to any statutory safeguards as outlined in Articles 80 – 85 of the Resolution Law, economic and contractual factors. The assessment also needs to consider the operational and financial continuity aspects which will influence determination of the transfer or sale perimeter.

4.4.4 The SA should also be accompanied by a business plan and transfer playbook for the identified transfer or sale perimeter. The intention being that it can also be used by a potential purchaser to swiftly evaluate a prospective acquisition opportunity should a resolution be triggered.

4.4.5 A robust SA should consider the following matters:

4.4.5.1 A comprehensive analysis of the proposed transfer perimeter, detailing the assets, liabilities and legal relationships, services, staff and broader supporting infrastructure which are eligible for transfer to third parties which will achieve the desired resolution outcome.

4.4.5.2 A detailed analysis of the linkages of the transfer perimeter, identifying which assets, liabilities and legal relationships associated with the proposed transfer perimeter (due to either the safeguards outlined in Articles 80 – 85 of the Resolution Law or other economic and contractual factors) must or should also be transferred.

4.4.5.3 A detailed description of the operational and financial continuity aspects of the transfer perimeter. Specifically, an outline of the required services, technology systems and platforms, financial market infrastructure, human resources together with an articulation of the capital, liquidity and funding requirements for the transfer perimeter.

4.4.5.4 An analysis of the most suitable potential buyers for the proposed transfer or sale perimeter and their anticipated ability to execute the transaction in a timely manner.

4.4.5.5 A description of the technical and organisational capabilities (including the systems to generate management information) required to facilitate a timely proposed transfer or sale.

4.4.5.6 A draft business plan supported by historical financial analysis of the proposed transfer or sale perimeter, attached as an annex.

4.4.6 A transfer playbook, also attached as an annex to the SA, containing a description of the organisational and operational structure envisaged to execute the transfer or sale, the envisaged process, sources of information, a cost estimate, and an evaluation of the potential barriers and risks to separability.

4.4.7 Supplementary guidance on topics JIBs ought to consider when developing SA's can be found in Appendix A. The following matters are covered:

- Determining the proposed transfer or sale perimeter;
- Financial interconnections;
- Legal interconnections;
- Operational interconnections;
- Business interconnections;
- Identifying potential barriers or risks;
- Draft business plans; and
- Likely market interest.

4.5 Guidance on capabilities required to support transactions where transfer or sale (including partial transfers) is the Preferred Resolution Strategy

4.5.1 JIBs should undertake a self-assessment of their capability to provide accurate and timely information on the transfer or sale perimeter to support the implementation of transfer or sale tool as confirmed by the JRA. This information will be required during resolution planning and in the event of resolution.

MIS capabilities

4.5.2 JIBs ought to have the following MIS capabilities to support a transfer or sale resolution strategy:

4.5.2.1 The ability to identify the core layer of the proposed transfer or sale perimeter including the mapping of Critical Functions and Core Business Lines, governing law, and recognition of Resolution Law transfer powers[10].

4.5.2.2 The ability to provide the JRA with timely analysis and an assessment of interconnections relating to the transfer or sale perimeter.

4.5.2.3 To ensure operational and financial continuity of the transfer or sale perimeter – in particular MIS capabilities to support the separation of accounting functions.

4.5.2.4 The ability to provide valuation related data relevant to the transfer perimeter (in this respect JIBs should refer to the JRA's Valuations Standard).

[10] This capability builds on the requirements outlined in the JRA's OCiR Guidance Note published in February 2024.

4.5.2.5 The ability to support the development of marketing materials and due diligence as part of the transaction process. In particular, JIBs should consider and self-assess their ability to set-up and populate a virtual data room (VDR) swiftly.

Virtual Data Room capabilities

4.5.3 JIBs may wish to consider whether it is prudent to establish a readily searchable 'repository' during the resolution planning phase to warehouse the due diligence materials. This will ensure readiness if setting up a VDR becomes necessary. The self-assessment should outline the lead time to achieve production and associated implementation timeline.

4.5.4 Appendix B provides an indicative list of data and documents which should be readily available to populate the VDR for sale of business and asset deals, as well as asset separability transactions.

4.5.5 The data and documents required to support a sale or transfer resolution strategy may change depending on the size and complexity of the Jersey Bank, the nature of the financial crisis and the specifics of the planned approach to resolution.

4.5.6 JIBs should seek to agree with the JRA whether all the data is required at the outset or whether production of certain data should be prioritised. In the self-assessment JIBs should outline any gaps versus the indicative list and the time to close the gaps.

4.5.7 Additionally, JIBs ought to self-assess their capability to support the production of carve-out financials on a pro-forma basis, and where appropriate, an information memorandum (consisting principally of financial, tax and legal information) for the perimeter of an asset transfer or sale. This information memorandum should be considered broadly equivalent to that produced in a vendor-initiated corporate finance transaction. The self-assessment should also comment on the time required to achieve production readiness and the time to close any identified shortcomings. The ability to produce timely and good quality information is considered by the JRA to be a core underpinning feature of resolvability.

4.5.8 Within the self-assessment, JIBs should also comment on previous experience, including relevant group experience, of executing the proposed type of transaction, lessons learned together with an articulation of processes and systems already in place to support transfer or sale transactions.

4.5.9 An example of the information to be included in carve-out financials can be found in Table 2 of the SRB's Operational Guidance for Banks on Separability for Transfer Tools[11].

Transfer or Sale Playbook

4.5.10 JIBs should also self-assess their ability to operationalise the transfer of the proposed transfer or sale perimeter (including any perimeter shifts) by developing a transfer or sale playbook.

4.5.11 The transfer or sale playbook ought to be structured as an operational artefact intended for use by the JIB itself. It should detail the processes involved and the functions, business units and support teams involved, and the operational steps required to (i) identify the proposed transfer perimeter, (ii) produce the required

[11] The SRB's Operational Guidance for Banks on Separability for Transfer Tools: https://www.srb.europa.eu/system/files/media/document/20211025%20SRB%20Operational%20guidance%20for%20banks%20on%20separability%20for%20transfer%20tools%20FINAL.pdf

documentation and populate the VDR, and (iii) identify the steps required to implement the resolution transaction in both legal terms and within the JIB's accounting records and technology systems.

4.5.12 JIBs should model the transfer or sale playbook on the proposed transfer perimeter with its identified interconnections (included, removed and mitigated), identified risks and potential impediments together with lessons learnt, in keeping with the SA. The transfer or sale playbook and SA should be aligned and updated concurrently.

4.5.13 JIBs should seek to include the following elements within the playbook:

4.5.13.1 Governance: A description of the responsible business units, committees, and senior management responsible for overseeing the execution of the separability option;

4.5.13.2 Timeline for implementation;

4.5.13.3 Steps and timeline to implement mitigating actions for risks and potential impediments to execution as detailed in the SA and commensurate analysis of interconnections and other separability aspects; and

4.5.13.4 Communication plans with internal, external and regulatory stakeholders (where not already addressed by a Communications Playbook implemented to meet the Communications requirements set out in PS2023/01).

4.6 Guidance on the use of wider group capabilities to meet the restructuring requirements and expectations

4.6.1 As noted above in Section 3 it is recognised that developing and maintaining restructuring capabilities is likely an extension of capabilities developed to meet other requirements such as recovery planning. By way of an example, group recovery actions may already contemplate the restructuring, sale of, or orderly winding-up of a JIB. There may also be centralised virtual data room arrangements which can be readily accessed by a JIB.

4.6.2 Should a JIB choose to leverage the capabilities and expertise of its wider group it should carefully consider whether using these capabilities will enable it to meet the requirements set out in PS2023/01.

4.6.3 JIBs should consider whether there are aspects of their operations in Jersey which are sufficiently unique, when compared to wider group operations, which may mean that group capabilities need to be augmented to ensure that any unique Jersey factors can be satisfactorily addressed.

4.6.4 Satisfying specific Jersey factors might be achieved through specific addendums or uplifts to existing group capabilities. Alternatively, Senior Management of JIBs may wish to consider working with their wider group resolution planning teams to shape group responses in developing any restructuring plans so that they fully address any novel features of their Jersey operations.

5 Guidance for Jersey Banks not performing Critical Functions

5.1 Background

5.1.1 The failure of Jersey Banks that do not perform Critical Functions in Jersey will, by definition, have a lesser impact on continuity of banking services and the stability of the financial system in Jersey. However, any failure will still have an impact and the focus for the JRA is on reducing risks to financial stability.

5.1.2 Whilst PS2023/01 does not set out any specific restructuring requirements for such banks, some elements of restructuring are relevant to the requirements for Jersey Banks not performing Critical Functions contained in Section 6 of PS2023/01.

5.1.3 This section sets out guidance relating to these aspects. Within Section 5, references to Jersey Banks or JIBs are to those that do not perform Critical Functions in Jersey.

5.2 Guidance for Jersey Banks that are part of banking groups and/or entities where the Preferred Resolution Strategy is bail-in, transfer or sale (including partial transfers)

5.2.1 Jersey Bank's that do not perform Critical Functions may nonetheless be part of large banking groups or legal entities that are subject to resolution planning requirements at a group or legal entity level. In the event of a group or legal entity entering resolution, there may be a period of restructuring, which could have a material impact on the Jersey Bank. In such cases it is expected that any group and/or legal entity restructuring plans (including any pre-resolution contingency planning) will fully reflect the nature of the Jersey Bank's operations on a proportional basis.

5.2.2 Senior Management of Jersey Banks should also ensure they are suitably represented and engaged in the development of group/legal entity level restructuring plans, on a proportional basis, during both the planning stage and during the execution of such restructuring plans.

5.2.3 Jersey Banks, in keeping with the Guidance outlined in Section 5.1.4 of the JRA's Guidance Note on Communication Planning, should ensure that the JRA and other relevant Jersey authorities are kept fully apprised of any group/legal entity restructuring plans, its likely impact on operations in Jersey, and ongoing progress in executing such restructuring plans[12].

5.3 Guidance for Jersey Banks where the Preferred Resolution Strategy is bank winding up (or equivalent in the home jurisdiction)

5.3.1 It is expected that any group and/or legal entity winding-up plan will fully reflect the nature of the Jersey Bank's operations in Jersey on a proportional basis.

5.3.2 Jersey Banks should ensure that the JRA and other relevant Jersey authorities are kept fully apprised of any group/legal entity winding-up plan and ongoing progress in executing the restructuring plan.

[12] The JRA's Communication Planning Guidance Note: https://jra.org.je/images/documents/20240222-JRA-Communication-Guidance-Note-V01.00-clean.pdf

5.3.3 For JIBs, it is expected that they should develop and maintain a simplified plan for winding-up which will enable the JRA to assess their readiness for the cessation of its activities with minimal disruption to financial stability. At a minimum this must capture the requirements of Section 6.1 of PS2023/01. In addition, to help ensure the simplified plan minimises the risks to financial stability, JIBs may wish to include the following information:

5.3.3.1 An overview of the JIB including its legal entity and operational structure.

5.3.3.2 An assessment of the impact a winding-up of the JIB would have on stakeholders including customers.

5.3.3.3 Outline the communication plan to ensure that all stakeholders are kept appropriately informed during the winding-up process.

5.3.3.4 A summary of the steps that would need to be taken to wind-up the JIB and the likely timeframe to deliver the winding-up.

5.3.3.5 An estimate of the costs required to implement the winding-up plan.

6 Guidance on Self-Assessments

6.1.1 JIBs are expected to submit an initial self-assessment of the capabilities they have in place to meet the restructuring requirements and expectations by 30 June 2025.

6.1.2 A further self-assessment will be required by 30 June 2026 and thereafter a self-assessment will be required every two years.

6.1.3 JIBs may also wish to undertake assurance reviews of current restructuring capabilities. If shortcomings are identified, measures should be implemented to address these to meet the requirements set out in Section 5.7 of PS2023/01. Any identified shortcomings and plans to address them should be highlighted to the JRA as part of the next self-assessment submission and as part of ongoing engagement.

6.1.4 Self-assessments should be set out in a narrative format and be mapped against the requirements set out in PS2023/01 and the expectations in this Guidance Note. The self-assessments should include:

6.1.4.1 An explanation of the JIB's understanding of its Preferred Resolution Strategy. This should include a brief description of the actions that the JIB would take to support resolution actions by the JRA. JIBs may find it useful to use the stylised resolution timelines developed by the Prudential Regulation Authority and BoE to inform this[13].

6.1.4.2 An explanation of the capabilities, resources and arrangements in place to meet the restructuring requirements and expectations.

6.1.4.3 JIBs should highlight any issues in meeting the requirements and expectations, the anticipated timeline for completion of steps they are taking to address these issues, together with commentary on the controls and governance in place to oversee the implementation of these steps.

6.1.4.4 A summary of testing and/or assurance in respect of restructuring capabilities. If a JIB has carried out testing of its existing capabilities and arrangements to substantiate its self-assessment, it should include a summary of the testing/assurance in its report. This should include commentary on any findings and plans to remediate (including timelines).

6.1.4.5 A summary of the governance process in place for performing and documenting its self-assessment.

6.1.4.6 The JRA expects the self-assessment to be written in an accessible fashion which will enable the JRA to obtain a clear and accurate understanding of the JIB's readiness to undertake restructuring activity. Whilst it should be sufficiently detailed it should not be excessively so. JIBs should not seek to submit a significant volume of supporting documents and analysis – instead they should describe these, including to the extent they support orderly resolution, and make them available to the JRA on request.

[13] Annexes 1 & 2 of the Prudential Regulation Authority's Supervisory Statement SS4/19 Resolution assessment and public disclosure by firms: https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2021/ss419-may-2021.pdf#page14

6.1.4.7 Where applicable, JIBs should append copies of any Separability Assessments, draft Business Plans and Transfer or Sale Playbooks that have been prepared.

7 Appendix A: Guidance on preparing Separability Assessments

7.1 Determining the proposed transfer or sale perimeter

7.1.1 As part of its SA, JIBs should document the proposed transfer or sale perimeter, describe how it has been determined and the rationale for its composition. JIBs ought to think of the transfer or sale perimeter being comprised of two layers:

(i) a core transfer or sale perimeter identified purely on the resolution objectives and tool-specific objectives as advised by the JRA; and

(ii) a second layer which contains interconnections which cannot be removed or mitigated.

7.1.2 Taken together these two layers will form the final transfer or sale perimeter proposal. Guidance for Sale of Business asset perimeters can be found in the Appendix of the SRB's Operational Guidance for Banks on Separability for Transfer Tools[14].

7.1.3 It is anticipated that determining the final transfer or sale perimeter will be an iterative process as the second layer of interconnections may potentially require adjustments to the composition of the core layer, so as to fulfil certain objectives – for example to ensure the financial continuity of the sold or transferred operations.

7.1.4 JIBs should seek to document how the proposed final transfer or sale perimeter meets the proposed resolution outcomes, compared to alternative perimeters. The alternative perimeters might include different approaches to addressing identified interconnections or other separability issues. This analysis will support the JRA in its own assessment and conclusion on the final choice of transfer or sale perimeter and relevant next steps.

7.1.5 JIBs should also provide such information as required to the JRA to support potential shifts in the transfer or sale perimeter. Such shifts might be necessary because of changes to the prevailing economic or financial environment versus original expectations during resolution planning, or because of the earlier activation of recovery options. The SA should contemplate both the current structure and the structure after the implementation of any recovery/restructuring options.

7.1.6 JIBs should document the interconnections related to the core transfer or sale perimeter and clearly identify those which need to be included in or excluded from the proposed final transfer or sale perimeter. They should also outline any other factors which may potentially constrain separability. This work should be an extension of work already required to meet the JRAs expectations in relation to Operational Continuity in Resolution (OCiR).

[14] The SRB's Operational Guidance for Banks on Separability for Transfer Tools: https://www.srb.europa.eu/system/files/media/document/20211025%20SRB%20Operational%20guidance%20for%20banks%20on%20separability%20for%20transfer%20tools%20FINAL.pdf

7.1.7 When determining the proposed transfer or sale perimeter, JIBs may wish to take the following approach:

7.1.7.1 Identify interconnections between the core transfer or sale perimeter and the remaining operations using the classification approach detailed below.

7.1.7.2 Subsequently consider each identified interconnection (financial, legal, tax, operational, business) and articulate the most efficient and appropriate way to address it.

7.1.7.3 The aim should be to set out the best course of action depending on whether the interconnections make it more difficult to achieve the resolution objectives and whether they can, or cannot be removed, or mitigated, during resolution planning, and at what cost.

7.1.7.4 'Hard' interconnections – defined as those which are considered disproportionately too costly or too difficult to remove or mitigate – form the second layer of the transfer or sale perimeter and should be added to the core layer to form the final proposed transfer or sale perimeter.

7.2 Financial interconnections

7.2.1 The following factors should be used when considering financial interconnections for the purposes of the SA:

7.2.1.1 Connections safeguarded by Articles 80 – 85 of the Resolution Law; and

7.2.1.2 Intra-group guarantees, funding and liquidity relationships or crossholdings, hedging positions not included in the safeguards refenced above.

7.2.2 JIBs should document the perimeter's financial interconnections in a distinct section of the SA. Connections falling within the definition of the safeguards set out in Articles 80 – 85 of the Resolution Law should be highlighted for further consideration by the JRA.

7.2.3 JIBs should put forward proposals to address financial interconnections, particularly those without specific legal safeguards, such as hedging positions, funding and liquidity relationships. They should clearly articulate whether they can remove or mitigate the financial interconnections, or flag for further discussion with the JRA whether they can be removed using ancillary provisions set out in Article 71 of the Resolution Law.

7.2.4 A summary of the expected time required to remove or mitigate the interconnections, the expected costs to do so, and any foreseen barriers to doing so should also be included.

7.2.5 JIBs should also consider in this section of the SA other financial aspects which may affect the separability of the transfer or sale perimeter. By way of example – access to currencies or the continuity of back-to-back transactions.

7.3 Legal interconnections

7.3.1 The following factors should be used when considering legal interconnections (including tax considerations) for the purposes of the SA:

7.3.1.1 Relevant contracts, for example those with specific exclusion clauses such as joint venture and partnership agreements, or those linking financial instruments such as joint credit agreements, or those which link loans and other receivables of the bank to the same collateral;

7.3.1.2 Cross-entity ownership instruments;

7.3.1.3 Tax linkages (including deferred tax assets and credits);

7.3.1.4 Litigation (entity related for example, tax or conduct-related e.g. product mis-selling, or because of resolution action); and

7.3.1.5 Functional unit level – i.e. existing service obligations under intra-group agreements or not, employee contracts and collective bargaining agreements, including retirement, and contractual provisions attached to each unit's assets and liabilities.

7.3.2 JIBs should undertake a legal review of the existing contracts mapped to the transfer perimeter in order to assess the legal interconnections identified as listed above. This analysis should be included as an annex to the SA.

7.3.3 In addition to the legal elements outlined above, JIBs should also consider other legal aspects which may potentially impact on the transfer or sale. By way of example, its current legal form, its foreign law legal contracts, litigation and tax matters.

7.3.4 The legal section of the SA should highlight whether there are any restrictions in its current articles of association or legal personality, which might mean it is not transferable to an acquirer with a different legal personality or would conflict with provisions in its current articles of association. Commentary should be included on the process and necessary steps to address these issues.

7.3.5 The legal review should also consider foreign law contracts and provide assurance on their resolution resilience i.e. do they already include resolution resilient clauses and recognition of 'stay powers' set out in the Resolution Law. The review should focus on those contracts relevant to the proposed transfer or sale perimeter only. Should shortcomings be identified then these should be addressed as part of its wider resolvability work plan and a timetable agreed with the JRA to address them.

7.3.6 The legal review should also identify sources of litigation and provide an opinion on whether these can remain behind in the legacy entity or risk being brought along with assets or liabilities included in the transfer or sale perimeter.

7.3.7 The legal review should also incorporate a tax assessment setting out the tax impacts on the transfer or sale transaction. It should cover matters such as subrogation of tax rights and obligations including transfers of deferred tax assets or credits, existence of special tax regimes for corporate operations, and commentary on the most efficient and legally sound manner to structure the transfer or sale transaction to avoid incurring any unnecessary losses for tax reasons.

7.4 Operational interconnections

7.4.1 The following factors should be used when considering operational interconnections for the purposes of the SA:

7.4.1.1 Relevant services, staff, operational assets including technology and other infrastructure; and

7.4.1.2 FMI service providers.

7.4.2 JIBs may wish to leverage mapping work already completed to meet JRA requirements and expectations in relation to OCiR and highlight relevant operational interconnections that might impact on the transfer or sale perimeter. Specifically, in the SA they should comment on the following aspects of Critical Shared Services, operational assets and staff:

7.4.2.1 For Critical Shared Services considered to have an impact on the transfer or sale perimeter, whether appropriate mitigating actions are in place – such as appropriate documentation and resolution resilience in line with existing operational continuity guidance. If appropriate, commentary should be provided on the assessed complexity and time required to achieve resolution resilience to enable them to be transferred as part of the perimeter.

7.4.2.2 In relation to relevant operational assets (e.g. technology systems/platforms, licences, intellectual property, real estate etc.) whether mitigating actions and/or contingency plans are in place for those affected by the transfer or sale. Particular attention should be paid to changes or redesigns required to allow continuity of technology systems and access to all parties as required.

7.4.2.3 For identified relevant staff, whether the right roles and required expertise are properly mapped and any liabilities arising from local employment law, including pension provisions are identified. Commentary on whether mitigating actions (such as substitution, retention plans and succession plans) are in place to ensure that relevant roles would be adequately resourced in the event of resolution. Employees undertaking 'double hatting' roles should also be addressed.

7.4.3 JIBs may need to consider undertaking similar work for other services (i.e. those not deemed to be Critical Shared Services), operational assets and staff in the transfer or sale perimeter to understand the full feasibility of the transfer or sale.

7.4.4 Using mapping of relevant FMI service providers to its legal entities, Critical Functions and Core Business Lines, JIBs should analyse in the SA which contracts with FMI service providers would need to be transferred with the perimeter and which would remain with the Residual Bank. Continued access will need to be established via a transitional service agreement or other suitable arrangement, such as indirect access for the Residual Bank via the purchaser and vice versa. FMI contingency plans should be sufficiently advanced to ensure continuity of access for the FMI relationships to be included in the transfer or sale perimeter[15].

[15] The JRA recognises that aspects of the SA relating to FMI access may need to be enhanced once JIBs have completed work to implement requirements associated with Access to FMI (due to be in place by 30 June 2026).

7.5 Business interconnections

7.5.1 The following factors should be used when considering business interconnections for the purposes of the SA:

7.5.1.1 Business unit links with product or cross-selling synergies; and

7.5.1.2 Franchise impacts on the Residual Bank caused by:

- a perimeter shift of assets to an asset management vehicle or bridge bank; or
- assets remaining in the Residual Bank.

7.5.2 JIBs should endeavour to keep customer relationships together as much as possible to minimise the impact on the customer experience and the management of risk, asset quality and cost efficiencies.

7.5.3 If a resolution involves the use of the asset separation tool, the JIB should determine the proposed perimeter in such a way to limit the franchise value impact on the Bank in Resolution from the transfer or sale to the asset management vehicle[16].

7.5.4 If a resolution involves the use of the bridge bank tool, the JIB should seek to determine the proposed perimeter in such a way to limit the franchise value impact on the assets remaining in the Residual Bank and on the bridge bank.

7.6 Identifying potential barriers or risks

7.6.1 JIBs should identify potential barriers or risks to a smooth transfer or sale process following the analysis of the interconnections and broader separability analysis. It is anticipated that the SA will outline what mitigating actions have already been taken or could be taken to ameliorate the identified barriers or risks.

7.7 Draft business plans

7.7.1 JIBs shall ensure they include within SAs a historical financial analysis of the proposed transfer or sale final perimeter as part of a draft business plan. It should be included as an annex to the SA and should include a detailed commentary of the expected costs associated with the proposed transfer or sale. Specific commentary should be made on the costs of:

7.7.1.1 Removing interconnections by:

- cancelling contracts, where practicable, such as employment contracts (including those which might be subject to collective bargaining); and/or
- entering new contracts – for example for transitional service agreements.

7.7.1.2 Mitigating interconnections by:

- substituting contracts, if possible, for contracts containing resolution resilient terms.

[16] Franchise value impact refers generally to a decrease in franchise value. This can be defined as the present value of the future profits that a JIB is expected to earn as a going concern. Profits are considered as those gains beyond what is required to cover all costs, including the cost of capital. Removal of business interconnections could have a negative impact on franchise value.

7.7.1.3 Maintaining interconnections and calculating possible impact when:

- not terminating employment contracts (including pension rights);
- not transferring certain deferred tax assets/credits into the final transfer or sale perimeter; and/or
- not being able to leave behind certain litigation liabilities in the Residual Bank.

7.7.2 The historical financial analysis ought to also cover the proposed business units to be included, the resulting balance sheet and income statement for the final perimeter, the key performance indicators (profitability, capitalisation, liquidity and funding including potential funding sources).

7.7.3 JIBs should compare alternative perimeters which may have different interconnections and therefore differing separability considerations. They might wish to use the financial analysis outline above for the differing perimeters to inform their decision on the choice of the proposed final transfer or sale perimeter. The JRA will use this work to inform its own analysis and decision making on the choice of the final transfer or sale perimeter.

7.8 Likely market interest

7.8.1 JIBs ought to include within the SA, a description of suitable potential buyers for the identified transfer or sale perimeter. The suitability should be assessed based on the following criteria:

7.8.1.1 The strategic fit of the transfer or sale perimeter in terms of the associated customer relationships, distribution channels and geographic locations with that of the potential buyer.

7.8.1.2 Analysis, using recent and public merger and acquisition activity, setting out indications of appetite for such transactions.

7.8.1.3 The financial strength and corresponding capacity to acquire the transfer or sale perimeter using publicly available information.

7.8.2 JIBs may wish to expand the work already performed for recovery planning to complete this analysis. The JRA will use this section of the SA to inform its analysis and decision making on the cohort of potential buyers and their suitability.

8 Appendix B: Indicative list of data and documents to populate a VDR

- Corporate information:
  - Articles of association.
  - Corporate structure chart and shareholder details.
  - Organisational structure chart.
  - Audit reports.
  - Historical and current reports submitted to the regulator.
- Overview of branch network and employees:
  - Branch network – detailed information on number of branches, regulators, principal activities.
  - Employees – number of employees overall, number of employees per department/critical function & core business lines/subsidiary, types of contracts, costs, pension provision, employee borrowing arrangements.
- Restructuring plan – copies of any restructuring plans in place / being developed.
- Business plan – copies of latest business plan.
- Prudential assessments – copies of latest ICAAP, ILAAP and recovery plan documents.
- Clients / deposits – number and type of accounts, maturity ladder breakdown.
- Risk management – copies of latest risk reports, enterprise-wide risk management framework, key risk management policies, procedures and processes.
- Tax information – details on deferred tax assets/credits, material tax risks.
- Employee law provisions for transfer or redundancy of employees.
- Technology contracts and material business intra-group agreements/service contracts – copies of critical technology contracts.
- Regulatory reporting – copies of latest regulatory reporting submissions.
- Board meeting packs and accompanying minutes – copies covering the last 12 months.
- Risk Committee meeting packs and accompanying minutes – copies covering the last 12 months.
- Audit Committee meeting packs and accompanying minutes – copies covering the last 12 months.
- Copies of key regulatory correspondence covering the last three years.
- Income statement accounts and notes – include analysis on margins and fees.
- Liabilities and deposits breakdown – breakdown of type of depositor (retail/wholesale), individual/SME, eligible/non-eligible, covered/non-covered.
- Other assets and liabilities – Jersey Bank Depositors Compensation Scheme / Jersey Resolution Fund claims and liabilities.
- Copy of lending / underwriting criteria and key policies by product type.
- Copy of loan impairment and provisioning policy.

- Financial information – data tape containing the following:
  - Loan data by legal entity as at certain data including loan account ID number, description of the loan and outstanding amount, security information, information on any arrears and/or restructuring.
  - Leasing agreements – financial and operational leasing.
  - Standby Letters of Credit and Letters of Credit – broken down by category of credit risk.
  - Trade Finance facilities.
  - Off balance sheet exposures.
  - Intra-group exposures.
  - Summary of hedging arrangements.
- Single Customer View financial information.
- Financial information:
  - Annual reports.
  - Management accounts.
  - Quarterly JFSC Prudential returns.
  - Interbank lending.
  - Asset encumbrances.
- Securities exposures – Available for Sale, Held to Maturity, trading, derivatives, government bonds and T-bills, repo positions etc.
- Capital – Prudential Returns, information on recent capital increases, if applicable.
- Legal risks from on and off-balance sheet exposure – provisions, penalties applicable for recission of contracts, contingent liabilities, litigations, confidentiality agreements with third parties, assets securitised, exposure from guarantees etc.
- Subsidiaries, associates, joint ventures and partnerships.
- Tangible and intangible assets – breakdown of non-core assets, outstanding amounts and descriptions.
- Financial Crime Business Risk Assessment.
- Copies of Financial Crime policies.