



**ISLE OF MAN**  
**FINANCIAL SERVICES AUTHORITY**

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## **Glossary – Bank Resolution**

**Issued: 14 January 2022**

<b>Contents</b>	<b>Meaning</b>
asset separation tool	A stabilisation tool as set out in sections 95 to 100 of BRRA20.
bail in	The rescue of a financial institution that is on the brink of failure by imposing losses on shareholders and unsecured creditors.
bail in tool	The write-down or conversion power in relation to the liabilities of a bank in resolution, in accordance with the provisions set out in sections 101 to 107 of BRRA20.
bail out	The rescue of a financial institution that is on the brink of failure whereby public funds are used to provide capital and / or liquidity support.
bank in resolution	A bank in respect of which resolution action is being taken.
bank liquidator	The liquidator appointed by the Court under a bank winding-up order pursuant to section 177 of the Companies Act 1931.
Bank Resolution Fund	A fund established under section 37 of BRRA for bank resolution purposes, with the permitted and prohibited uses of the fund specified in sections 39 and 40 of BRRA20.
bank winding-up order	Order of the Court to enter a bank into a bank winding-up procedure pursuant to Part 13 of BRRA20.
bridge bank	A bank as defined in section 82(2) of BRRA20.
bridge bank tool	The mechanism for transferring shares, assets, rights or liabilities of a bank in resolution to a bridge bank in accordance with sections 82 to 94 of BRRA20.
BRRA20	Bank (Recovery and Resolution) Act 2020
core business lines	Business lines and associated services that represent material sources of revenue, profit or franchise value for a bank or a bank's group.
critical functions	Activities, services or operations the discontinuance of which is likely to lead to the disruption of services that are essential to the real economy of the Island or to disrupt financial stability due to the size, market share, external and internal interconnectedness, complexity, or cross-border activities of a bank or group, with particular regard to the substitutability of those activities, services or operations.
critical services	Services, which are necessary for one or more critical functions, that are performed by the bank's group or third parties and whose cessation would seriously impede or prevent the performance of those critical functions.
DCS	The Depositors' Compensation Scheme established by regulation 3(1) of the Depositors' Compensation Scheme Regulations 2010.
Domestic Systemically Important Bank ("D-SIB")	Bank that is designated as systemically important in the Isle of Man by the IOMFSA because of its size, complexity and systemic interconnectedness that would cause significant disruption to the financial system and economic activity, if it were to fail in a disorderly manner.

early intervention powers	Powers that the Resolution Authority may employ if a bank is in a deteriorating financial situation, as set out in section 42 of BRRA20.
European Forum of Deposit Insurers (“EFDI”)	The purpose of EFDI is to contribute to the stability of financial systems by strengthening the role of deposit guarantee schemes (DGSs) and investor compensation schemes (ICSs) as well as promoting European cooperation in these fields.
extraordinary public financial support	Financial support provided by any public body in the Island in order to resolve or restore the viability, liquidity or solvency of a person within the scope of BRRA20.
failing or likely to fail	A bank is deemed “failing or likely to fail” in the circumstances as set out in section 46 of BRRA20.
Financial Stability Institute (“FSI”)	The FSI was jointly created in 1998 by the Bank for International Settlements and the Basel Committee on Banking Supervision. Its mandate is to assist supervisors around the world in improving and strengthening their financial systems.
Financial Stability Board (“FSB”)	An international body that monitors and makes recommendations about the global financial system. It was established by the G20 in 2009. The FSB issued the Key Attributes of Effective Resolution Regimes for Financial Institutions.
government financial assistance tool	A stabilisation tool as set out in Part 9 of BRRA20.
International Association of Deposit Insurers (“IADI”)	A forum for deposit insurers from around the world to gather to share knowledge and expertise.
Key Attributes of Effective Resolution Regimes for Financial Institutions	Paper issued by the Financial Stability Board setting out the core elements that are considered necessary for an effective resolution regime.
Minimum requirement for own funds and eligible liabilities (“MREL”)	Requirement that may be set by the Resolution Authority for banks to hold a minimum level of own funds and eligible liabilities, as set out in section 36 of BRRA20.
no creditor worse off (“NCWO”)	The ‘no creditor worse off’ principle specifies that no creditor of an institution should incur greater losses in resolution than they would have incurred under normal insolvency proceedings.
notification requirements	Requirements for banks to notify the Resolution Authority, and for the Resolution Authority to notify relevant parties, when a bank is failing or likely to fail, and when the resolution conditions are met, as set out under section 146 of BRRA20.
point of non-viability (“PONV”)	Refers to a situation before institutional insolvency, and may also include circumstances in which: (i) regulatory capital or required liquidity falls below specified minimum levels; (ii) there is a serious impairment of the Bank’s access to funding sources; (iii) the Bank

	depends on official sector financial assistance to sustain operations or would be dependent in the absence of resolution; (iv) there is a significant deterioration in the value of the Bank's assets; (v) the Bank is expected in the near future to be unable to pay liabilities as they fall due; (vi) the Bank's business plan is non-viable; and/or (vii) the Bank is expected in the near future to be balance-sheet insolvent. (IADI definition) Refer to BRRA20 sections 45, 46, 47, 48, and 147.
recovery plan	A recovery plan drawn up and maintained by a bank in accordance with Part 3 of BRRA20.
resolution	The application of a resolution tool (or tools) as outlined in BRRA20 in order to achieve one or more of the resolution objectives.
Resolution and Deposit Compensation team ("RDC team")	The team at the IOMFSA that is responsible for the day to day work of the Resolution Authority.
Resolution Authority	The Isle of Man Financial Services Authority in its role as the Resolution Authority for the Isle of Man
Resolution Committee ("RESCO")	Board committee set up by the IOMFSA to support the board in discharging its responsibilities for bank resolution matters, as described in regulation 6 of the Bank (Recovery and Resolution) (Separation of Functions) Regulations 2020.
resolution conditions	The conditions as listed in section 45(2) of BRRA20.
resolution objectives	The objectives as specified in section 44 of BRRA20.
resolution plan	A resolution plan drawn up for a bank by the Resolution Authority in accordance with section 25 of BRRA20.
resolution power	Any of the powers set out in Part 8 of BRRA20 and any of the general powers set out in Part 10 of BRRA20.
resolution safeguards	The safeguards specified in sections 138, 139, 141, 142 and 143 of BRRA20.
resolution tools	The stabilisation tools as well as the bank winding-up procedure set out in Part 13 of BRRA20 (and each of them is a "resolution tool").
resolvability assessment	Assessment carried out by the Resolution Authority as set out in sections 30 and 31 of BRRA20.
sale of business tool	The mechanism for effecting a transfer by the Authority of shares, assets, rights or liabilities of a bank in resolution to a purchaser that is not a bridge bank in accordance with the provisions specified in sections 72 to 81 of BRRA20.
separation of functions	The requirement for the IOMFSA, when acting as the Resolution Authority, to perform its functions in a manner that is operationally separate from the manner in which it performs its functions as regulatory supervisor, as set out in the Bank (Recovery and Resolution) (Separation of Functions) Regulations 2020.

Single Resolution Board (“SRB”)	The central resolution authority within the EU’s Banking Union.
stabilisation power	A resolution power which relates specifically to the use of one of the stabilisation tools.
stabilisation tools	The tools as set out in Part 8 of BRRA20: (a) the sale of business tool; (b) the bridge bank tool; (c) the asset separation tool; (d) the bail-in tool; and (e) the government financial assistance tool. (Note that there is a difference in meaning to ‘resolution tools’)
stress testing	A range of simulation techniques used to assess the vulnerability of a bank’s financial position under different scenarios, such as major changes to the macroeconomic environment, or exceptional but plausible events.
Total Loss Absorbing Capacity (“TLAC”)	International standard set by the Financial Stability Board. TLAC is intended to ensure that global systemically important banks (G-Sibs) have enough equity and bail-in debt to pass losses to investors and minimise the risk of a government bailout.
winding-up	The realisation of the assets of a bank in accordance with Manx law (and the distribution of the assets to those entitled to receive them).
write-down or conversion power	The power to write-down or convert relevant capital instruments of a bank in accordance with section 125 of BRRA20.