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FINANCIAL SECTOR ASSESSMENT PROGRAM

TECHNICAL NOTE ON FINANCIAL SAFETY NET AND CRISIS MANAGEMENT

December 2023

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Prepared By
**Monetary and Capital Markets
Department**

This Technical Note was prepared by IMF staff in the context of the Financial Sector Assessment Program in Belgium, led by Padamja Khandelwal. It contains technical analysis and detailed information underpinning the FSAP's findings and recommendations. Further information on the FSAP can be found at

<http://www.imf.org/external/np/fsap/fssa.aspx>

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Glossary

BRRD	Bank Recovery and Resolution Directive
CCB	Combined Capital Buffer
CSE	Crisis Simulation Exercises
DGSD	Deposit Guarantee Scheme Directive
DIS	Deposit Insurance System
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
EA	Euro Area
EEA	European Economic Area
ELA	Emergency Liquidity Assistance
ESM	European Stability Mechanism
EU	European Union
FMI	Financial Market Infrastructure
FSAP	Financial Sector Assessment Program
FSB	Financial Stability Board
FSB KA	FSB Key Attributes of Effective Resolution Regimes for Financial Institutions
FSMA	Financial Services and Markets Authority
FTEs	Full-time employees
G-SIB	Global Systemically Important Bank
GFC	Global Financial Crisis
IADI	International Association of Deposit Insurance Systems
IADI CP	IADI Core Principles for Effective Deposit Insurance Systems
ICSD	International Central Securities Depository
IRT	Internal Resolution Team
LSI	Less significant institutions or banking groups (LSIs)
MoF	Ministry of Finance, which is called Federal Public Service Finance
MREL	Minimum Requirement for Own funds and Eligible Liabilities
NBB	National Bank of Belgium
NBFI	Nonbank Financial Intermediaries
NCA	National Competent Authority
NCB	National Central Bank
NPL	Nonperforming Loan
NRA	National Resolution Authority
NRF	National Resolution Fund
ONDs	Options and National Discretions
PIA	Public Interest Assessment
SI	Significant Institution
SLA	Service Level Agreement
SPE	Single Point of Entry
SRB	Single Resolution Board

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SRF	Single Resolution Fund
SRM	Single Resolution Mechanism
SRMR	Single Resolution Mechanism Regulation
SSM	Single Supervisory Mechanism

EXECUTIVE SUMMARY¹

The Belgium FSAP deep dived into the arrangements related to the financial safety net and crisis management. Belgium made progress since the 2018 FSAP² in the preparation of resolution plans and minimum requirement for own funds and eligible liabilities (MREL) targets. The authorities should now focus on strengthening the crisis management framework, ensure the operational readiness of resolution plans and enhancing the Deposit Insurance System (DIS). The Belgium FSAP has reviewed the national arrangements and, as a result, all the recommendations are addressed to the national authorities. This technical note also refers to Significant Institutions (SIs) when relevant and includes a factual description of the allocation of responsibilities between the Belgian authorities, the European Central Bank (ECB) and the Single Resolution Board (SRB) with regards to the functioning of the financial safety net.

Much progress has been achieved since the last FSAP, but the Belgian authorities should strengthen crisis arrangements and operational readiness of the resolution plans. The current FSAP followed up on the recommendations from the former FSAP, some of which were not implemented or only partially implemented, mainly either concerning the governance arrangements at the National Bank of Belgium (NBB) or related to the DIS. In addition, the recommendations of the current FSAP are focused on five key areas: recovery planning and early intervention; the resolution framework and crisis management; resolution planning, tools and powers; emergency liquidity assistance; and the DIS. The NBB hosts the majority of the financial safety net functions, thus is subject to many of the recommendations. The remaining ones are addressed to the DIS, which is embedded within the Federal Ministry of Finance (MoF).

There is room to further strengthen recovery planning and early intervention. Most of the Less Significant Institutions (LSIs) submit simplified recovery plans that are assessed by the National Bank of Belgium in its supervisory capacity. Whilst the formal assessment for these simplified recovery plans takes place every two years, the NBB should perform an internal annual assessment to check yearly if any LSI that qualifies for a simplified recovery plan would merit an annual assessment of its recovery plan. In relation to early intervention, the NBB relies on a broad set of early intervention powers that increase gradually to adapt to the situation at hand. One of the extraordinary early intervention powers enables the NBB to nominate a temporary administrator for a problem bank. Although this power has not been used in recent times, the NBB should consider having a pool of experienced and suitable candidates to facilitate the exercise of this power.

The resolution and crisis management framework should further promote internal coordination and cooperation. The NBB is the designated National Resolution Authority (NRA) in

¹ This Technical Note was prepared by Miguel A. Otero Fernandez (IMF). The Belgian authorities provided extensive access to all the information requested and the FSAP team would like to thank the Belgian authorities, the ECB and other counterparts for their collaboration. The multiple discussions held with the authorities and other stakeholders greatly enriched this technical reporting.

² See the Technical Note that was prepared for the 2018 Belgium FSAP: <https://www.imf.org/-/media/Files/Publications/CR/2018/cr1868.ashx>

Belgium. Within the NBB, the NBB Resolution Board is the decision-making body for resolution issues. Its composition is defined by law. It is chaired by the NBB Governor and includes representatives from the financial safety net authorities (the NBB, the MoF and the Guarantee Fund) as well as other independent members designated by the MoF, whilst the Chair of the Financial Services and Markets Authority (FSMA) is an observer. Given the composition of the NBB Resolution Board, the NBB relies on this Board also for coordination and cooperation between all the relevant functions of the financial safety net, including the DIS and the Ministry of Finance. The NBB should finalize the rules of Procedure of this Board, also giving attention to its capacity as a crisis management committee. In addition, it should prepare bilateral cooperation agreements at technical level between the Resolution Unit and the Supervisory and Financial Stability Departments. Finally, an interdepartmental cooperation mechanism within the NBB at technical level would serve to: i) strengthen contingency planning and internal crisis coordination; ii) preserve the know-how from past crisis; iii) flexibly reinforce teams dealing with crisis situations at different stages; iv) build technical capacity for other relevant departments to support the Resolution Unit; and v) swiftly engage with other relevant authorities when needed.

Efforts in the resolution front should be devoted to achieving operational readiness.

Resolution planning has advanced significantly since the last FSAP, including on the determination of Minimum Requirement for own funds and Eligible liabilities (MREL). Now the NBB should make sure that it has the capacity to execute the SRB decisions for Significant Institutions (SIs) and cross-border Less Significant Institutions (LSIs) as well as its own decisions for domestic LSIs. To this end, it needs to finalize the national resolution handbook with attention also to capacity and preparedness to deploy resolution tools that are not part of the preferred resolution strategies. In particular, recent international experiences highlighted the importance of operationalizing the sale of business tool and having sufficient flexibility to deal with each failure as banks considered as non-systemic a priori can prove to be systemic at the point of failure. It is also essential to focus on the operationalization of the resolution plan for the biggest LSI given its relatively high importance. The NBB could also prepare the remaining resolution plans for branches from banks headquartered outside the EU. To fulfil its tasks, the NBB should consider increasing the staff of the resolution unit.

The framework for granting Emergency Liquidity Assistance (ELA) should be reinforced

further. Recent international experiences also highlighted the critical importance of having sufficient liquidity leading up to and during resolution. The provisioning of ELA remains the responsibility of the NBB subject to the Eurosystem framework laid down in the ELA agreement and the NBB has developed a handbook to be ready, if need be, to assess and grant ELA. However, the NBB could reinforce further the current framework specifying the lines of action and responsibilities for granting ELA to a bank in resolution, subject to a credible resolution strategy. In addition, the NBB should clarify to which institutions under what circumstances and subject to what conditions it would consider granting ELA to Nonbank Financial Institutions (NBFIs) given the wide scope of the NBB Organic Law on this front. The NBB could also seek cooperation arrangements with other relevant national central banks to strengthen preparedness, coordination and information sharing in the event of ELA involving a cross-border banking group.

The DIS should still improve several important aspects. Following up on two recommendations from the last FSAP the target level should be increased and the DIS fund should be segregated from the national budget, given that the monies of the DIS fund are collected ex ante from banks. Relatedly, once the DIS fund is segregated, an investment policy aligned with best international practices should be developed as a matter of priority. In addition, the public backstop according to which the MoF would provide a credit line to the DIS fund if ex-ante contributions were exhausted, needs to be developed further in an internal policy document to be fully operational when and if needed. Finally, the DIS has to ensure operational readiness to meet the target of 7 working days for pay-outs as of 1 January 2024.

Table 1. Belgium: Main Recommendations—The Financial Safety Net and Crisis Management			
Recommendation	Priority	Timeframe	Authority
Recovery planning and early intervention			
1. Perform an internal annual assessment to check yearly if any LSI that qualifies for a simplified recovery plan would merit an annual assessment of its recovery plan (since these are subject by default to a biannual assessment) (¶15).	M	I	NBB
2. Consider having a pool of experienced and suitable candidates that could be called when needed for the nomination of a temporary administrator in an early intervention context (¶16).	M	NT	NBB
Resolution framework and Crisis management			
3. Finalize the Rules of Procedure of the NBB Resolution Board, giving also attention to its capacity as a crisis management committee (¶21).	H	I	NBB
4. Establish an interdepartmental cooperation mechanism with representatives from relevant departments at technical level for the NBB to: i) strengthen contingency planning and internal crisis coordination; ii) preserve the know-how from past crisis; iii) flexibly reinforce teams dealing with crisis situations at different stages; iv) build technical capacity for other relevant departments to support the Resolution Unit; and v) swiftly engage with other relevant authorities when needed (¶22).	H	I	NBB
5. Prepare bilateral cooperation agreements between: i) the Supervisory Departments and the Resolution Unit to ensure a continuum between early intervention and resolution when dealing with problem banks and that, in case of liquidation, the resolution unit can inform the opinion that the supervisor sends to the Insolvency Court on the nomination of the liquidator(s); and ii) between the Financial Stability Department and the Resolution Unit to increase resolution preparedness for potential situations in the Belgian financial system that could end up leading to the resolution of individual banks (¶24&34).	H	I	NBB
6. Seek cooperation agreements with home authorities of banks headquartered outside the EU, that are deemed to be relevant by the Resolution Authority (¶27).	C	NT	NBB
7. Increase staffing of the Resolution Unit and launch a tender procedure to be able to appoint an independent valuer at short notice to perform the valuations required in resolution cases (¶28).	M	NT	NBB

Table 1. Belgium: Main Recommendations—The Financial Safety Net and Crisis Management (concluded)			
Recommendation	Priority	Timeframe	Authority
Resolution Planning, Resolution tools and powers			
8. Finalize: i) the operationalization of the resolution plans for LSIs; and ii) the pending (simplified) resolution plans for branches from banks headquartered outside the EU (¶131).	H	I	NBB
9. Finalize the national resolution handbook, with attention also to the resolution tools that are not part of the preferred resolution strategies, as well as the resolution powers (¶136).	H	I	NBB
10. Consider having a pool of experienced and suitable candidates that could be called when needed if the Resolution Authority would use the power to nominate a special manager. Relatedly, increase legal protection of special managers, so they have the same level of protection as temporary administrators nominated by the supervisory authority in the context of early intervention (¶139).	M	NT	NBB
Emergency Liquidity Assistance			
11. Seek cooperation arrangements with other relevant NCBs, to strengthen preparedness, coordination and information sharing in the event of ELA involving a cross-border banking group (¶144).	H	NT	NBB
12. Develop policies to assess the prospective solvency of banks subject to resolution action and document the lines of action and responsibility of each actor (Supervisory Department, Resolution Unit and Financial markets Department of the NBB), as well as the eventual engagement with the MoF and supranational bodies in the event of ELA in resolution, subject to a credible resolution strategy (¶145).	H	I	NBB
13. Prepare internal planning and document how the NBB would consider ELA to NBFIs, specifying the types of institution, the circumstances, and the conditions under which it would lend to NBFIs (¶146).	M	NT	NBB
Deposit Insurance System			
14. Formalize in an internal operational document the procedure to swiftly activate, when needed, the credit line from the Treasury to the Guarantee Fund within the MoF (¶149).	H	I	Guarantee Fund
15. Ensure operational readiness to meet the target of 7 working days for pay-outs as of 1 January 2024 (¶151).	H	I	Guarantee Fund
16. Segregate the DIS fund from the national budget and increase its target level. Once segregated, develop an investment policy for the DIS Fund and expand the staffing with the necessary expertise to this end (¶150,52,53).	H	I	Guarantee Fund
17. Start working on the operationalization of the paybox plus mandate (¶155).	H	NT	Guarantee Fund
Timing: C = Continuous; I = Immediate (within one year); NT = Near Term (1-3 years); MT = Medium Term (3-5 years). Priority: H = High; M = Medium; L = Low.			

INTRODUCTION

A. Scope and Institutional Framework

1. This workstream constitutes the so called third pillar of the FSAP. It was dedicated to the assessment of the Financial Safety Net and the crisis management framework in Belgium and, while international standards are referenced, no graded compliance assessment of them was undertaken during this FSAP. This Technical note was drafted in the first quarter of 2023, when a visit to Brussels took place, and has been updated subsequently, with virtual meetings held, when necessary, to take note of relevant developments until the approval of the FSAP by the IMF Board on 6 December 2023.

2. The scope of this technical note encompasses all the aspects of Belgium’s financial safety net and crisis management arrangements, and it is focused on the banking sector. In this context, the main aspects that were covered and assessed are the following: i) the resolution framework and crisis management; ii) recovery planning and supervisory early intervention; iii) resolution planning, resolution tools and powers; iv) emergency liquidity assistance (ELA); and v) the Deposit Insurance System (DIS). The note draws on analysis of legislation and policy documents, the authorities detailed responses to a questionnaire, and discussions with the authorities and market participants during the FSAP mission.³ The note draws, in places, on international standards—in particular, the Financial Stability Board Key Attributes of Effective Resolution Regimes for Financial Institutions (FSB KA⁴) and the International Association of Deposit Insurers Core Principles for Effective Deposit Insurance Systems (IADI CP⁵)—but it does not constitute a detailed assessment of compliance with these standards.

3. Since Belgium belongs to the Banking Union, the current set of responsibilities for the financial safety net is shared between the European Central Bank (ECB), the Single Resolution Board (SRB) and the national authorities. Belgium is one of the 21 EU countries that is currently part of the Banking Union. The Banking Union is composed of all the EU countries that belong to the EA, and is also open to any other non-euro EU Member State subject to the establishment of a close cooperation framework with the ECB.⁶ The Banking Union is still work in progress and this is reflected in the sharing of responsibilities between the national and supranational authorities. Currently, the first two pillars of the Banking Union (supervision and resolution) are fully operational. However, no progress has been recorded on the so called ‘third pillar’, related to a common DIS, so deposit insurance remains under the national remit. In addition, the exceptional provisioning of

³ Consistent with the assessment methodologies, the FSAP did not have access to confidential firm-specific recovery and resolution plans, and the FSAP made no judgment on individual firms’ resolvability.

⁴ The FSB KA can be found here: [Key Attributes of Effective Resolution Regimes for Financial Institutions \(fsb.org\)](https://www.fsb.org/wp-content/uploads/Key-Attributes-of-Effective-Resolution-Regimes-for-Financial-Institutions.pdf)

⁵ The revised IADI CP can be found here: [Publication \(iadi.org\)](https://www.iadi.org/publications/publication).

⁶ The Euro Area is composed of 20 EU countries since the accession of Croatia in 2023. These countries are: Austria, Belgium, Croatia, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, and Spain. In addition, currently Bulgaria is a non-euro EU Country that has established a close cooperation framework with the ECB.

Emergency Liquidity Assistance (ELA) is the responsibility of each National Central Bank (NCB) within the Eurosystem⁷ as it falls outside the monetary policy framework. The rules and procedures for the provision of ELA are laid down in the ELA agreement⁸, which also sets out the ECB's Governing Council's non-objection role in the provision of ELA by NCBs, in particular when assessing whether it would interfere with the objectives and tasks of the European System of Central Banks.⁹

4. The decision-making authority for recovery planning, early intervention, and resolution of Belgian banks¹⁰ is split between Banking Union and national authorities according to the significance of banks. To this end, the current regulatory framework distinguishes between Significant Institutions (SIs) and Less Significant institutions (LSIs)¹¹ attending at their systemic importance. The Single Supervisory Mechanism (SSM) is composed of the ECB Banking Supervision and the National Competent Authorities (NCAs) of the EU countries that belong to the Banking Union. SIs are supervised by the SSM, whereas LSIs fall under the direct responsibility of the NCAs (subject to the oversight of the ECB). Similarly, the Single Resolution Mechanism (SRM) is composed of the Single Resolution Board (SRB) and the National Resolution Authorities (NRAs). Resolution planning and decision-making in case of bank resolution is the responsibility of the SRB for SIs and also for cross-border LSIs¹², whereas domestic LSIs¹³ fall under the remit of each NRA. The SRB can meet in an Executive Session or in a Plenary Session. There are two modalities in the Executive Session: i) Restricted composition, where the Chair and the four Board members would meet together with the vice-chair, but with the latter lacking voting rights unless (s)he acts in the absence of the Chair; and ii) Extended composition, when it deliberates about a specific bank, in which case the relevant NRAs are also represented. The Plenary Session of the SRB is composed of all the members of the restricted Executive Session plus one representative from each NRA. In addition, the EC and the ECB have a permanent observer status in all meetings of the SRB.¹⁴

5. The NBB hosts the majority of the functions of the Financial Safety Net. The NBB is the national supervisor, national resolution authority and Lender of Last Resort (LOLR), whereas deposit insurance is provided by the Guarantee Fund, which is embedded within the Ministry of Finance. The NBB was designated as the NRA in Belgium in April 2014 and subsequently a new decision-making

⁷ The Eurosystem is the monetary authority of the EA, and it comprises the ECB and the NCBs of the EA.

⁸ [Agreement on emergency liquidity assistance \(9 November 2020\) \(europa.eu\)](#).

⁹ European System of Central Banks, which comprises the ECB and the national central banks (NCBs) of all EU Member States.

¹⁰ The term 'bank' is used along this technical note in order to refer to any credit institution.

¹¹ The list of SIs and LSIs as of 1 January 2023, published by the ECB, can be consulted here: [List of supervised entities \(as of 1 January 2023\) \(europa.eu\)](#) And the list of cross-border LSIs headquartered in the Banking Union as of 2 December 2022, published by the SRB, can be consulted here: [Key message \(europa.eu\)](#).

¹² The term 'cross-border LSI' is used along this document to refer to Less Significant Institutions headquartered in Belgium that have at least a subsidiary in other countries of the Banking Union.

¹³ The term 'domestic LSI' is used along this document to refer to Less Significant Institutions headquartered in Belgium that do not have a subsidiary in other countries of the Banking Union.

¹⁴ The EBA and representatives from resolution authorities from non-Banking Union EU countries can also attend as observers when relevant.

body, the NBB Resolution Board, was established and tasked to adopt any decision relating to the powers conferred to the NBB as the Resolution Authority in Belgium. The Resolution Board also serves to enable adequate coordination and information sharing in crisis situations between all the functions of the Financial Safety Net. In exceptional circumstances that would require public support, the NBB would also need to coordinate closely with the Federal Ministry of Finance (MoF). The Chair of the Management Committee of the MoF is also a member of the NBB Resolution Board. More details about the functioning of the Resolution Board are provided in the following section. In addition, the Belgian authorities have to coordinate closely with the EA and EU authorities to ensure the adequate functioning of the Financial Safety Net. Figure 1 describes the allocation of responsibilities between the EA and the Belgian authorities.

Figure 1. Belgium: Current Allocation of Responsibilities of the Financial Safety Net

Financial safety net functions	Recovery planning oversight and Early intervention	Resolution	Emergency Liquidity Assistance	Deposit insurance
Responsible authorities	Shared responsibility: <ul style="list-style-type: none"> • SSM for SIs • NBB for LSIs 	Shared responsibility: <ul style="list-style-type: none"> • SRB for SIs and cross-border LSIs • NBB for domestic LSIs 	National responsibility: <ul style="list-style-type: none"> • NBB (within the Eurosystem framework) 	National responsibility: <ul style="list-style-type: none"> • Belgian DIS (subject to EU harmonized rules: DGSD)

6. The recommendations of this Technical Note are addressed to the national authorities.

This technical note is focused on the national arrangements regarding the financial safety net and crisis management framework in Belgium. Therefore, all recommendations are addressed to the relevant national authorities. At the same time, the Belgium FSAP will inform the upcoming EA FSAP of the findings that will be relevant at the EA level. Box 1 below refers to the main findings of the 2018 EA FSAP¹⁵ in the field of the Financial Safety Net and Crisis Management. The recommendations date back from 2018 but they remain largely valid today.

¹⁵ See also the 2018 EA Policies Financial System Stability Assessment (IMF Country Report No. 2018/226) [Euro Area Policies: Financial System Stability Assessment \(imf.org\)](#) and the EA FSAP Technical Note on Bank Resolution and Crisis Management (IMF Country Report No. 2018/232) [Euro Area Policies: Financial Sector Assessment Program- Technical Note-Bank Resolution and Crisis Management \(imf.org\)](#).

Box 1. Main Findings of the 2018 Euro Area FSAP on the Financial Safety Net and Crisis Management

In July 2018, the IMF concluded its first Euro Area FSAP, concluding that the EA bank resolution and crisis management arrangements had been strengthened considerably over recent years, but that work remained to complete and unify the regime to enhance the arrangements' effectiveness and feasibility, while addressing transitional and structural challenges.

- **The banking union needs a more effective deposit insurance system (DIS).** Many national DISs are underfunded and lack effective backup funding. A common deposit insurance system for the Euro Area is missing. Greater risk pooling would help avoid disruptions that may overwhelm countries' individual capacities and would help address hosts' risk-sharing concerns.
- **A financial stability exemption is needed to help mitigate critical constraints in the framework.** The Single Resolution Mechanism Regulation (SRMR) requires bailing in a minimum of 8 percent of total liabilities and own funds prior to access to the Single Resolution Fund (SRF) or national public funds for loss absorption. This minimum 8 percent bail in is also required to access national DIS Funds and government financial support. Building loss-absorbing capacity and recapitalization capacity beyond capital requirements will take time and is generally not required for smaller banks expected to be liquidated. Many banks may therefore have no access to funds, even in a system-wide crisis. A financial-stability exception—to be used only in times of Euro Area-wide or country-wide crisis—subject to strict conditions and appropriate governance arrangements—would bring much-needed flexibility. This exception should also apply to the 5 percent cap on using the SRF.
- **Despite the establishment of the SSM and the SRM, fragmentation along national lines persists.** In the EU, resolution requires an assessment against potential outcomes under significantly heterogeneous national insolvency regimes. This is exacerbated by diverging national supervisory powers and securities regulation practices, various national discretions in the directives for bank resolution and deposit insurance, and SRB decisions being executed by national resolution authorities under diverging national laws (e.g., administrative and labor laws). Heterogeneous national (bank) insolvency regimes, with more generous public-funding options and less stringent loss-sharing requirements under EU state aid rules than in the SRM, deliver substantially different outcomes for bank creditors, and strongly incentivize national solutions.
- **Many banking union countries have not availed themselves of essential powers available under EU directives.** For example, most countries have not established powers for public equity support and temporary public ownership (i.e., "government stabilization tools"); almost two-thirds of the countries have not authorized the use of deposit insurance funds in liquidation proceedings, preventing the use of time-tested and cost-effective purchase and assumption ("sale of business") transactions in liquidations. In the case of Belgium, all these powers were transposed into national legislation.
- **A more unified resolution framework for small and large banks should include an administrative bank liquidation tool.** This would allow the National Resolution Authority (NRA) to appoint a liquidator and commence proceedings. The NRA would be authorized to apply this tool to all banks within its remit—irrespective of whether the public interest test is met. A liquidation tool would help reduce destruction of value, level the playing field for creditors, and reduce the risk of EU countries "gaming" the system.

B. Market Structure and Current Context

7. Two Global Systemically Important Banks (G-SIBs) have subsidiaries that are systemic in Belgium. These two banks concentrate almost 40 percent of the Belgian banking assets through their subsidiaries, which at the same time, are also significant for their respective banking groups. In addition, there is another G-SIB that has a branch in Belgium and a few other foreign banks that would bring the total share of foreign subsidiaries and branches to almost half of the Belgian banking sector. This highlights the reliance of the Belgian banking market on foreign banks and the importance of home-host relations. Although the home countries of the most significant banks are part of the EA, home-host issues remain pertinent in a crisis situation. Challenges in cross-border crisis management could be exacerbated depending on the idiosyncrasies of each case by the incomplete aspects of the Banking Union, in particular the lack of burden sharing agreement between the home and the host country and the national allocation of costs for the financial safety net.

8. LSIs are heterogenous and have a relative low weight in the Belgian banking sector. There are 17 LSIs in Belgium which represent 11.6 percent of the Belgian banking assets on a consolidated basis. The LSIs can be broadly classified into three categories: private banks, retail banks, and other business models. They are all relatively small with the two largest ones (after the ICSD mentioned below) combining private banking with retail and SME activities. In addition, there is another LSI which is one of the world's largest custodian, an International Credit Securities Depository (ICSD) that is based in Belgium. Since it also holds a banking license, it has to comply with the banking regulatory, supervisory and resolution framework. Despite surpassing the threshold size to be considered as an SI, it is labelled as an LSI based on a decision by the ECB to consider all Financial Market Infrastructures (FMIs) with a banking license, i.e., Central Securities Depositories and Central Counterparties, as LSIs. It has its own specific idiosyncrasies that differentiate it from other regular banks, such as the fact that it does not take deposits from the public.

9. The cumulative cost of the Global Financial Crisis (GFC) for the Belgian taxpayer has been reduced over the years, although the legacy of Dexia remains. The public cumulative cost of the GFC is estimated to be circa €3.8bn¹⁶ as of December 2021 down from €27.5bn at current prices¹⁷, driven mainly by the dividends and reimbursements from the banks that received public money during the GFC. Dexia Group, which failed in 2011, is still under the winding down process in line with the orderly resolution plan that was approved by the European Commission (EC) in 2012.¹⁸ The state guarantee, provided jointly by Belgium and France, was renewed as of 1 January 2022 with a ceiling of €75 billion (formerly €85 billion). In addition, Dexia Bank Belgium, which was bought by the Belgian State in 2012 from Dexia Group, continues operating under the name Belfius and it is one of the main commercial banks of Belgium, still fully owned by the State.

¹⁶ According to figures from the Belgian Court of Auditors as of end-2021 and excluding the contributions from banks to the Guarantee Fund.

¹⁷ Current prices make no adjustment for inflation. Accordingly, these figures represent nominal amounts.

¹⁸ Dexia's balance sheet amounted to €64 billion as of end-2022, compared to €357 billion as of end-2012.

10. There have not been cases of significant bank distress or failure in Belgium since the 2018 FSAP. In the past five years, there have not been any bank failures in Belgium. On the other hand, there have been two cases of LSIs that have required enhanced supervision and early intervention measures. One case was due to the lack of a credible business plan of the bank and resulted in its voluntary liquidation and the transfer of its banking activities to another bank. The other case was due to serious deficiencies in the governance structure and lack of adequate internal controls (both identified by NBB) which led to important changes at the level of Executive Committee and Supervisory Board of the bank.

11. There has been very limited contagion so far from other recent cases of bank distress in other developed economies. In March, the collapse of two US mid-sized bank was followed by the failure of a G-SIB in Switzerland one week after. Another US mid-sized bank failed in May. The spillover effects of these events seem limited to date in the Belgian financial sector, without significant flows of deposits and with an Additional Tier 1 market that seems to have gradually recovered. Also, the levels of capital and liquidity of the Belgian banking sector strengthened in the past years following the deep overhaul of the regulatory framework for banks resulting from Basel after the Global Financial Crisis (GFC). Nonetheless, the Belgian authorities closely monitored the situation and need to remain vigilant.

RECOVERY PLANNING AND EARLY INTERVENTION

12. The SSM and the NBB are responsible for assessing the recovery plans prepared by banks. The SSM is responsible for assessing the recovery plans of SIs and, to fulfil this task, relies on the Joint Supervisory Teams, led by the ECB Banking Supervision and supported by the NBB. In addition, the NBB is responsible for assessing the recovery plans of LSIs and informs of any relevant issues to the ECB Banking Supervision. The recovery plans are drafted at group level, which means that the Belgian subsidiaries of non-Belgian SIs are not required to draft individual recovery plans. The assessment of recovery plans has taken place for several years now and the SSM, the NBB and the banks are all well familiarized with this process that has become a key element of the European crisis management framework.

13. The NBB compiled in 2022 the various EBA Guidelines on recovery planning in a NBB Circular Letter and LSIs follow the ECB templates to prepare their recovery plans. The NBB, in its capacity of banking supervisor, is responsible for the regular assessment of the recovery plans once they are submitted by LSIs. The Supervisory Departments also share the recovery plans with the Resolution Unit so the latter can issue its opinion with regards to any recovery option that could hamper the bank's resolvability. Afterwards, the assessment is shared with the NBB Board of Directors for its formal approval and a feedback letter is sent to each LSI. Full recovery plans are approved individually every year. There are only two of those while the remainder are simplified recovery plans, which are approved in batch every 2 years.

14. LSIs have to include asset encumbrance indicators among their recovery plan

indicators. The Belgian legislation includes in the Banking Law two asset encumbrance indicators¹⁹ that must be included in the recovery plan monitoring framework so that the quantity of assets available is always sufficient to cover preferential deposits. The NBB issued a communication in 2016 to ensure its compliance and this is a specificity of the national framework that applies to Belgian banks.

15. Most of the LSIs submit simplified recovery plans, which are reviewed every two years.

Given their relatively small size, most of the LSIs are entitled to submit simplified recovery plans, which are submitted by the LSIs following the corresponding ECB template and which are assessed by the NBB every 2 years. Despite their relatively small size, there may be reasons that would justify a yearly submission and assessment of the simplified recovery plan for some of them (e.g., due to changes or circumstances in the national financial system that may grant a closer oversight for some of them). Therefore, the Supervisory Department should perform an internal assessment every year to check if any LSI that qualifies for a simplified recovery plan would merit an annual assessment of its recovery plan. This yearly assessment would be independent from the general requirement that applies to LSIs to update their simplified recovery plans following any significant change in their legal or organizational structure, activities, or financial position.

16. The early intervention framework in Belgium provides the NBB with a broad set of early intervention powers.

The NBB, within its direct responsibilities as banking supervisor for LSIs, can make use of two types of early intervention measures. On the one hand, the NBB can impose ordinary measures when it considers that an LSI could be in breach of regulatory requirements during the next 12 months. Such measures can consist of increasing supervisory disclosure, imposing stricter capital or liquidity requirements, limiting or prohibiting the distribution of dividends, reducing the risk in or limiting the concentration to certain activities, and activating all or part of the recovery plan. In addition, if the situation is not remedied by the LSI, the NBB can also impose 'extraordinary' measures that would imply the appointment of a special commissioner that would monitor and authorize all the decisions taken by the governing bodies of the LSI, or even proceed with the appointment of one or more temporary administrators that would replace all or part of the management body of the LSI. Regarding the latter case, although making such nomination would be an extraordinary measure rarely used, the NBB should consider having a pool of experienced and suitable candidates that could be called when needed to nominate a temporary administrator²⁰. Finally, the NBB can also decide to withdraw the banking license, which needs to be done in close coordination with the ECB as this remains a responsibility of the ECB, not only for SIs

¹⁹ In the Royal Decree of 25 April 2014, the asset encumbrance indicators are defined as the following ratios: (available unencumbered assets / preferential deposits). For the *narrow indicator*, the available unencumbered assets are defined as currently unencumbered assets minus assets that will be hard to recover (e.g., non-performing loans and intangible assets) and assets that are likely to become encumbered in the process leading to the default of the institution. The *broad indicator* is less conservative in that it does not exclude assets that are likely to become encumbered in the process leading to the default of the institution and because assets that are encumbered for central bank funding or for hedging own risks are considered as part of the available unencumbered assets.

²⁰ Currently the NBB lacks such a list, also because this early intervention power has not been used in recent years.

but also for LSIs. In this case, the NBB would also coordinate internally with the NBB Resolution Unit, as well as with the SRB when relevant.

17. The NBB took early intervention measures in relation to two LSIs in the past five years.

In one case, a recently created small LSI was not able to realise its business plan, which was part of the licensing file. The NBB closely monitored the situation from the beginning and the intensified banking oversight led to the commitment of the LSI to significantly increase its capital, which should have enabled the realization of its updated business plan. As the LSI was not able to comply with this commitment, it entered into a voluntary winding down process that ended up with the withdrawal of the banking license and the transfer of its banking activity to another LSI, without any cost to the public and without the need of intervention by the DIS. In the other case, an LSI lacked adequate internal controls and had strong governance deficiencies which led to the imposition by the NBB of a remediation plan to address such deficiencies.

18. The ECB Banking supervision also kept in close contact with the NBB for intensified oversight of LSIs. The NBB and the ECB Banking supervision have good collaboration in relation to the LSIs. On crisis management, in particular, the SSM enhanced the cooperation so as to facilitate dealing with one of the early intervention cases that ended up with the withdrawal of the banking license. The enhanced cooperation entailed the involvement of experts from different areas from both the NBB and the ECB. This facilitated the monitoring of the situation as well as the close collaboration needed for the withdrawal of the banking license for the LSI. In addition, the SSM also created wider ad hoc groups to deal with systemic situations, (e.g., Covid-19). If need be, they could also use this kind of setting to facilitate coordination to deal with a systemic situation that would be specific to Belgium.

RESOLUTION FRAMEWORK AND CRISIS MANAGEMENT

19. The NBB is the designated Resolution Authority in Belgium, and it has representatives from the financial safety net authorities on its Resolution Board.²¹ In total, the NBB Resolution Board is composed of 12 members. In addition, the FSMA Chair attends the meetings as an observer but lacks voting rights. The members are the following:

- From the NBB: the Governor, who chairs the Resolution Board, the Vice-governor²², the Director responsible for resolution, the Director responsible for prudential bank supervision, and the Director responsible for prudential policy and financial stability.
- From the MoF: the President of the Management Committee of the MoF²³,

²¹ The institutional arrangements for involvement of the European authorities in crisis management (ECB, SSM, SRB, and European Commission) follow the structures described in the Euro Area FSAP and are not set out in full here.

²² Currently, the Vice-governor is also the director responsible for prudential policy and financial stability. As a result, he only holds one vote and, at present, the NBB Resolution Board has only 11 members instead of 12.

²³ This position is filled in by a civil servant and it is one level below the Minister of Finance.

- From the Guarantee Fund²⁴: the Head of the Guarantee Fund which attends as Head of the National Resolution Fund. This is a department of the Belgian Treasury, which is embedded within the MoF, that is responsible for the Deposit Insurance System (DIS) and the National Resolution Fund (NRF). Given that the DIS is also a financial safety net authority which has a paybox plus mandate, the NBB organic law should make explicit that the Head of the DIS is a member of the NBB Resolution Board by itself.
- Four independent members with relevant experience in banking that are designated by the MoF. To avoid conflicts of interest, these members can neither be working for credit institutions during their mandate nor accept any assignments for them.²⁵
- A Magistrate designated by the MoF.

20. The composition of the Resolution Board could be more balanced. On the one hand, the NBB representatives do not hold a majority of votes, although in case of draw, the Governor holds a casting vote as Chair of the Resolution Board. On the other hand, the majority of members are designated by the MoF, but only two of them attend in their official capacity while other four are independent members and the remaining one is selected from the judiciary branch. For the approval of decisions, there is a quorum required of half of the members and decisions can be taken following a simple majority. Currently, the MoF officials and appointees hold a majority of votes, and a more balanced approach could be reached if some of the independent members were selected upon proposal from the NBB.

21. The Resolution Board also acts as a Crisis Management Committee as it has representatives from the NBB, the MoF and the Guarantee Fund, bringing together all the functions of the financial safety net. The Resolution Board is composed of all the financial safety net actors, while at the same time these maintain the autonomous exercise of their respective mandates. The Resolution Board holds four ordinary meetings per year, and it can convene extraordinary meetings if needed. The agenda is determined each time by the Chair in consultation with the other members. In addition, it can also convene emergency meetings that, unlike the extraordinary meetings, would not require prior notification of the agenda or minimum quorum in cases of urgency. The NBB is now developing the Rules of Procedure of the Resolution Board and it should finalize them also giving attention to its capacity as a crisis management committee. In addition, its scope could be extended to cases that would not necessarily or immediately involve a bank resolution.

22. Furthermore, the NBB should establish an internal interdepartmental cooperation mechanism to strengthen crisis preparedness and crisis management. Crisis situations may arise in different manners and could evolve very quickly, requiring a flexible and rapid response. Currently the procedures to deal with crisis situations seem to be ad hoc and have worked well, but it would be beneficial for the NBB to formalize them. The cooperation mechanism should be set up at a

²⁴ The Guarantee Fund is described in detail in the last section of this Technical Note.

²⁵ Furthermore, these provisions apply to all members of the Resolution Board during their assignment as well as for one year after they resign from the Resolution Board, as stipulated in the Royal Decree of 22 February 2015.

technical level, in a manner that is aligned with the working practices and methods of the NBB, to bring together experts from relevant departments²⁶ of the NBB with the aim of:

- strengthening contingency planning and internal crisis coordination;
- preserving the know-how from past crises;
- flexibly reinforcing teams dealing with crisis situations at different stages;
- building technical capacity for other relevant departments to support the Resolution Unit; and
- swiftly engaging with other relevant authorities when needed.

23. The supervisory and resolution functions are hosted by the NBB and are operationally independent with different lines of reporting. The Resolution Unit is separate from the department of banking supervision and each of them have their own staff. The latter is headed by the director of prudential bank supervision whereas the Resolution Unit reports directly to the director of resolution. This operational independence is maintained at the decision-making level since supervisory issues are decided by the Board of Directors while decisions related to resolution issues are taken by the Resolution Board. The director of banking supervision and the director of resolution are members of both decision-making bodies.

24. At the same time, it is critical to keep close cooperation when needed between the resolution and supervisory functions as well as with the Financial Stability Department. Since the Resolution Unit is operationally independent from banking supervision, it would be important that the NBB prepares a cooperation agreement between the Supervisory Departments and the Resolution Unit to ensure a continuum between early intervention and resolution when dealing with problem banks. This agreement should complement the framework agreed by the NBB to ensure the early notification of the Resolution Unit once the financial situation of an LSI starts to deteriorate and describe the operational modalities for cooperation (e.g., specifying information sharing on banks for which the risk assessment score reaches a certain level). Similarly, it would be useful that a cooperation agreement is also established between the Resolution Unit and the Financial Stability Department in order to increase resolution preparedness to deal with potential situations in the Belgian financial system that could end up leading to the resolution of individual banks.

25. The Belgium resolution tools and powers are broadly consistent with the FSB Key Attributes (KAs). The Belgian legislature has transposed Directive 2014/59/EU (BRRD) and Directive 2019/879/EU (BRRD II). There is some use of the Options and National Discretions (ONDs)²⁷ in the EU legislation. In this respect, an OND that is no longer applied by Belgium is the ex-ante judiciary

²⁶ This would involve the different Supervisory Departments (Banking, Insurance and Financial Market Infrastructures), the Financial Stability Department, the Financial Markets Department, the Legal Department and the Resolution Unit.

²⁷ EU Directives need to be transposed into national legislation by each EU Member State and, in this process, the national legislator can make use of selected ONDs that are allowed in the text of the Directive. On the other hand, EU Regulations apply directly in all EU countries and do not require any transposition by the national legislator.

review of resolution measures, which importantly was abrogated in 2021 following a recommendation from the previous FSAP.

26. In absence of any bank resolution over the past years, it is significant to note that the resolution framework in Belgium remains untested. There has not been any practical use of the resolution tools nor powers foreseen in the current framework. This highlights the importance of regular testing through Crisis Simulation Exercises (CSEs) and table-top exercises. Following a recommendation from the previous FSAP, the NBB has participated in a CSE organized by the SRB and it has recently conducted a table-top exercise that was presented to the NBB Resolution Board. The NBB is encouraged to continue running these exercises regularly.

27. The NBB participates in several resolution colleges, although it could seek cooperation agreements with relevant resolution authorities outside the EU. The NBB is a member of 4 resolution colleges attending their meetings as an observer. These correspond to the SIs with presence in Belgium and for which the SRB is the leading authority. The NBB also organizes a resolution college for an LSI for which it is the group-level resolution authority. In addition, the NBB is the host authority to several banks headquartered outside the EU and which have presence in Belgium through LSIs or branches. For these cases, the NBB should seek cooperation agreements with the home authorities were deemed relevant. These cooperation agreements could help increase coordination and information sharing in case of resolution involving such banking groups.

28. The NBB should consider increasing the staffing of the Resolution Unit and be able to appoint an independent valuer. The NBB currently has 10 FTEs²⁸ and it has been working efficiently along the past years to fulfil its mandate. However, it should increase staffing of the Resolution Unit to reinforce its capacity and expertise²⁹. In particular, given the importance of the ICSD that holds a banking license, and which is categorized as LSI falling under the remit of the NBB for resolution purposes. And also considering that the NBB might become the Resolution Authority for insurers once the Insurance Recovery and Resolution Directive (IRRD) is approved by the EC and transposed into national law by the Belgian legislature. In addition, the NBB should develop internal policies and procedures to be able to promptly increase the staffing of the Resolution Unit when needed to deal with failing banks, particularly in a system-wide event. To this end, the Resolution Unit should be able to quickly draw resources both from within the NBB and externally. Relatedly, the NBB should launch a tender procedure to secure a pool of candidates from which to be able to appoint an independent valuer at short notice to perform the independent valuations required in resolution cases³⁰.

²⁸ Besides these 10 FTEs, the NBB Resolution Unit is currently recruiting two additional FTEs. This number represents around 2 percent of the total workforce of the NRAs that belong to the SRM, whereas the GDP of Belgium is around 4 percent of the Euro Area's GDP.

²⁹ Also considering that the need to keep operationally independent the functions of supervision and resolution does not allow for the flexible use of human resources between both functions.

³⁰ There are three main valuations under the EU framework: one to determine if the conditions for resolution are met (valuation 1), another to inform the resolution action to be adopted (valuation 2), and the third one to determine whether the no creditor worse off principle has been respected in a resolution case (valuation 3).

RESOLUTION PLANNING, RESOLUTION TOOLS AND POWERS

29. Resolution planning and the application of resolution tools and powers is a shared responsibility between the SRB and the NBB³¹. The SRB is responsible for developing the resolution plans for SIs and cross-border LSIs, whereas the NBB is in charge of developing the resolution plans for domestic LSIs. The SRB relies on Internal Resolution Teams (IRTs) for developing its tasks with regards to SIs and cross-border LSIs and the NBB is also represented in such IRTs³². In case of resolution, the NBB is responsible for: i) deciding and executing the resolution strategy to apply to domestic LSIs; and ii) executing the SRB decisions with regards to SIs and cross-border LSIs. It is important to note that the SRB also oversees the resolution plans, decisions and measures taken by the NBB for domestic LSIs.

30. Resolution planning for SIs relies mostly on a Single Point of Entry (SPE) resolution approach. This is the case both for Belgian SIs and for non-Belgian SIs with subsidiaries in Belgium. It is important to highlight that the operationalization of an SPE strategy in a real case scenario may prove to be challenging as it was the case with the recent failure of a small-sized cross-border banking group in the Banking Union. That resolution case was dealt with a mixed approach, emphasizing that SPE and Multiple Point of Entry are two stylized approaches that are not binary, but rather the two preferred approaches to deal with a bank resolution that might need to be swiftly adapted in a real case scenario. Both scenarios should therefore be prepared for.

31. Resolution planning for domestic LSIs has advanced significantly since the last FSAP and efforts should now be focused on the operationalization of such plans. There have been already two annual cycles of resolution planning for Belgian LSIs. For the current cycle, the third one, all but one LSI³³ resolution plans have been formally approved by the NBB Resolution Board, including the formal decisions on Minimum Requirement for own funds and Eligible Liabilities (MREL³⁴). Most of them are simplified resolution plans. The NBB intends to comply with the SRB defined dimensions of bank resolvability³⁵ by 2024 for all its LSIs. The NBB should advance swiftly on all dimensions of bank resolvability, with particular attention given to the resolution plan of the ICSD that holds a banking license. Considering its significance despite being labelled as an LSI, the NBB

³¹ See Regulation (EU) 806/2014 (SRMR) which governs the functioning of the Single Resolution Mechanism.

³² The NBB participates in 10 IRTs.

³³ Currently, there are 17 LSIs but only 13 LSIs require a resolution plan. This is because two LSIs are cross-border LSIs which fall under the remit of the SRB, two other LSIs have a joint resolution plan as they are part of the same group, and one LSI is in the process of having its license revoked.

³⁴ MREL is a requirement to hold sufficient bail-inable liabilities, similar to the FSB Total Loss Absorbing Capacity (T-LAC) standard for G-SIBs. However, MREL is required for all banks in the EU, it is decided on a case-by-case basis, and it does not always require a mandatory subordination of bail-inable debt.

³⁵ The expectations for banks established by the SRB is structured along 7 dimensions for assessing resolvability: i) governance; ii) loss absorption and recapitalization capacity; iii) liquidity and funding in resolution; iv) operational continuity and access to FMI services; v) information systems and data requirements; vi) communication; and vii) separability and restructuring. More information can be found at: [Expectations for Banks \(europa.eu\)](https://www.europa.eu/expectations-for-banks)

should prioritize the operationalization of this resolution plan and continue devoting the necessary resources to this task. There is another resolution plan that has been preliminarily approved but, at the time of writing, a resolution college established between the NBB and the SRB is yet to formally approve it in a joint decision. In addition, the NBB should prepare the pending resolution plans for branches of banks headquartered outside the EU (which fall under the scope of the BRRD but not the SRMR).

32. There is a big reliance on the national insolvency framework for LSIs. The preferred resolution strategy for most resolution plans is liquidation under normal insolvency proceedings because they would not meet the public interest assessment (PIA) *ex ante*, which is required to go into resolution, due to their little systemic relevance. However, recent international experiences showed how banks that would be deemed as non-systemic *a priori*, can end up being systemic. This implies that the liquidation of a small bank may not always be feasible in practice, and it would require from the resolution authority to be ready for operationalizing other resolution strategies if need be. It also shows the importance of not having a restrictive interpretation of the PIA, which should also consider the context in which a bank can enter into resolution. In particular, the PIA should take adequate account of broader systemic risks, in order to identify if resolution would be considered in a systemic scenario for some LSIs, despite being excluded in idiosyncratic instances, and increase resolution planning for them.

33. Belgium follows a judicial insolvency regime³⁶ subject to the general insolvency law—although with a few specificities for banks. The Fund advocates for an administrative liquidation regime as it was stated in the 2018 EA FSAP.³⁷ However, the current Belgium FSAP does not include any recommendation at the national level on this issue, also considering that it would be best dealt with at the EU level. Among the specificities of the Belgian Legal framework for banks' insolvency, it is important to highlight that it allows for the DIS fund to be used for transfers in liquidation.

34. The NBB, in its capacity as resolution authority, should also inform the decision regarding the selection of the liquidator in normal insolvency proceedings. The liquidation of a bank subject to normal insolvency proceedings would require the intervention of a liquidator that is knowledgeable of the judicial aspects and the insolvency proceedings that need to be respected under Belgian Law. This is achieved through the appointment of the liquidator by the Insolvency Court. At the same time, it is also important that the liquidator has the required capacity and knowledge to carry out the liquidation of the bank. To achieve this, the Belgian law foresees that the opinion of the NBB, in its capacity as supervisory authority, would inform the decision made by the Insolvency Court in relation to the nomination of the liquidator(s). In this context, the NBB should ensure that the cooperation agreement between the Resolution Unit and the Supervisory

³⁶ There are two main insolvency regimes that jurisdictions can follow: administrative and judicial. In addition, the insolvency law governing the insolvency regime for banks can be a generic insolvency law or a specific bank insolvency law.

³⁷ See the last bullet in Box 1. Main Findings of the 2018 Euro Area FSAP on the Financial Safety Net and Crisis Management, in page 12 of this Technical Note.

Department foresees that the Resolution Unit would inform the opinion that will be provided by the NBB Supervisory Department to the Insolvency Court.

35. There are four resolution tools that can be used for the resolution of a Belgian bank, whether it is an SI or an LSI. These are: i) the bail-in of own funds and liabilities, that is the most recurrent tool in resolution plans both for SIs and LSIs; ii) the sale of business tool, that is the second tool foreseen in resolution plans, but it should still gain more relevance to avoid the strong reliance on just bail-in for many banks; iii) the establishment of a temporary bridge bank, that could be used if a private purchaser would not be found under the former tool; and iv) the asset separation tool that would involve the creation of an asset management company and which can only be used in conjunction with other resolution tools. Following the transposition of article 3(6) of the BRRD, the Belgian legislator allows the Minister of Finance to oppose the use of a resolution tool because of its fiscal impact or systemic implications. Whereas the opposition from the Minister when taxpayer's money is at risk is justified, the Minister should not oppose the use of a resolution tool for other reasons. Therefore, the authorities should consider limiting the Minister's approval to the implementation of resolution decisions that have a direct fiscal impact only.

36. To achieve resolution readiness, the NBB is developing a national resolution handbook. The NBB is preparing a national resolution handbook not only to strengthen preparedness for executing the SRB decisions for SIs and cross-border LSIs, but also to implement resolution for domestic LSIs. In particular, the NBB is in an advanced stage regarding the bail-in tool, in view of its importance for both SIs and LSIs, as well as on the national insolvency proceedings, given that this is the preferred resolution strategy for most of the LSIs. The operationalization of the resolution tools and powers is a key aspect to achieve resolution readiness and the NBB should continue advancing on this front. To this end, it should continue developing the national resolution handbook, focusing also on the other resolution tools that are not part of the preferred resolution strategy, as well as on the use of other relevant resolution powers.

37. MREL targets have been met for all but one bank. This is a critical action needed to facilitate the operationalization of the bail-in tool and Belgium has advanced substantially on this front. MREL targets can have up to three components: a loss absorption amount, a recapitalization amount, and a market confidence charge. In the case of domestic LSIs, some only have the MREL target with one component: the loss absorption which is equivalent to the prudential capital requirements (Pillar 1 and Pillar 2 Requirements) given that they would be liquidated under normal insolvency proceedings. Some others, which represent the majority of domestic LSIs and for which the preferred resolution strategy would also be insolvency, have nevertheless an add-on because of their relative bigger size and interconnectedness with the Belgian real economy. This add-on is capped to the lowest level between 8 percent of Total Liabilities and Own Funds³⁸ and the

³⁸ This is also the threshold established by the SRM to allow for the use of the Single Resolution Fund for a bank in resolution or to allow for the use of government stabilization tools.

Combined Capital Buffer (CCB)³⁹. LSIs with a resolution strategy are subject to a full MREL target with its three components. MREL targets for most of the home SIs also have three components. As for non-Belgian SIs with systemic subsidiaries in Belgium, these are subject to an internal MREL. However, in almost all cases, this internal MREL does not include a market confidence charge as it is assumed that the funding would come from the parent undertaking. Finally, the internal MREL of the subsidiary of a non-Belgian SI—which is of a significant size at Belgian level—has not been set by the SRB yet, at the time of writing.

38. Belgium also relies on a broad set of resolution powers that are consistent with the FSB Key Attributes. The resolution authority has powers over a bank in resolution to, among others: convert or write down its own funds and eligible liabilities, order the transfer of its ownership or of (all or part of) its assets and/or liabilities to a private purchaser or to a bridge institution, ensure continuity of essential services and functions, temporarily stay the exercise of early termination rights, impose a short moratorium (in resolution or pre-resolution)⁴⁰, or dismiss or replace the management body and take control of the bank by appointing a special manager. All these powers are broadly in line with the FSB KA and the safeguards on the use of powers include the requirement that no creditor should incur greater losses in resolution than in liquidation without compensation (the “no creditor worse off” principle). Courts can require compensation, but not reverse resolution decisions, and NBB staff have appropriate protection against individual legal liability for resolution decisions taken in good faith.

39. However, the NBB should strengthen the resolution power to nominate special manager(s) for a bank in resolution. The NBB should consider operationalizing this resolution power, by building a pool of suitable candidates that could be called when needed. These should have experience and knowledge of the banking business and be familiarized with the regulatory and resolution framework, whilst not having any potential conflict of interest with the bank subject to resolution action. The NBB should also ensure the legal protection of such special managers against individual legal liability for decisions taken in good faith, so they would have the same level of protection as NBB staff and temporary administrators nominated by the supervisory authority in the context of early intervention. If a special manager is appointed, other resolution powers and tools would likely need to be implemented concurrently or shortly thereafter given the ensuing run risks.

40. The Belgian framework also foresees the potential use of public money in exceptional circumstances. The BRRD provides for the use of government stabilisation tools, that were literally transposed by the Belgian legislature. This allows for the possibility of using public money for the recapitalization of a bank or even to establish a temporary nationalization of a bank. Either tool can

³⁹ The CCB is the sum of all the capital buffers applicable to a bank (i.e., capital conservation buffer, capital countercyclical buffer, capital buffer for O-SIs and G-SIBs, and systemic risk buffer). The capital used to meet the CCB needs to be CET1 Capital, and it cannot be double-counted to meet MREL requirements.

⁴⁰ The moratoria powers were introduced with BRRD II: i) moratorium pre-resolution, that would be activated once the bank is deemed to be failing or likely to fail but before it enters into resolution; and ii) a moratorium in resolution that would be activated once the bank enters into resolution. The resolution authority can apply either of them but not both and their duration is limited to 2 business days each.

only be used on the grounds of safeguarding financial stability in the context of a bank resolution. In addition, it is required:

- that the EU state aid rules are respected⁴¹, which requires that shareholders and junior debtholders fully absorb losses.
- and that the own funds and eligible liabilities of the bank have absorbed losses representing at least 8 percent of total liabilities and own funds which is a requirement from the EU framework that lacks flexibility as highlighted in the 2018 EA FSAP.

EMERGENCY LIQUIDITY ASSISTANCE

41. The exceptional provisioning of central bank credit through ELA is the responsibility of the NBB, and it has to be granted respecting the rules contained in the EU and EA regulatory frameworks. The NBB is one of the NCBs of the Eurosystem⁴² and it can provide central bank money, outside of normal Eurosystem monetary policy operations, to solvent⁴³ financial institutions that are facing temporary liquidity problems and subject to the discretion of the central bank, at a penal rate, and with sufficient adequate collateral. As for the EU framework, the eventual granting of ELA must be done in compliance with the prohibition of monetary financing contained in Article 123 of the Treaty of the Functioning of the European Union (TFEU). In addition, when the provisioning of ELA would be done with a state guarantee, this would require the approval of the European Commission. As for the EA framework, more specifically, the provisioning of ELA by the NBB must follow the rules and procedures contained in the ECB Agreement on ELA of 9 November 2020⁴⁴ (the ELA agreement).

42. The NBB bears the credit risk of ELA operations but would inform the ECB ex ante and require its non-objection for large amounts. The NBB is responsible for granting ELA, assuming the credit risk of each operation.⁴⁵ However, the NBB must follow the rules and procedures established in the ELA agreement, which establishes an information obligation towards the ECB to ensure that such operations do not interfere with the single monetary policy of the Eurosystem. If the size of ELA operations envisaged by one or more NCBs for a given financial institution or a given group of financial institutions exceeds a threshold of €500 million, ex ante information has to be

⁴¹ The EU state aid rules are established in the following EC Communication: [Communication from the Commission on the application, from 1 August 2013, of State aid rules to support measures in favor of banks in the context of the financial crisis \(Banking Communication\)Text with EEA relevance \(europa.eu\)](#).

⁴² The Eurosystem is the monetary authority of the EA, and it comprises the ECB and the NCBs of the EA.

⁴³ In line with the ELA agreement (section 4.1.b), a bank is also considered 'solvent' if there is a credible (timebound) prospect of recapitalization.

⁴⁴ [Agreement on emergency liquidity assistance \(9 November 2020\) \(europa.eu\)](#).

⁴⁵ In the past, there was a blanket state guarantee that had been introduced in 2008 for ELA operations and which was revoked in 2016. In this respect, it must be noted that blanket indemnities are not advisable as they can hamper independent decision-making by the central bank. Nevertheless, the Belgian State could grant ad hoc guarantees for ELA operations in the future, in which case the European Commission would need to approve the operation after assessing whether it is compatible with EU state aid rules.

provided by the relevant NCB(s) to the ECB. Moreover, when the ELA for a given group of financial institutions would amount beyond €2 billion, it requires the non-objection of the ECB Governing Council subject to the assessment of the ECB Executive Board if the latter considers that there is a risk that the ELA operation interferes with the single monetary policy of the Eurosystem.

43. The NBB has developed an ELA Handbook to be ready to assess and grant potential ELA requests if needed. Although the NBB has not granted ELA since the last FSAP, it has developed an ELA handbook to be ready, if need be, to assess and grant ELA. To this end, the ELA Handbook documents the procedures to follow, including specific solvency criteria, collateral valuation methodologies, and contractual documentation. The NBB also has developed an Additional Credit Claims (ACC) framework for regular monetary policy operations to facilitate the access by banks to liquidity during the COVID-19 pandemic, which still remains in place, and which has broadened the experience of the NBB on credit claims. To ensure adequate internal coordination, the Financial Markets Department has a Service Level Agreement (SLA) with the Supervisory Departments. Following up on a recommendation from the last FSAP, this SLA has been modified to ensure that the Financial Markets Department is informed if a bank's overall Supervisory Review and Evaluation Process score is 3 or worse, which can support early horizon scanning and the prepositioning of collateral. The NBB should also consider introducing a pre-verification framework for ELA collateral, tested on a regular basis (e.g., ELA simulation exercises to test banks capacity to rapidly mobilize credit claims with the NBB) and require banks to periodically list their unencumbered assets for possible ELA collateralization purposes.

44. The NBB should seek cooperation arrangements with other relevant NCBs, to strengthen preparedness for ELA involving cross-border banking groups. According to the ELA Agreement, in the case of ELA operations involving a banking group with presence in several EA countries, the NCBs concerned are expected to establish networks to facilitate their cooperation. This agreement also foresees that the central bank network would cooperate closely with the relevant college of supervisors and the SSM on matters of common interest. Given that Belgium is a home and host jurisdiction for various cross-border banking groups, the NBB and its counterpart NCBs would benefit from having ex-ante cooperation arrangements in place, including on coordination and information sharing, to facilitate the swift establishment and operationalization of such networks, if and when needed. Another important aspect that should be considered is how collateral could be deployed, if needed, among the different legal entities that belong to cross-border banking groups.

45. Granting ELA in resolution would require the coordination of several authorities and the NBB needs to prepare internally for such scenario. Recent international experiences have highlighted that a bank undergoing resolution would likely require significant ELA and this would imply that the bank would need to: i) be subject to a credible resolution strategy to ensure the restoration of its solvency, so that it meets the solvency requirements; and ii) have sufficient, adequate collateral available. This process would require the close and swift coordination of the monetary authority, the supervisory authority, and the resolution authority. If the bank subject to ELA in resolution would be an LSI, this coordination would involve the NBB in its different capacities. However, if the ELA request would pertain to an SI, the process would also involve the ECB Banking

Supervision and the SRB as supervisory and resolution authorities. A situation that would require home-host cooperation in this case, is the eventual granting of national ELA to a subsidiary belonging to a banking group that follows an SPE approach in resolution. And, if a state guarantee would be considered, the MoF and the European Commission would also be involved. Therefore, the NBB should develop policies to assess the prospective solvency of banks subject to resolution action and document the lines of action and responsibility of each actor (Supervisory Department, Resolution Unit and Financial Markets Department of the NBB) as well as the eventual engagement with the MoF and supranational bodies, to prepare for the event of ELA for a bank in resolution, subject to a credible and time-bound resolution strategy, and distinguishing when it is an SI or an LSI and when it is a cross-border banking group or not.

46. The NBB framework for the provisioning of ELA to Nonbank Financial Intermediaries (NBFIs) needs to be further developed and documented. In accordance with Article 5 of the NBB Organic Law, ELA could be granted not only to credit institutions but also to “other money market or capital market participants”. Given the wide scope of eligible institutions and that there are no precedents for the eventual provisioning of ELA to NBFIs in Belgium, the NBB should prepare internal planning and document how it would consider ELA to NBFIs. In particular, the NBB should specify the following aspects to consider the provisioning of ELA to NBFIs⁴⁶:

- to which types of institution, taking into account that ELA should only be considered for regulated and supervised NBFIs that are systemically important;
- under what circumstances; and
- subject to what conditions, including to safeguard its balance sheet.

DEPOSIT INSURANCE SYSTEM

47. The Guarantee Fund for financial services (the Guarantee Fund) is embedded within the MoF and it is the body in charge of the Belgian Deposit Insurance System (DIS). The Guarantee Fund is one of the departments of the General Administration of the Belgian Treasury and the latter belongs to the MoF. The Head of the Guarantee Fund is appointed by the Administrator General of the Treasury and takes part in the Management Committee of the Treasury. The Management Committee of the Treasury takes the strategic decisions in relation to the Guarantee Fund and the other departments of the Belgian Treasury. In this context, it is key to note the importance of ensuring the operational independence of the DIS, in line with Principle 3 of the IADI Core Principles for Effective Deposit Insurance Systems (IADI CP). In particular, no governmental interference should compromise the operational independence of the deposit insurer in line with Essential Criteria 1 of Principle 3 of the IADI CP. The Guarantee Fund is responsible for:

- the DIS for banks;

⁴⁶ Chapter 2 of the Global Financial Stability Report issued in April 2023 provides more details regarding central bank liquidity support, including ELA, to NBFIs. <https://www.imf.org/-/media/Files/Publications/GFSR/2023/April/English/text.ashx>

- the Investment Compensation Scheme for investment firms, that covers the funds held pending the allocation to the acquisition of financial instruments or pending restitution;
- the Insurance Compensation Scheme for Branch 21 life insurance companies, that covers life insurance contracts with guaranteed return;
- the National Resolution Fund (NRF), that mirrors the contributions made by LSIs to the SRF for stockbroking firms and branches of banks headquartered outside the European Economic Area (EEA).⁴⁷

48. The Belgian DIS is a public DIS funded with ex ante contributions from its member banks that covers up to 100.000 euros per depositor and credit institution. DIS membership is mandatory and it currently comprises 35 banks⁴⁸ whose contributions are risk based since 2018. In line with Directive 2014/49/EU (Deposit Guarantee Scheme Directive or DGSD) the Belgian DIS guarantees up to 100.000 euros per depositor and bank and would also cover high temporary balances.⁴⁹

49. The DIS can make use of a credit line from the Belgian Treasury if the DIS fund would be depleted. In the case that the funds collected ex ante would not suffice for completing the reimbursement of depositors, national legislation foresees that the Guarantee Fund can call a credit line from the Treasury.⁵⁰ Given the importance of having a public backstop for the DIS fund, the Guarantee Fund should formalize in an internal operational document the procedure to swiftly activate this credit line.

50. While the target level of the DIS fund has not been increased the deposit insurance fund has continued to grow. Although the target level remains at 0.8 percent of covered deposits⁵¹ the deposit insurance fund reached 1.5 percent of covered deposits at end August 2023.⁵² This would enable the deposit insurance fund to cover, on a solo basis, all LSIs and the three smallest SIs. The deposit insurance fund could also withstand the combined reimbursement of covered deposits for the largest LSI and several additional smaller LSIs, or for the three smallest SIs⁵³ together. Following up on a recommendation from the previous FSAP, the Belgian authorities aim to establish a higher target and the Guarantee Fund conducted a risk analysis that included several crisis scenarios assuming the simultaneous failure of the riskiest institutions, after an assumed exposure was delineated with quantitative and qualitative criteria. Based on this analysis a higher

⁴⁷ The EEA is composed of the 27 countries that belong to the EU, plus Iceland, Liechtenstein and Norway.

⁴⁸ 30 domestic banks and 5 branches from banks headquartered outside the EEA.

⁴⁹ High temporary balances refer to the proceeds related to the sale of a house, certain life events of a depositor, or a compensation established by a court.

⁵⁰ The credit line would be provided by “la Caisse des Dépôts et Consignations”, which is a Department of the Belgian Treasury that is separate from the Guarantee Fund.

⁵¹ The minimum harmonized level in the EU.

⁵² The level of the DIS fund as of end-October 2017 was 1.2 percent.

⁵³ Even though the pay-out by the DIS fund for SIs would be much less likely, given that the preferred resolution strategy for them would not be liquidation under national insolvency proceedings.

target level of 1.8 percent of covered deposits has been proposed and the Guarantee Fund has worked on incorporating it into draft legislation. However, this law remained a draft and it had not been approved at the time of writing.

51. The DIS should ensure operational readiness to meet the pay-out period of 7 working days. Since 1 January 2024, the Belgian DIS is committed to achieving a reimbursement period of seven working days, which would be in line with Essential Criteria 1 of Principle 15 of the IADI CP.⁵⁴ The DIS has made continuous improvements to the internal payment application so that the pay-outs could be completed on an automatic basis for the vast majority of depositors. The DIS has also done testing with the banks, which are scheduled at least every three years by law, to test their capabilities. It is important that the DIS performs testing regularly and with a higher degree of granularity, including on the number of covered depositors relative to total depositors. The next testing should consider the new pay-out period of 7 working days to ensure that it can be achieved with all the banks. This becomes even more relevant given that the pay-out timing also depends on the judiciary branch, as to start the reimbursement process it is the responsibility of the judicial liquidator or curator⁵⁵ to provide the DIS with the information of the depositors that would be entitled to reimbursement.

52. The DIS fund should be segregated from the national budget. As already recommended in the last FSAP performed in 2018, the Guarantee Fund should segregate the DIS fund from the national budget, so that all the monies collected to date as well as future contributions from the industry are no longer mixed with the public budget, and they remain readily accessible by the Guarantee Fund if and when needed. The Guarantee Fund has worked on drafting a law with a view to segregate the DIS fund, but this law remains a draft and it has not been approved yet at the time of writing.

53. Once segregated, the DIS fund should have an investment policy. After they have been segregated from the national budget, the DIS funds should be deposited directly in an account at the NBB on the name of the Guarantee Fund, since this would be beneficial from a risk management perspective and also in line with Essential Criteria 7 of Principle 9 of the IADI CP. In addition to holding cash and, in line with Essential Criteria 6 of Principle 9 of the IADI CP, the Guarantee Fund should develop a sound investment policy to ensure the preservation of the DIS fund while maintaining its liquidity and subject to adequate risk management policies and procedures, internal controls, and disclosure and reporting systems. The investment policy remains even more relevant given the current inflationary context and the investments should be targeted at highly rated and liquid securities (e.g., sovereign securities). To ensure that the Guarantee Fund has easy and quick access to its funds, it could negotiate repo lines with the NBB and other counterparts so that it could swiftly discount the securities when needed. Given that Belgium shares the euro currency with other

⁵⁴ The previous FSAP recommended to shorten the pay-out period to seven working days by 2019, but this recommendation was not implemented.

⁵⁵ It would correspond to i) the liquidator when a bank enters into national insolvency proceedings; and ii) to the curator when the NBB as Supervisory Authority determines that a bank does not have immediate prospects to be able to repay its deposits (cfr. Art. 381 of the Belgian Banking Law of 25 April of 2014).

EA countries, the Guarantee Fund could have a diversified pool of sovereign debt issued by different EA sovereigns to minimize concentration risk and ensure that the so-called bank-sovereign nexus with the domestic sovereign is not heightened as a result of the investment policy. Finally, the Guarantee Fund will have to increase its staffing to bring in the necessary expertise. The general terms of the investment policy could be developed via a Royal Decree, but the details of the policy itself should be adopted independently by the Guarantee Fund.

54. The Guarantee Fund has signed cooperation agreements with the DIS of other EU countries. When a bank headquartered in one EU country opens a branch in another EU country, it benefits from the so-called EU passporting. This implies that the home DIS is responsible for covering the deposits in the host country. The Guarantee Fund is concurrently a home and host DIS for five EU countries and has signed bilateral cooperation agreements with two of them (Germany and Netherlands). It is also a home DIS to another EU country and a host DIS to other four EU countries. The Guarantee Fund relies on the European Forum of Deposit Insurers home-host multilateral agreement for cross-border cooperation with other relevant DIS with whom it does not have a bilateral agreement. Finally, the Guarantee Fund recently conducted simulation exercises with DISs from other two neighbouring countries.

55. The DIS has a paybox plus mandate that, in practice, could be rarely used to date, but the Belgian authorities should start work to operationalize it. The DIS fund can contribute to a resolution scheme subject to the conditions laid down in the BRRD, which were literally transposed by the Belgian legislature, and in the SRMR. The use of the DIS fund is subject to the least cost principle so that the DIS fund would not be worse off contributing to a resolution than paying out covered depositors in liquidation. In practice, this possibility is limited to date, mainly by: i) the super priority of the DIS fund in the creditor hierarchy as it would be exposed to losses in liquidation only in exceptional cases; and ii) an overly strict interpretation of relevant directives and regulations that does not allow the DIS fund to disburse gross funding upfront in a resolution up to the value of covered deposits—that is, the amount the DIS would have paid upfront in cash in a liquidation—but rather only the funding net of the potential recoveries in liquidation.⁵⁶ On 18 April 2023, the European Commission put forward a legislative proposal⁵⁷ for the review of the Crisis Management and Deposit Insurance framework that tackles the first limitation mentioned, although does not address the second one. This proposal will be discussed in the so called “trilogue” between the EC, the European Council, and the European Parliament and the forthcoming framework aims, among other things, to increase flexibility for the use of the DIS fund in the resolution of medium and small sized banks. Therefore, the Belgian authorities should start working in parallel to operationalize the paybox plus mandate of the DIS, so that the DIS fund is used in resolution when needed and possible.

⁵⁶ See also IMF WP/22/2: The Role for Deposit Insurance in Dealing with Failing Banks in the European Union <https://www.imf.org/-/media/Files/Publications/WP/2022/English/wp202202-print-pdf.ashx>.

⁵⁷ https://ec.europa.eu/commission/presscorner/detail/en/ip_23_2250.

Annex I. Progress on 2018 FSAP Recommendations

Belgium: Recommendations on Financial Safety Net and Crisis Management				
Recommendations and Responsible Authorities	Timing	Priority	Authorities' explanation	Status
1. Ensure the feasibility of resolution strategies for banking groups with systemically important subsidiaries. (SRM)	MT	H	Not applicable.	Out of scope of the national FSAP. To be followed up by the upcoming Euro Area FSAP.
2. Ensure a smooth and decisive transition from early intervention to resolution for LSIs, with ample time for resolution preparation. (NBB)	I	H	A framework to ensure the early notification of the Resolution Unit once the financial situation of an LSI starts to deteriorate (and in addition to the already existing legal requirements) has been agreed.	Partly implemented. This framework needs to be complemented with a bilateral cooperation agreement between the Supervisory Departments and the Resolution Unit.
3. Strengthen the NBB ELA framework to support horizon scanning and prepositioning of collateral. (NBB)	ST	M	To support early horizon scanning, the SLAs between the Financial Markets and the Supervisory Departments have been updated in April 2018 to foresee information sharing on banks once their risk assessment score is at 3 (instead of 4). Prepositioning of collateral is possible both in the normal framework (pooling) and in a crisis context.	Partly implemented. The NBB should also consider introducing a pre-verification framework for ELA collateral, tested on a regular basis (e.g., ELA simulation exercises to test banks capacity to rapidly mobilize credit claims with the NBB) and require banks to periodically list their unencumbered assets for possible ELA collateralization purposes.
4. Prioritize resolution planning for the two LSIs holding the highest percentage of insured deposits. (NBB)	I	H	Resolution plans of LSIs have been approved and are subject to a two-year cycle (with exception of some LSIs for which a yearly plan is required, including those LSIs with a	Implemented.

			positive public interest assessment).		
5.	Eliminate or expedite ex ante judicial review of resolution measures to ensure decisive resolution. (MoF)	I	H	The articles 296-304 of the Banking law which required an ex-ante judicial review of resolution measures have been abrogated by the law of 11 July 2021 that transposed Directive /879/EU amending the Bank Recovery and Resolution Directive (BRRD II).	Implemented.
6.	Segregate the Guarantee Fund from government funds to ensure ready access to deposit insurance and resolution funds. (MoF)	ST	H	To date, the funds have not been segregated, but a draft bill is being presented to, among other things, segregate the Guarantee Fund. No initiatives have been taken for the segregation of the National Resolution Fund yet.	Not implemented. The Guarantee Fund has not been segregated yet from government funds.
7.	Publicly commit to shortening the deposit pay-out period to seven days by 2019 to increase depositor confidence; establish credit lines with the MoF for the DIS (MoF)	I	H	In accordance with article 8(2) DGSD, Belgium reduces the repayment period gradually to seven working days (until 31 December 2023). This transitional period serves to draw up and test the necessary procedures for a short time limit for repayment. In accordance with article 9, §3 of the Royal Decree of 14 November 2008, the Guarantee Fund can make use of 'advances' of the Deposit and Consignment Office.	Partly implemented. The shortening of the pay-out period to seven working days was not advanced faster. As per this recommendation, it should have been achieved earlier than by January 2024. There is a credit line from the MoF, but it needs to be operationalized.

			The latter constitutes a separate department and is under the authority of the Minister of Finance.		
8.	Mandate a committee of the NBB Resolution Board with proactively overseeing national financial crisis preparedness, including organizing regular intra- and inter-agency contingency planning and financial CSEs. (NBB)	ST	M	The NBB Resolution Board participated to a dry-run exercise organized by the SRB and organized a tabletop exercise. The NBB Resolution Board oversees the development of national handbooks relating to resolution tools.	Partly implemented. The NBB has not mandated a committee of the NBB Resolution Board with proactively overseeing national financial crisis preparedness and does not organize regular CSEs.
9.	Flexibly staff the NBB Resolution Unit to ensure staffing capacity commensurate with fluctuating demands on its services. (NBB)	C	M		Not implemented. The NBB should develop internal policies and procedures to be able to promptly increase the staffing of the Resolution Unit when needed—in times of bank failures, particularly in a system-wide event. To this end, the Resolution Unit should be able to quickly draw resources both from within the NBB and externally.
10.	Adequately train pertinent staff in the use of the sale of business and bridge bank tools. (NBB/MoF)	C	M	Several staff members have participated to trainings organized by the SRB and by the FDIC	Implemented.
Timing: C= Continuous; I = Immediate (within one year); NT = Near Term (1-3 years); MT = Medium Term (3-5 years). Priority: H = High; M = Medium; L = Low.					

Annex II. Financial Soundness Indicators

Belgium: Financial Soundness Indicators, 2018–2022					
(Percent)					
	2018	2019	2020	2021	2022
Regulatory capital to risk-weighted assets	18.8	18.8	20.3	20.4	20.1
Tier 1 capital to risk-weighted assets	16.5	16.6	18.2	18.8	18.5
Common Equity Tier 1 capital to risk-weighted assets	...	...	...	...	17.3
Tier 1 capital to assets	6.3	6.2	6.3	6.2	6.0
Nonperforming loans net of provisions to capital	13.6	13.2	13.7	10.6	10.6
Nonperforming loans to total gross loans	2.3	2.1	2.1	2.0	1.8
Provisions to nonperforming loans	44.0	42.9	41.1	45.0	44.1
Return on assets	0.8	0.8	0.5	0.9	0.8
Return on equity	8.2	8.8	6.0	10.0	9.9
Interest margin to gross income	40.4	39.4	39.1	49.7	50.0
Noninterest expenses to gross income	74.7	74.1	75.0	63.4	63.7
Liquid assets to total assets	16.6	16.4	21.5	22.6	20.2
Liquid assets to short-term liabilities	25.0	23.4	32.3	25.2	22.9
Liquidity coverage ratio	...	...	...	...	157.6
Net stable funding ratio	...	...	...	...	133.1
Net open position in foreign exchange to capital	1.9	2.1	2.0	1.7	2.4