FiSer Regulatory Roadmap – MREL

Regulation	Details	Key elements and impacts
MREL (Minimum Requirements for Eligible Liabilities) /TLAC (Total Loss Absorbing Capacity)	The objective of TLAC for G-SIBs is to maintain economic functions in the event of resolution without threatening financial market stability or seeking tax payer support. The FSB has developed a set of principles as well as a term sheet that implements these principles. The MREL requirement is part of the EU Bank Recovery and Resolution Directive and is complementary to TLAC. The main difference is that TLAC only applies to G-SIBs, while MREL applies to all banks in the EU.	TLAC consists of instruments that can be written down or converted into equity in case of resolution and these requirements would be implemented in two steps. i) As from January 2019, G-SIBs will have to comply with a minimum TLAC of 16% of the resolution group's risk-weighted assets and 6% of the Basel 111 leverage ratio. ii) As from January 2022, these minimum requirements will increase to 18% and 6,75%, respectively. For MREL, banks are required to hold a minimum of 8% of own funds and eligible liabilities. MREL will be phased in from 2016 to 2020. Banks are recommended to review existing liabilities against TLAC and MREL requirements to understand the impact on their business model and funding structure.