

# Chapter 1

## Commission Delegated Regulation (EU) 2016/1075

## Article 24 Feasibility and credibility of liquidation under normal insolvency proceedings

(1) Resolution authorities shall assess the feasibility and credibility of liquidation of the institution or group under normal insolvency proceedings, as well as the impact that liquidation would have in the reliance on extraordinary public financial support as compared to resolution.

(2) When assessing the credibility of liquidation, resolution authorities shall consider the likely impact of the liquidation of the institution or group on the financial systems of the United Kingdom to ensure the continuity of access to critical functions carried out by the institution or group and achieving the resolution objectives. For this purpose, resolution authorities shall take into account the functions performed by the institution or group and assess whether liquidation would be likely to have a material adverse impact on any of the following:

(a) financial market functioning and market confidence;

(b) financial market infrastructures, in particular:

(i) whether the sudden cessation of activities would constrain the normal functioning of financial market infrastructures in a manner which negatively impacts the financial system as a whole;

(ii) whether and to what extent financial market infrastructures could serve as contagion channels in the liquidation process;

(c) other financial institutions, in particular:

(i) whether liquidation would raise the funding costs of or reduce the availability of funding to other financial institutions in a manner which presents a risk to financial stability;

(ii) the risk of direct and indirect contagion and macroeconomic feedback effects;

(d) the real economy and in particular the availability of critical financial services.

(3) If the resolution authority concludes that liquidation is credible, it shall assess the feasibility of liquidation.

(4) For this purpose resolution authorities shall consider whether the institution's or group's systems are able to provide the information required by the UK deposit guarantee scheme for the purposes of providing payment to covered deposits in the amounts and time frames specified in the Depositor Protection part of the PRA Rulebook, or where relevant in accordance with equivalent third country deposit guarantee schemes, including on covered deposit balances.

Resolution authorities shall also assess whether the institution or the group has the capability required to support the UK deposit guarantee scheme operations, in particular by distinguishing between covered and non-covered balances on deposit accounts.