



TECHNICAL ASSISTANCE REPORT

GUINEA

Operationalization of the Statutory Special
Resolution Regime

MARCH 2025

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**Monetary and Capital Markets
Department**

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Glossary

BCRG	Central Bank of the Republic of Guinea
BRRD	2014 European Union Bank Recovery and Resolution Directive
DGSIF	General Directorate for the Supervision of Financial Institutions, BCRG
DIS	Deposit Insurance System
DSB	Directorate of Banking Supervision, BCRG
ELA	Emergency Liquidity Assistance
FGD	Deposit Insurance Fund
FSB	Financial Stability Board
IMF	International Monetary Fund
KAs	Key Attributes of Effective Resolution Regimes for Financial Institutions
LEG	Legal Department, IMF
LRC	Licensing and Resolution Committee (“Comité des agréments et de résolution”)
MCM	Monetary and Capital Markets Department, IMF
NCWO	“No creditor worse off than in liquidation”—difference in treatment of shareholders and creditors between resolution and liquidation
OHADA	Organization for the Harmonization of Business Law in Africa
SRR	Special Resolution Regime

Preface

At the request of the first deputy governor of the Central Bank of the Republic of Guinea (BCRG), a technical assistance (TA) mission from the IMF Monetary and Capital Markets Department (MCM) worked with the BCRG Directorate of Bank Supervision (DSB) from July 16 to 23 and October 1 to 11, 2024, to assist the BCRG in operationalizing the special resolution regime (SRR) integrated into the draft banking law prepared following Fund staff's recommendations.

The mission presented its recommendations at a wrap-up meeting with Mr. Conté, the first deputy governor, and Mr. Komara, the DSB Director, on October 10, 2023.

The mission would like to thank Mr. Komara, and the bank resolution unit team composed of legal experts and supervisors from the DSB, who demonstrated a high degree of professionalism throughout the exercise.

Executive Summary

The Central Bank of the Republic of Guinea (BCRG) has prepared a draft banking law providing for a special resolution regime (SRR) for credit institutions. This draft law aims to remedy the shortcomings of the current financial safety net in Guinea, which is only composed of two functions: (i) banking supervision and early intervention, exercised by two bodies, the Licensing Committee and the BCRG, and (ii) a deposit guarantee fund (FGD). The establishment of an SRR represents an important development, which was one of the IMF recommendations in the 2019 Financial Sector Stability Review (FSSR). The mission assisted the DSB of the BCRG in operationalizing the SRR included in the draft banking law, with consideration given to the context of a low-income developing country.

A precondition to the establishment of an effective resolution function within the BCRG is the increase in staff and expertise. The mission reiterates the conclusions of the 2023 technical assistance (TA) mission and of the 2019 FSSR on the staffing and training required for the BCRG to achieve its objectives: “79. It is crucial to strengthen capacities, in terms of number of staff and expertise, of the Guinean authorities in preventing and managing bank crises. The BCRG and the Treasury should hire and train experts in crisis management, bank resolution, and deposit insurance. This is particularly crucial for the BCRG.” (FSSR report, paragraph 79). These new experts will perform new and resource-intensive activities for the BCRG, such as resolution planning, including the drafting of resolution plans for individual banks and the work on the separability of portfolios of assets/liabilities, the drafting of a resolution manual and other activities detailed in this report, which will require numerous meetings with the banks for the staff of the resolution function, over several years.

The mission recalls the recommendation from the 2019 FSSR on the urgency of a liquidity assistance instrument in resolution. The BCRG should, as a matter of urgency, operationalize a mechanism to provide liquidity in the event of a resolution, possibly with an emergency liquidity assistance (ELA) facility following best practices. An MCM TA on the operationalization of ELA took place concurrently with the mission, and the report refers to this TA mission on this matter.

Part I of the report recommends the resolution tools and powers that the BCRG should prioritize to operationalize the resolution regime. The BCRG should, as a priority, operationalize the partial sale tool, which would become the preferred resolution strategy in its resolution plans (“Plan A”), as well as the bridge institution tool, which would become the alternative resolution strategy (“Plan B”), in cases where a direct sale to a private sector buyer is not feasible.

The draft SRR contains provisions on a resolution funding mechanism, given Guinean banks’ weak internal capacity for loss absorption and recapitalization. In the event of a resolution, the Ministry of Finance may provide temporary exceptional resolution funding, upon request from the Licensing and Resolution Committee (LRC), to support the execution of resolution measures. A funding mechanism with ex-post recovery of public costs from the financial sector is the most appropriate form given the current situation in Guinea. After providing funding to support resolution measures, the state can collect contributions from the financial sector that has benefited from financial stability. The implementing texts regarding the terms for granting and recovering temporary public funding through exceptional contributions levied on credit institutions and financial companies established in Guinea remain to be drafted (the mission did not cover this topic).

The report also discusses the implementation of the liquidation power to be established by the SRR. The BCRG prefers to delegate the role of liquidator to a professional insolvency practitioner.

Part II of the report discusses the establishment of a resolution function within the BCRG and the procedures related to this function. The BCRG should establish a resolution function separate from the supervisory function of the central bank to address conflicts of interest. Internal mechanisms and protocols must be established to ensure the smoothest possible exchange of information and very close coordination between these two functions of the BCRG. In the short term, the BCRG should continue to strengthen the skills of its banking resolution team: the DSB should identify training on bank restructuring and resolution and crisis management, and monitor available offers. The drafting of a resolution manual, to be submitted to the LRC, will help consolidate procedures and make the link between the SRR and individual resolution plans.

Part III of the report aims to support the BCRG's efforts in drafting resolution plans for credit institutions, including the process of assessing the resolvability of each credit institution. The mission invited the BCRG to start drafting individual resolution plans, using the template in Appendix I. The BCRG should present to the LRC a first draft resolution plan, proposing resolution tools and estimates of resolution funding needs. In the medium term, the BCRG should start drafting resolution plans for at least all the systemic banks, and then carry out resolvability assessments for all the banks concerned. There is no urgency to adopt a regulation on resolvability in Guinea; the BCRG could later draft a regulation on this subject, using the experience gained from the work on the first resolution plans and based on international best practices. In the long term, the BCRG should adjust the existing cooperation agreements in supervision to incorporate the crisis management and cross-border resolution dimensions or conclude specific cooperation agreements for cross-border resolution.

Recommendations

Table 1. Guinea: Key recommendations

Recommendations (Report paragraph No.)	Authority Responsible	Priority	Timeframe 1/
Strengthen capacities, in terms of number of staff and expertise, in bank resolution and crisis management (Executive summary)	BCRG	High	NT
Initiate external training for staff on resolution and crisis management (¶19)	BCRG	High	NT
Establish an instrument for the provision of liquidity in resolution (possibly based on emergency liquidity assistance) (¶2)	BCRG	High	NT
Select a systemic bank and prepare a preferred resolution strategy ("Plan A") based on the partial sale tool (¶4-8)	BCRG	High	NT (*)
For the same bank, prepare an alternative resolution strategy ("Plan B") based on the bridge institution tool (¶9-11)	BCRG	High	NT (*)
Present to the relevant decision-making body a first draft resolution plan, proposing resolution tools and estimates of resolution funding needs (¶3 and 29-34)	BCRG	High	MT (*)
Set up a separate resolution function within the BCRG (¶17-18)	BCRG	High	MT (*)
Draft the implementing texts on the resolution funding mechanism (¶14)	BCRG with Treasury/Ministry of Finance	High	MT or before a resolution (*)
Start drafting resolution plans for the other systemic banks (¶29-34)	BCRG	High	MT (*)
Finalize a resolution manual and submit it for adoption to the relevant decision-making body (¶20-28)	BCRG	Medium	MT (*)
Adjust/conclude cooperation arrangements on cross-border resolution and crisis management (¶43)	BCRG/	Medium	LT (*)

1/ Near term (NT): < 12 months; Medium term (MT): 12 to 24 months; Long term (LT): over 24 months.

(*) For recommendations marked with an asterisk, the implementation date runs from the adoption date of the new banking law including an SRR.

Introduction: context, financial sector, financial safety net

1. The financial sector of Guinea is shallow and dominated by deposit-taking institutions.

The financial sector comprises 39 deposit-taking financial institutions, including 19 commercial banks, which are almost exclusively foreign-controlled, and 20 microfinance institutions. Commercial banks have virtually no liabilities other than deposits and equity, which is relatively simple. Interbank debt is negligible given the near absence of an interbank market and the absence of financial markets except for the sovereign debt market.

Table 2. Guinea: The Financial System at the end of 2023

	Number of institutions	Total balance sheet (billions of GNF)	Share of the total system balance sheet (percent)	Share of GDP (percent)
Deposit taking institutions	39	56,303	100	28
Commercial banks	19	51,985	92	26
- o/w domestically controlled	2	711	1	1<
- o/w foreign controlled	17	51,274	91	26
Microfinance institutions (MFI)	20	1,754	3	1
Financial intermediary	1	2,564	5	1

2. **The BCRG has been building Guinea's financial safety net for several years with technical assistance from the IMF.** Since 2022, LEG and MCM have organized workshops with the BCRG teams, produced analyses of the draft banking law which includes an SRR and imposes a requirement for recovery plans, and they suggested improvements to the draft banking law. The mission assisted the BCRG in operationalizing the SRR, assuming that the banking law that will be adopted will be in line with Fund staff's recommendations. Regarding the deposit insurance system, the BCRG has been collecting annual contributions to the FGD since 2019, and the legislative framework of the FGD will be modernized by the future banking law. Finally, the BCRG continues to modernize its ELA framework, which could also be used to provide liquidity in resolution. An MCM TA on the operationalization of ELA took place concurrently with the mission, and the report refers to this TA mission on this matter. The mission shared and discussed with the DSB a translation in French of the MCM paper on building a financial safety net in low-income developing countries.¹

¹ <https://www.imf.org/-/media/Files/Publications/PP/2019/PPEA2019039.ashx>

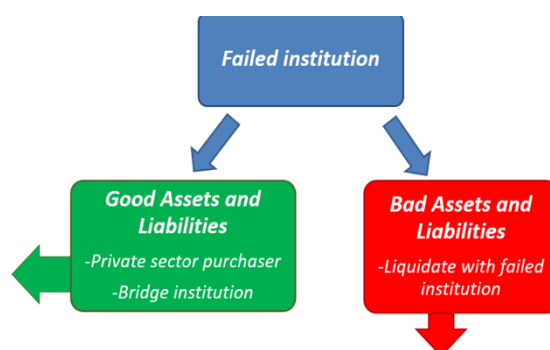
I. Operationalization of the statutory special resolution regime

3. **The BCRG should prioritize the resolution tools and powers best suited to the current structure of its banking system.** In particular, the BCRG should take into account the limited loss-absorbing and recapitalization capacity of the banks in Guinea, the small number of staff with the requisite skills in the BCRG, and the shortcomings in the judicial system that hinder the realization of guarantees held by banks. Applying the principle of proportionality, the mission recommended operationalizing the partial sale and bridge institution tools as a priority. Thus, in the short term, the BCRG should select a bank and prepare a preferred resolution strategy ("Plan A") based on the partial sale tool, excluding nonperforming loans (NPL). For the same bank, it should prepare an alternative resolution strategy ("Plan B") based on the bridge institution tool. It should present to the relevant decision-making body a first draft resolution plan, proposing resolution tools and estimates of resolution funding needs. In the medium term, using the experience gained through the first resolution plan, the BCRG should start drafting resolution plans for all the systemic banks.

A. Two priority resolution tools: partial sale and bridge institution

4. **The tool of transferring assets and liabilities to an existing institution is generally recognized as highly effective.** This is especially true for small institutions for which the identification of potential acquirers is less complex. Under this tool, another bank takes over all, or part, of the deposits together with "good" assets of the defaulting entity. Thus, depositors maintain uninterrupted access to their deposits and payment transactions. In many jurisdictions, the competitive environment means that other banks are encouraged to make offers to acquire deposits, as this is a relatively cheap method of increasing their market share or entering the market.

Box 1. Guinea: Using Transfer Powers to Achieve Orderly Resolution of Failed Banks ("good bank - bad bank")



5. **As a matter of priority, the BCRG should focus on operationalizing the partial sale instrument², which should become the preferred resolution strategy ("Plan A").** The choice between full or partial sale depends essentially on the size and valuation of the portfolio of doubtful assets or NPL.

² The draft SRR lays down the regime of this tool in an article currently entitled "sale of business tool" («outil de cession d'activités»).

A full sale of the bank in default may seem like a simpler solution in theory, but it requires finding a buyer willing to take the entire NPL portfolio of the failing bank, which in practice is difficult. A partial sale makes it possible to transfer only the good loans and those deposits that the resolution authority wishes to preserve, which tends to be more attractive to potential buyers. Another advantage of the partial sale is that the buyer does not assume any contingent liabilities, including litigation risks, of the defaulting bank. Only an expert (including the banking supervisor) with knowledge of the local credit market and of a particular bank's NPL portfolio can ascertain ex-ante whether it is advisable to opt for a full sale. If a full sale is not realistic, the partial sale tool must be prepared.

6. **The resolution authority should prepare the operationalization of the partial transfer instrument and work with the banks on the separability of assets and liabilities.** Separability can be defined as the bank's ability to implement a transfer of i) legal entities (in the case of a group structure), ii) business lines, or iii) portfolios of assets and liabilities, at short notice, to third parties. Separability is particularly relevant to operationalize those resolution strategies which rely on a transfer, whether it is a transfer to a private sector entity or to a bridge bank, as it will inform the decision on the transfer perimeter. The resolution authority assesses separability as part of the resolvability assessment and of the resolution planning work on removing any barriers to resolvability (see Part III on resolution planning and resolvability assessment). The separability of a certain portfolio of assets/liabilities will have to consider whether there are financial interconnections, legal interconnections (including tax considerations), or operational interconnections which have to be removed or mitigated to execute an effective transfer of this portfolio. If barriers to the separability of this portfolio are detected, these barriers will have to be addressed as part of the resolvability assessment process. The work on separability will require numerous meetings with the banks for the staff of the resolution function, over several years.

7. **Ideally, in the interest of healthy competition, the sale of the defaulting bank should be open to as many potential buyers as possible, including domestic financial entities that are larger than the defaulting bank, or foreign entities.** In smaller jurisdictions such as Guinea, where the financial system is small, it is difficult to ensure the confidentiality of the search process for a buyer of a troubled bank. The head of the resolution function could consider approaching informally the country's largest institutions or potentially interested foreigners to gauge their potential interest in acquiring a troubled bank if the possibility were to materialize. While such discussions will need to remain high-level (no confidential information may be disclosed in those talks), any insights gathered by BCRG staff may aid subsequent marketing efforts in the context of the preparation of an actual resolution—at which time interested institutions will be asked to sign a robust confidentiality agreement. Non-interested institutions should be advised to not say anything about the occurrence of such discussions.

8. **The potential buyer should have the opportunity to conduct due diligence on the defaulting bank.** Care must be taken, however, to ensure that this due diligence remains confidential to avoid sending negative signals to depositors. The potential buyer must, therefore, have signed a legally sound and robust confidentiality agreement before any due diligence steps are taken. The exercise of due diligence will allow the potential buyer to review key information about the bank, including its loan portfolio and deposit book, which are needed to estimate the value of the bank's franchise ("franchise value") and prepare their takeover bid. The potential buyer should be given adequate review time, keeping in mind the urgency of the resolution process. For all the assets and liabilities identified to be transferred, a best practice is to expect from the banks that they have the ability to give easy and swift access to necessary data to all relevant stakeholders through the set-up and population of a 'virtual data room' (a virtual data room is intended to be an online facility where documents and information to perform a due diligence are uploaded).

9. **Only if there is no buyer willing to participate in a partial sale, and if it is considered that liquidation could pose financial stability risks, a bridge institution may be created.** A bridge institution is created to continue the viable business and critical functions of the defaulting bank

(e.g., deposits) until a private buyer is found to take over those activities. Using the bridge institution tool, the resolution authority can transfer from the defaulting bank to the bridge institution the “good assets” (including performing loans) and part of the liabilities (notably deposits that, for financial stability reasons, the resolution authority does not wish to leave in the entity to be liquidated). These assets and liabilities are then transferred to a temporary bridge institution, whose capital is held by the state, and the residual failing bank is placed in liquidation, with the resulting losses absorbed by former shareholders. The bridge institution can then be offered for sale to private buyers as soon as there are expressions of interest for it. Since the bridge institution is a new legal entity, different from the bank in default, it does not carry the contingent or hidden liabilities of the bank in default (e.g., off-balance-sheet commitments or legal disputes against the bank in default). The mission provided in Appendix II a template decision on transfer to a bridge institution to serve as the basis for the BCRG's work.

10. **The draft SRR provides that the bridge institution has a lifespan of up to two years, which may be extended for one year.** This limit is in line with good resolution practices. It is also good practice for a bridge institution to have a clear shareholding structure, sound governance, and to comply with regulatory capital requirements. When the bridge institution tool is executed, a realistic exit plan should be drawn up as soon as possible so that the state participation is transferred to the private sector as soon as this is economically and financially feasible.

11. **The operationalization of the bridge institution tool requires additional clarifications from the BCRG and the Ministry of Finance/Treasury.** The BCRG has the power to establish a bridge institution and to take the decision to transfer to it all or part of the assets, liabilities, and off-balance-sheet items, as well as shares or other securities of an institution that is subject to resolution. The BCRG must issue a bank license to this bridge institution as soon as possible, approve its articles of association, and appoint the members of its board of directors and senior management. The time horizon over which these decisions will have to be taken and implemented, following the failure of the sale process, is left undefined in the draft law. This means that the BCRG must continue its efforts to operationalize the bridge institution tool drawing on the sequence of resolution actions (timeline of resolution actions) prepared with the mission. The mission emphasized that the BCRG should not become a shareholder of the bridge institution, or participate in its capital, in view of the associated conflicts of interest with its other tasks—in particular, being the resolution authority and the supervisor of financial institutions. The BCRG should therefore discuss with the Ministry of Finance/Treasury to clarify the composition of the capital of a bridge institution and to operationalize the procedure for setting it up (e.g., by pre-drafting its articles of association and identifying potential managers that would meet fit and proper criteria).

B. Resolution funding mechanism

12. **Resolution tools need a resolution funding mechanism.** By the time a bank fails, or is close to failing, its capital and liquidity will have been seriously eroded. Even if the resolution authority believes that it can trigger the resolution before the bank is insolvent, thus benefiting from a level of capital that is still positive, the independent valuation³ or the disclosure of adverse transactions previously unknown to the authority may reveal a resolution funding need larger than initially anticipated. Some form of resolution funding mechanism is then necessary to make resolution measures effective; for example, to contribute financial resources to support the transfer of deposits to a buying bank if the amount of loans transferred (which is an asset) is significantly lower than the amount of deposits transferred (which is a liability), or to capitalize a bridge institution. This resolution funding mechanism is separate from the process through which the central bank should be able to provide liquidity support to a bank in resolution, subject to adequate safeguards, possibly through ELA (see paragraph 2 and see the MCM TA report on

³ Resolution valuations were defined in the previous TA reports.

the operationalization of ELA). The draft banking law provides for two sources of external funding for resolution, possibly cumulative: (i) a financial contribution provided by the FGD, and (ii) a temporary exceptional public funding approved by the Minister of Finance.

13. **Guinea has in place a prefunded deposit insurance system, which may provide a financial contribution to support resolution measures.** The draft banking law includes provisions to broaden the mandate of the FGD to a “paybox +” mandate, which would enable the FGD to provide funding notably to support the transfer of assets and liabilities of an institution in resolution (instead of a payout of covered deposits). It also aims to attach certain conditions to this funding, such as a continued access to deposits, the imposition of losses on shareholders and unsecured creditors, and a “least cost” principle for the FGD. The BCRG has raised annual contributions to the FGD since 2019 and annual contributions were multiplied by four in 2023 (total 2023 contributions: US\$ 5.8 million) compared with 2019. Annual contributions are based on total deposits and not on covered deposits. The total size of the FGD at end 2023 was GNF 141 billion (about US\$ 16 million) but the FGD no longer has a target size and the BCRG is seeking guidance on the parameters of the FGD. The mission conducted practical resolution exercises based on fictional cases to show the BCRG team how the FGD could provide financial support for resolution measures, in compliance with the conditions set forth by the draft banking law. It explained the financial limitations of this mode of resolution funding: for example, the largest bank in the country reports total covered deposits exceeding GNF 1,500 billion, compared to the financial capabilities of the FGD, which has only GNF 141 billion.

14. **In practice, the financial contribution provided by the FGD will likely need to be supplemented by temporary exceptional public funding.** The draft banking law includes provisions for a resolution funding mechanism approved by the Minister of Finance, given the low internal capacity of Guinean banks for absorbing losses and recapitalization, as well as the financial limits of the FGD. In the event of a resolution, the Minister of Finance may provide temporary exceptional public funding, in coordination with the LRC, to support the implementation of resolution measures. The mission conducted practical resolution exercises based on fictional cases to show the BCRG team how this temporary exceptional public funding could provide financial support for resolution measures, in compliance with the conditions set out in the draft banking law. The BCRG still needs to discuss with the Ministry of Finance how to set out the terms for granting and recovering temporary public funding, making the residual costs of the resolution borne by credit institutions and financial companies established in Guinea through exceptional contributions levied after the completion of the resolution procedure (the mission did not cover this topic).

C. Power of liquidation

15. **The BCRG will be vested with the power to liquidate failing banks.** The draft banking law provides that the exercise of resolution powers can be accompanied by the initiation of bankruptcy/liquidation proceedings for the bank in resolution, in particular to liquidate the residual part of the failing bank.

16. **The BCRG prefers to delegate the role of liquidator of residual banks to a professional insolvency practitioner.** Guinea benefits from the existence of a general court-ordered liquidation regime through the application in Guinea of the Uniform Act Organizing Collective Proceedings for the Clearance of Liabilities, issued by the Organization for the Harmonization of Business Law in Africa (OHADA). The country has the experience of applying court-based liquidation to (non-bank) corporations. Since the draft banking law refers to OHADA provisions unless there is a contradiction with the banking law, the BCRG should be able to find liquidation experts in French-speaking countries applying OHADA. The core powers provided to the liquidators in the case of a bank liquidation should not depart significantly from the liquidators’ powers in a typical corporate insolvency proceeding. Such powers

usually include the following: (i) prepare the payment of the insolvency's debts and preserve the rights of the insolvent; (ii) verify and rank claims according to the creditor hierarchy; (iii) represent the insolvent estate in all legal acts and proceedings; (iv) sell and choose the method of selling the assets of the insolvent estate; (v) pay creditors (according to the creditor hierarchy in the applicable law); and (vi) prepare and present the final insolvency accounts to the judge and the bodies representing the creditors. The deadlines provided for in the OHADA Uniform Act, in particular for the closure of liquidation proceedings (Article 170 of the OHADA Uniform Act), will help to prevent the cost of the liquidation from exceeding the value of the assets.

II. Establishment of the resolution function and of its procedures

A. Establishment of the resolution function and cooperation between resolution and supervision

17. **It is essential to operationally separate the resolution function from the supervisory function so that the resolution function can focus on the preparation of resolution plans and the exercise of resolution powers.** Previous TA reports have recommended structural separation between the resolution and supervision functions, and the draft banking law formalizes this separation by proposing a BCRG directorate responsible for handling failing institutions and deposit insurance, which will report hierarchically to the Licensing and Resolution Committee. At present, there is no directorate in the BCRG organization chart that could naturally accommodate this new function and the work on resolution has been conducted in recent years by a "resolution team" made up of financial and legal experts from the DSB, and sometimes from the BCRG's legal department. Following the adoption of the SRR in the banking law, the resolution function should be assigned to a BCRG directorate separate from the DSB, while addressing the current shortage of financial sector experts and bank supervisors.

18. **The supervisory and resolution functions must be separated but internal mechanisms and protocols must be established to ensure the smoothest possible exchange of information and very close coordination between these two functions of the BCRG.** Establishing clear arrangements for coordination and information sharing between a newly established resolution function and the bank supervision function is an essential condition for an effective crisis management framework. Ideally, there should be seamless information sharing and a sharing of databases between the supervisory and resolution functions within the BCRG, including the sharing of individual information on each bank, both quantitative and qualitative. Regarding interactions with banks, particularly in the preparation of resolution plans, the resolution function of the BCRG will need to closely coordinate with other directorates of the BCRG, especially with the DSB.⁴ This can be done, for example, by inviting the DSB to participate in meetings with a bank regarding the preparation of its resolution plan. Conversely, the DSB may invite the resolution function to its meetings with banks regarding their recovery plans.

19. **The BCRG should continue to strengthen the skills of its team in bank resolution and crisis management.** The BCRG should identify trainings on bank restructuring and resolution and crisis management, and monitor available offers to reserve seats as soon as they open. The mission recalled the training offerings provided by the BROCC online course and the in-person training offered by the African Training Institute.⁵

B. Resolution manual

20. **The terms "resolution manual" refer to a document that sets out policies and procedures for undertaking the key organizational functions of a resolution authority.** (Other terms in usage are "handbooks" and "playbooks"). A resolution manual is useful to help ensure a resolution authority undertakes its functions in an organized and effective manner. It is particularly important where the

⁴ A table on the allocation of tasks and coordination between Supervision and Resolution can be found in Appendix IV.

⁵ Bank Restructuring and Resolution, <https://www.imf.org/en/Capacity-Development/Training/ICDTC/Courses/BR>.

functions involve legally mandated responsibilities and activities, and the use of legal authorities and discretions.

21. **The resolution manual makes the operational link between the statutory resolution regime and the individual resolution plans.** The statutory regime will lay down some policies, but it will likely also leave flexibility on some aspects where the resolution authority will have to develop and formalize its own policies. Some policies will be laid down in the resolution manual, for example, on the procedure to select valuers/appraisers to carry out resolution valuations, or to select the bank directors for a bridge bank. By laying out these policies in the resolution manual, the resolution authority will avoid having to repeat them in each individual resolution plan. Individual resolution plans can therefore focus on those parts that are bank-specific, such as the impact of resolution scenarios on the specific bank, the resolution strategies for a specific bank and how the strategies will affect the bank's structure and balance sheet post-resolution, the assessment of the critical functions in a specific bank, etc. In operational terms, it is important to articulate the resolution manual and the resolution plans to avoid duplications of work.

22. **While there is no standard format, the core of a resolution manual is often detailed through step-by-step procedures that guide the actions of the organization's management and staff, and provide clarity as to what individuals are expected to do.** Procedures likely will form the bulk of a resolution manual. The procedures often specify decision points that may lead to the use of further procedures. The resolution manual should address not only procedures that are likely to have to be implemented but also must envision contingency procedures. Having a comprehensive set of procedures in place and adhering to them can also be important when the organization's actions are subject to challenge in the courts, as is often the case in the field of bank failure resolution.

23. **A resolution manual also needs to incorporate policies adopted by the decision-making body of the resolution authority.** Policies generally guide the fulfillment of the organization's legal responsibilities and activities, and the use of its legal authorities and discretions. Policies should provide guidance, for example, on how to interpret relevant legal texts on decisions that need to be taken, or which may need to be taken, and on how management and staff are to make judgements and use discretions. They may also provide guidance on what is expected that management and staff will not do, even if it might be permissible under law. Policies can be set out separately in a resolution manual or they can be embedded in the step-by-step procedures. Last, a resolution manual can be used as training material or a source of guidance for new staff of the resolution authority.

C. Outline of a resolution manual

24. **The following is a suggested structure (outline) for a resolution manual:**

- a) **Confidentiality level.** The resolution manual may determine the confidentiality regime to be applied to documents used or produced by the resolution authority, or it could refer to the classification system already in place within the authority in which the resolution function is located (e.g., the central bank).
- b) **Background.** Including: (i) citation of legal provisions that relate to the subject, addressing the authority's responsibilities, activities, authorities, discretions, and restrictions on the use of legal authorities; (ii) the authority's internal delegations of institutional responsibilities (e.g., are all decisions taken by the board or are there delegations in place from the board to specific individuals?); (iii) an overview of the division's responsibilities and duties relevant to the subject (e.g., tasks that must be fulfilled, required reporting, etc.); and (iv) the general responsibilities and authorities of the specific managers and staff (i.e., who is responsible for what with respect to the subject).

- c) **Policies.** The resolution manual should describe the policies the resolution authority or the division has adopted relevant to the subject, including citations of specific policy documents. For instance, the resolution authority may wish to elaborate its policy to declare a “bank failing or likely to fail” according to the provisions of the statutory resolution regime, without being willing to describe these policies in a public document, such as an implementing regulation. The resolution authority may also document its interpretation of certain provisions of the statutory regime as the authority does not have the power to amend the laws but has the task of implementing them.
- d) **Procedures.** Detailed step-by-step procedures to be followed for the execution of resolution tools and powers internally within the division, in collaboration with others in the authority (e.g., other departments or divisions); in collaboration with other domestic authorities and with outside stakeholders (e.g., supervised firms, financial market participants, media, and foreign authorities). Procedures may refer to the operational steps of a timeline of resolution actions. Very often resolution manuals contain decision trees of potential situations during a resolution, possible responses adopted by the authorities and the subsequent steps, depending on one response or another, is implemented.⁶ The resolution manual may also prepare the implementation of a virtual or physical “crisis room” by the resolution authority, describing the steps to make the crisis room operational in times of crisis (membership and governance, variable geometry, infrastructures used by the crisis room, rules on the management and sharing of confidential information).

25. **From the perspective of front-line staff (i.e., experts), the procedures specify their duties and responsibilities,** including (i) work that must be performed; (ii) factors that need to be considered or assessed; (iii) spreadsheets or documents that need to be completed; (iv) reports that need to be prepared; (v) required routine reporting to managers; and (vi) responsibilities for escalating issues, concerns, or problems to managers. The procedures also address steps for documenting the work, judgments, and decisions of front-line staff.

26. **From the management’s perspective, the procedures specify their duties and responsibilities,** including (i) the authorities of the managers (e.g., who decides what, who approves what, etc.); and (ii) requirements and steps for reporting upward to, and for obtaining required authorizations and approvals from, the senior management and the relevant decision-making body (e.g., to the LRC). Procedures specify requirements and steps for interacting with official institutions outside the authority and with other stakeholders. The procedures also address steps for documenting the work, judgments, and decisions of managers.

27. **Resolution manual maintenance.** The resolution manual is a living document, and the management of the resolution authority should determine who is responsible for updating it and keeping it current. This may be an individual or a small team.

28. **Possible annexes.** Among them could be: (i) procedure flowcharts or maps, such as a timeline of actions to implement resolution tools (like the timelines prepared with the support of this mission); (ii) templates for legal documents, such as decisions to be taken by the resolution authority (e.g., the decision to trigger the resolution of a bank, considering that the conditions set out in the law have been met)⁷; (iii) templates for other documents (e.g., documents to be completed when undertaking analyses to ensure procedures are followed and relevant information has been considered, documents for

⁶ Appendix III contains an example of decision tree.

⁷ Appendix II contains a template for bridge bank transfer decision.

notifications and reporting, documents for recording work, etc.); (iv) lists of relevant individuals, titles and contact information; (v) legal texts relevant to the resolution manual; and (vi) list of relevant policy documents (if not included in a separate section of the resolution manual).

III. Drafting of individual resolution plans

29. **This part of the report aims to support the BCRG in the drafting of individual resolution plans for financial institutions, including the process of assessing the resolvability of each financial institution.**⁸ At the end of the mission, IMF staff advised the BCRG to start drafting bank-specific resolution plans, using the resolution plan template in Appendix I as guidance. This template follows international standards (KAs and FSB guidelines) and best practices. The drafting of resolution plans and the process of assessing the resolvability of each financial institution is an iterative process which will require numerous meetings with the banks for the staff of the resolution function, over several years. To perform these new and resource-intensive activities the resolution authority needs to increase its staff and expertise.

A. Resolution plan template based on best practices

30. **The structure of resolution plans should follow existing international standards and best practices.** A resolution plan must facilitate the effective use of resolution tools and powers to preserve critical functions, with the objective of making it feasible for any entity to be resolved, without causing severe disruption and without exposing taxpayers to losses. Resolution plans are not normally made public, and it is difficult to use actual individual plans to refer to good practices. However, the resolution plan template in Appendix I includes all the elements listed below, as recommended by the FSB in its documents on this topic⁹:

- 1) A summary of the envisaged resolution strategies and an operational plan for their implementation;
- 2) A strategic analysis of the bank's business model that supports the proposed resolution strategies;
- 3) The conditions for intervention by the resolution authority, describing the conditions required to trigger the resolution procedure; these conditions should consider at least two resolution scenarios: an idiosyncratic scenario (specific to the bank alone) and a systemic scenario (broader crisis);
- 4) Practical options for executing resolution actions, specifying which resolution tools and powers would be adopted in response to each resolution scenario;
- 5) Preparatory actions to ensure that resolution measures can be implemented in an efficient and timely manner;
- 6) Details of any significant impediments to the effective and timely implementation of the plan; and

⁸ The terms "financial institution" are not intended here to refer to categories according to the banking law of Guinea but to encompass all entities possibly subject to a SRR.

⁹ KA I-Annex 4 ("Essential Elements of Recovery and Resolution Plans"):

<https://www.fsb.org/wp-content/uploads/I-Annex-4-Essential-elements-of-recovery-and-resolution-plans.pdf>

- 7) Responsibilities in the execution of preparatory measures triggering the implementation of the plan and adopting resolution measures.

31. **The first element of a resolution plan is the strategic analysis of the bank's business model.** The business model's strategic analysis identifies the critical functions the financial institution provides to external customers, and the critical shared services that are necessary to operate those critical functions. The strategic analysis of the business model should include the following¹⁰:

- 1) Identification of critical functions related to the legal entities that perform them;
- 2) The actions necessary to maintain these critical functions, including the funding needed to maintain them (see also the Section on the resolution funding mechanism);
- 3) An assessment of the viability of any critical function, line of business, or legal entity that could be separated in a resolution scenario, as well as the impact of such separation on the residual legal entity or group and its viability;
- 4) An assessment of the likely impact of the liquidation of business lines that are not considered critical functions, including the potential impact on clients, financial sector counterparties, and market confidence;
- 5) Significant potential obstacles to an effective separation of these critical functions or lines of business; and
- 6) Processes for determining the value and likelihood of being able to sell critical functions and significant lines of business, operations, and assets.

32. **The resolution plan should develop a preferred resolution strategy ("Plan A") and an alternative resolution strategy ("Plan B").** The resolution strategies developed in the resolution plan should be consistent with the resolution tools and resolution powers conferred on the resolution authority by the legislative resolution regime.¹¹ The resolution plan should develop a preferred resolution strategy to carry through each resolution scenario. Under the legislative resolution regime suggested for Guinea, the preferred resolution strategy will likely be based on the partial sale tool discussed above. If this preferred resolution strategy cannot be implemented—due to lack of time, data, or an acceptable acquirer—the creation of a bridge bank could be a suitable alternative for systemically important banks.

33. **After determining the resolution strategy, the resolution plan should specify how the BCRG would apply the resolution tools and powers.** The resolution plan should describe how the resolution authority would implement the recommended resolution tools and powers. Given the very simple structure of most financial institutions in Guinea, the resolution tools will be applied at the level of a single institution (so-called "single point of entry" strategy).¹²

34. **To be effective, a resolution plan must cover, among others, the financial resources needed, as well as measures to ensure operational continuity.** First, the resolution plan should describe the financial resources that would be mobilized by the resolution authority to effect the envisaged resolution strategy. Conceptually, these financial resources can either be internal to the entity (e.g., the conversion of certain liabilities to replenish equity) or external (i.e., through the use of the

¹⁰ "Essential Elements of Recovery and Resolution Plans," Section 2.3.

¹¹ FSB "Guidance on Developing Effective Resolution Strategies." https://www.fsb.org/2013/07/r_130716b/

¹² FSB "Guidance on Developing Effective Resolution Strategies." https://www.fsb.org/2013/07/r_130716b/

resolution funding mechanism). Second, the resolution plan must detail the operational continuity of the resolved entity, in particular with respect to service contracts for the provision of IT services.¹³ Third, the resolution plan must determine whether the entity in resolution will maintain all of its holdings in financial market infrastructures (for example, participation in the local payment system) and, if so, how. Fourth, the resolution plan should describe the potential sources of liquidity provision to the resolution entity, without taking for granted that the liquidity will be provided by the central bank or other public entity. Fifth, in the event that the defaulting entity has a large number of financial contracts outstanding, the resolution plan should detail how the 'stay' power on the termination thereof would be implemented.

B. Resolvability assessment and removal of impediments to resolvability

35. **The BCRG should regularly undertake resolvability assessments of, at least, the systemically important entities under its responsibility as resolution authority.** The draft SRR provides for an update of the resolution plans every two years. Periodic resolvability assessments should assess the feasibility of resolution strategies and their credibility in relation to the likely impact on the financial system and the real economy in the event of the failure of the entity concerned. In addition, they can be used to measure the effectiveness of information systems used by financial institutions, including their ability to identify and report their most significant assets and liabilities for resolution planning purposes. The resolution authority should conduct these periodic resolvability assessments in coordination with other relevant authorities and assess in particular (KA 10.2):

- 1) To what extent critical functions can continue to be performed;
- 2) The nature and size of intra-group exposures and their impact on resolution, if they were to be reduced and cancelled;
- 3) The capability of the institution to deliver sufficiently reliable and detailed information in a timely manner to support resolution, whether such information relates to assets or liabilities; and
- 4) Robust cross-border cooperation and information exchange agreements.

36. **Resolvability assessments should be conducted in close cooperation with the institutions concerned (in cross-border situations these should include relevant foreign authorities).**

Resolvability assessments and the resulting actions of the resolution authority shall form an integral part of the resolution planning process. The BCRG is encouraged to implement a five-step resolvability assessment process¹⁴:

- 1) A qualitative and quantitative assessment by the BCRG, of the extent to which the financial institution is resolvable, given its structure and the resolution regime to which it is subject;
- 2) In cases where the institution belongs to a group, is listed on a stock exchange, or operates on a cross-border basis, the BCRG shares that assessment with other relevant authorities;

¹³ KA 11.7: "Firms should be required to ensure that key Service Level Agreements can be maintained in crisis situations and in resolution, and that the underlying contracts include provisions that prevent termination triggered by recovery or resolution events and facilitate transfer of the contract to a bridge institution or a third-party acquirer."

¹⁴ KA, "I-Annex 3: Resolvability Assessments" <https://www.fsb.org/wp-content/uploads/I-Annex-3-Resolvability-assessments.pdf>

- 3) The BCRG communicates to the institution the impediments it must address to enhance resolvability;
- 4) The institution and/or one or more competent authorities adopts measures to remove any identified impediments; and
- 5) Re-assessment of resolvability by the BCRG as resolution authority.

37. **In the event that the measures proposed by the financial institution do not effectively remove or mitigate the impediments identified, the BCRG has several options.** The BCRG “may require the institution to adopt measures to modify its legal, operational, financial, or group structure, including the structural separation of certain activities, or to increase its capacity to absorb losses in resolution, including through the issuance of subordinated debt subscribed by the group” (Article “resolution plans” of the draft SRR).

38. **Over the long term, the BCRG should require banks to develop their internal loss-absorbing and recapitalization capacity.** The list of the draft SRR mentions the possibility for the resolution authority to require the institution to increase its loss-absorbing and recapitalization capacity for resolution purposes. The implementation of these new requirements for internal capacity to absorb losses and recapitalization is not a priority given the current structure of Guinea’s financial system (banks do not issue negotiable debt securities and there is no financial market). Over the long term, however, the BCRG should require banks, at least those considered to be systemically important, to develop their internal loss-absorbing and recapitalization capacity in order to reduce the risk of having to rely on the publicly funded resolution funding mechanism. This would imply the development of domestic primary and secondary capital debt markets to enable the issuance and trading of loss absorbing capacity debt instruments. For the subsidiaries in Guinea of foreign banking groups, an internal absorption capacity within the group can be implemented without waiting for the development of the local financial market, as the article states: “or to increase its capacity to absorb losses in resolution, including through the issuance of subordinated debt subscribed by the group.” This power would allow for the implementation of a group resolution strategy, to be organized with the home authorities, based on subordinated debt subscribed by the parent companies of the banking subsidiaries in Guinea (see Section “Cross-border resolution planning”).

C. Reporting requirements to support resolution planning

39. **The BCRG should rely as much as possible on financial institutions to provide the necessary information to facilitate the preparation of resolution plans.** The resolution authority shall have unhindered access to financial institutions for the purposes of resolution planning and preparation for the implementation of resolution actions. The resolution authority would benefit from establishing in advance reporting obligations for financial institutions (e.g., resolution planning reporting forms) and ensuring that they have in place effective information systems that would enable them to provide timely and reliable information for resolution planning purposes, or in the implementation of resolution decisions.

40. **In practice, the most frequent information requests for resolution planning relate to:**

- 1) Information related to the bank’s structure, critical functions, or interconnections (e.g., on intra-group guarantees or credits, or the institution’s dependence on other entities in a group for liquidity, own funds, or support functions such as legal, IT, or human resources functions);
- 2) An analysis of the operational consequences of a resolution strategy; and

- 3) A description of the processes to be implemented in order for the resolution authority to have access to particular information when resolution is triggered.

41. **A good practice is to use the resolvability assessment exercise to strengthen the framework around valuations.** Banks must be able to assist with the preparation of valuations by the independent valuer. This means that they should: (i) give the valuer rapid access to data, information, and documents; (ii) facilitate the valuer's access to competent personnel; and (iii) apply models and produce activity forecasts based on assumptions and levels of granularity requested by the valuer. To be able to accomplish these tasks, banks must prepare in advance. A good practice adopted by resolution authorities is to assess and test banks' ability to support valuation exercises as part of resolution planning. The shortcomings revealed may lead the authority to exercise its powers to demand changes in order to improve banks' resolvability.

42. **There is no urgency for adopting a regulation on resolvability criteria in Guinea.** The draft SRR does not specify the criteria for assessing resolvability, but it refers to a regulation to be issued by the LRC. As a first step, the BCRG can usefully start working on individual resolution plans and resolvability discussions with institutions, to build its expertise. A formal regulation may be prepared later, building on the BCRG's work on the first resolution plans and international best practices.

D. Cross-border resolution planning (subsidiaries in Guinea)

43. **Cross-border situations related to subsidiaries in Guinea of foreign banking groups call for the establishment of institution-specific cross-border cooperation agreements between the BCRG and relevant home authorities.** Such agreements should be more specific than the existing memoranda of understanding, in particular they should provide an appropriate level of detail with regard to the cross-border implementation of specific resolution measures, including with respect to the use of a bridge institution by the host authority (KA 9.1(viii)). Indeed, the existing cooperation agreements of the BCRG are general agreements that only cover the supervision of banks and do not incorporate the crisis management dimension. International standards require the home authority to establish the appropriate coordination group to discuss recovery and resolution plans, invite the host authorities of jurisdictions of material importance, and demonstrate sufficient progress in terms of exchanging recovery and resolution plans. In the case of a subsidiary in Guinea of a foreign bank, the BCRG should rely as much as possible on recovery measures adopted in the home jurisdiction, at the level of the parent. Such a cooperative approach is conditioned upon the group recovery plan addressing specifically the situation of the subsidiary in Guinea; if this were not the case, the BCRG could require the subsidiaries to identify credible recovery measures to be implemented in the absence of support from the parent company. In a similar manner, the group resolution plan developed by the home resolution authority should specify the treatment of the subsidiary in Guinea. In the absence of specific consideration by the resolution authority of the home country, or when these group-level resolution plans do not consider the operations of the subsidiary in Guinea, the BCRG should develop, as a "fallback plan," a local resolution plan for the subsidiary under its jurisdiction.

Appendix I. Structure of a Resolution Plan for a Systemic Domestic Bank

(Bank not listed on a stock exchange)

1. **Summary of the resolution strategies envisaged and the plan for their implementation.**
2. **Strategic analysis of the business model** of the bank supporting the proposed resolution strategies:
 - Legal structure of the institution/group;
 - Owners/composition of the shareholding;
 - Governance;
 - Balance sheet;
 - Income statement;
 - The most important prudential requirements;
 - Business lines;
 - Critical functions:
 - Article “Resolution plans” of the draft SRR: *“This resolution plan shall define the resolution measures that the Resolution Committee could take in the event of resolution in order to facilitate the continuation of the institution’s critical functions without causing significant losses for taxpayers.”*
 - Internal interdependence;
 - External interdependencies (including shared critical services¹⁵);
 - IT systems; and
 - List of financial market infrastructures (payments, securities settlement, clearing house) in which the bank participates.
3. **Resolution scenarios and resolution triggers:** at least two resolution scenarios, an idiosyncratic (specific to the bank alone) and a systemic scenario (broader crisis).
 - Resolution scenarios; and
 - Events triggering the resolution decision.
4. **Preferred Resolution Strategy (“Plan A”) and Alternative Resolution Strategy (“Plan B”).**
 - The Preferred Resolution Strategy is guided by the determination/delineation of critical functions;
 - Loss-absorbing capacity; and
 - Analysis of separability (e.g., separability of the bank’s business units, credit portfolios, a subsidiary).
5. **Financial and operational continuity in resolution**

¹⁵ Shared critical services are activities carried out in the bank, or outsourced to a third party, the interruption of which would lead to the inability to continue the critical functions (for example the IT services necessary for the maintenance of deposit accounts and related payment services).

- **Operational Continuity:** in particular, service-level agreements already concluded by the bank with other entities in the same group, or other parties, for the provision of services, including IT services. Operational continuity should be based as much as possible on the business continuity procedures already in place in the bank.
- **Access to financial market infrastructures:** whether and how the bank would maintain this access.
- **Liquidity:** describes potential sources of liquidity to support the bank in resolution. Should not take for granted the provision of liquidity by a public entity, in particular by the central bank.
- **Power to “freeze” financial obligations (“stay”)/moratorium:** where the defaulting bank has signed a significant number of financial contracts, the resolution plan should specify how the stay power on early termination of the financial contracts would be implemented.

6. **Information/IT and communication plan**

- Data management/IT systems; and
- Communication framework/communication plan.

7. **Assessment of resolvability**—details of any potential significant impediments to the effective and timely implementation of the resolution plan, following a five-step process:

- 1) **The resolution authority shall carry out a qualitative and quantitative assessment to conclude whether the bank is resolvable, or to what extent it would be resolvable,** looking at its structure and the applicable resolution regime; assessment of the possibility of liquidation under normal insolvency proceedings: credibility (potential contagion if the bank was liquidated) and feasibility (e.g., how would depositors be reimbursed if the bank was liquidated?); and the choice between a liquidation strategy or a resolution strategy.
- 2) **When the bank belongs to a group, or operates cross-border, sharing this assessment with other relevant authorities.** Feasibility and credibility of the resolution strategy (impediments to the resolution strategy).
- 3) **Presentation to the bank of the points on which the bank must act.** Feasibility and credibility of the resolution strategy (impediments to the resolution strategy).
- 4) **Measures adopted by the bank or by the relevant authorities** to remove or mitigate impediments to resolvability (e.g., access to bank information or systems; impediments dependent on other public authorities).
- 5) **Re-assessment of resolvability by the resolution authority.**

8. **Consultation of the bank.** The bank must be able to give its opinion on (a summary of) the resolution plan. The bank’s opinion is part of the resolution plan.

The resolution plan shall be reviewed, updated—if necessary—at least annually, and after each significant change that affects the bank.

Appendix II. Template For Bridge Bank Transfer Decision

Decision on transfer of assets and liabilities of **[Name of institution under resolution]**

Done on [xx.xx.xxxx], at [xx].

For entry into force on: [xx.xx.xxxx].

This decision is adopted by the BCRG in exercise of the powers conferred by Articles [references to relevant statutory provisions on resolution].

In accordance with Article [xx] of that law, the BCRG is satisfied that— [Name of institution under resolution] fails, or is likely to fail, to satisfy the conditions for authorization as defined by [relevant legislation], for which the BCRG is treated as responsible; and having regard to timing and other relevant circumstances it is not reasonably likely that measures will be taken by or with respect to [Name of institution under resolution] that would enable it to meet the [conditions for authorization].

In accordance with Article [of the banking law/SRR], the BCRG is satisfied that this decision is necessary in light of the public interest considerations specified in [reference to the relevant section of the law].

In accordance with Article [xx] of that law, the BCRG has had regard to the resolution objectives.

Accordingly, the BCRG therefore adopts the following decision:

Part 1

General

Citation and entry into force

1. This decision may be referred to as the [Name of institution under resolution] Transfer Decision for assets and liabilities of [date].
2. This decision shall take effect upon the time of transfer.

Definitions:

In this instrument:

"Law" means the [law/SRR];

"Bridge Institution" means [Name of Bridge Institution];

"Bridge Institution transfer" means the transfer made under paragraph 3;

"Bridge Institution business" means the assets and liabilities transferred under paragraph 3;

"Bridge Institution relevant assets" shall have the meaning given in paragraph 5;

"Bridge Institution relevant deposits" shall have the meaning given in paragraph 6;

"Deposit" has the meaning given by [reference to the relevant section of local law];

"the BCRG" means the Central Bank of Guinea;

"time of transfer" shall be 8:00 a.m. on [date] and shall be used to refer to the time when the Bridge Institution transfer shall take place pursuant to paragraph 3;

"[Name of institution under resolution]" means [Name of institution under resolution].

Part 2:

Bridge Institution transfer

3. Pursuant to this document, the Bridge Institution relevant assets and Bridge Institution relevant deposits of [Name of institution under resolution] (including brand name) are transferred to the Bridge Institution. They make up the Bridge Institution business.
4. The Bridge Institution transfer takes place at the time of transfer.

Assets and liabilities transferred

5. Bridge Institution relevant assets are [●].

-

-

(...)

6. Bridge Institution relevant deposits are [●].

-

-

(...)

Legal and operational continuity of the Bridge Institution

7. As from the time of transfer, the Bridge Institution shall be considered, for all purposes necessary to give effect to of the transfer, as the same person as [Name of institution under resolution] with regard to the Bridge Institution relevant assets and the Bridge Institution relevant deposits.
8. In accordance with [Article XXX of the law/SRR], contracts or other actions entered into by or in connection with [Name of institution under resolution] shall, if they concern the Bridge Institution business or the Bridge Institution relevant assets or the Bridge Institution relevant deposits, be considered as being entered into or carried out by or in connection with the Bridge Institution.
9. Without limiting paragraph 2, any payment received after the time of transfer by or in connection with [Name of institution under resolution] that relates to any account held by or with [Name of institution under resolution] in connection with the Bridge Institution business immediately before the time of transfer, to the extent such account relates to the Bridge Institution relevant assets or the Bridge Institution relevant deposits is to be treated as received by or in relation to the Bridge Institution.

10. An express or implicit reference in a relevant decision or document relating to [Name of institution under resolution] shall have effect as if it were a reference to the Bridge Institution if the reference is in connection with rights and obligations that relate to the Bridge Institution business. A relevant decision or document is one which relates to some or all of the Bridge Institution business.
11. [Name of institution under resolution] and the Bridge Institution may, by agreement, modify any provision of this document to the extent permitted by the [law/SRR].

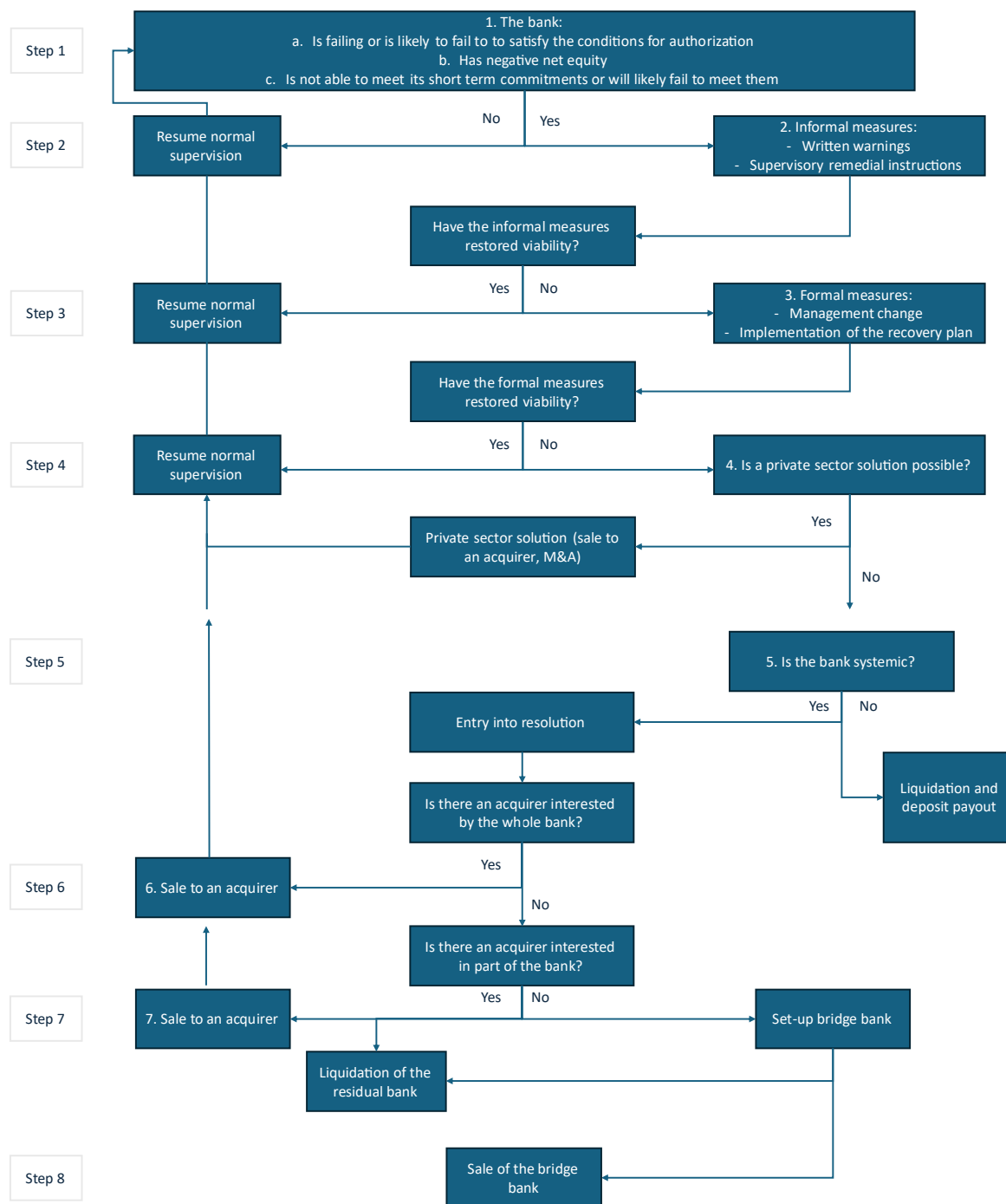
Provision of assistance

12. [Name of institution under resolution] shall provide the Bridge Institution with such information and assistance as is reasonably requested by the Bridge Institution in writing in relation to the transferred business or to the operation of the transferred business; and for any other purpose relating to, in connection with, or in consequence of this document.
13. The Bridge Institution shall provide [Name of institution under resolution] with such information and assistance as is reasonably requested by [Name of institution under resolution] to facilitate the liquidation of [Name of institution under resolution].

Re-transfer powers

14. After the transfer referred to in the foregoing subparagraphs, the BCRG may transfer or re-transmit any assets, liabilities, off-balance-sheet items and assets under management between the Bridge Institution and [Name of institution under resolution], within the time limits set out in the [law/SRR].

Appendix III. Decision Tree for Resolution Measures



Appendix IV. Coordination of Actions Supervision – Resolution

Process	BCRG/Supervisory function	BCRG/Resolution function	DIS (if separate from the resolution function)
<i>Before Identification as a Problem Bank (i.e. a bank undergoing financial distress): Ongoing Supervision</i>			
<ul style="list-style-type: none"> Designation as a systemic institution (reassessed annually) 	In charge	Notification	Notification
<ul style="list-style-type: none"> Exchange of information or notification between Supervision and DIS at specific stages: licensing process, merger approval, quality review of deposit data (if applicable) 	In charge	Notification	Notification/exchange of information
Recovery plan			
<ul style="list-style-type: none"> Recovery plan requested from the institution (annual cycle) and analyzed. 	In charge	Notification / Consultation	
<ul style="list-style-type: none"> Require the institution to correct any deficiencies and rewrite the plan accordingly. 	In charge	Consultation	
Resolution planning			
<ul style="list-style-type: none"> Development of the resolution plan based on one or more scenarios consistent with the recovery plan scenarios and stress tests (but more stringent). 	Consultation	In charge	Consultation
<ul style="list-style-type: none"> Provide the institution with a summary of the plan, a resolvability assessment and ask them to work to answer 	Consultation	In charge	Consultation

Process	BCRG/Supervisory function	BCRG/Resolution function	DIS (if separate from the resolution function)
any questions or improve resolvability.			
Process	BCRG/Supervisory function	BCRG/Resolution function	DIS (if separate from the resolution function)
Identification as a Problem Bank: Recovery Phase			
<ul style="list-style-type: none"> Initial identification of a potential problem bank through on-site examination or desk analysis, reporting of irregularities by a correspondent bank, customer reporting, and payment system data monitored by the authority 	In charge		
<ul style="list-style-type: none"> Identify specific characteristics of problems and identify specific causes. 	In charge		
<ul style="list-style-type: none"> Formalized designation as a problem bank (e.g., based on on-site examination). 	In charge	Notification	Notification
<ul style="list-style-type: none"> Require the institution to make the necessary updates to the recovery plan according to its situation as a distressed bank. 	In charge	Consultation	
<ul style="list-style-type: none"> Implement necessary corrective actions, such as a capital restoration plan. 	In charge	Notification	
<ul style="list-style-type: none"> Sign an informal agreement to address identified gaps and timeline for completion. 	In charge	Notification	
<ul style="list-style-type: none"> Place the bank on the on-site examinations plan. 	In charge	Input	Input
<ul style="list-style-type: none"> Initiation of on-site examination (full or targeted) 			

as appropriate and joint examination in case of serious problems with the quality of depositor inventories.	In charge	Input	Input
<ul style="list-style-type: none"> Periodically reassess corrective actions and progress on the recovery plan to ascertain progress. 	In charge		
<ul style="list-style-type: none"> Sign a formal agreement if compliance with the informal agreement is not satisfactory. 	In charge	Notification	Notification
<ul style="list-style-type: none"> Emergency Liquidity Assistance (ELA) 	Department of monetary policy operations in charge (with the Supervisory function in charge of assessing the bank's ELA eligibility in terms of viability and solvency)	Notification	
<ul style="list-style-type: none"> Appointment of an administrator if the bank does not go directly into resolution. 	In charge	Input	
<ul style="list-style-type: none"> Capital requirement for a bank that is significantly undercapitalized. 	In charge	Notification	Notification
<i>Gone Concern: Resolution Phase</i>			
Process	BCRG/Supervisory function	BCRG/Resolution function	DIS (if separate from the resolution function)
<ul style="list-style-type: none"> Asset valuation review (AVR) specialist appointed. 	Consultation	In charge	
<ul style="list-style-type: none"> Administrator collects information on assets, deposits, and other liabilities for valuation. 	Consultation	In charge	
<ul style="list-style-type: none"> Development of a bid package (for Purchase & Assumption tool) with details 	Consultation	In charge	Consultation

on assets and liabilities, legal review, and IT assessment.			
• Bidders take time to review the bid package and request any further details.	Consultation	In charge	
• Bidders meeting.	Consultation	In charge	
• Bids submitted and open with decision on the best bidder(s).	Input (particularly any licensing or authorizations)	In charge	
• Negotiation of the contract with the highest bidder and, in the absence of an agreement, move to the next one.	Consultation	In charge	
• Set up a bridge bank that needs recapitalization resources.	Consultation	In charge	Consultation
• Submit the final resolution plan to the board for approval, including the recommendation of the resolution tool, the purchaser, the level of the deposit insurance system, or any other resolution funding source.	Consultation	In charge	Consultation
<i>Gone Concern: Liquidation Phase</i>			
Process	BCRG/Supervisory function	BCRG/Resolution function	DIS (if separate from the resolution function)
• Appoint the DIS as liquidator.	Consultation	In charge	Consultation
• Closing date selected.	Consultation	In charge	Consultation
• On the closing date, revoke the license and address communications issues through the agreed platform.	In charge (license revocation)	In charge (other than license revocation)	Consultation
• Pro forma balance sheet as of closing date developed.		In charge	Consultation

<ul style="list-style-type: none"> • Publish the liquidation decision in the Official Gazette. 	Notification	In charge	Notification
<ul style="list-style-type: none"> • Pay compensation to depositors. 	Notification	Notification	In charge
<ul style="list-style-type: none"> • Borrow funds or apply for grants, if needed, to support the compensation of depositors. 	Notification	Notification	In charge
<ul style="list-style-type: none"> • Take all necessary steps to liquidate the failed institution by recovering all assets and paying creditors. 	Notification (on a periodic basis)	Notification (on a periodic basis)	In charge
<ul style="list-style-type: none"> • Ask Supervision and Resolution for the data necessary to carry out liquidation tasks. 	Information	Information	In charge
<ul style="list-style-type: none"> • Distribute data regarding progress in undertaking the liquidation. 	Notification (on a periodic basis)	Notification (on a periodic basis)	In charge
<ul style="list-style-type: none"> • Take necessary legal measures against the persons contributing to the failing bank. 	Notification (on a periodic basis)	Notification (on a periodic basis)	In charge
<ul style="list-style-type: none"> • Approve the appointment of external consultants to carry out liquidation tasks. 	Notification	Notification	In charge
<ul style="list-style-type: none"> • Monitor the implementation of liquidation procedures in compliance with the manual of liquidation procedures. 	Notification	Notification	In charge
<ul style="list-style-type: none"> • Establish a liquidation committee to supervise all legal, financial and accounting procedures established by the DIS. 	Notification	Notification	In charge