

Ruth Smith
Executive Director
Resolution Directorate

2 February 2026

Dear Chief Financial Officer,

Preparations for the third Resolvability Assessment Framework (RAF) assessment

I am writing to provide information on the third Resolvability Assessment Framework (RAF) assessment in 2026-27. I would like to thank you for your ongoing work on resolvability and engagement since the Bank's previous assessment of the major UK firms.¹ The Annexes to this letter provide:

- summary information on the Bank's planned assessment of the Continuity and Restructuring outcome in 2026 (see Annex 1); and
- scenario guidance for firms to facilitate the Bank's assessment of the Continuity and Restructuring outcome (see Annex 2).

Ongoing importance of resolvability

As noted by the Financial Policy Committee, credible and effective resolution arrangements materially reduce both the probability of future financial crises and the economic costs of any future firm failure, enabling the committee to reduce the benchmark for system-wide capital requirements.² The progress made on resolvability has enabled the Bank and PRA to evolve the RAF so it continues to provide robust,

¹ August 2024: [Resolvability assessment of major UK banks: 2024 | Bank of England](#).

² December 2025: [Financial Stability in Focus: The FPC's assessment of bank capital requirements | Bank of England](#).



efficient and proportionate assurance over resolvability.³ Subject to the findings of the third RAF assessment and market developments, we expect to confirm the timing of the fourth assessment as not being before **2029-30**.

In addition, as part of the Bank's resolution planning, we are taking this opportunity to give you early notice that we intend to carry out, in the second half of 2026, a review of the calibration of the scalar applying (in accordance with paragraph 7.9 of the MREL SoP⁴) to internal MREL for ring-fenced banks or other entities at the top level of a material sub-group with a ring-fenced bank. We may engage with you nearer the time and may request additional information, in particular, to assess the extent to which there have been any developments impacting whether MREL resources are readily deployable according to paragraph 7.9.

The third RAF assessment

Consistent with the evolution of the RAF, the 2026-27 assessment will:

- Assess firms' overall ability to achieve the three resolvability outcomes,⁵ leveraging the findings from firms' own resolvability assurance work;
- Assess progress made by firms in remediating issues identified in previous assessments; and
- Include targeted testing of firms' capabilities under the Continuity and Restructuring outcome, with an emphasis on testing capabilities in a manner consistent with how the Bank expects to engage with firms during contingency planning, and reflecting lessons from the use of the resolution regime in 2023. Further detail on the Continuity and Restructuring assessment is provided in Annex 1.

To facilitate the assessment, we have identified specific information firms should provide in their Resolution Assessment reports due by 2 October 2026 – operational details will be provided to your Head of RRP by your usual Resolution Directorate contacts. The Bank also anticipates meeting the Accountable Executive for resolvability matters and Board Risk Committee chairs as part of its assessment to discuss their firm's approach to ensuring ongoing resolvability. The third assessment will conclude in June 2027 with the publication of the Bank's firm-specific and thematic findings, and firms' RAF disclosures. The Bank's findings will be published in a similar manner to previous assessments, but with a focus on the assessment of the Continuity and

³ The PRA is also consulting on increasing the Resolution Assessment threshold from £50 billion to £100 billion of retail deposits. July 2025: [**CP14/25 – Amendments to Resolution Assessment threshold and Recovery Plans review frequency | Bank of England**](#).

⁴ July 2025: [**The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities \(MREL\) | Bank of England**](#).

⁵ The three outcomes firms are expected to achieve under the RAF are 1) having adequate financial resources in the context of resolution; 2) being able to continue to do business through resolution and restructuring; and 3) be able to co-ordinate and communicate effectively within the firm and with the authorities and markets so that resolution and subsequent restructuring are orderly.

Restructuring outcome, and the progress made by firms in remediating issues and maintaining their resolvability. Your firm's usual Resolution Directorate contacts will engage with you in due course on your firm's disclosures.

Assessing the Continuity and Restructuring outcome

The Bank will undertake targeted testing of the Continuity and Restructuring outcome, including:

- Targeted Bank-led tests of 1) firms' readiness to generate data for a bail-in and to model bail-in scenarios; 2) firms' processes and capabilities to support the Bank to deploy the bail-in tool; 3) the ability to identify and evaluate post-resolution restructuring options and the readiness to plan for the execution of these; and 4) capabilities to generate Transitional Service Agreements (TSAs);
- A desktop review of the risk of early termination of financial contracts in the event of resolution, as well as firms' capabilities to rapidly identify information from their financial contracts; and
- A dialogue with firms on their approaches to maintaining continuity of access to financial market infrastructure, with a focus on exploring progress made by firms in developing contingency plans for maintaining access or accessing backup providers in resolution.

These activities span the different phases of engagement the Bank anticipates with firms when planning for and executing a resolution and subsequent restructuring. The targeted tests will be sequenced and timed to reflect realistic engagement and timeframes during a live stress, and will test whether firms' capabilities operate effectively together to produce reliable information.

The targeted tests above will be linked through a hypothetical resolution scenario. Firms may utilise their own internal scenarios for the targeted tests, provided the severity of the economic and market-wide stress in the scenario is similar to or more severe than the 2025 Bank Capital Stress Test, and provided the forecast firms use is anchored on a reference date no earlier than 31 December 2024. Annex 2 provides guidance on the Bank's expectations for the scenario.

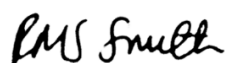
Next steps

The Bank will continue to engage with firms ahead of and during the third assessment, including engagement on the Bank's public statement and on issues identified by the Bank as part of previous assessments and BAU work. Please share this letter with your Board, including any relevant Board Committees.

We would like to thank you again for your ongoing engagement with the RAF. If you have any further questions regarding this letter, please get in touch with your usual Resolution Directorate contacts.⁶

This letter has been copied to Charlotte Gerken, Executive Director for UK Deposit Takers Supervision and PRA supervisory colleagues.

Yours sincerely,



Ruth Smith

Executive Director, Resolution Directorate

⁶ You may also disclose this letter and the annexes on a confidential basis to other resolution or competent authorities, your auditors, and your legal or other professional advisers. We would be grateful if you could let us know before sharing this letter with another authority.

Where an immediate market disclosure obligation exists, prior notification to the Bank should not lead to any delay in disclosure. If you are intending to disclose information relating to the contents of this letter or its annexes, you should, where reasonably practicable, give the Bank appropriate prior notice of the proposed disclosure and the reasons for it.

Annex 1: Assessing the Continuity and Restructuring outcome

The third RAF assessment (2026-27) will include a detailed assessment of firms' ability to achieve the Continuity and Restructuring outcome. The Bank will be undertaking tests as set out in the RAF Statement of Policy (SoP) 'The Bank of England's Approach to Assessing Resolvability'⁷ to inform our review of firms' Resolution Assessment reports. As explained in the main body of the letter, these activities span the different phases of engagement the Bank anticipates with firms when planning for and executing a resolution and subsequent restructuring.

An overview of the activities is provided below. Further operational details, including timings, will be provided to Heads of RRP by your usual Resolution Directorate contacts, and for the avoidance of doubt can be shared with your professional advisers as needed. The timings have been informed by the Bank's bilateral engagement with firms.

Topic	Activity
Continuity of Financial Contracts (Stays)	<p><u>Review of capability to identify financial contracts within 48 hours.</u></p> <p>The Bank requests firms' Resolution Assessment reports include a summary of the outputs from a timed test run of their capabilities for producing details of financial contracts within 48 hours.</p>
Bail-in data (Part 1)	<p><u>Review of capability to provide the Bank with information within 48 hours to calibrate the potential scope of a bail-in based on the modelled resolution scenario and identify associated risks.</u></p> <p>The Bank will request firms to submit within 48 hours relevant data fields for all liabilities potentially to be subject to bail-in, on a spot basis for a reference date (non-month end) provided by the Bank.</p>
Bail-in data (Part 2)	<p><u>Review of capability to prepare initial range of, and outturn from, potential write down of liabilities.</u></p> <p>The Bank will request, as a timed exercise, firms to provide within four weeks an initial range of the write-down of liabilities necessary under the modelled resolution scenario including the estimated impact of identified restructuring options. Firms will</p>

⁷ May 2021: [The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities \(MREL\) | Bank of England](#).

	<p>be expected to take modelled losses from the scenario and initial restructuring options and apply them unadjusted to bail-in liabilities at the reference date to inform the range included in these submissions.</p>
<p>Bail-in data (Part 3)</p>	<p><u>Review of capability to prepare final range of, and outturn from, potential write down of liabilities.</u></p> <p>The Bank will request firms to submit within four weeks an updated range for the write-down of liabilities required, based on the resolution scenario and the restructuring option(s) selected by the Bank in part 2 of the Restructuring Planning test. The format of the submission will be as an addendum to bail-in data (part 1), consistent with bail-in data (part 2).</p>
<p>Bail-in process</p>	<p><u>Review of firms' capability (processes, systems and people) to effect the operational execution of the bail-in, including write-down of liabilities and underlying system changes.</u></p> <p>The Bank will undertake a desk-based review of bail-in playbooks, which have already been provided by firms. The Bank will request in-person meetings to walk through firms' playbooks, to test robustness of firms' processes and capabilities in supporting the Bank to deploy the bail-in tool during and following the resolution weekend.</p>
<p>Restructuring Planning (Part 1)</p>	<p><u>Review of firms' capabilities to plan for restructuring on a timely basis in the event of resolution.</u></p> <p>The Bank will request firms to provide within two weeks a full list of credible restructuring options (ranked based on impact and complexity).</p> <p>In relation to the underlying scenario, firms will be requested to provide summary information: relating to the solvency, liquidity and operational impacts of each option, and indicating which option(s) the firm would propose to execute within the scenario context of the test, including the rationale for that, as well as the rationale for excluding options from the proposal.</p>
<p>Restructuring Planning (Part 2)</p>	<p><u>Review of firms' capabilities to plan for the execution of restructuring options in the event of resolution.</u></p> <p>The Bank will review the firm's proposed restructuring option(s) submitted in part 1 and select one or more sufficiently challenging and complex options in line with the scenario. The</p>

	Bank will request a detailed execution plan for the chosen option(s) to be submitted to the Bank within four weeks.
Operational Continuity in Resolution (OCIR) (Part 1)	<p><u>Review of firms' capabilities to produce a TSA on a timely basis.</u></p> <p>Based on the restructuring option(s) selected as part of the restructuring planning work (part 2 above), the Bank will request within one week:</p> <ul style="list-style-type: none"> • a single TSA for the selected option(s) and a selection of associated critical services; • a listing of all sources of information used to populate the TSA; • summary of the governance and sign-off process undertaken to produce the TSA; and • lessons learned from the exercise.
Operational Continuity in Resolution (OCIR) (Part 2)	<p><u>Review of firms' capabilities supporting the production of a TSA.</u></p> <p>The Bank will request within one week supporting materials (eg extracts from service catalogues and intra group agreements) for a sample of information included in the firm's TSA.</p>
Continuity of Access to Financial Market Infrastructure (CoA to FMI)	Explore firms' approaches to CoA to FMI contingency plans.

Annex 2: Scenario guidance

Background

This annex provides details of our expectations of the resolution scenario firms can use for the third RAF assessment. It reflects the Bank's engagement with firms and advisers in Q4 2025.

Timeline for the third RAF assessment scenario design

The table below sets out our schedule for the scenario phase.

When	What
Q1 2026	Launch scenario with third RAF assessment 'Dear CFO' letter (this document).
2 March	Firms' scenarios / narrative submissions due.
End March	The Bank will contact firms by end March if we identify any concerns with firms' scenario narratives that could impact the detailed targeted tests.
April	Firms to submit revised scenario narratives if concerns were identified.

The scenario package

The use of scenario guidelines for the third RAF assessment is intended to help draw the targeted tests together and make the RAF more reflective of a live resolution case. Ultimately, the scenario is a means to an end and is intended to assist firms and to ensure the effective delivery of the tests, minimising the risk of firms' scenarios not being aligned with the Bank's expectations for the tests in the third RAF assessment.

Plans for the scenario

Firms can use their own internal scenarios for the targeted tests in the third RAF assessment provided the severity of the economic and market-wide stress in the scenarios is similar to or more severe than the 2025 Bank Capital Stress Test (BCST) and displays a similar (or worse) period of prolonged stress.

Key considerations:

- a. The forecast firms use for their scenario should be anchored on a previous reference date no earlier than 31 December 2024.
- b. Firms should assume that their reputation has been damaged from the beginning of the stress, creating an adverse market reaction, significant share price decline and a general loss of confidence in the market, which should have an impact on actions considered as part of the third RAF assessment.
- c. We expect the scenario horizon to include the full five years of paths typically included in a BCST, but that the point of non-viability (PONV) occurs at peak scenario severity.
- d. Firms should add additional stress events that lead them to the PONV but forecast CET1 at the low point should not drop to zero.

For the third RAF assessment and the related exercises, firms should consider that a range of initial, short-term recovery options have been deployed during the prolonged stress in the run-up to resolution but for simplification purposes that those recovery options generated limited / no financial impact. The aim of this assumption is that (i) firms consider recovery options in the run-up to resolution, (ii) these options are then no longer available for post-resolution restructuring (albeit the more complex ones should still be available, eg material divestments), but (iii) firms should reach PONV quicker due to the limited / no-impact assumption.

Firms' scenarios should also include at least one severe liquidity event that results in persistent outflows from the firm, severe enough that a decision to enter into resolution is made in order to restore confidence in the respective firm's recapitalised condition.

Firms will need to apply a liquidity event that ensures coherence with their specific business model. In addition, the severity of the liquidity event and the specific impact on the liquidity position should be consistent with the following assumptions:

- a. Cumulative liquidity outflows have exceeded the firms' main BAU internal liquidity stress test in severity and / or duration.
- b. The firm is operating at levels of liquidity well outside BAU liquidity risk appetite and consistent with the most severe levels of stress in its liquidity contingency plan.
- c. Liquidity stress has caused the firm to carry out management actions (which have been executed as part of recovery planning ahead of the resolution weekend), including use of central bank facilities and actions that have negative P&L or franchise impacts.

Firms should additionally consider how far solvency related events are required to ensure that the overall scenario supports the objectives of the detailed assessment activities.

In addition to the financial impacts, firms should consider the potential impact of operational complications. For example, the short timeframes and impact on the firm's reputation may result in staff shortages in key areas required to deliver planned responses and / or IT system failures preventing accessing or processing data, complicating execution.