

Press release

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FSB publishes peer review on resolution regimes

The Financial Stability Board (FSB) published today a peer review report on resolution regimes. This is the first in a series of peer reviews on resolution regimes, to support the timely and consistent implementation by FSB jurisdictions of agreed reforms in this area.

The global financial crisis demonstrated the urgent need to improve resolution regimes so as to enable authorities to resolve failing financial institutions quickly without destabilising the financial system or exposing taxpayers to loss from solvency support. Following the crisis, the FSB developed the [Key Attributes for Effective Resolution Regimes for Financial Institutions](#) as part of a set of agreed policy measures to address the moral hazard risks posed by systemically important financial institutions (SIFIs). The *Key Attributes* set out the core elements of effective resolution regimes that apply to any financial institution that could be systemically significant or critical if it fails. The peer review evaluates FSB jurisdictions' existing resolution regimes and any planned changes to those regimes using the *Key Attributes* as a benchmark, and makes recommendations to promote further implementation.

The review found that some FSB jurisdictions have undertaken major reforms to their resolution regimes since the crisis, while several others are in the process of adopting reforms to further strengthen their regimes and align them to the *Key Attributes*. The implementation of the *Key Attributes*, however, is still at an early stage and legislative action is necessary to fully align resolution regimes in FSB jurisdictions to that standard. Such legislation is already in train in several FSB member jurisdictions.

In many countries, resolution authorities currently lack important powers needed to resolve systemic institutions, such as powers to write down and convert liabilities of a failing institution to equity ("bail-in") or to impose a temporary stay on the exercise of financial contracts. In terms of the scope of the regime, most jurisdictions lack powers to take control of the parent company or affiliates of a failed financial institution, and do not have the authorities and powers to resolve non-bank institutions that could be systemic upon failure, such as central counterparties and other financial market infrastructure providers (FMIs). Few jurisdictions currently have expedited procedures for giving effect to foreign resolution actions or have clear and dedicated statutory provisions for domestic authorities to share confidential information and cooperate for resolution purposes with foreign authorities. Finally, many jurisdictions lack a statutory resolution planning requirement or the power to require firms to make changes to their organisational and financial structures in order to improve their resolvability.

The peer review identifies these and other areas where further enhancement of resolution regimes by national authorities or additional guidance by the FSB is needed to fully and consistently implement the *Key Attributes*.

In this regard, the FSB will be issuing later this year guidance on resolution strategies and operational resolution plans, as well on information sharing among relevant authorities for resolution purposes. The FSB is also working with the relevant standard setters to develop sector-specific implementation guidance that complements the *Key Attributes* for the resolution of non-bank financial institutions, including insurers and FMIs.

Martin J. Gruenberg, Chairman of the US Federal Deposit Insurance Corporation and Chair of the peer review team, said “Effective resolution regimes are a critical component of the policy framework for addressing too-big-to-fail and a precondition for making resolution strategies and plans fully operational for global SIFIs. The peer review report shows that progress is being made but also highlights the critical need for authorities to intensify implementation of the *Key Attributes*.”

Tiff Macklem, Senior Deputy Governor at the Bank of Canada and former Chairman of the FSB’s Standing Committee on Standards Implementation (SCSI) that oversaw the preparation of the peer review, said “The FSB will introduce a rigorous monitoring framework to ensure that jurisdictions continue to strengthen their resolution regimes by aligning them with the *Key Attributes*.”

Notes to editors

The peer review on resolution regimes is the seventh thematic review conducted by the FSB. Thematic reviews focus on the implementation and effectiveness across the FSB membership of international financial standards developed by standard-setting bodies and policies agreed within the FSB in a particular area important for global financial stability. Thematic reviews may also analyse other areas important for global financial stability where international standards or policies do not yet exist. The objectives of the reviews are to encourage consistent cross-country and cross-sector implementation; to evaluate (where possible) the extent to which standards and policies have had their intended results; and to identify gaps and weaknesses in reviewed areas and to make recommendations for potential follow-up (including via the development of new standards) by FSB members. They also provide an opportunity for members to engage in dialogue with their peers and to share lessons and experiences. Peer reviews are conducted according to the objectives and guidelines set out in the December 2011 [Handbook for FSB Peer Reviews](#). All peer reviews completed to date are available on the [FSB website](#).

The [Key Attributes for Effective Resolution Regimes for Financial Institutions](#) are the international standard for resolution regimes for financial institutions. They were released by the FSB in November 2011 following their endorsement by G20 Leaders at the Cannes Summit. Reforms to resolution regimes have been identified by the FSB as a priority area for intensive monitoring and detailed reporting. To ensure timely and effective implementation, the FSB will carry out an iterative series of peer reviews on the implementation of the *Key Attributes*. The report published today describes the findings and conclusions of the first of these peer reviews, including the key elements of the discussion in the FSB SCSI that took place under the Chairmanship of Tiff Macklem. The draft report for discussion was prepared by a team of experts drawn from FSB member institutions and led by Martin J. Gruenberg, Chairman of the US Federal Deposit Insurance Corporation. Tiff Macklem’s term as Chair of

SCSI ended on 31 March 2013; he has been succeeded as Chair by Ravi Menon, Managing Director of the Monetary Authority of Singapore.

The FSB has been established to coordinate at the international level the work of national financial authorities and international standard setting bodies and to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with 65 other jurisdictions through its six regional consultative groups.

The FSB is chaired by Mark Carney, Governor of the Bank of Canada. Its Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.financialstabilityboard.org.