FSB FINANCIAL STABILITY BOARD

Progress and Next Steps Towards Ending "Too-Big-To-Fail" (TBTF)

Report of the Financial Stability Board to the G-20

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Summary and Key Recommendations

At the Pittsburgh Summit in 2009, G-20 Leaders called on the FSB to propose measures to address the systemic and moral hazard risks associated with systemically important financial institutions (SIFIs). SIFIs are institutions of such size, market importance and interconnectedness that their distress or failure would cause significant dislocation in the financial system and adverse economic consequences. The “too-big-to-fail” (TBTF) problem arises when the threatened failure of a SIFI leaves public authorities with no option but to bail it out using public funds to avoid financial instability and economic damage. The knowledge that this can happen encourages SIFIs to take excessive risks and represents a large implicit public subsidy of private enterprise.

1. What has been done

At the Seoul Summit in 2010 the G-20 leaders endorsed the FSB framework for *Reducing the moral hazard posed by SIFIs* (SIFI Framework). This framework addresses the TBTF issue by reducing the probability and impact of SIFIs failing. It comprises requirements for assessing the systemic importance of institutions, for additional loss absorbency, for increased supervisory intensity, for more effective resolution mechanisms, and for stronger financial market infrastructure.

Substantial progress has been made in implementing this framework.

- **Assessment and designation:** Methodologies for assessing the global systemic importance of banks (G-SIBs) and insurers (G-SIIs) have been issued and 28 G-SIBs and nine G-SIIs have been designated. Higher loss-absorption capacity, more intensive supervision and resolution planning requirements will apply to all these institutions.
- **Additional loss absorbency:** A new strengthened capital regime requiring additional going-concern loss absorption capacity for the G-SIBs has been finalised and in many cases the G-SIBs are building the extra capital ahead of schedule. Since the end of 2009, the G-SIBs have increased their common equity capital by about US$ 500 bn, amounting to close to 3 per cent of their risk weighted assets.
- **Supervisory intensity:** Recommendations for enhanced supervision and heightened supervisory expectations for risk management, risk aggregation and risk reporting have been developed and are now being implemented.
- **Effective resolution:** In 2011 the G-20 endorsed the *Key Attributes of Effective Resolution Regimes for Financial Institutions (“Key Attributes”)* as a new international standard. Since then, guidance has been issued on resolution strategies for G-SIBs. The approaches to deal with the resolution of financial market infrastructure (FMI) and insurers, as well as the protection of client assets in resolution, will be finalised by the end of this year.
- **Strengthened core infrastructure:** Good progress has also been made in strengthening core financial market infrastructure, such as central counterparties (CCPs), to address risks of contagion through the financial system.

There are signs that firms and markets are beginning to adjust to authorities' determination to end TBTF. Where effective resolution regimes are now in place, rating agencies give less credit for taxpayer support and there are signs of financial markets revising down their assessment of the implicit TBTF subsidy. Market prices of credit default swaps for banks have become more highly correlated with equity prices, suggesting a greater expectation amongst participants that holders of debt will, if necessary, bear losses.

However, the job is not finished. If we are to resolve the issues related to SIFIs and in particular the problem of TBTF, further action is required from G-20 countries, the FSB and other international bodies.

2. What G-20 Authorities still need to do

We urge G-20 Leaders to renew their commitment to address TBTF, in particular by further progress in the following six areas.

1. **Commit to legislative reforms.** G-20 Leaders are requested to make a renewed commitment to the legislative reforms that are necessary to implement the *Key Attributes* by 2015 for all parts of the financial sector that could cause systemic problems.
    - Recent reforms in several jurisdictions, including Australia, Germany, France, Japan, Netherlands, Spain, Switzerland, the United Kingdom and the United States demonstrate that substantive progress is being made in the implementation of the Key Attributes across FSB jurisdictions.
    - In the EU, the Bank Recovery and Resolution Directive is expected to be adopted later this year. Its implementation within a year of adoption will be an important step towards implementation of the Key Attributes in EU Member countries.
    - However, many FSB jurisdictions need to take further legislative measures to implement the *Key Attributes* fully, in substance and scope. Important areas where jurisdictions need to act relate to the adoption of bail-in powers and other resolution tools, powers for cross-border cooperation and the recognition of foreign resolution actions.
    - Implementation of the Key Attributes in the non-bank financial sectors has lagged behind the progress made in relation to banks. In light of the move towards mandatory central clearing of OTC derivatives, all jurisdictions with systemically important CCPs must have in place powers to resolve them. FSB jurisdictions are expected to adopt by end-2015 resolution regimes for systemically important financial market infrastructure, including CCPs, consistent with the FSB Guidance on FMI Resolution set out in an Annex to the Key Attributes that will be finalised by end 2013.
2. **Remove obstacles to cross-border resolution.** For globally operating firms, we will adopt meaningful cross-border co-operation agreements for supervisors and resolution authorities. G-20 Leaders should empower their domestic authorities to cooperate fully and commit to legislative action as necessary to:
    - **Make resolution effective in a cross-border context.** Resolution strategies for global systemically important financial institutions (G-SIFIs) are coalescing around single-

point-of-entry resolution for globally integrated firms and multiple-point-of-entry resolution for firms with multiple national or regional subsidiaries. In order to make these strategies operational, jurisdictions need to put in place the powers and arrangements for cross-border cooperation and for the recognition of foreign resolution measures.

- **Remove obstacles to the sharing of information for resolution purposes.** Authorities with responsibility for resolution must be able to share firm-specific information, both within jurisdictions and cross-border. Given the confidentiality of much supervisory and resolution-related information, this may require legislation. The FSB will finalise an Annex on information sharing for resolution purposes by end-2013. FSB Members should use this Annex to assess and set out the necessary legislative or regulatory changes by end-2014.

3. **Improve the resolvability of firms' structures and operations.** Impediments to resolvability also arise from complexities in firms' legal, financial and operational structures. Home authorities should enter into a dialogue with firms about changes needed to their structures and operations to ensure that their preferred (single- or multiple-point-of-entry) resolution strategy is a realistic strategy for the firm. The resolvability of each G-SIFI will be assessed at the level of senior policy makers within the Resolvability Assessment Process that the FSB will launch in early 2014.

4. **Consider domestic structural measures that are complementary to an effective SIFI Framework.** As the SIFI Framework recognised, "structural measures could reduce the risks or externalities that a G-SIFI poses". Structural reform measures, including the separation of activities, intra-group exposure limits, local capital and liquidity requirements, seek to put restraints on excessive risk-taking by SIFIs and thus help promote financial stability. They can also contribute to improving the resolvability of SIFIs at a jurisdictional level, thus reducing the moral hazard of TBTF. There is, however, a risk that diverging structural measures imposed by different jurisdictions may have an impact on integration across national or regional markets. FSB members should therefore monitor and discuss the potential cross-border spill-over effects that may result from different approaches. They should also take account of progress on cross-border cooperation, and seek to avoid unnecessary constraints on the integration of the global financial system or the creation of incentives for regulatory arbitrage.

   The G-20 Finance Ministers and Central Bank Governors have requested that the FSB, in collaboration with the IMF and OECD, assess the cross-border consistency and global financial stability implications of these measures, taking into account country-specific circumstances. The FSB will do this by end-2014.

5. **Implement policy measures for domestic systemically important banks (D-SIBs).** The TBTF problem exists not only for global firms. The SIFI framework therefore also extends to domestic SIFIs. The framework for D-SIBs developed by the BCBS allows for appropriate discretion at jurisdictional level to accommodate structural characteristics of domestic financial systems. Implementation in each jurisdiction should be subject to an international peer review program to ensure appropriate adherence to the principles of the

framework. The BCBS is therefore developing a programme for such a peer review, which will start no later than mid-2015.

6. **Remove obstacles to supervisory effectiveness.** A G-SIFI can have close to 8,000 people in risk management, compliance and internal audit. Supervisory teams, on the other hand could be anywhere from 40-150 people for a specific G-SIFI. While they are not there to replicate this coverage, supervisors must be equipped with clear mandates, robust resources (in regard to skills and experience) and independence to act. G-20 governments should reaffirm their November 2010 commitment to ensure supervisors have the capacity to resource themselves and the independence to effectively meet their mandate.

3. What the FSB and others still need to do with the support of the G-20 countries

The FSB and other international bodies also need to take further actions to ensure the TBTF problem is addressed. G-20 countries can support these actions in five areas.

1. **The FSB will design information sharing mechanisms in coordination with relevant standard-setting bodies. G-20 authorities should ensure the implementation of effective information systems by G-SIFIs.** Effective resolution planning requires firms to be able to produce accurate information quickly. It also requires efficient processes for sharing that information, both within crisis management groups (CMGs) and with authorities in host jurisdictions not represented on CMGs where the local operations of a G-SIFI are systemic. Furthermore, co-ordinated risk assessment requires supervisory authorities to share more information on the key risks facing G-SIFIs.
   - By the end of 2014, the FSB will develop recommendations for consistent and comparable firm-specific information for resolution planning purposes.
   - By the end of 2014, the FSB will develop proposals on how to strengthen information sharing within CMGs and, in consultation with standard-setting bodies, within core supervisory colleges.
   - In 2014, the FSB will develop recommendations for cooperation and sharing information with authorities in G-SIFI host jurisdictions that are not represented on the CMG, but where a G-SIFI's local operations are systemic.
2. **The FSB, in consultation with standard-setting bodies, will prepare proposals on the adequacy of G-SIFI loss absorbing capacity in resolution.** To avoid the need for a bail-out with public funds a SIFI needs to have sufficient resources to absorb losses in resolution ('gone concern loss absorbing capacity' GLAC). An adequate amount of GLAC should facilitate the implementation of a resolution strategy with a recapitalisation at a level that promotes market confidence and, at a minimum, meets going-concern regulatory capital requirements. The FSB will prepare proposals for consideration by end-2014 on the nature, amount, location within the group structure, and possible disclosure of GLAC.
3. **The IAIS will finalise proposals for the regulation of global systemically important insurers (G-SIIs). G-20 authorities can ensure implementation of these requirements.**

G-SIIs will be subject to a set of policy measures comprising effective resolution planning, enhanced group-wide supervision and higher loss absorbency (HLA), consistent with the requirements of the SIFI Framework. The IAIS will develop by end-2015 implementation details for higher loss absorbency requirements, which will build on straightforward, backstop capital requirements to apply to all group activities, including non-insurance subsidiaries, to be finalised by the time of the G20 Summit in 2014. The FSB will report on the status of resolution planning for all G-SIIs identified in July 2013 by mid-2015. G-SII home authorities will be asked to provide an interim report on the establishment of CMGs and status of their resolution planning by mid-2014.

4. **By end 2014, the FSB will develop proposals for contractual or statutory approaches to prevent large-scale early termination of financial contracts in resolution.** Large-scale close-out of financial contracts based on early termination and cross-default rights when firms enter resolution can hinder the effective implementation of resolution strategies. G-20 authorities can encourage ISDA and other industry bodies to review contract provisions to prevent large-scale early termination of financial contracts.

5. **Finally, the FSB will monitor to ensure that greater regulation does not lead to a shift of activities outside the regulatory perimeter.** G-20 authorities can empower and encourage their regulators to expand their monitoring beyond the current perimeter of regulation.

Conclusion

The policy initiative to end TBTF is ambitious, but necessary. We have made good progress to date in putting the overall international policy framework in place. Detailed technical work now needs to give real teeth to the application of policies to individual SIFIs, and financial institutions themselves must undertake any restructuring necessary to make themselves resolvable.

While much has been accomplished, more needs to be done – in particular putting in place the internationally agreed policies at the jurisdictional level – through legislation and regulation, where necessary, and through practical application to individual institutions. The renewed support of the G-20 will be vital to achieving these imperatives in order to address fully one of the most important elements of the global reform agenda.

Overview

At the Pittsburgh Summit in 2009, G-20 Leaders called on the FSB to propose possible measures to address TBTF problems associated with systemically important financial institutions (SIFIs). The following year at the Seoul Summit the G-20 Leaders endorsed the FSB framework for *Reducing the moral hazard of systemically important financial institutions (SIFIs)* (SIFI Framework).

The SIFI Framework sets out recommendations for improving the authorities' ability to resolve such institutions in an orderly manner, without exposing tax-payers to loss, while maintaining continuity of their vital economic functions. This may require changes to resolution regimes and tools at national levels, and legislative changes to enable resolution authorities to co-ordinate in cross-border resolutions. It recommends that SIFIs and initially in particular financial institutions that are clearly systemic in a global context (global systemically important financial institutions - G-SIFIs) have higher loss absorbency capacity and that these institutions be subject to more intensive co-ordinated supervision and resolution planning to reduce the probability and impact of their failure. In November 2011, the FSB further specified the details of the policy framework.

The G-20 asked the FSB to report on progress made toward ending TBTF at the 2013 St. Petersburg Summit. This report briefly describes the SIFI Framework, and, for each of its main elements, presents a summary of progress to date and what remains to be done, by both G-20 authorities and international bodies, to fully and effectively implement the SIFI Framework.

G-20 Leaders are urged to renew their commitment to addressing TBTF, and the FSB and other international bodies also need to take further action, with the support of G-20 countries, to end the TBTF problem.

1. The FSB SIFI Framework

The objective of the SIFI Framework is to address the systemic risks and the associated moral hazard problem for institutions that are seen by markets as TBTF. It does so by reducing the probability of SIFIs failing through requirements for additional loss absorbency and increased supervisory intensity, and by reducing the impact of failure through effective resolution regimes and strengthened core financial market infrastructures, which reduce the potential for contagion arising from interconnectedness.

To implement the SIFI Framework the FSB developed a multipronged and integrated set of policy measures to address systemically important financial institutions, that was endorsed by the G-20 in November 2011, consisting of:

- **Effective resolution regimes and policies** comprising:
  - a new international standard as the point of reference for the reform of resolution regimes, that sets out the responsibilities, instruments and powers that resolution regimes in all jurisdictions should have to enable authorities to resolve failing financial firms in an orderly manner and without exposing the taxpayer to the risk

of loss ('FSB Key Attributes of Effective Resolution Regimes for Financial Institutions');

  - requirements for resolvability assessments, recovery and resolution planning;
  - the development of institution-specific cross-border cooperation agreements; and
  - a peer-based resolvability assessment process to periodically review G-SIFI resolvability at the international level.

- **Requirements for additional loss absorption capacity** to reflect the greater risks that G-SIFIs pose to the global financial system.
- **More intense and effective supervision**, including through stronger supervisory mandates, resources and powers, and rigorous coordinated assessments through international supervisory colleges[1] of the risks facing G-SIFIs that are achieved through coordination; higher supervisory expectations for firms' risk governance and internal control frameworks, risk management functions, and risk data aggregation capabilities.
- **Strengthened core market infrastructures** to reduce the potential for contagion arising from the interconnectedness of significant market participants and the limited transparency of counterparty relationships.

2. Assessment and designation of G-SIFIs

The implementation of the SIFI Framework requires as a first step the assessment of the systemic importance of financial institutions at a global level. The SIFI Framework defines G-SIFIs as "institutions of such size, market importance, and global interconnectedness that their distress or failure would cause significant dislocation in the global financial system and adverse economic consequences across a range of countries."

The SIFI Framework recognises that SIFIs vary in their structures and activities, and that systemic importance and impact upon failure can vary significantly across sectors. It requires that the FSB and national authorities, in consultation with the standard-setting bodies, and drawing on relevant indicators, determine which institutions will be designated as G-SIFIs. The methodologies to identify G-SIFIs need to reflect the nature and degree of risks they pose to the global financial system.

Global systemically important banks (G-SIBs)

The Basel Committee (BCBS) finalised and published its assessment methodology to identify

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[1] See the FSB SIFI Framework, 2010 (http://www.financialstabilityboard.org/publications/r_101111a.htm) and FSB, Increasing the intensity and effectiveness of SIFI supervision, 2012 (http://www.financialstabilityboard.org/publications/r_121031ab.htm)

G-SIBs in November 2011.[2] The methodology is based on twelve indicators for five drivers of systemic importance: size, global activity, interconnectedness, complexity and substitutability.

Based on this methodology, the FSB and national authorities identified an initial group of G-SIBs in November 2011. This group is updated annually based on new data, and published by the FSB each November. The current list, published in November 2012, includes 28 global banks[3] that are grouped into four buckets of increasing systemic importance, which correspond to increasing levels of required additional loss absorbency, ranging from 1 to 2.5 per cent of risk-weighted assets, with an additional empty bucket of 3.5 per cent to discourage further increases in systemicness.[4] The additional loss absorbency requirement is to be met with common equity, the highest quality form of capital.[5] The requirements for G-SIBs will be phased in – initially for those banks identified as G-SIBs in November 2014 – commencing in 2016 with a view to full implementation in 2019.

Since the end of 2009, the G-SIBs have increased their common equity capital by about US$ 500 bn, amounting to close to 3 per cent of their risk weighted assets.[6] About two thirds of this increase reflects retained earnings and the rest primary equity offerings and asset revaluations.

Global systemically important insurers (G-SIIs)

The IAIS developed an assessment methodology to identify global systemically important insurers (G-SIIs) that has some similarities to the overall approach developed by the Basel Committee for G-SIBs and differences in indicators used to reflect the fact that insurers vary significantly from banks in their structures and activities and, consequently, in the nature and degree of risks they pose to the global financial system. It is based on industry-specific

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[2] In July 2013, the Committee published an updated methodology document which adjusted the framework for some technical issues that had arisen during the initial rounds of identifying the first batch of G-SIBs. To help banks and jurisdictions prepare for the implementation of the G-SIB framework, the Basel Committee intends to finalise and publish, by November 2013, certain elements of the regime one year in advance of timeline set out in the November 2011 publication. These elements will enable banks to calculate their scores and higher loss absorbency requirements using end-2012 data, prior to the requirements coming into effect based on end-2013 data.

[3] Of these banking groups, 8 are North American, 16 are European, and 4 are Asian.

[4] If the empty bucket should become populated in the future, new buckets will be added, in increments of 1% of risk-weighted assets, to maintain incentives for banks to avoid becoming more systemically important.

[5] Currently, 4 G-SIBs are in the fourth bucket, corresponding to a 2.5 per cent additional loss absorbency requirement; 2-G-SIBs in the third bucket (2 per cent); 8 G-SIBs in the second bucket (1.5 per cent), and 14 G-SIBs in the first bucket (1 per cent). On average for these institutions, the additional loss absorbency requirement corresponds to an increase of more than 20 per cent over the minimum capital required under Basel III.

[6] See BIS, *Quarterly Review*, September 2013 (forthcoming)

indicators to reflect the drivers of systemic importance in the insurance sector.[7] The drivers of systemic importance are: size, global activity, interconnectedness, non-traditional/non-insurance activities (NTNI), and substitutability. Higher weight is given to NTNI activities and interconnectedness, the two categories which are most important for capturing the potential negative externalities of insurance companies on the rest of the system and hence the importance of insurers for financial stability. Based on this methodology, the FSB, in consultation with the IAIS and national authorities, designated in July 2013 nine life and composite insurers as G-SIIs. These institutions will be subject to a set of policy measures consistent with the SIFI Framework which comprises recovery and resolution planning, enhanced group-wide supervision and higher loss absorbency requirements. A decision on the G-SII status of major reinsurers will be made in July 2014.

Global systemically important non-bank non-insurance financial institutions (NBNI G-SIFIs)

The FSB, in consultation with IOSCO, is currently working on assessment methodologies for identifying NBNI G-SIFIs. The proposed methodologies are expected to be issued for public consultation by end-2013 (see Section 7). The methodologies should capture the systemic impact posed by the failure of financial entities in each type or sector, while maintaining consistency across the spectrum of non-bank financial entities.

Regarding FMIs, the Principles for Financial Market Infrastructures (PFMIs) issued by CPSS and IOSCO in April 2012 (see Section 9), include already a presumption that all central securities depositories, securities settlement systems, central counterparties (CCPs) and trade repositories are systemically important, at least in the jurisdiction where they are located.[8]

3. Effective resolution regimes

At the Cannes Summit in 2011, the G-20 endorsed the *Key Attributes of Effective Resolution Regimes for Financial Institutions* ("Key Attributes") as a new international standard for resolution. The aim of the Key Attributes is to help address the TBTF problem by making it possible to resolve any financial institution in an orderly manner without severe systemic disruption or exposing the taxpayer to the risk of loss, by protecting critical functions and by

[7] See *Global Systemically Important Insurers: Initial Assessment Methodology*, IAIS, July 2013 and *Global Systemically Important Insurers: Policy Measures*, IAIS, July 2013.

[8] The presumption is that all FMIs, as defined in the PFMIs, are systemically important or critical, at least in the jurisdiction where they are located, typically because of their critical roles in the markets they serve. However, an authority may determine that an FMI in its jurisdiction is not systemically important or critical and, therefore, not subject to either the PFMIs or the *Key Attributes*. If an authority determines that an FMI in its jurisdiction is not systemically important, the authority should disclose the name of the FMI and a clear and comprehensive rationale for the determination. See paragraph 1.20 of the CPSS-IOSCO *Principles for financial market infrastructures* available at http://www.bis.org/publ/cpss101a.pdf.

using mechanisms for losses to be absorbed (in order of seniority) by shareholders and unsecured and uninsured creditors.

A first FSB peer review of national resolution regimes using the Key Attributes as a benchmark was completed this year. Substantial headway is being made in the implementation of the Key Attributes across FSB jurisdictions, as demonstrated in the United States by the adoption of the Dodd-Frank Wall Street Reform and Consumer Protection Act and amendments to resolution regimes in other FSB jurisdictions, including in Australia, France, Germany, Japan, Netherlands, Spain, Switzerland and the UK. In the EU, the Bank Recovery and Resolution Directive is expected to be adopted later this year. Its implementation within a year of adoption will be an important step towards implementation of the Key Attributes in EU Member countries.

Many FSB jurisdictions need to take further legislative measures to implement the Key Attributes fully, in substance and scope. Important areas where jurisdictions need to act relate to the resolution powers and tools, including bail-in. Moreover, in order to make resolution strategies and operational plans functional across jurisdictions all home and key host jurisdictions of G-SIFIs should have in place powers and arrangements for cross-border cooperation and for the recognition of foreign resolution measures.

Implementation of the Key Attributes in the non-bank financial sectors has lagged behind the progress made in relation to banks. In light of the move towards mandatory central clearing of OTC derivatives, all jurisdictions with systemically important CCPs must have in place powers to resolve them. The FSB, in conjunction with standard-setting bodies, is developing guidance on how the Key Attributes should be interpreted and implemented with respect to the resolution of FMIs, the resolution of insurers and the protection of client assets in resolution. The guidance should be incorporated into the Key Attributes as Annexes and will be finalised by end-2013.

For G-20 governments that require further legislative changes to achieve compliance with the Key Attributes these reforms should be a priority. FSB jurisdictions have agreed to undergo intensive monitoring and engage in detailed reporting of their implementation of the Key Attributes, including through an iterative series of focused peer reviews.[9]

What G-20 Authorities need to do

1. G-20 countries that have not already done so should make a renewed commitment to legislative reforms and implement the Key Attributes by end-2015, in substance and scope, and for all parts of the financial sector that could cause systemic problems. FSB Members should, by end-2014, report on plans to implement the Key Attributes in the non-bank financial sector.

[9] See Recommendation 4 below.

2. By end-2015, FSB jurisdictions are expected to adopt resolution regimes, CMGs or equivalent arrangements, and resolution planning arrangements, for FMIs that are systemically important in more than one jurisdiction as determined by the oversight or supervisory authorities and resolution authorities in those jurisdictions, and for systemically important insurers, consistent with the FSB Annexes to the Key Attributes that will be finalised by end-2013.

What the FSB and other international bodies will do

3. So that the Key Attributes can be assessed by the IMF and the World Bank under the Standards and Codes Initiative, the FSB, in coordination with the IMF, the World Bank and the standard-setting bodies, will finalise the assessment methodology for the Key Attributes by early 2015, taking into account the results from the public consultation and the pilot assessments.
4. The FSB will develop a standardised reporting template to monitor progress in implementing the Key Attributes. Starting in 2014, the FSB will undertake follow-up peer reviews focused on resolution powers, cross-border cooperation and information sharing and recovery and resolution planning requirements.

4. Addressing remaining impediments to resolvability

As home and host jurisdictions of G-SIFIs are working to put the necessary legislative regimes in place, authorities have made considerable progress in developing resolution strategies and identifying conditions relating to firms' legal, operational and financial structures and their effect on resolvability.

To support the resolution planning work within CMGs, established now for all the G-SIBs, the FSB in July 2013 released Guidance on recovery and resolution planning, and the development of effective resolution strategies.[10] The resolution strategies that are being developed for global institutions are based broadly on two stylised approaches: "single point of entry resolution", in which resolution powers are applied to the top of a group by a single resolution authority and "multiple point of entry resolution" in which resolution tools are applied to different parts of the group by two or more resolution authorities acting in a coordinated way.

Whichever resolution strategy is pursued for cross-border institutions, its effectiveness will be maximized if there is cross-border cooperation as called for by the Key Attributes. G-20

[10] Guidance on (i) the development of resolution strategies and plans; (ii) identification of the critical functions that make a firm systemically relevant; and (iii) triggers for recovery actions and stress scenarios that are relevant for G-SIFI recovery plans, available at http://www.financialstabilityboard.org/press/pr_130716.pdf. The documents were issued for public consultation in November 2012 and finalized in July 2013.

governments should consider what additional steps they may need to take to empower and encourage their domestic authorities to co-operate fully and to remove obstacles to cross-border resolution, and to address uncertainties as regards the effectiveness of resolution measures in a cross-border context, including by passing legislation to that effect if needed.

Work on cooperation agreements that set out a framework to support the cross-border implementation of these resolution strategies and plans is progressing, albeit more slowly than originally planned. These agreements should be institution-specific and not general terms agreements. Progress on this front will also be helped by the full implementation of the legal framework conditions for cross-border cooperation set out in the Key Attributes and of the additional guidance on Information Sharing for Resolution Purposes set out in a new Annex to the Key Attributes.

As resolution planning work for G-SIFIs has progressed, authorities have identified a number of issues that remain to be addressed for authorities and market participants to have confidence that resolution strategies and plans can be implemented in practice. These relate to the legal, operational and financial structures of G-SIFIs, including in particular: the availability of GLAC in sufficient amounts and at appropriate locations; the ranking of claims in the creditor hierarchy and implications for resolution, the cross-border enforceability of resolution actions, including on "bail-in"[11]; the ability to avoid detrimental large-scale termination of financial contracts based on early termination and cross-default rights when a firm enters resolution; the operational continuity of critical services and market access of firms in resolution, including access of the firm in resolution to services of FMIs; and firms' information systems and data availability to support resolution.

What G-20 Authorities need to do

1. **Remove obstacles to cross-border resolution.** The effective implementation of resolution strategies can be stymied if the cross-border effectiveness of bail-in and other resolution powers is uncertain. All home and key host jurisdictions of G-SIFIs in FSB and G-20 countries that have not already done so should implement the requirements of the Key Attributes on cross-border cooperation in resolution and remove the remaining obstacles to cross-border resolution, including the legal uncertainties in regard to the cross-border effectiveness of bail-in and temporary stays, and of other resolution measures, by passing legislation, if necessary.
2. **Remove obstacles to the sharing of information for resolution purposes.** Authorities with responsibility for resolution must be able to share firm-specific information, both within jurisdictions and cross-border. Given the confidentiality of

[11] Legal certainty around the cross-border enforceability of bail-inable instruments is a condition to support market acceptance and interest for international issuance of this type of instruments, thereby facilitating the consideration of the issuance of sufficient amounts of GLAC for institutions that operate on a global scale.

much supervisory and resolution-related information, this may require legislation. The FSB will finalise an Annex on information sharing for resolution purposes by end-2013. FSB Members should use this Annex to assess and then set out the necessary legislative and regulatory changes by end-2014.

3. **Address impediments to resolvability in legal and operational structures.** Impediments to resolvability may not only arise from the lack of adequate resolution regimes and cross-border cooperation arrangements, but also from complexities in the legal, financial and operational structures of the institutions themselves. Home authorities should enter into a dialogue with firms about changes needed to their structures and operations to ensure that their preferred (single- or multiple-point-of-entry) resolution strategy is a realistic strategy for the firm. The resolvability of each G-SIFI will be assessed at the level of senior policy makers within the Resolvability Assessment Process that the FSB will launch in early 2014.

What the FSB and other international bodies will do

4. **The FSB will design information sharing mechanisms, and G-20 authorities can ensure the implementation of these by G-SIFIs.** Effective resolution planning requires firms to be able to produce accurate information quickly. It also requires efficient processes for sharing relevant information, both within crisis management groups (CMGs) and with authorities in host jurisdictions not represented on CMGs where operations of a G-SIFI are locally systemic. Furthermore, co-ordinated risk assessment requires supervisory authorities to share more information on the key risks facing G-SIFIs.
    - By the end of 2014, the FSB will develop recommendation for consistent and comparable firm-specific information for resolution planning purposes.
    - By the end of 2014, the FSB will develop proposals on how to strengthen information sharing within CMGs and, in consultation with standard-setting bodies, within core supervisory colleges.
    - In 2014, the FSB will develop recommendations for cooperation and sharing information with host authorities in jurisdictions where a G-SIFI has a systemic presence but that are not participating in the CMG of that G-SIFI.
5. **The FSB, in consultation with standard setting bodies, will prepare proposals on the adequacy of G-SIFI loss absorbing capacity in resolution.** To avoid the need for a bail-out with public funds a SIFI needs to have sufficient resources to absorb losses in resolution ('gone concern loss absorbing capacity' GLAC). An adequate amount of GLAC should facilitate the implementation of a resolution strategy with a recapitalisation at a level that promotes market confidence and, at a minimum, meets going-concern regulatory capital requirements. The FSB will prepare proposals for consideration by end-2014 on the nature, amount, location within the group structure, and possible disclosure of GLAC.
6. **The FSB will develop policy proposals by end-2014 on how legal certainty in cross-border resolution can be further enhanced,** such as by inclusion in debt

instruments of clauses that recognise the effect of resolution actions taken in another jurisdiction.

7. **The FSB will develop recommendations to further enhance G-SIFI resolvability, with work on the following areas:**

   - The FSB will develop in 2014 an analysis of the funding and liquidity needs that arise in resolution, sources of resolution funding and mechanisms for providing such funding, drawing on past resolution experience.
   - By early 2015 the FSB will develop proposals on measures that support operational continuity in resolution. To facilitate and support operational continuity of core critical services (such as payment systems, correspondent banking, clearing, custody) that are either performed within a financial group or outsourced to third-party, firms need to adopt service level agreements, transitional support arrangements or take other appropriate measures to secure continuity of services that support the provision of critical functions. Continued access for firms in resolution to FMIs will also be important for operational continuity. FMI rules should accommodate that, subject to adequate safeguards to protect the safe and orderly operations of the FMI itself and consistent with the FMI Annex to the Key Attributes that will be finalised by end-2013.

8. **Senior policymakers from home and key host jurisdictions will assess the resolvability of each G-SIFI within the Resolvability Assessment Process (RAP) which the FSB will launch early 2014. The FSB will report on the intermediate results of the RAP process in early 2015.**

   - CMGs are expected to undertake a first review of the feasibility and credibility of putting the G-SIBs' resolution plans into operation in the second half of 2013. By mid-2014, based on the work of CMGs and in preparation for the RAP, all G-SIBs should have transmitted to their home supervisors a high-level plan of any changes to their legal, financial and operational structures that are necessary to ensure that the preferred resolution strategy is workable.
   - To support the RAP and ensure a consistent evaluation of the key resolvability conditions across G-SIFIs, the FSB will prepare an assessment template covering critical resolvability conditions, including the availability of sufficient loss absorbing capacity, the cross-border effectiveness of resolution actions, the operational continuity of core critical services (such as payment systems, correspondent banking, clearing, custody), and other conditions that affect the implementation of resolution strategies, such as accelerated regulatory approvals or requirements under securities laws.

9. **By end-2014, the FSB will develop proposals for contractual or statutory approaches to prevent large-scale early termination of financial contracts.** Large-scale close-out of financial contracts based on early termination and cross-default rights when firms enter resolution can hinder the effective implementation of resolution strategies. G-20 authorities can encourage ISDA and other industry bodies

to review contract provisions to prevent large-scale early termination of financial contracts.

5. Implementing policy measures for D-SIBs

The TBTF problem exists not only at the global level but also at the national level. The 2010 SIFI Framework extends to institutions that are systemically important at the domestic level. The BCBS published in October last year a principles-based minimum framework for domestic systemically important banks (D-SIBs) that is compatible with the G-SIFI framework. It allows for appropriate national discretion to accommodate structural characteristics of domestic financial systems. The principles include guidelines for authorities to assess the systemic importance of banks in a domestic context and include the option for countries to go beyond the minimum D-SIB framework and impose additional requirements based on the specific features of the jurisdiction and its domestic banking sector.

What G-20 Authorities need to do

1. G-20 countries should ensure that the D-SIB framework is appropriately and promptly implemented in their jurisdiction.

What the FSB and other international bodies will do

2. To ensure appropriate adherence to the principles of the D-SIB framework, its implementation by authorities within a jurisdiction should be subject to an international peer review programme. The BCBS is developing a programme for such a peer review, which will start no later than mid-2015.

6. Implementing policy measures for G-SIIs

G-SIIs will be subject to a set of policy measures consistent with the SIFI Framework which comprises recovery and resolution planning, enhanced group-wide supervision and HLA requirements. HLA requirements for G-SIIs will be built upon straightforward backstop capital requirements for all activities of the insurance group (including those of non-insurance subsidiaries). HLA requirements, which will need to be met by the highest quality capital, will apply from January 2019 to those G-SIIs identified in November 2017 on the basis of the IAIS methodology.

A sound capital and supervisory framework for the insurance sector is essential for supporting financial stability. A global quantitative capital standard will be established as part of a comprehensive, group-wide supervisory and regulatory framework for internationally active insurance groups (IAIGs).

What G-20 Authorities need to do

1. G-20 countries should ensure that the implementation of enhanced group-wide supervision commences immediately, and includes the group-wide supervisor having

direct powers over holding companies and overseeing the development and implementation of a Systemic Risk Management Plan by July 2014.[12]

2. For the G-SIIs identified in July 2013, CMGs should be established by July 2014. Recovery and resolution plans for G-SIIs, including liquidity risk management plans, should be developed by the end of 2014. G-SII home authorities will be asked to provide an interim report on the establishment of CMGs and status of the resolution planning work within CMGs by mid-2014.

What the FSB and other international bodies will do

3. The IAIS will produce and the FSB will review proposals for the regulation of IAIGs and G-SIIs. G-20 authorities can ensure implementation of these requirements
    - The IAIS will finalise straightforward backstop capital requirements for all group activities, including non-insurance subsidiaries, by the G-20 Summit in 2014.
    - The IAIS will by end-2015 develop a detailed proposal for implementing the HLA requirement for G-SIIs.
    - By end 2013, The IAIS will develop and the FSB will review a work plan to develop a comprehensive, group-wide supervisory and regulatory framework for Internationally Active Insurance Groups (IAIGs), including a quantitative capital standard.
4. By mid-2015, the FSB will report on the status of resolution planning within CMGs for all G-SIIs listed in July 2013 using the relevant provisions of the Key Attributes and Annexes as reference.

7. Global systemically important NBNI G-SIFIs

The FSB is reviewing how to extend the SIFI Framework to global systemically important non-bank non-insurance (NBNI) financial institutions. This category of firms includes securities broker-dealers, finance companies, asset managers and investment funds, including hedge funds.

What the FSB and other international bodies will do

1. The FSB, in consultation with IOSCO, will issue for public consultation proposed methodologies for identifying NBNI G-SIFIs by end-2013.

[12] See *Global Systemically Important Insurers: Policy Measures*, IAIS, July 2013.

2. The FSB, in cooperation with IOSCO and other standard-setting bodies where relevant, will begin work to develop within the SIFI policy framework the incremental policy measures needed to address the systemic risks posed by NBNI SIFIs, once the identification methodologies have been finalised and published.

8. More intense and effective supervision

The level of supervision must be commensurate with the potential destabilisation risk that firms pose to the financial system. The FSB issued its first recommendations for enhanced supervision of financial institutions, in particular SIFIs, in October 2010. The first report underscored the key preconditions for effective supervision, including the needs for (i) strong and unambiguous mandates; (ii) independence to act; (iii) sufficient quality and quantity of resources; and (iv) supervisors having a full suite of powers to execute on their mandate. Subsequent recommendations in 2011 and 2012 strengthened the supervisory expectations for firms' risk governance and internal controls, risk management functions, risk aggregation and risk reporting capabilities.[13] A number of these recommendations have been implemented and, collectively, have raised the bar for both supervisors and SIFIs.

In light of these recommendations, the BCBS, IAIS and IOSCO have strengthened their core principles for effective supervision which collectively address many of the early recommendations for enhanced supervision.[14] FSB jurisdictions need to strengthen their adherence to these prerequisites for effective supervision: findings from the IMF-World Bank Financial Sector Assessment Program (FSAP) reveal that significant weaknesses continue to exist.[15] In particular, G-20 authorities must ensure that resource needs at supervisory authorities are adequately addressed and best practices for ensuring supervisory independence and accountability are fully implemented in order to deliver high quality supervision.

The FSB and standard-setting bodies also have issued new principles and standards related to risk management that address many of the weaknesses highlighted by the financial crisis, including sound practices for effective risk governance and principles for an effective risk

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[13] See *Intensity and Effectiveness of SIFI Supervision*, FSB, November 2010, November 2011, November 2012. The expectation is that firms should have 'strong' and not merely 'good' risk management, and that high standards of risk management should be fully integrated into a firm's culture and compensation practices.

[14] See BCBS, Core principles for effective banking supervision, 2012 (http://www.bis.org/publ/bcbs230.htm); IAIS, Insurance Core Principles, Standards, Guidance and Assessment Methodology, October 2012 (http://www.iaisweb.org/Insurance-Core-Principles--795); IOSCO, Objectives and Principles of Securities Regulation, 2010 (http://www.iosco.org/library/pubdocs/pdf/IOSCOPD323.pdf) .

[15] In particular, recent FSAPs reveal that only 25 per cent of FSB jurisdictions are fully compliant with the BCBS principles on regulatory independence and resources (with an additional 50% largely compliant); no jurisdictions are fully compliant with the relevant IAIS principles (with 19% largely compliant) 8% are fully compliant with the relevant IOSCO principles (with 33% largely compliant). In these core areas for supervisory effectiveness, achieving full compliance is particularly important.

appetite framework. To remedy the gaps in information technology and management information systems highlighted during the crises, the FSB recommended the development of principles for effective risk data aggregation and risk reporting. G-SIBs are required to meet the BCBS Principles for Effective Risk Data Aggregation and Risk Reporting by 2016.[16]

Central to the work on enhancing supervisory and macro-prudential authorities' information is the FSB Data Gaps initiative, which provides authorities with a stronger framework for assessing potential systemic risks and clearer view of financial networks.[17] G-SIBs will submit a common data template for counterparty credit exposures and other common exposures to a new data hub at the BIS. Authorities will have clearer sight of the interconnectedness of the largest financial institutions.

Despite good progress in strengthening supervisory regimes and processes, cross-border supervisory cooperation and coordination needs to be intensified for the agreed supervisory approaches and methods to be effective. A key element of the SIFI Framework is for home jurisdictions of G-SIFIs to enable a sharing of information for the purpose of rigorous co-ordinated assessments on the risks facing the G-SIFI through international supervisory colleges, and although progress has been made by home jurisdictions and by the relevant standard-setting bodies, more work is needed to ensure that progress towards rigorous co-ordinated assessments of the risks facing the G-SIFIs through international supervisory colleges continues to be made.

What G-20 Authorities need to do

1. G-20 governments should take the necessary actions to implement their November 2010 commitment to ensure supervisors have the capacity to resource themselves and the independence to effectively meet their mandate.

What the FSB and other international bodies will do

2. By end-2013, the IMF in consultation with the FSB will examine the root causes for FSAP findings, in particular with reference to supervisory independence and resources, in order to ensure that material deficiencies are effectively followed up and rectified. The FSB reiterates its request made in November 2011 for the IMF and World Bank to increase resources for FSAPs to provide assessors the capacity to form

[16] See http://www.bis.org/publ/bcbs239.pdf. Implementation of these principles at the firm-wide, legal entity, and business unit levels is critical to the effective risk management of the firm, as well as for the effective implementation of the resolution requirements of the framework, such as recovery and resolution plans. Supervisory programs for G-SIBs now include regular assessments of progress on implementation of these principles, to ensure resources remain committed to this effort through the cycle.

[17] See *Data Gaps Initiative on a common data template for G-SIBs*, FSB, April 2013

more robust opinions on the effectiveness of supervision. The FSB, in collaboration with the IMF, will report its findings in early 2014.

3. Building on resolution-related work, the FSB will promote more effective cross-border supervisory information sharing across all SIFI-related workstreams, including in ongoing supervision, in the work of core supervisory colleges and the Data Gaps initiative. To this end, authorities will report by mid-2014 on legal or practical issues that they have identified as obstacles to:

    i. the sharing of supervisory information within supervisory colleges and CMGs;

    ii. implementation of the Data Gaps initiative; and

    iii. the sharing of material parts of resolution strategies and plans within CMGs.

4. Supervisors of G-SIFIs working through core supervisory colleges should remove any remaining obstacles to achieving effective and coordinated assessments of the risks facing the G-SIFIs. By end-2014 the FSB, in consultation with standard-setting bodies, will develop proposals on how to strengthen the operation and effectiveness of core supervisory colleges, including information sharing, to enable coordinated assessments of the risks facing the G-SIFIs.

5. By end-2014, the FSB will launch a peer review of supervisory frameworks and approaches to identify improvements and remaining challenges in supervisory practices for SIFIs, including the ability for supervisors to exercise judgement and more effectively challenge firms' risk management practices and decision making processes. The FSB will, in coordination with the standard-setting bodies, develop policy recommendations, as appropriate, in areas where obstacles to effective supervision of G-SIFIs still exist.

9. Strengthening core financial market infrastructures

FMIs will have an increasingly important role in global and national financial markets going forward. In particular, the policy reforms to require all standardised OTC derivatives to be centrally cleared reinforce the importance of strong safeguards and consistent oversight of the CCPs for derivatives. Central clearing is also becoming increasingly common in the settlement of money market transactions such as repos.

Robust FMIs will make an essential contribution to reducing interconnectedness between systemic firms and making these markets more resilient in the face of the default of a major market participant. At the same time, authorities must take steps to ensure that core financial infrastructures do not themselves become a source of systemic risk.

The CPSS-IOSCO Principles for Financial Market Infrastructures (PFMIs), issued in April 2012, contain new and more demanding international standards for payment, clearing and settlement systems, including central counterparties. It is important that authorities use them to establish a level playing field for robust and resilient FMIs.

More extensive use of CCPs in OTC derivatives markets will see the functioning of these markets less exposed to any single firm's balance sheet.[18] All market participants in the markets it clears are subject to rigorous participation and ongoing margining requirements, and concentration limits can be imposed.

It is also urgent to set out and implement standards for recovery for systemically important CCPs and, if necessary, to put in place legislation providing the powers to resolve such CCPs. The development of comprehensive recovery plans by and resolution regimes for FMIs will help ensure that the greater reliance of the global financial system on market infrastructure does not result in a new category of entity that is TBTF. CPSS/IOSCO published a consultative report on FMI recovery in August 2013, at the same time as the FSB published its consultation on the resolution of FMIs.[19]

Recognising that not all transactions may be eligible for central clearing, the BCBS, IOSCO, CPSS and CGFS are close to finalising minimum standards for margin requirements that will apply to transactions that remain non-centrally cleared. These will ensure that most exposures between large financial market participants are collateralised on a mark-to-market basis, with the potential loss given default covered by margin.

What G-20 Authorities need to do

1. FSB jurisdictions are committed to fully implement the principles and responsibilities contained in the PFMIs. CPSS and IOSCO are monitoring and will periodically report on the status of implementation of the PFMIs.[20]

What the FSB and other international bodies will do

2. CPSS and IOSCO will finalise their guidance on the recovery of FMIs, and the FSB will finalise an Annex to the Key Attributes on the resolution of FMIs by end-2013.

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[18] In a non-centrally cleared market, each entity's credit risk exposures are highly contingent on the risk exposures of its counterparties, increasing the likelihood that the default of a large participant will cause financial distress well beyond its immediate counterparties. In a market cleared by a CCP, in contrast, these interconnections are both reduced in complexity (though not necessarily eliminated) and better organised, reflecting characteristics of CCPs such as strong multilateral netting efficiencies and standardised market-wide operational and risk management processes.

[19] The CPSS-IOSCO consultative report *Recovery of financial market infrastructures* is available at http://www.bis.org/publ/cpss109.pdf.

[20] The first CPSS-IOSCO implementation monitoring report, published in August 2013, is available at http://www.bis.org/publ/cpss111.htm

10. Review of bank structural measures

The process of strengthening financial regulation in response to the crisis is still underway in a number of jurisdictions. FSB Members are continuing to review the need for further national policy initiatives in light of (i) the continued growth of many TBTF firms in relation to the size of the financial system; (ii) concerns about dependence on short-term wholesale funding and increased secured borrowing at banks and non-banks; and (iii) the adoption or planned adoption of structural measures in some jurisdictions (e.g. separation of activities into different legal entities, intra-group exposure limits, increased local capital and liquidity requirements etc.).

Several models for structural reforms have emerged: one places an outright prohibition on certain combinations of financial activity (e.g. the Volcker Rule contained in section 619 of the Dodd-Frank Act). Alternative approaches, associated with the UK's Independent Commission on Banking (the ICB or "Vickers Commission"), the High-Level Expert Group on Reforming the Structure of the EU Banking Sector chaired by Bank of Finland Governor Erkki Liikanen[21] and recent legislation in Germany and legislative initiative in France, emphasise instead a requirement for different types of financial activity to be conducted by separately capitalised subsidiaries. Approaches for structural regulation differ in scope and content reflecting the different institutional characteristics of the jurisdictions for which they have been developed.

What G-20 Authorities need to do

1. **Consider domestic structural measures that are complementary to an effective SIFI Framework.** As the October 2010 FSB SIFI Framework recognised, "structural measures could reduce the risks or externalities that a G-SIFI poses". Structural reform measures (including separation of activities, intra-group exposure limits, local capital and liquidity requirements, etc.) seek to put restraints on excessive risk-taking by SIFIs and thus help promote financial stability. They can also contribute to improving the resolvability of SIFIs at a jurisdictional level, thus reducing the moral hazard of TBTF. There is, however, a risk that diverging structural measures imposed by different jurisdictions may have an impact on integration across national or regional markets. FSB members should therefore monitor and discuss the potential cross-border spill-over effects that may result from different approaches. They should also take account of progress on cross-border cooperation, and seek to avoid unnecessary constraints on the integration of the global financial system or the creation of incentives for regulatory arbitrage.

[21] The proposal of the High-Level Expert Group is, however, without prejudice to the approach that the EU may eventually take. At the time of writing the European Commission has yet to present a legislative proposal in this context.

What the FSB and other international bodies will do

2. The G-20 Finance Ministers and Central Bank Governors have requested that the FSB, in collaboration with the IMF and OECD, assess the cross-border consistency and global financial stability implications of these measures, taking into account country-specific circumstances. The FSB will do this by end-2014.

11. Conclusion – overall progress to date and next steps

The implicit government guarantee that arises when public authorities are perceived to have limited options in dealing with a threatened failure of a financial institution, leading them to bail it out and pass on the costs of failure to taxpayers, provides a public subsidy to TBTF firms in the form of lower funding costs and adversely affects market discipline, competition, systemic risk and public finances.

There are signs that firms, markets and rating agencies are adjusting to authorities' determination to address TBTF. As such, rating agencies have lowered their assumptions on the likelihood of government support in light of the considerable progress that has been made in devising a credible and feasible resolution plan for certain firms. In the case of other firms, markets have not yet changed their assumptions of reliance on extraordinary public support, in part due to lack of disclosure around the progress in making the firms more resolvable and in developing credible resolution plans, coupled with uncertainties relating to the legislative reforms of resolution regimes. It will understandably take time to fully establish the credibility of the new framework in addressing TBTF.

The policy initiative to end TBTF is ambitious, but necessary. We have made good progress to date in putting the overall international policy framework in place. Detailed technical work is now giving real teeth to the policies. While much has been accomplished, more needs to be done to finish the job – through legislation and regulation to put in place at jurisdictional level the internationally agreed policies, and through practical application to individual institutions.

To make enduring progress, we must establish coherent regulatory frameworks with approaches to regulation and resolution across all home and relevant host jurisdictions that are aligned and mutually supportive, through resolution regimes that comply with the Key Attributes. This report sets out next steps to make resolution strategies for G-SIFIs operational and to make the legal, financial and operational structures of G-SIFIs resolvable, and thus takes a major stride toward giving authorities the credible capacity to resolve G-SIFIs without economic disruption or costs to taxpayers.

The FSB will work with standard-setting bodies to agree the necessary refinements to regulatory policies. The FSB will rigorously monitor implementation to ensure that members fulfil their commitments in this area and will disclose to G-20 Leaders its findings, including the consistency of national measures with agreed international policies. Authorities will need to make the necessary changes to legislation and regulation. Supervisors, together with resolution authorities, will need to ensure that individual groups restructure to the extent needed.

The table attached to this report summarises the roadmap of next steps, with timelines.

Summary of Actions and Time Lines

Action	Responsible	Completed by
Effective resolution - legislative reforms to implement the Key Attributes		
Finalise sector-specific Annexes to the Key Attributes	FSB	End-2013
Report on plans to implement the Key Attributes in the non-bank financial sector	FSB Members	End-2014
Finalise the Key Attributes Assessment Methodology for use in Standards & Code Initiative	FSB, IMF, World Bank	Early-2015
Full implementation of the Key Attributes	FSB jurisdictions	End-2015
Monitoring and follow-up peer reviews of progress in implementing the Key Attributes	FSB	2014 onwards
Addressing remaining impediments to resolvability		
Finalise principles on information sharing for resolution purposes (Annex to Key Attributes)	FSB	End-2013
Develop recommendations on cooperation and information sharing with authorities not represented in CMGs	FSB	2014
Develop recommendations for consistent and comparable firm-specific information for resolution planning purposes	FSB	End-2014
Develop proposals for GLAC	FSB and Standard-setting bodies	End-2014
Develop proposals for contractual or statutory approaches to prevent early termination of financial contracts	FSB and Standard-setting bodies	End-2014
Proposals for common policies to support legal certainty in cross border resolution	FSB	End-2014
Plans for legislative reforms or regulatory improvements for information sharing frameworks consistent with the Key Attributes Annex	National authorities	End-2014
Report on intermediate results of the RAP	FSB	Early-2015

Action	Responsible	Completed by
Implementing policy measures for D-SIBs		
Program for a peer review program on D-SIB framework	BCBS	By mid-2015
Implementing policy measures for G-SIIs		
Straightforward backstop capital requirements for all group activities	IAIS	G-20 Summit 2014
Detailed proposal for HLA requirements for G-SIIs	IAIS	End-2015
Establish CMGs for G-SIIs	G-SII Home Authorities	Mid-2014
Report on the status of CMGs and resolution planning	G-SII Home Authorities	Mid-2014
Develop recovery and resolution plans, including liquidity risk management plans	G-SIIs, G-SII CMGs	End-2014
Implementing policy measures for NBNI G-SIFIs		
Proposed methodologies for identifying NBNI G-SIFIs issued for public consultation	FSB, in consultation with IOSCO	End-2013
Policy measures to address systemic risk posed by NBNI SIFIs	FSB, in cooperation with IOSCO and other relevant standard-setting bodies	
More intense and effective supervision		
Report on the root causes for FSAP findings in regard to non-compliance with certain core principles for effective supervision and review the internal organisation and resources dedicated to FSAPs in jurisdictions home to a G-SIFI	IMF, in consultation with the FSB	End-2013
Report on identified obstacles to sharing of supervisory information within supervisory colleges and CMGs, implementation of the Data Gaps initiative, and sharing material parts of resolution strategies and plans within CMGs	FSB Members	Mid-2014

Action	Responsible	Completed by
Develop proposals on how to strengthen the operation and effectiveness of core supervisory colleges to enable coordinated risk assessments of the risk facing the G-SIFIs.	FSB, with support of SSBs	End 2014
Launch a peer review of supervisory frameworks and approaches to identify improvements and remaining challenges in supervisory practices for G-SIFIs	FSB , with support of SSBs	End-2014
Strengthening core financial market infrastructures		
Finalise report providing guidance on the recovery of FMIs	CPSS-IOSCO	End-2013
Implementation monitoring of PFMIs	CPSS-IOSCO	From 2013
Review of bank structural measures		
Assessment of cross border consistency and global financial stability implications of structural measures	FSB, in collaboration with IMF and OECD	End-2014