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BOARD

# 2022 Resolution Report

“Completing the agenda and sustaining progress”



8 December 2022

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# Table of Contents

Executive summary .....	1
Introduction.....	4
1. Central Counterparties (CCPs) .....	5
1.1. Use, composition and amount of CCP financial resources .....	5
1.2. CCP resolution planning .....	5
1.3. CCP resolution regimes .....	8
2. Insurers.....	8
2.1. Resolution regimes and resolution planning for systemic insurers.....	8
2.2. Intra-group interconnectedness and funding in resolution .....	9
2.3. Critical functions of insurers .....	9
2.4. Group structures and resolution tools.....	10
3. Banks.....	10
3.1. Eighth G-SIB resolvability assessment process (RAP) 2021-2022.....	10
3.2. Issuance and group-internal distribution of TLAC resources .....	11
3.3. Resolution planning for banks other than G-SIBs.....	14
3.4. Operationalising bail-in execution – cross-border dimension.....	17
3.5. Resolution disclosures .....	17
3.6. Continuity of access to FMI services for banks in resolution.....	19
3.7. Funding in resolution.....	21
3.8. Cross-border coordination and cooperation and testing firms’ resolution capabilities .....	21
4. Cross-sectoral issues.....	22
4.1. Digital innovation in the context of resolution .....	22
4.2. Use of legal entity identifier (LEI) for resolution and resolution planning.....	23
5. Summary of actions and timelines .....	24
5.1. Central Counterparties .....	24
5.2. Insurance .....	25
5.3. Banks.....	25
5.4. Monitoring Implementation .....	27
5.5. Other.....	27
Annex 1: Status of implementation of aspects of bank resolution regimes by FSB and ReSG member jurisdictions as of September 2022 .....	28

Annex 2: Status of implementation of aspects of insurance resolution regimes by FSB jurisdictions as of September 2022 .....	32
Annex 3: Rules, regulations and guidance relevant to G-SIB resolvability .....	36
Annex 4: Selected cases of public assistance or resolution of banks in FSB jurisdictions ....	39
Annex 5: Membership in ReSG and its subgroups (November 2021 – October 2022) .....	43
Abbreviations.....	45

## Executive summary

As the 15-year anniversary of the global financial crisis is on the horizon in the coming year, it is critical to maintain momentum and avoid complacency. Whereas a lot of progress in resolvability has been made in the banking sector, multiple challenges lie ahead and require the continued commitment of authorities and firms to sustain that progress. The largest cross-border resolution challenges that need to be addressed with some urgency remain in the non-bank sector. In 2022, the Resolution Steering Group (ReSG) focused on making progress on alternative financial resources for the resolution of central counterparties (CCPs) and ensuring the continued role and applicability of the Key Attributes of Effective Resolution Regimes for Financial Institutions (Key Attributes) in the overall resolvability and readiness framework for insurers.

### CCPs: completing the unfinished agenda

**Effective resolution regimes and the availability of adequate resources for CCP resolution remain critical for financial stability.** Progress in implementing the G20 reforms agreed after the 2008-09 financial crisis has promoted the use of CCPs but has also increased their systemic importance. While various efforts have been made to enhance the resilience and resolvability of CCPs, further work is still needed on CCP resolution and resolvability, including the adequacy of resources for CCP resolution.

**The FSB has been considering the costs and benefits of potential alternative financial resources and tools for CCP resolution, alongside a comparison to existing resources.** Several potential alternative financial resources and tools have been identified for further analysis, with a plan to consult on policy options in 2023. This FSB work builds on the analysis undertaken jointly by the FSB, the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) of the impact of default and non-default loss stress scenarios on existing financial resources and tools in recovery and resolution, which highlighted the need to continue work on CCP financial resources.

**Resolution planning and resolvability assessments are progressing for CCPs that are systemically important in more than one jurisdiction (SI>1) but are still in an early stage.** Authorities have established crisis management groups (CMGs) for all 13 SI>1 CCPs. Institution-specific arrangements for information sharing and cross-border cooperation have been introduced for the majority of SI>1 CCPs. Most CMGs have considered hypothetical default loss and non-default loss scenarios and evaluated the hypothetical costs compared to existing resources and tools. However, CMGs have not yet completed full resolvability assessments in line with FSB Guidance for any SI>1 CCP.

### Insurers: ensuring the continued effective application of the Key Attributes

**The fifth round of the FSB's annual insurance resolvability monitoring exercise shows that there is still work to be done to make resolution plans for insurers fully operational.** As in prior years, authorities in some jurisdictions have identified at jurisdictional level systemically important insurers (SIIs) subject to resolution planning. These authorities have reported progress in resolution planning and resolvability assessments for these institutions.

FSB work highlights the importance of mapping intra-group interconnectedness and assessing its implications for resolution planning and of effective resolution funding arrangements.

**ReSG, in consultation with the IAIS, explored possible approaches to ensure the continued effective application of the Key Attributes' resolution planning standards should the identification of Global Systemically Important Insurers (G-SIIs) be discontinued and replaced by the IAIS Holistic Framework for the assessment and mitigation of systemic risk in the global insurance sector.** In that case, it would have to be ensured that FSB ReSG continues to have an important role in promoting the application of the FSB's resolution planning standards and in ensuring that progress in resolvability and cross-border cooperation and coordination continues to be monitored and reported to the FSB, as well as publicly in the annual FSB Resolution Report.

## Banks: completing, consolidating and testing

**G-SIB resolution planning is maturing and the focus is shifting increasingly to fine-tuning and testing resolution preparedness.** Authorities benefitted from resolution preparedness as they faced certain unique challenges arising from the unwinding of COVID-19 support measures and geopolitical stress contributing to market and economic uncertainty. Some authorities have had to resolve or liquidate (non-systemic) banks because the banks' access to certain key services was terminated due to sanctions and because markets lost confidence in light of looming sanctions which led to a liquidity run. The lessons learnt from these events helped to fine-tune resolution planning.

**The eighth round of the FSB's resolvability assessment process (RAP) for banks showed that in most cases, G-SIBs' progress towards resolvability has been incremental since last year, reflecting the level of advancement of resolution policy implementation in many jurisdictions.** While CMGs remain broadly satisfied with G-SIBs' progress towards resolvability, many CMGs have identified opportunities for further work to enhance G-SIB resolvability, and CMGs are also moving towards focusing efforts on testing G-SIBs' resolution capabilities.

**G-SIBs' efforts to comply with the TLAC standard and TLAC disclosures have continued.** For four emerging market economy (EME) G-SIBs due to comply with the TLAC standard by January 2025, work is continuing to build up external TLAC. All other G-SIBs currently meet or exceed the final TLAC requirement, according to self-reporting. Market participants have access to more consistent and comparable data on G-SIB TLAC holdings due to the progress made in implementing the BCBS Pillar 3 disclosure standard.

**Home and host authorities need to have a clear understanding of the possible form, location and approaches to deployment of unallocated TLAC (uTLAC) resources to gain comfort that uTLAC is readily available and deployable in resolution.** Following a "road test" conducted by CMGs on the basis of technical guidelines that ReSG bankCBCM developed to gain a better understanding of measurement approaches for the assessment of uTLAC resources within G-SIBs, CMGs have continued to engage on approaches to deployment of uTLAC resources, as well as potential challenges to deployment. To assist home-host discussions in CMGs, ReSG bankCBCM has been developing considerations on deployment of uTLAC resources.

**Funding in resolution remains an area of focus for both firms and authorities.** More progress is necessary on the cross-border mobilisation of collateral to facilitate access to liquidity in resolution. The FSB has initiated work to investigate further legal, regulatory, and operational obstacles to cross-border funding, which will continue next year.

**The Key Attributes apply to any financial institution that could be systemically significant or critical if it fails.** The FSB has so far focused primarily on G-SIB resolution. However, there may be banks other than G-SIBs that could be systemic in failure. Specific business models and ownership structures, such as the case of public sector banks and financial cooperatives, may give rise to unique challenges which have been a focus of FSB workshops.

## Looking ahead

**In 2023, the FSB priorities will continue to focus on completing the resolution frameworks for CCPs and insurers while consolidating its work on bank resolution preparedness.** For CCPs, this will include completing the work on potential alternative financial resources and tools for CCP resolution. For insurers, work will focus on the identification of critical functions that need to be maintained in resolution and on exploring resolvability issues related to group and conglomerate structures. For G-SIBs, the focus will be on completing and consolidating work relating to uTLAC and cross-border funding in resolution, as well as on testing and making resolution plans fully operational.

## Introduction

This eleventh report on the implementation of resolution reforms takes stock of progress made by FSB members in implementing resolution reforms and enhancing resolvability across the banking, financial market infrastructure, and insurance sectors. It also sets out the FSB's priorities in the resolution area going forward.

The report has been prepared by the FSB Resolution Steering Group (ReSG), which is the primary global forum for the development of standards and guidance for resolution regimes, planning, and execution for systemically important financial institutions (SIFIs). ReSG is chaired by Martin J. Gruenberg, Acting Chairman of the Board of Directors of the Federal Deposit Insurance Corporation (FDIC, US), after succeeding in February 2022 to Jelena McWilliams, previous Chairman of the FDIC.

The mandate of ReSG is to develop, issue, and maintain standards and guidance, monitor resolvability and crisis preparedness, help build trust between home and host authorities, and serve as a knowledge-sharing forum for resolution authorities and other authorities with a role in crisis management. In doing so, ReSG relies on three sector-specific working groups:

- the Cross-border Crisis Management Group for banks (bankCBCM) chaired by Sebastiano Laviola, Single Resolution Board (SRB);
- the Cross-border Crisis Management Group for FMI (fmiCBCM) co-chaired by Arthur J. Murton, Federal Deposit Insurance Corporation (FDIC) and María José Gómez Yubero, Spanish National Securities Market Commission (CNMV); and
- the Cross-border Crisis Management Group for insurance (iCBCM) chaired by Leonard Flink, De Nederlandsche Bank (DNB).

Authorities represented on ReSG and/or its subgroups are listed in Annex 5.

# 1. Central Counterparties (CCPs)

## 1.1. Use, composition and amount of CCP financial resources

**ReSG is analysing the need for, and costs and benefits of, potential alternative financial resources and tools for CCP resolution, alongside a comparison to existing resources and tools.** The analysis includes resources such as bail-in bonds, resolution funds, resolution-specific insurance and third-party contractual support, and existing resources such as resolution cash calls. The analysis considers each resource or tool from systemic and idiosyncratic perspectives, and across a number of dimensions, which intend to draw out specific features, as well as pros and cons. It also considers the possibility of different compositions of existing and alternative resources and tools. The FSB aims to publish a consultative document in 2023, which may inform the need for further adjustments of the existing FSB Guidance.

**This work follows the previous FSB, CPMI and IOSCO analysis on existing financial resources and tools that highlighted the need to continue work on CCP financial resources for resolution.**<sup>1</sup> The analysis found that the assessed non-default loss (NDL) scenarios generated a larger impact than the CCP specific default loss scenarios applied, although the results should be interpreted cautiously due to various limitations and assumptions. CPMI-IOSCO published a discussion paper focusing on CCP practices to address NDLS and ReSG has started the next stage of its work on alternative resolution resources.

## 1.2. CCP resolution planning

**Thirteen CCPs are currently identified to be systemically important in more than one jurisdiction (SI>1 CCPs).** The list is reviewed biennially but no changes were made to the list of SI>1 CCPs in this year's review. The next update will take place in 2024. Box 1 describes the agreed timeline for resolution planning and the establishment of crisis management groups (CMGs) for SI>1 CCPs.

### Box 1: Timeline for resolution planning and establishment of CMGs

Once a CCP has been identified as an SI>1 CCP:

- The home resolution authority (or if no resolution authority has been designated, the lead supervisor of the CCP) should identify and contact relevant authorities regarding CMG membership within six months of the CCP being identified as SI>1 (using the July 2017 FSB Guidance if membership is not stated in law/regulations).
- The first CMG meeting should be held within 12 months of the CCP being identified as SI>1 and should include a discussion on a draft CCP-specific Cooperation Agreement (CoAg).
- The CoAg should be finalised and signed within 18 months of the first CMG meeting.
- Resolution planning and resolvability assessments should be launched within 12 months of the first CMG meeting.

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<sup>1</sup> A preliminary report on existing financial resources and tools for CCP recovery and resolution was jointly prepared by the FSB, CPMI and IOSCO, and published in March 2022. See FSB, CPMI and IOSCO, [\*Central Counterparty Financial Resources for Recovery and Resolution\*](#)

**Some progress has been made since the 2021 report in setting up the necessary structures for cross-border cooperation on CCP resolution.** CMGs have been established for all SI>1 CCPs. The number of signed CoAg has increased to 11 from eight in 2021.<sup>2</sup> A draft CoAg is under discussion and/or being signed in the remaining two CMGs. In most cases, the established or draft CoAg includes arrangements and procedures for sharing information necessary for the purposes of planning, preparing for and carrying out resolution. Some authorities have in place or planned arrangements for cooperation or information sharing with non-CMG authorities.

**Resolution planning for SI>1 CCPs has commenced and was discussed in all CMGs except one, although no full resolution plan is yet in place.** While the identification of critical services and functions to be continued in resolution is completed in most CMGs, there is slightly less progress in reviewing the CCP’s own recovery plan and/or wind-down plan and its interaction with resolution planning. One or more preferred resolution strategies for the CCP were identified and discussed in about half of the CMGs. Operational plans to facilitate the effective resolution of the CCP, such as contact lists and information needs and availability, have been considered in about half of the CMGs. Less prevalent are crisis management exercises to test information sharing and coordination procedures.

**Resolvability assessments for SI>1 CCPs are still at an early stage, although progress has been made.** The second Resolvability Assessment Process (RAP), based on the application of the FSB 2020 Guidance,<sup>3</sup> was undertaken in 2022 to follow up the progress since the first RAP in 2021. Most resolution authorities (RAs) of SI>1 CCPs have considered and discussed with the CMGs some hypothetical default loss and non-default loss scenarios. Most RAs have evaluated to some extent existing resources and tools available in resolution and assessed losses and costs that could arise in resolution. More than half of the RAs have assessed the treatment of equity and the impact of the no creditor worse off than in liquidation (NCWOL) principle.

**Table 1: SI>1 CCPs as of October 2022** (listed in alphabetical order)

CCP	Home jurisdiction	CMG (Y/N)	CoAg (Y/N)	Resolution planning commenced (Y/N)	Resolvability assessment commenced (Y/N)	Authorities represented	Jurisdictions represented
<b>BME Clearing</b>	Spain (EU)	Y	Y	Y	Y	7	3
<b>CC&amp;G (Cassa di Compensazione e Garanzia)</b>	Italy (EU)	Y	Y	Y	Y	9	3
<b>CME Inc.</b>	US	Y	Y	Y	Y	15	8

<sup>2</sup> The CoAg for six CCPs have been published: [CC&G](#), [CME](#), [ICE Clear Credit](#), [ICE Clear Europe](#), [LCH Ltd](#) and [LCH SA](#).

<sup>3</sup> FSB (2020), *Guidance on Financial Resources to Support CCP Resolution and on the Treatment of CCP Equity in Resolution*, November.

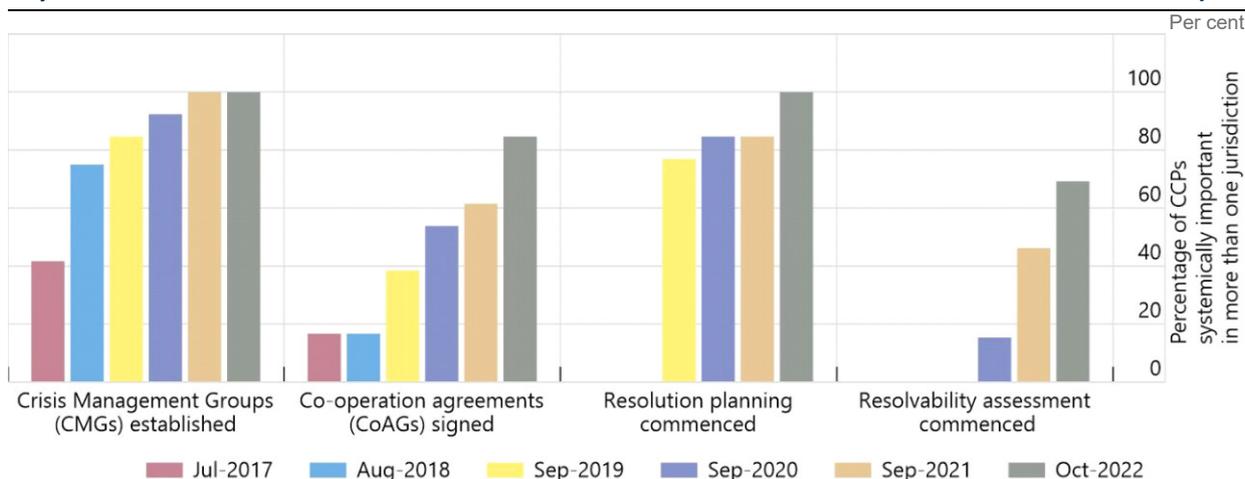
<b>Eurex Clearing</b>	Germany (EU)	Y	N	Y	Y	25	11
<b>EuroCCP</b>	Netherlands (EU)	Y	Y	Y	N	16	9
<b>HKFE Clearing Corporation</b>	Hong Kong	Y	Y	Y	Y	3	3
<b>ICE Clear Credit</b>	US	Y	Y	Y	Y	9	4
<b>ICE Clear Europe</b>	UK	Y	Y	Y	N	16	7
<b>LCH Ltd</b>	UK	Y	Y	Y	N	17	9
<b>LCH SA</b>	France (EU)	Y	Y	Y	Y	22	11
<b>Nasdaq Clearing</b>	Sweden (EU)	Y	N	Y	N	15	6
<b>Options Clearing Corporation (OCC)</b>	US	Y	Y	Y	Y	12	4
<b>SIX x-clear</b>	Switzerland	Y	Y	Y	Y	13	7

<sup>A</sup> Considering the specificities of the EU legislative framework, the number of jurisdictions represented in CMGs reflects both the EU as a single jurisdiction and its individual Member States.

## Resolution planning status for SI>1 CCPs

July 2017 – October 2022

Graph 1



Source: Relevant authorities for SI>1 CCPs.

### 1.3. CCP resolution regimes

#### **Statutory resolution regimes are in place in all jurisdictions that are home to SI>1 CCPs.**

Most of the SI>1 CCP RAs have most of the powers set out in the Key Attributes.<sup>4</sup> The resolution provisions of the EU CCP Recovery and Resolution Regulation (EU CCP RRR) started to fully apply in August 2022. The HM Treasury finalised in March 2022 the proposed enhancements to the UK CCP resolution regime and introduced legislation to Parliament in July 2022. Once the legislation based on the proposal is complete, the BoE will have a set of statutory resolution tools fully consistent with the Key Attributes. FINMA currently does not yet have the power to apply certain CCP-specific resolution tools that are not used in bank resolution (e.g. tear-up, variation margin gains haircutting, resolution cash calls). This will be addressed in a revision of the Swiss Financial Market Infrastructure Act commissioned by the Swiss Federal Council in September 2022.

## 2. Insurers

### 2.1. Resolution regimes and resolution planning for systemic insurers

**The FSB's fifth round of the annual insurance resolvability monitoring process showed mixed progress in resolution planning for systemically important insurers.** Several jurisdictions report pending legislative or regulatory reforms, including the legislative proposal for a Directive on the recovery and resolution of (re)insurers in the EU. Major enhancements are also expected for Australia, South Africa and Switzerland. Operationalising resolution plans requires powers and tools, some of which are still lacking in several jurisdictions. These include powers to perform portfolio transfer and bail-in, and powers to establish a bridge institution.

<sup>4</sup> Cf. sections 4.9-4.16 of Appendix II, Annex 1 of the FSB Key Attributes. In some jurisdictions, while certain powers may not be explicit, an economically equivalent process or power exists.

**As in prior years, several jurisdictions have identified systemically important insurers for purposes of recovery and resolution planning.** The FSB's Key Attributes of Effective Resolution Regimes for Financial Institutions (KAs), designed to apply for an effective resolution of banks, insurance firms and FMI, set out specific standards in relation to global systemically important financial institutions (G-SIFIs) that include, among other things, the establishment of institution-specific cross-border crisis management groups (CMGs) having cooperation agreements (CoAgs), resolvability assessment, resolution planning and regular reporting to the FSB through the resolvability monitoring process (RMP) on progress in cross-border cooperation and coordination and the recovery and resolution planning process for G-SIFIs (KAs 8 to 11).

**ReSG, in consultation with the IAIS, explored possible approaches to ensure the continued effective application of the Key Attributes' resolution planning standards should the identification of Global Systemically Important Insurers (G-SIIs) be discontinued and replaced by the Holistic Framework for the assessment and mitigation of systemic risk in the global insurance sector.** In that case, it would have to be ensured that FSB ReSG continues to have an important role in promoting the application of the FSB's resolution planning standards and in ensuring that progress in resolvability and cross-border cooperation and coordination continues to be monitored and reported to the FSB, as well as publicly in the annual FSB Resolution Report.

## 2.2. Intra-group interconnectedness and funding in resolution

**Understanding group-internal interconnectedness is a critical prerequisite for developing effective resolution plans for insurers.** The practices paper of January 2022 on intra-group interconnectedness<sup>5</sup> describes different jurisdictional approaches and highlights the benefits of mapping and assessment of operational and financial interconnectedness.

**Resolution funding arrangements are essential to facilitate the effective and timely implementation of resolution measures.** The FSB practices papers on funding in resolution<sup>6</sup> presents examples of assessment of funding needs in resolution, and sources of funding in resolution, both internal (within the insurer), and external (policy owner protection schemes and standalone resolution funds). Both practices papers were discussed with stakeholders in an outreach event in July 2022.

## 2.3. Critical functions of insurers

**Jurisdictions have chosen different approaches with a view to the identification of critical functions of insurers.** Some jurisdictions performed structured and formalised assessments while others focused on preliminary assessment exercise, all of them looking at the impact of a disruption of the function and its substitutability. ReSG iCBCM has started collecting examples of methodologies used by jurisdictions to assess critical functions and will discuss results in 2023.

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<sup>5</sup> FSB (2022) *Internal Interconnectedness in Resolution Planning for Insurers: Practices Paper*, January.

<sup>6</sup> FSB (2022) *Resolution Funding for Insurers: Practices Paper*, January.

## 2.4. Group structures and resolution tools

**Understanding (cross-sectoral) group structures supports the identification of practical challenges to resolvability.** iCBCM has initiated its work on the exploration of practical challenges to resolvability considering different types of group structures, including financial conglomerates, and the investigation of the use of different types of resolution tools.

## 3. Banks

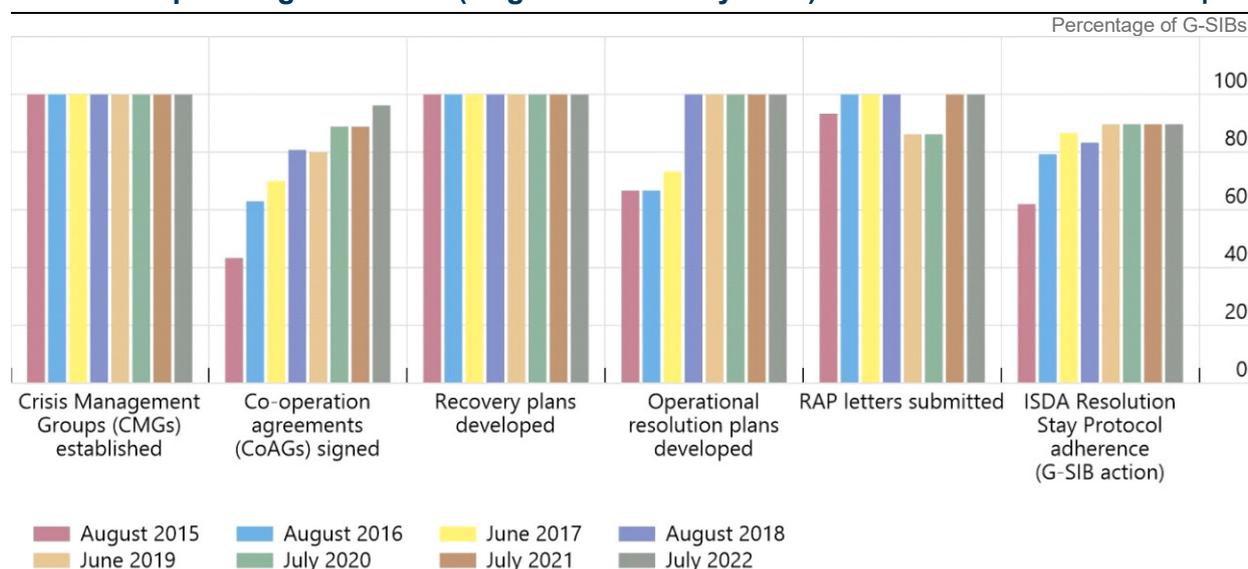
### 3.1. Eighth G-SIB resolvability assessment process (RAP) 2021-2022

**The eighth round of the RAP conducted during 2021-2022 indicated that, while CMGs continue to be broadly satisfied with progress of G-SIBs towards resolvability, further work is being planned in a number of areas and CMGs are also moving towards focusing efforts on testing G-SIBs' resolution capabilities.**

The RAP was launched in 2013 to promote adequate and consistent reporting on the resolvability of each G-SIFI and on the overall status of resolution planning processes. The 2021-2022 RAP covered all 30 banks that have been designated as G-SIBs at the end of 2021. Most indicators for monitoring resolution authorities' progress in resolution planning remain constant since last year, reflective of the maturity of resolution planning implementation across CMGs (Graph 1).

**Resolution planning for G-SIBs (August 2015 – July 2022)**

**Graph 2**



Sources: FSB RAP letters, dialogue with members.

**In most cases, G-SIBs' progress towards resolvability has been incremental since last year, reflecting the level of advancement of resolution policy implementation in many jurisdictions.** While CMGs remain broadly satisfied with G-SIBs' progress towards resolvability, many CMGs have identified opportunities for further work to enhance G-SIB resolvability, for instance on capabilities to support valuation, funding, bail-in execution or wind-down of the trading book, as well as improved data quality and timeliness. Progress remains uneven across

CMGs and jurisdictions on authorities' crisis preparedness, and practices vary on testing G-SIB capabilities. CMG home jurisdictions note specific emphasis of the CMGs' work via deep dives, such as on funding in resolution, valuation and uTLAC.

**Some CMGs reported progress since last year on cross-border stays on financial contracts and early termination rights, regarding new policies and regulations.** Several jurisdictions have finalised their module of the ISDA Jurisdictional Modular Protocol (JMP). In Canada, a new CDIC by-law on Eligible Financial Contracts came into force in March 2022 enabling ISDA to develop a Canadian module of the JMP. Canadian G-SIBs (and D-SIBs) will have to implement the by-law by October 2023<sup>7</sup> and it has been reported as an important step to reduce risk related to potential disruptive effects of early termination clauses in financial contracts, in addition to adherence to ISDA Protocol and country annexes. The HKMA finalised stay rules in August 2021 and a related Code of Practice chapter in December 2021. The Hong Kong Jurisdictional Module of the ISDA JMP was finalised in September 2021, to which relevant entities, including G-SIBs, have started adhering.<sup>8</sup> The MAS issued regulations setting out provisions, which took effect from 1 November 2021, relating to contractual recognition of temporary stays, and is currently working with ISDA to put in place an ISDA Jurisdictional Module for Singapore.<sup>9</sup> Developments in both Hong Kong and Singapore are relevant for instance for some UK G-SIBs to implement in the future. Finally, the Netherlands has been added to the EU Jurisdictional Module of the ISDA JMP.

### 3.2. Issuance and group-internal distribution of TLAC resources

**External TLAC continued to be issued by G-SIBs across different instruments and liabilities, with a clear decrease in volume of Additional Tier 1 issuances compared to other TLAC instruments in the first half of 2022 compared to the same period last year.**<sup>10</sup> Total issuance in the second half of 2021 of about USD 230bn was higher than for the same period in 2020 (USD 155bn). Similar to last year, January and April 2022 were the months with the largest issuance amount in the year to date. Total issuance for the first half of this year was about USD 242bn compared to about USD 290bn in the first half of 2021.

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<sup>7</sup> 1 October 2023 for Eligible Financial Contracts where the counterparty is another CDIC member institution, a G-SIB or an affiliate of such institutions and 1 October 2024, for Eligible Financial Contracts with other counterparties.

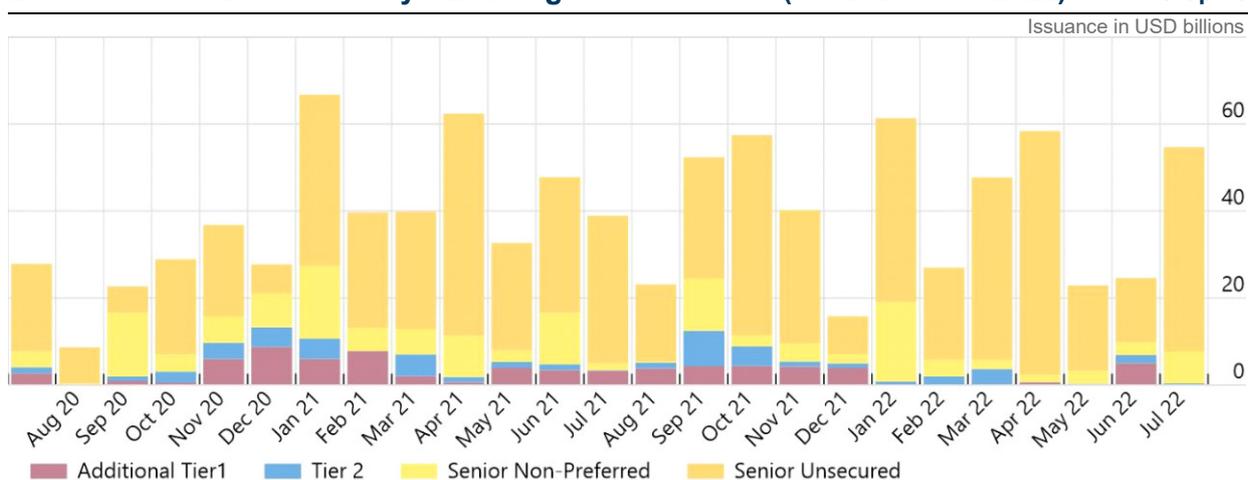
<sup>8</sup> See further information on the [HKMA website](#) and ISDA (2021) *ISDA Resolution Stay Jurisdictional Modular Protocol, Hong Kong Jurisdictional Module*, September.

<sup>9</sup> MAS (2021), *Proposed regulations to enhance the resolution regime for financial institutions in Singapore*, October.

<sup>10</sup> Additional Tier 1 issuances accounted to about 3.5% of total TLAC issuances in the first half of 2022, compared to about 8% in the first half of 2021.

## Estimated G-SIB issuance by TLAC eligible instrument (Jul 2020 – Jul 2022)

Graph 3



Sources: Bloomberg; FSB Secretariat estimates. "Senior non-preferred" follow from instrument categories as recorded by Bloomberg. Senior non-preferred instruments are statutorily or contractually subordinated. Senior unsecured instruments included in the graph have been issued from a holding company and are hence structurally subordinated.

**All G-SIBs<sup>11</sup> subject to the final minimum external requirement as of 2022 are estimated to meet that requirement, according to self-reporting.** The TLAC standard of November 2015<sup>12</sup> defines a minimum requirement for the instruments and liabilities that should be readily available for bail-in within resolution at G-SIBs. Firms designated by the FSB as G-SIBs (except for firms headquartered in EMEs for which there is an extended conformance period) must comply with the TLAC standard by meeting minimum external TLAC requirements of at least 18% of risk-weighted assets (RWA) and 6.75% of the Basel III leverage ratio exposure (LRE). Firms designated as G-SIBs after 31 December 2017 must meet minimum TLAC requirements of at least 18% RWA and 6.75% LRE within 36 months from their date of designation.<sup>13</sup> For Toronto Dominion (TD), as a recently designated G-SIB,<sup>14</sup> national TLAC requirements apply as of 1 November 2021, in line with the FSB TLAC requirements. For four EME G-SIBs due to comply with the TLAC standard by January 2025, work is under way to build up external TLAC.<sup>15</sup> All other G-SIBs disclose that they meet or exceed the final TLAC requirement.

<sup>11</sup> The latest annual update is available here: FSB (2022), *2022 list of global systemically important banks (G-SIBs)*, November.

<sup>12</sup> FSB (2015), *Total Loss-Absorbing Capacity (TLAC) Principles and Term Sheet*, November.

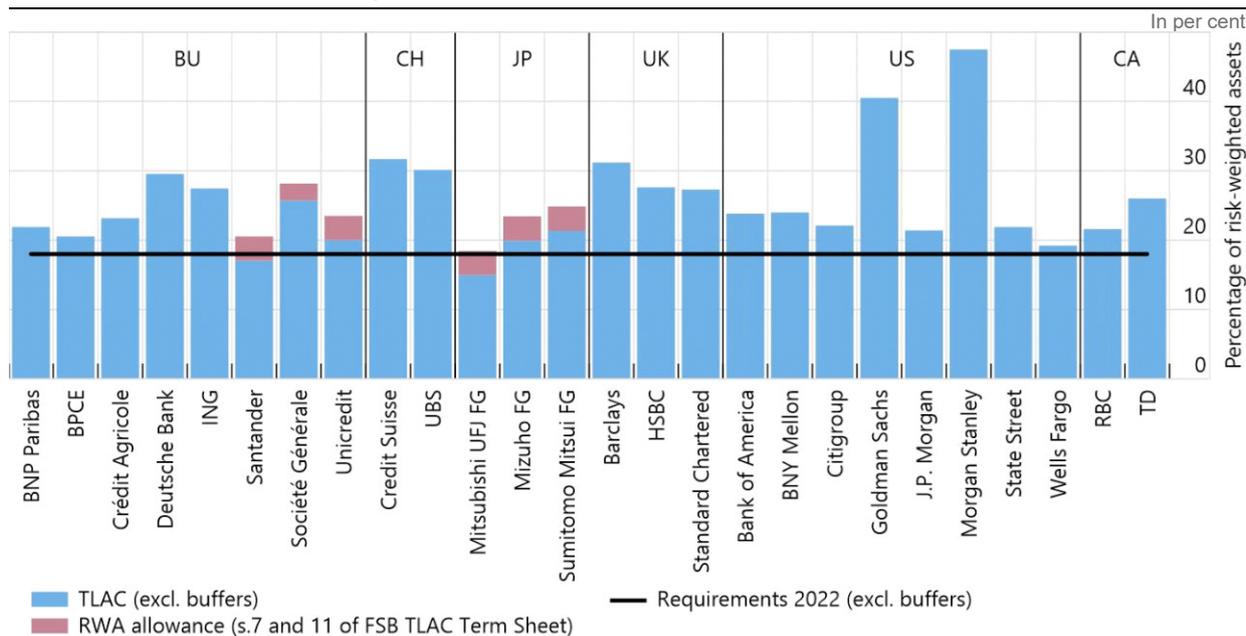
<sup>13</sup> FSB (2013), *2013 update of group of global systemically important banks*, November.

<sup>14</sup> FSB (2019), *2019 list of global systemically important banks (G-SIBs)*, November.

<sup>15</sup> On 29 October 2021, the People's Bank of China, China Banking and Insurance Regulatory Commission (CBIRC) and the Chinese Ministry of Finance jointly issued *The Administrative Measures on the Total Loss-absorbing Capacity of Global Systemically Important Banks*, implementing the TLAC standard for Chinese G-SIBs.

Ratio of TLAC to RWAs, by G-SIB

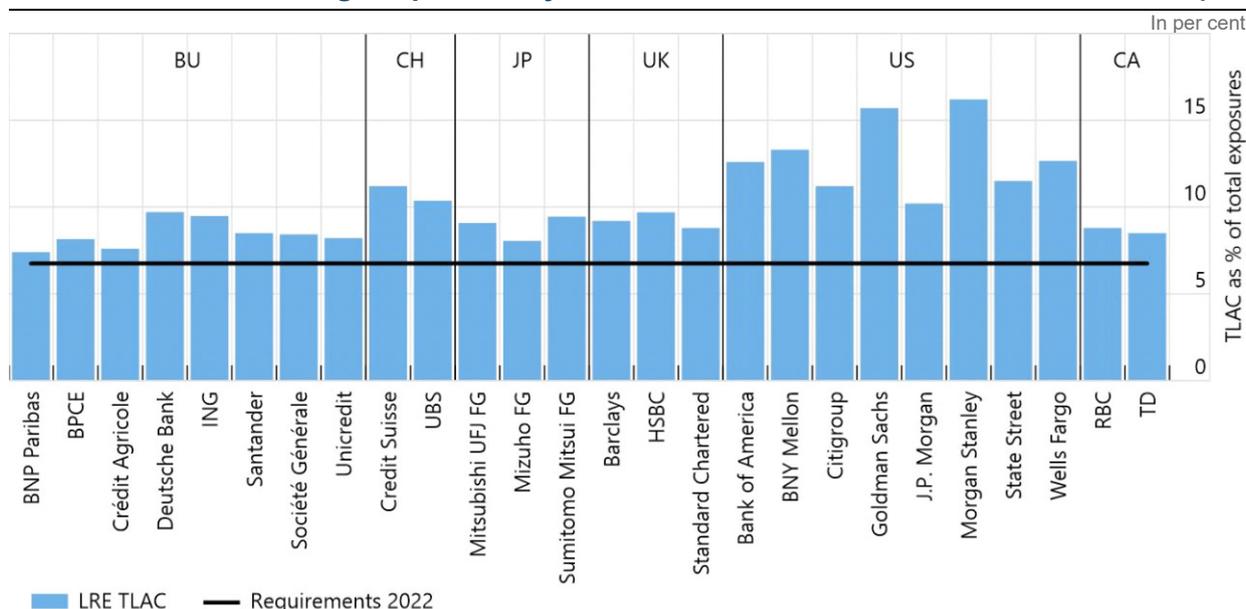
Graph 4



Sources: G-SIB public disclosures as of 30 June 2022 (30 July 2022 for RBC and TD). Data are derived from Pillar 3 disclosures, or annual reports, quarterly updates and/or investor presentations. Buffers (capital conservation, G-SIB, and countercyclical) are deducted from public disclosures for comparability to TLAC Term Sheet (TS) requirements. TD, which was designated as G-SIB in 2019, is required by the Canadian authorities to fully meet TLAC requirements as of 1 November 2021. Chinese G-SIBs are subject to the EME extended conformance period so are excluded from this analysis. Entry for Santander is for Banco Santander S.A. resolution group only. Entries for Santander, Société Générale and Unicredit show disclosed usage of up to 3.5pp RWA senior allowance (TLAC TS section 11). BNP Paribas, BCPE and Crédit Agricole disclose having been granted the option to use the 3.5pp RWA senior allowance but waiving this possibility. Entries for Mitsubishi UFG, Mizuho FG, and Sumitomo Mitsui FG show 3.5pp RWA prefunded ex ante commitments (TLAC TS section 7).

Ratio of TLAC to leverage exposure, by G-SIB

Graph 5



Sources: G-SIB public disclosures as of 30 June 2022 (30 July 2022 for RBC and TD). Data are derived from Pillar 3 disclosures, or annual reports, quarterly updates and/or investor presentations, without any adjustments applied for any potential allowances or regulatory capital buffers that are currently applicable. LRE TLAC ratios shown in this graph may therefore include such allowances or buffers. TD, which was designated as G-SIB in 2019, is required by the Canadian authorities to fully comply with TLAC requirements from January 2022. Chinese G-SIBs are subject to the EME extended conformance period so are excluded from this analysis. Entry for Santander is for Banco Santander S.A. resolution group only.

**Progress has continued in the implementation of internal TLAC (iTLAC) requirements.** Host authorities have discussed calibration of iTLAC in most CMGs, and new or amended iTLAC requirements have been set for material subgroups (MSGs) of eight G-SIBs over the last year.

**A road test of the 2020 technical guidelines on the measurement of uTLAC resources revealed the need to further clarify technical aspects.** The road test assisted home and host authorities' assessment of uTLAC resources within G-SIBs and discussions within CMGs. However, it revealed the need to further clarify technical aspects, such as the role and limitations of different measurement approaches, the use of proxies in measurement calculations, or consideration of a firm's business model and structure.

**Home and host authorities need to gain comfort that uTLAC resources are sufficient, readily available and deployable in resolution.** ReSG bankCBCM has been developing considerations for CMGs to assist home and host authorities in their discussions on the possible form, location and approaches to deployment of uTLAC resources. This is in line with Principle 7 of the FSB Guiding Principles on Internal TLAC<sup>16</sup> and should enable CMG authorities to identify challenges to deployment and discuss potential ways to address them. These considerations relate to the form of assets corresponding to uTLAC that are held and maintained at the resolution entity or elsewhere in the group and may be timely deployed to recapitalise subsidiaries in resolution as well as approaches to deployment, governance and decision-making. In 2023-24, CMGs will be asked to inform the FSB of their experiences of discussions based on this set of considerations.

### 3.3. Resolution planning for banks other than G-SIBs

**The Key Attributes apply to any financial institution that could be systemically significant or critical if it fails.** In its work to support the implementation of the KAs, the FSB has made progress with work on issues that affect G-SIBs. The FSB's *Thematic peer review on bank resolution planning*<sup>17</sup> (2019) and the *Evaluation of the effects of too-big-to-fail (TBTF) reforms*<sup>18</sup> (2021) suggested further work on operationalising resolution planning for banks other than G-SIBs that could be systemic in failure ("systemic non-G-SIBs"). In this context, technical work has been carried out to identify any material issues or obstacles that resolution authorities could encounter in relation to resolution planning or resolvability of banks other than G-SIBs that could be systemic in failure. The focus of that work was on how resolution planning is being implemented for systemic non-G-SIBs and cross-border issues that may arise in a resolution of a systemic non-G-SIB. The FSB has also consulted members of the Regional Consultative Groups (RCGs) to inform the identification of issues.

**There is a large variety of systemic non-G-SIBs, and FSB guidance leaves it to individual jurisdictions to determine their approach to assessing which financial institutions could be systemically significant or critical if they fail.**<sup>19</sup> Some national authorities have designated

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<sup>16</sup> FSB (2017), *Guiding Principles on the Internal Total Loss-Absorbing Capacity of G-SIBs ('Internal TLAC')*, July.

<sup>17</sup> FSB (2019), *Thematic peer review on bank resolution planning*, April.

<sup>18</sup> FSB (2021), *Evaluation of the effects of too-big-to-fail reforms: Final Report*, March.

<sup>19</sup> While G-SIBs are identified by the FSB based on a methodology from the Basel Committee on Banking Supervision (BCBS), the BCBS has published a distinct framework for designating D-SIBs in 2012 (since integrated into the [Basel Framework](#),

D-SIBs.<sup>20</sup> Jurisdictions may also designate domestic subsidiaries of foreign groups as D-SIBs. Not all jurisdictions use a D-SIB framework. Some authorities have (publicly or privately) identified a set of (potentially) systemically significant or critical firms and these may be subject to specific rules in relation to resolution planning. Other authorities have not made any *ex-ante* assessment. However, a firm that was not identified as systemically important under business-as-usual circumstances (for instance because no D-SIB framework exists or because the firm does not meet the requirements of the framework) may still be systemically significant or critical in failure (see box on next page).

**Some of the issues identified for systemic non-G-SIBs have proven challenging for individual authorities or jurisdictions**, for instance because (i) the issue is cross-border in nature, (ii) application of existing FSB guidance poses challenges in view of the characteristics of the firm, or (iii) consideration of FSB guidance to support stakeholders, where needed in relation to the (commonly faced) issue, is yet to be explored. The FSB is considering further work on those issues through its future workplans in the coming years so as to support resolution planning and resolvability of systemic non-G-SIBs (see section 5 on Summary of actions and timelines).

#### *Relevant features of systemic non-G-SIBs*

**There are many banks that are not systemically significant or critical from a global perspective, but whose distress or failure could nevertheless have an important impact on their domestic financial system and economy.**<sup>21</sup> Such effects could also be felt across borders, even if the banks are not globally systemically important.

**Business models of banks can significantly impact their resolvability and post-resolution structure.** The mix of assets and liabilities on a bank's balance sheet may impact the available restructuring options and for a variety of reasons a bank may have limited or untested capabilities to issue loss-absorbing capacity (LAC). Specific reflections may also be needed in relation to the post-resolution business model of banks with a specific societal role. For instance, under their charters, certain financial cooperatives may not pursue the maximisation of financial benefits but rather of economic benefits for their members. Similarly, some public sector banks were purposely set up to perform public-interest tasks (e.g. public development banks). Also the ownership structure (for instance a controlling shareholder) may pose challenges in executing a particular resolution strategy.

#### **Box 1: Resolution planning and resolvability – current state of play**

As outlined in the FSB's *Thematic peer review on bank resolution planning*<sup>22</sup>, **the range of banks subject to resolution planning varies widely across jurisdictions**. Some jurisdictions may apply resolution planning to all banks (Canada, EU, Hong Kong, Mexico, UK, ZA); other jurisdictions only apply it to banks that have been designated as G-SIBs and/or D-SIBs (Brazil, Japan, Korea, Russia,

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<sup>50</sup> SCO50). National authorities are best placed to evaluate the impact of distress or failure of a bank on the local financial system and economy. In order to allow the different circumstances of individual jurisdictions to be taken into account, the D-SIB methodology is based upon a set of principles.

<sup>20</sup> According to the 2021 FSB TBTF report, in 2018 FSB jurisdictions identified 132 D-SIBs. Since 2021, 19 D-SIBs have been designated in China. The US has not designated D-SIBs.

<sup>21</sup> See e.g. Dobler et al. (2020), *Managing Systemic Banking Crises. New Lessons and Lessons Relearned*, IMF Departmental Paper No. 20/05.

<sup>22</sup> FSB (2019), *Thematic Peer Review on Bank Resolution Planning*, April, p. 10-11.

Saudi Arabia, Singapore, Switzerland). Some jurisdictions follow a mixed approach, e.g. by employing an asset size threshold that covers both G-SIBs and some other large banks (US) or by employing an asset size threshold and the possibility to extend resolution planning to other banks based on qualitative arguments (China).<sup>23</sup>

**Some jurisdictions require non-G-SIBs to meet loss absorbency requirements.** While the FSB TLAC Standard and related BCBS standards on holdings and disclosures of TLAC only apply to G-SIBs, a number of jurisdictions have adopted external LAC requirements for non-G-SIBs, where authorities set the amount, quantity and implementation timeline on a case-by-case basis taking into account the resolution strategy. Such LAC requirements may be applied to all banks (EU, Hong Kong<sup>24</sup>, UK) or solely to D-SIBs (Canada,<sup>25</sup> Japan, Mexico, Switzerland).

**Cross-border coordination arrangements have been set up for some, but not all systemic non-G-SIBs that have cross-border operations.**<sup>26</sup> Such arrangements are expected to be in place to support effective resolution planning for cross-border banks that could be systemically significant or critical in failure.<sup>27</sup>

### *Financial cooperatives and public sector banks*

**To facilitate discussions among authorities regarding resolution planning for systemic non-G-SIBs, the FSB Resolution Steering Group held workshops on issues related to resolvability and resolution of two common types of systemic non-G-SIBs.** This concerned a workshop on resolution of financial cooperatives, organised jointly with the International Association of Deposit Insurers (IADI) in October 2021,<sup>28</sup> and a workshop on resolution of public sector banks, organised jointly with the World Bank in June 2022.<sup>29</sup> Each workshop offered participants the opportunity to exchange views on issues around resolvability and resolution of the respective type of financial institution. The discussions further informed the FSB's technical work on resolution issues for systemic non-G-SIBs.

- **Regarding the resolution of financial cooperatives,** main discussion points were how to manage conflicts between objectives of different stakeholders, i.e. between safeguarding financial stability and preserving the cooperative structure; the role of umbrella organisations and institutional protection schemes (UO/IPS) vis-à-vis resolution authorities; and how loss-absorption and bail-in could apply to systemic financial cooperatives.

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<sup>23</sup> The Peer Review adds that this difference in scope is partly due to the fact that some jurisdictions, including those requiring resolution planning for all banks, contemplate insolvency proceedings as one of the tools in their framework, and the nature of their planning for such banks reflects that. By contrast, other jurisdictions do not include in their framework banks that are expected to be wound up under the applicable insolvency regime.

<sup>24</sup> LAC requirements under the LAC Rules in Hong Kong may be imposed on locally incorporated banks, Hong Kong holding companies, or Hong Kong affiliated operational entities.

<sup>25</sup> In Canada, there is a requirement for institutions (beyond DSIBs) to hold non-viability contingent capital (NVCC), in the form of preferred shares and subordinated debt, which contains a contractual clause requiring a full and permanent conversion into common shares upon a trigger event.

<sup>26</sup> FSB (2019), p. 36. FSB (2019), p. 38 and pp. 58-61 and FSB discussions 2022.

<sup>27</sup> See EC 11.9 and EN 11(c) of FSB (2016), *Key Attributes Assessment Methodology for the Banking Sector*, October (KAAM).

<sup>28</sup> IADI has published two documents on crisis management in financial cooperatives: IADI (2018), Resolution Issues for Financial Cooperatives – Overview of Distinctive Features and Current Resolution Tools (Research Paper), January and IADI (2021), Ways to Resolve a Financial Cooperative while Keeping the Cooperative Structure (Guidance Paper), December.

<sup>29</sup> World Bank

- **Regarding the resolution of public sector banks** participants discussed, among other topics, whether public services of public sector banks are to be always considered critical functions, and how the perception could be addressed that a public sector bank may be “too public to fail”. Participants also exchanged views on public sector banks issuing loss absorbency instruments and the considerations for private investors to hold such LAC. A discussion on legal and operational challenges of bailing in a public sector bank closed the session.

### 3.4. Operationalising bail-in execution – cross-border dimension

**Operationalising bail-in is a critical part of resolution planning for G-SIBs and other banks where bail-in is part of the resolution strategy.** The FSB has published a practices paper<sup>30</sup> that describes operational processes to execute a bail-in transaction drawing on jurisdictions’ practices and approaches since the adoption of the *FSB Principles on Bail-in Execution*<sup>31</sup>. It covers the suspension of trading and delisting from trading venues of securities as well as the (re-)listing and (re-)admission to trading of securities, the cancellation of shares and issuance of new shares as well as the issuance of interim instruments and considers the role of central securities depositories (CSDs) and trading venues within these processes. These stakeholders, together with market authorities, are part of discussions on the practical execution of bail-in. The FSB has scheduled a technical stakeholder workshop to walk through a stylised example of a cross-border bail-in case reflecting the findings of the practices paper.

**FSB authorities have continued to discuss and share practices on specific technical and cross-border issues of bail-in, including on cross-border recognition of related resolution actions.** Authorities exchanged practices regarding possibilities for cross-border recognition of resolution action, as well as regarding necessary preparatory steps and preconditions to achieve recognition, with a view to reaching a common understanding of existing approaches to recognition and describe how these would legally and operationally work in the context of bail-in. Consideration was given to both recognition mechanisms under statutory recognition and enforcement rules and contractual mechanisms.

### 3.5. Resolution disclosures

**Transparency with respect to resolution planning and resolvability is a necessary element of the FSB and G20 policy framework for addressing the moral hazard risk posed by systemically important financial institutions.** The FSB’s previous work on public disclosures on resolution planning and resolvability took place in 2019. Its June 2019 public consultation paper received general support for transparency and disclosure regarding resolution planning and resolvability, but some respondents also indicated caution about firm-specific disclosures. The FSB did not develop further guidance on resolution disclosures at that stage but committed to revisiting the question of whether further guidance was needed in 2022.

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<sup>30</sup> FSB (2021), *Bail-in Execution Practices Paper*, December.

<sup>31</sup> FSB (2018), *Principles on Bail-in Execution*, June.

**In response to a call for feedback in the context of the FSB’s evaluation of the effects of too-big-to-fail reforms, investors and analysts reported<sup>32</sup> disclosure gaps that made it difficult for them to assess whether a bank is resolvable.** Some market participants also reported gaps in general information about the operation of resolution frameworks that may reduce their ability to understand how resolution would work and to assess or price the risks and impact. It was also observed that bank-specific information relating to resolution plans and TLAC compliance was not generally disclosed by resolution authorities or by banks.

**A review of the state of play of disclosures of resolution-related information by G-SIBs and their resolution authorities in the course of 2022 showed substantial progress in the public disclosure by both firms and authorities.** In light of the progress in disclosing relevant resolvability information publicly and implementing the BCBS standards, the FSB concluded that no further guidance on resolution-related disclosures seems necessary at the current stage. However, efforts need to continue so that market participants have access to relevant and up-to-date information on resolvability progress as well as the ranking of TLAC instruments, so as to enable them to understand their position in the creditor hierarchy and assess their risks in the event of resolution.

**Transparency regarding general aspects of jurisdictions’ resolution planning and resolvability framework helps investors and market participants more generally to understand the resolution process, and enhance credibility and market confidence in its application in times of crisis.** Some home authorities of G-SIBs have published further information about their resolution planning and resolvability frameworks. See Annex 3 for an overview of jurisdiction-specific publications.

#### **Box 2: Resolution disclosures – state of play**

- **Approaches to disclosures in relation to the progress in resolution planning and resolvability of firms differ across G-SIB home jurisdictions.** Full resolution plans are not published in any of these jurisdictions. Some authorities are disclosing and/or requiring firms to disclose the results of resolvability assessments. It is encouraged that G-SIBs include a qualitative narrative on the G-SIB resolution strategy in disclosures of their TLAC composition at the resolution group level, including the approach (single or multiple point of entry) and structure to which the resolution measures are applied, to help understand the templates.<sup>33</sup> Some, but not all, G-SIBs provide such qualitative narrative (directly in, or near, that template). Some G-SIBs mention the preferred resolution strategy in investor information, although the level of certainty with which they make their statements differs.
- **G-SIBs have made progress in implementing the BCBS Pillar 3 Disclosure Standards (DIS20<sup>34</sup> and in particular DIS25<sup>34</sup>) relevant for resolution planning and resolvability.** They include disclosure templates in relation to certain information both in relation to external TLAC and internal TLAC. G-SIB resolution entities are expected to disclose G-SIBs’ TLAC ratios on a quarterly basis<sup>35</sup> and make available on their websites the main features of their TLAC-eligible instruments that are recognised as external TLAC resources.<sup>36</sup> The Basel Pillar 3 framework also expects G-SIBs to semi-annually disclose certain information about their TLAC issuances. This includes the

<sup>32</sup> FSB (2021), *Evaluation of the effects of too-big-to-fail reforms: final report*, April, p. 44.

<sup>33</sup> As noted under “Accompanying narrative” in the BCBS Standard DIS25, template TLAC1.

<sup>34</sup> DIS20 is available [here](#); DIS25 is available [here](#).

<sup>35</sup> See Basel Framework, Requirement DIS20.3 and template KM2.

<sup>36</sup> See Basel Framework, Requirement DIS25, table CCA.

composition of TLAC at the resolution group level, and the amounts and respective residual maturity per creditor ranking at the level of legal entities of MSGs that have issued internal TLAC to one or more resolution entities.<sup>37</sup> The use of standardised disclosure templates increases comparability of disclosures of different firms.

- **As of October 2021, eight BCBS member jurisdictions that are home to G-SIB resolution entities had rules in force implementing the BCBS TLAC disclosure standards.<sup>38</sup> Implementation approaches vary between jurisdictions.** On certain details, the resulting disclosures by some firms leave room for interpretation.<sup>39</sup> All G-SIBs regularly disclose their external TLAC ratios both on RWA and LRE basis, either as part of, or in addition to, Pillar 3 requirements. It is not always clearly mentioned whether certain TLAC Term Sheet allowances are part of the reported TLAC ratios. Moreover, many G-SIBs do not specify the approach taken in their disclosures regarding allowances and buffers in relation to LRE TLAC. Information about the composition of TLAC is available for G-SIB resolution entities in most jurisdictions, usually through the DIS25 TLAC1 template, and for US G-SIBs in financial report Y-9C, Schedule HC-R, Part I.
- **To enable investors to understand the main features of regulatory capital instruments and of other TLAC-eligible instruments,** G-SIBs are expected to publish the relevant information on their websites.<sup>40</sup> Most G-SIBs do this, but in some cases, the naming of the links or files does not indicate that it contains information about eligible liabilities (“Interim 2021 Pillar 3 terms and conditions”; “Additional Pillar 3 disclosure”). Some US G-SIBs publish a concise list of CUSIPs/ISINs, maturity dates and nominal values of issuances of eligible liabilities.
- **Information about the creditor ranking at the legal entity level of the resolution entity is expected to be disclosed as well.<sup>41</sup>** Where a G-SIB has more than one resolution entity (MPE strategy), disclosure is expected for each of the resolution entities. Most G-SIBs include templated information (“Resolution entity - creditor ranking at legal entity level”) in their semi-annual Pillar 3 disclosures. For some G-SIBs, information regarding creditor rankings is publicly available via, for example, a registration statement or prospectus.
- **The creditor ranking is not only relevant for creditors of resolution entities but also for creditors of material subgroup entities that have issued internal TLAC to a G-SIB resolution entity.** The DIS25 TLAC2 template provides creditors with that creditor ranking information. TLAC2 disclosures are expected for each material subgroup entity, so where a firm uses the TLAC2 templates, this automatically also results in an overview of its material subgroups and/or entities. TLAC2 templates are not in place in all G-SIB home jurisdictions but may be required under the legislation of the host jurisdiction of the material subgroup.

### 3.6. Continuity of access to FMI services for banks in resolution

**Continued access to FMI services is essential for firms to be able to continue performing their critical functions or critical services under all circumstances, including in resolution.** The FSB’s Guidance on Continuity of Access to Financial Market Infrastructures

<sup>37</sup> See Basel Framework, Requirement DIS25.3 and templates TLAC1, TLAC2 and TLAC3, respectively.

<sup>38</sup> Canada, Hong Kong, Japan, Mexico, Switzerland, UK, US and EU. These standards entered into force on 1 January 2019 and their implementation is being monitored by the BCBS: see the BCBS October 2021 *Eighteenth progress report on adoption of the Basel regulatory framework*.

<sup>39</sup> Findings: FSB Secretariat research based on G-SIBs’ published Pillar 3 disclosures, quarterly reporting, investor information, investor presentations, etc. (reporting dates 2021Q2 and later, where available).

<sup>40</sup> See Basel Framework, Requirement DIS25, table CCA.

<sup>41</sup> See Basel Framework, Requirement DIS25.3 and template TLAC3.

(FMIs) for a Firm in Resolution of 2017 ('Guidance') sets out arrangements and safeguards to facilitate this. These apply at the level of the providers of FMI services (FMIs and FMI intermediaries), at the level of FMI participants (banks) and at the level of the relevant resolution authorities and supervisory authorities.

To support resolution planning and facilitate the gathering of information about continuity of access to FMI services in resolution, the FSB has published a questionnaire for FMIs<sup>42</sup> and published a Framework for information from FMI intermediaries<sup>43</sup>. Highlights of that work are included in the box below. The FSB is continuing to seek to improve the questionnaire and framework drawing on experiences with the framework and questionnaire.

**Box 3: Timeline of Results of FSB Work to Promote Cross-Border Cooperation for its Guidance on Continuity of Access to Financial Market Infrastructures for a firm in Resolution<sup>44</sup>**

- **May 2019:** FSB held a workshop with stakeholders about the implementation of the Guidance on FMI Continuity of access and, thereafter, developed a workplan to address stakeholder input identified during the workshop.<sup>45</sup>
- **August 2020:** FSB published a common template for gathering information about continuity of access to financial market infrastructures (FMIs) for firms in resolution. The template is in the form of a questionnaire that all FMIs are encouraged to complete.
- **September 2020:** FSB held an outreach meeting with official sector and industry representatives to explain the questionnaire to stakeholders and answer questions. An informal summary of the outreach meeting and responses to the questions posed by external stakeholders were published afterwards.<sup>46</sup>
- **April 2021 to August 2021:** FSB conducted a survey of stakeholder experiences with the Questionnaire for FMIs and, based on survey feedback, developed and published an updated form of questionnaire.<sup>47</sup>
- **August 2021 to September 2021:** FSB published the Framework for information from FMI intermediaries to support resolution planning<sup>48</sup> and thereafter hosted a stakeholder webinar.
- **September 2022:** FSB conducted a survey to gather stakeholder feedback on first experiences with the Framework for information from FMI intermediaries. A high-level summary of the survey feedback will be published on the FSB's website.

In light of the progress made by the FSB's workstream on Continuity of access to FMI services, further work on identifying the information needs of different stakeholders in a crisis situation and whether this information can be shared timely, is expected to be considered as part of potential future work on cross-sectoral, cross-border cooperation.

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<sup>42</sup> See *infra* note 46.

<sup>43</sup> See *infra* note 47.

<sup>44</sup> The guidance publications mentioned in this box are also available [here](#).

<sup>45</sup> FSB (2019), *Industry workshop on continuity of access to FMIs for firms in resolution*, August.

<sup>46</sup> FSB (2020), *FSB Continuity of access to FMIs for firms in resolution: Informal summary of outreach and Q&A*, December.

<sup>47</sup> FSB (2021), *Continuity of access to FMIs for firms in resolution: Streamlined information collection to support resolution planning (revised version 2021)*, August.

<sup>48</sup> FSB (2021), *Continuity of access to FMI services (FMI intermediaries) for firms in resolution: Framework for information from FMI intermediaries to support resolution planning*, August.

### 3.7. Funding in resolution

**Funding in resolution remains an area of focus for both firms and authorities.** The 2021 survey of the implementation of the 2018 FSB Guidance on Funding Strategy Elements of an Implementable Resolution Plan found that some limited progress has been made with the work on cross-border mobilisations of collateral and liquidity, with considerable differences across jurisdictions regarding the state of their work.

**Against this backdrop, the FSB established a workstream to investigate further legal, regulatory, and operational obstacles to cross-border funding in resolution.** The workstream will follow up on the 2021 survey to explore and better understand the identified cross-border issues with respect to funding in resolution. These issues include (i) mobilisation of collateral; (ii) cross-border funding strategies and obstacles; (iii) cross border engagement; and (iv) operational readiness to access public sector backstop funding.

### 3.8. Cross-border coordination and cooperation and testing firms' resolution capabilities

**Reflecting the practices described in the FSB Report on Good Practices for CMGs published in November 2021, CMGs have further focused their activities on gaining assurance regarding G-SIBs' resolution capabilities and the operationalisation of resolution.** Home and host authorities are increasingly engaging in testing activities, such as the demonstration of G-SIBs' valuation or funding capabilities at CMG meetings or the presentation of lessons learnt from resolution dry-runs conducted by G-SIBs. CMGs have also focused on operational aspects of resolution, such as discussing crisis communications arrangements among authorities or the operationalisation of bail-in. The FSB held in September 2022 an authorities-only workshop on cross-border coordination and cooperation to share practices for testing firms' capabilities and exercises performed by authorities to test home-host coordination in a crisis.

**Several home authorities noted the evolution of their CMG discussions from policy making to understanding and testing G-SIB resolution capabilities.** For example, G-SIBs from one jurisdiction have been asked to undergo a real-time test of specific capabilities (e.g. data room) that support their resolution plan, with the aim to test their ability to adjust and adapt to changing circumstances. In other cases, G-SIBs have been asked to present at the CMG a deep dive into a resolution capability or testing activities, providing the opportunity for CMG members to view the capabilities and ask the firm questions. Some authorities considered having joint CMG testing plans as a long-term objective, while recognising that further work was needed first to develop capabilities and testing approaches. The workshop also drew some lessons learnt from authorities that already had experience in testing G-SIBs' resolution capabilities, in particular the importance of advance planning. It was observed that testing activities tended to be resource-intensive for both the firm and the authorities and it was important for authorities to set a clear scope of what is being tested, specifications on how it is being tested, desired outcome and a realistic timeframe for a firm to conduct a given test.

Some authorities shared their experience in conducting cross-border desktop and simulation exercises, with the aim of enhancing mutual understanding on key cross-border challenges relating to a G-SIB's resolution. One lesson learnt from such exercises is the importance of

enhanced coordination between authorities responsible for G-SIB resolution, particularly regarding public communications. Some authorities are developing CMG-specific playbooks, which set out the process for information sharing and coordination across CMG members during a crisis, covering key decisions regarding governance, authorisations, internal TLAC, funding and communications. Such playbooks are under development in several CMGs and are part of an iterative process, which would involve testing activities in the longer term. Some CMGs are more advanced in their testing activities, while some authorities are still in the planning phase or have not started discussion. The FSB will continue to monitor the development of CMG practices in the context of the good practices described in the FSB Report on Good Practices for CMGs and will take stock of progress in 2023-24.

## 4. Cross-sectoral issues

### 4.1. Digital innovation in the context of resolution

**Digital innovation in financial services, in part accelerated by the COVID-19 pandemic, is posing new challenges for resolution planning.** Authorities are exploring the impacts on resolvability from these developments, including the growing dependencies of financial institutions on third-party service providers and cloud services. Looking ahead, as new types of financial firms emerge in the crypto-space and work is ongoing at international level to regulate these where they may pose financial stability risks, the question of their resolvability also becomes relevant. For instance the FSB High-level Recommendations for the Regulation, Supervision and Oversight of Global Stablecoin Arrangements<sup>49</sup> call for effective recovery and resolution planning for such arrangements.

**Digital innovation in financial services and its implications for resolution was identified as an emerging theme** in last year's progress report. While a number of international initiatives, including by the FSB and other standard-setting bodies, are under way to monitor and assess the implications of digital innovation for financial stability and regulatory and supervisory approaches, the assessment of resolution implications is still at an early stage. Discussions were launched under ReSG on how digital innovation in financial services may affect resolution and the resolvability of banks, insurers and FMIs.

**Across sectors, authorities generally prioritised whether the growing reliance of financial institutions on third-party service providers and cloud services could affect the continued provision of critical services in resolution.** For example, it would be necessary to ensure that a failing institution can maintain access to data stored in the cloud and that cloud contracts will not be terminated and can be transferred as necessary in resolution. The FSB Guidance on Arrangements to Support Operational Continuity in Resolution<sup>50</sup> published in 2016 is outcome-focused and considers third-party provision of critical services. Future resolution work would focus on assessing the application of the FSB 2016 guidance in an evolved context where financial institutions are increasingly relying on third party providers such as cloud services.

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<sup>49</sup> FSB (2020), *Regulation, Supervision and Oversight of "Global Stablecoin" Arrangements: Final Report and High-Level Recommendations*, October.

<sup>50</sup> FSB (2016) *Guidance on Arrangements to Support Operational Continuity in Resolution*, August.

For the banking sector, the use of new technologies by financial institutions was identified as an area to further explore in a resolution context. For example, fast payments and mobile banking could impact resolution by making liquidity management more difficult and bank runs potentially faster. From a resolution planning perspective, it is useful to ensure that firms' and authorities' crisis communications and associated capabilities are adequate to respond quickly. For the insurance sector, authorities discussed examples including the use of smart contracts exposed to the risk of dependency on third-party service providers, security issues related to the increase in contactless insurance contracts, as well as legal risks associated with the use of artificial intelligence in the underwriting process. For the FMI sector, authorities noted the potential future implications of new technologies such as distributed ledger technology (DLT), although the adoption of such technologies among FMIs appears still in an early stage.

Other areas that were identified in initial discussions include the use of new technologies by authorities for resolution preparedness, the wind-down or resolution of FinTech firms that could be systemic in failure, and potential resolution implications of financial institutions' activities related to crypto-assets. In the coming year, the FSB will continue to assess whether and how digital innovation could affect banks' resolvability, resolution planning and execution. This assessment of the banking sector will also help inform future discussions on the topic for the insurance and FMI sectors.

## 4.2. Use of legal entity identifier (LEI) for resolution and resolution planning

**Following a recommendation from a 2019 thematic review<sup>51</sup> to explore the potential role of the LEI in resolution**, the FSB recently collected information from its member resolution authorities on the topic. The coordinated use of LEI information across jurisdictions may support the execution of resolution strategies and implementation of resolution tools of cross-border financial groups in a timely manner. The FSB has already incorporated the LEI in some of its resolution work, for example in its streamlined information collection questionnaire on continuity of access to FMIs for firms in resolution,<sup>52</sup> its Framework for information from FMI intermediaries to support resolution planning,<sup>53</sup> as well as in the description of write-down or bail-in practices where certain CSDs require the relevant LEI and ISIN of securities issuers.<sup>54</sup>

**A number of jurisdictions have requirements in place for the use of LEI in resolution and resolution planning**, mainly for banks and, in some jurisdictions, also for insurers and CCPs. They use the information for identifying group structures and relationship information, and understanding financial, operational and legal interconnectedness. Some jurisdictions also use it to evaluate aggregate risk exposures or support valuations. LEI information may also (i) be relevant to certain record keeping requirements; (ii) help identify whether a counterparty is a stay covered entity when the counterparty applies for exercise of the early termination right of the derivative contracts; or (iii) support a better standardisation of data as well as of data sharing.

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<sup>51</sup> FSB (2019) *Thematic Review on Implementation of the Legal Entity Identifier*, May.

<sup>52</sup> FSB (2021a), *Continuity of access to FMIs for firms in resolution: Streamlined information collection to support resolution planning (revised version 2021)*, August.

<sup>53</sup> FSB (2021b), *Framework for information from FMI intermediaries to support resolution planning*, August.

<sup>54</sup> FSB (2021c), *Bail-in execution practices paper*, December.

Although the LEI can be highly useful for resolution and resolution planning, there are certain practical limitations in this context at present, relating to the lack of available LEI or of up-to-date LEI information. Many non-financial institutions do not maintain updated LEIs, which may limit resolution authorities' ability to identify counterparties and creditors in resolution. This highlights the need for entities to maintain an "active" LEI. Differences in LEI implementation approaches across jurisdictions may also limit the use of LEI for resolution planning purposes in a cross-border context.

## 5. Summary of actions and timelines

### 5.1. Central Counterparties

<b>1. Financial resources for CCP resolution and treatment of CCP equity in resolution</b>	
<b>Action</b>	<b>Continue work on financial resources and tools for CCP resolution in default and non-default loss scenarios, carrying forward the work started in 2022</b>
<b>Responsible</b>	ReSG in collaboration with CPMI-IOSCO
<b>Timeline</b>	Consultative document in 2023
<b>Action</b>	<b>Consider whether further adjustments are needed to the FSB Guidance on financial resources to support CCP resolution and on the treatment of CCP equity in resolution in light of market developments and resolution authorities' experience with using the guidance</b>
<b>Responsible</b>	ReSG fmiCBCM in collaboration with CPMI-IOSCO
<b>Timeline</b>	By end 2025 at the latest
<b>2. Resolvability Assessment Process (RAP)</b>	
<b>Action</b>	<b>Conduct the third RAP</b>
<b>Responsible</b>	CCP home and host authorities for SI>1 CCPs
<b>Timeline</b>	By end 2023
<b>3. Monitoring and promoting resolution planning</b>	
<b>Action</b>	<b>Monitor authorities' progress in resolution planning:</b> (i) adopting institution-specific cooperation agreements (CoAgs) for SI>1 CCPs and (ii) advancing resolution planning, consistent with the expectations set out in the <i>Guidance on CCP Resolution and Resolution Planning</i>
<b>Responsible</b>	ReSG fmiCBCM
<b>Timeline</b>	Status report by end-2023 (as part of the 2023 Resolution Report)
<b>Action</b>	<b>Enhance authorities' operational preparedness and cross-border and cross-sector cooperation and coordination</b>
<b>Responsible</b>	CCP home and host authorities for SI>1 CCPs
<b>Timeline</b>	Status report by end-2023 (as part of the 2023 Resolution Report)
<b>4. Digital innovation and implications for crisis resolution</b>	

<b>Action</b>	Conduct an initial knowledge-sharing discussion on FMIs' application of new technologies, including DLT, and possible implications on clearing and securities depositories from a resolution perspective
<b>Responsible</b>	fmiCBCM
<b>Timeline</b>	Initial discussion in 2023 with any preliminary findings to be reported by end-2023 (as part of the 2023 Resolution Report)

## 5.2. Insurance

### 1. Monitoring and promoting resolution planning

<b>Action</b>	<b>Share practices regarding the determination of critical functions of insurers</b>
<b>Responsible</b>	ReSG iCBCM
<b>Timeline</b>	By Mid-2023
<b>Action</b>	<b>Explore practical challenges to resolvability considering different types of group structures, including financial conglomerates, and investigate the use of different types of resolution tools</b>
<b>Responsible</b>	ReSG iCBCM
<b>Timeline</b>	Report by end-2023 (as part of the 2023 Resolution Report)

### 2. Resolvability Monitoring

<b>Action</b>	<b>Conduct annual resolvability monitoring exercise</b>
<b>Responsible</b>	FSB members with material insurance operations as determined by authorities <sup>55</sup>
<b>Timeline</b>	Report high-level findings by end-2023 (as part of the 2023 Resolution Report)

## 5.3. Banks

### 1. TLAC Standard

<b>Action</b>	<b>Finalise work on Considerations on Deployment of uTLAC resources.</b>
<b>Responsible</b>	ReSG bankCBCM
<b>Timeline</b>	End-2023
<b>Action</b>	<b>Monitor progress of CMG discussions on form, location and approach to deployment of uTLAC resources based on authorities' experience in using the FSB Considerations</b>
<b>Responsible</b>	ReSG bankCBCM
<b>Timeline</b>	Report by end-2024 (as part of the 2024 Resolution Report)

<sup>55</sup> This is without prejudice to the high-level monitoring of implementation of the Key Attributes that is undertaken on an annual basis across all FSB jurisdictions.

<b>Action</b>	<b>Monitor (external/internal) TLAC issuance on the basis of public disclosures</b>
<b>Responsible</b>	ReSG bankCBCM
<b>Timeline</b>	Report by end-2023 (as part of the 2023 Resolution Report)
<b>2. Cross-border funding in resolution</b>	
<b>Action</b>	<b>Investigate further obstacles (e.g., legal, regulatory and operational) to cross-border funding in resolution, including in regard to the ability to mobilise collateral across borders.</b>
<b>Responsible</b>	ReSG bankCBCM
<b>Timeline</b>	Report findings by end-2023 (as part of the 2023 Resolution Report)
<b>3. Resolution planning for banks other than G-SIBs</b>	
<b>Action</b>	<b>Organise a workshop for authorities to share practices that facilitate use of resolution transfer tools. Organise knowledge-sharing with RCG member authorities</b>
<b>Responsible</b>	ReSG bankCBCM
<b>Timeline</b>	Report progress by end-2023 (as part of the 2023 Resolution Report)
<b>4. Cross-border cooperation and coordination</b>	
<b>Action</b>	<b>Share members' practices on home-host coordination and cooperation arrangements, playbooks, and exercises to test these arrangements</b>
<b>Responsible</b>	ReSG bankCBCM
<b>Timeline</b>	Report findings by end 2023 (as part of the 2023 Resolution Report)
<b>5. Digital innovation and implications for crisis resolution</b>	
<b>Action</b>	<b>Assess the extent to which digital innovation in financial services could affect banks' resolvability, resolution planning and execution.</b>
<b>Responsible</b>	ReSG bankCBCM
<b>Timeline</b>	Report findings by end-2023 (as part of the 2023 Resolution Report)
<b>6. Operationalising bail-in execution</b>	
<b>Action</b>	<b>Discuss and share authorities' practices on specific technical and cross-border issues of bail-in, including on cross-border recognition of related resolution actions.</b>
<b>Responsible</b>	ReSG bankCBCM
<b>Timeline</b>	Report progress by end-2023 (as part of the 2023 Resolution Report)
<b>7. Post-resolution restructuring</b>	
<b>Action</b>	<b>Share experiences and lessons learnt and explore potential challenges for G-SIBs on post-resolution issues, including legal and operational ones.</b>
<b>Responsible</b>	ReSG bankCBCM
<b>Timeline</b>	Report findings by end-2023 (as part of the 2023 Resolution Report)

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## 8. Resolvability Assessment Process (RAP)

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<b>Action</b>	<b>Conduct ninth RAP for G-SIBs</b>
<b>Responsible</b>	G-SIB CMGs
<b>Timeline</b>	Report high-level findings by end-2023 (as part of the 2023 Resolution Report)

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## 5.4. Monitoring Implementation

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### Annual reporting

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<b>Action</b>	<b>Update monitoring on the basis of standardised templates for the bank and non-bank sectors and report annually on resolution and public assistance cases in FSB jurisdictions involving banks with assets over USD 10 billion</b>
<b>Responsible</b>	FSB members, Secretariat
<b>Timeline</b>	2023 (as part of the 2023 Resolution Report)

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## 5.5. Other

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### Cross-sectoral cooperation and coordination on resolution

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<b>Action</b>	<b>Explore of areas of relevance for enhanced cross-sectoral cooperation and coordination in resolution matters</b>
<b>Responsible</b>	ReSG bankCBCM, insuranceCBCM, fmiCBCM [CPMI-IOSCO and BCBS]
<b>Timeline</b>	Report high-level conclusions by end-2023 (as part of the 2023 Resolution Report)

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## Annex 1: Status of implementation of aspects of bank resolution regimes by FSB and ReSG member jurisdictions as of September 2022

This table does not provide a full or independent assessment of the extent to which resolution regimes of FSB and ReSG member jurisdictions comply with the Key Attributes and does not reflect a judgement on whether national implementation is effective in achieving the outcomes that are intended under the Key Attributes. It is based largely on self-reporting by national authorities as regards the implementation of certain resolution tools as described in the Key Attributes provided for in the legal frameworks and resolution regimes of FSB and ReSG member jurisdictions. The availability of such powers, as indicated in the table, should not lead to the conclusion that resolution will necessarily be effective, nor does the absence of such powers necessarily mean that a jurisdiction will not be able to achieve an effective resolution.

FSB / ReSG Member Jurisdiction	Powers to transfer or sell assets and liabilities	Powers to establish a temporary bridge institution	Powers to write down and convert liabilities (bail-in)	Power to impose temporary stay on early termination rights	Resolution powers in relation to holding companies	Recovery planning for systemic firms	Resolution planning for systemic firms	Powers to require changes to firms' structure and operations to improve resolvability
Argentina								1
Australia							(B)	
Brazil		(B)	(B)	(B)				<sup>1</sup> (B)
Canada					2			
China							3	1
France								
Germany								
Hong Kong								
India	4							
Indonesia							7	7

FSB / ReSG Member Jurisdiction	Powers to transfer or sell assets and liabilities	Powers to establish a temporary bridge institution	Powers to write down and convert liabilities (bail-in)	Power to impose temporary stay on early termination rights	Resolution powers in relation to holding companies	Recovery planning for systemic firms	Resolution planning for systemic firms	Powers to require changes to firms' structure and operations to improve resolvability
Italy								
Japan			5					
Korea			(B)					
Mexico								1
Netherlands								
Russia <sup>56</sup>					(B)			
Saudi Arabia	6	6	6	6	6	6	6	1
Singapore			8					
South Africa		(A)	(A)	(A)	(A)		(A)	(A)
Spain								
Sweden								
Switzerland								
Türkiye		(B)	(B)	(B)		(B)	(B)	(B)
United Kingdom								
United States								

<sup>56</sup> This report does not include updated information on implementation of resolution regimes in Russia, so the status of Russia in this report is based on information in 2021.

## Current status of implementation

	Implemented
	Partially implemented (all elements in the KA provision are satisfied but powers/requirements can be exercised only in limited circumstances)
	Not implemented (some or all of the elements in the KA provision are not satisfied)
	Not applicable

## Status of any pending reforms

- A** Reforms agreed (final legislation or rule approved) but not yet in force
- B** Reforms under development (policy proposals published or issued for intra-governmental consultation; draft legislation submitted to legislative body or rule-making process initiated under existing statutory authority)

- <sup>1</sup> Supervisory authorities have some powers to require supervised institutions to make changes to their business organisation and legal structure, but the purposes for and circumstances under which authorities can exercise such powers vary.
- <sup>2</sup> Bank holding companies not present in the jurisdiction.
- <sup>3</sup> The jurisdiction is developing resolution plans for G-SIBs, designated D-SIBs in October 2021 and is planning to develop resolution plans for D-SIBs in due course.
- <sup>4</sup> The Banking Regulation Act's relevant powers do not extend to state-owned banks.
- <sup>5</sup> The Japanese authorities report that they are able to achieve the economic objectives of bail-in by capitalising a bridge institution to which functions have been transferred and by liquidating the residual firm via powers to separate assets and liabilities of a failed institution. However, it is not clear that the recapitalisation is achieved by converting claims of creditors of the failed institution into equity of that institution or of any successor in resolution as required by KA 3.5 (ii).
- <sup>6</sup> Saudi Arabia issued its Resolution of Systemically Important Financial Institutions Law in December 2020, which came into force in 2021. The law provides for further rules and regulations to be developed in order to complete its implementation.
- <sup>7</sup> Under the new Regulation Number 1/2021 on resolution plans, promulgated by the Indonesian Deposit Insurance Corporation (IDIC) in March 2021, D-SIBs and selected non-D-SIBs must prepare resolution plans starting in 2022. The regulation also stipulates the resolvability assessment requirement and IDIC may require banks to determine and implement actions to resolve obstacles to the implementation of the resolution strategy.
- <sup>8</sup> Singapore's scope of bail-in covers unsecured subordinated debt and unsecured subordinated loans, but excludes senior debt (except for senior debt instruments that are contingently convertible into equity or which contain contractual bail-in clauses). MAS reported that this strikes an appropriate balance between ensuring that banks have sufficient loss-absorbing capacity and minimising the risk of contagion to the financial system and broader economy in the event of a bail-in.

## Notes

The columns in this table cover the following elements of the *Key Attributes*:

- Resolution powers: KA 3.2, points (vi), (vii), (ix) and (x);
- Power to impose temporary stay on early termination rights: KA 4.3 (first paragraph) and 4.3 (i);
- Resolution powers in relation to holding companies: KA 1.1 (i);

- Recovery and resolution planning for systemic firms (requirements and/or current practice): KA 11.2;
- Powers to require changes to improve firms' resolvability: KA 10.5.

## Annex 2: Status of implementation of aspects of insurance resolution regimes by FSB jurisdictions as of September 2022

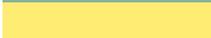
This table does not provide a full or independent assessment of the extent to which resolution regimes of FSB jurisdictions comply with the Key Attributes and does not reflect a judgement on whether national implementation is effective in achieving the outcomes that are intended under the Key Attributes. It is based largely on self-reporting by national authorities as regards the implementation of certain resolution tools as described in the Key Attributes provided for in the legal frameworks and resolution regimes of FSB jurisdictions. The availability of such powers, as indicated in the table, should not lead to the conclusion that resolution will necessarily be effective, nor does the absence of such powers necessarily mean that a jurisdiction will not be able to achieve an effective resolution.

FSB Jurisdiction	Existence of administrative resolution authority	Powers to undertake a transfer (including a portfolio transfer)	Powers to establish a temporary bridge institution	Powers to administer existing insurance contracts and fulfil obligations (including run-off)	Power to impose temporary stay on early termination rights	Powers to restructure, limit or write down insurance and reinsurance and other liabilities	Existence of privately financed policyholder protection schemes or resolution funds
Argentina							
Australia							
Brazil		(B)	(B)			(B)	
Canada							
China	14						
France						1	
Germany	12,13	2b			2a	2a	
Hong Kong							
India							
Indonesia							

FSB Jurisdiction	Existence of administrative resolution authority	Powers to undertake a transfer (including a portfolio transfer)	Powers to establish a temporary bridge institution	Powers to administer existing insurance contracts and fulfil obligations (including run-off)	Power to impose temporary stay on early termination rights	Powers to restructure, limit or write down insurance and reinsurance and other liabilities	Existence of privately financed policyholder protection schemes or resolution funds
Italy	7, 13	15					
Japan							
Korea							
Mexico							
Netherlands	6	6	6	6	6	6	6
Russia <sup>57</sup>							
Saudi Arabia	8	8	8		8		9
Singapore						(B)	
South Africa	(A)	(A)	(A)	(A)	(A)	(A)	
Spain	13	10					11
Switzerland		3,4	4 (B)		4 (B)	4 (B)	
Türkiye					(B)		
United Kingdom		5		5		5	
United States							

<sup>57</sup> *Id.*

## Current status of implementation

	Implemented
	Partially implemented (all elements in the KA provision are satisfied but powers/requirements can be exercised only in limited circumstances)
	Not implemented (some or all of the elements in the KA provision are not satisfied)

Bordered cells indicate a colour change from the 2021 report.

## Status of any pending reforms

- A** Reforms agreed (final legislation or rule approved) but not yet in force
- B** Reforms under development (policy proposals published or issued for intra-governmental consultation; draft legislation submitted to legislative body or rule-making process initiated under existing statutory authority)

- <sup>1</sup> The framework provides for a broad set of new resolution tools, such as transfers of assets and liabilities, and bridge institutions, but does not include a bail-in tool. Although it is understood that there are no legal constraints under the French constitution that would hinder the introduction of bail-in powers, legal uncertainty may emanate from the lack of specific exemptions set out in EU law that could subsequently be exploited by creditors in legal challenges when bail-in powers are applied. (See IMF (2019) *France: Financial Sector Assessment Program-Technical Note-Key Attributes of Effective Resolution Regimes for Insurance Companies*, October.)
- <sup>2</sup> a) The power is currently only exercisable if a company can no longer fulfil its liabilities but the opening of insolvency proceedings is not in the best interest of the policy holders. b) The power on portfolio transfers is given. The power to transfer policies without consent of the undertaking is pending in light of the common EU-wide implemented minimum resolution framework.
- <sup>3</sup> The Insurance Supervision Act currently provides the legal basis to transfer portfolios in direct insurance.
- <sup>4</sup> The Swiss government has drafted an amendment to the resolution regime of insurers, which will include the resolution powers that are currently missing. The public consultation of this partial revision of the Insurance Supervision Act (ISA) lasted until the end of February 2019. The revision of the ISA was finally determined in parliament in March 2022. It is intended that ISA will enter into force in July 2023.
- <sup>5</sup> The authorities of the United Kingdom report that non-administrative resolution authorities (the Prudential Regulation Authority and the court) have these powers.
- <sup>6</sup> As of 1 January 2019, a new national resolution framework is in place. The Act introduces recovery planning for all Dutch insurers that are required to comply with Solvency II, and introduces resolution planning for insurance companies that could be eligible for resolution. Eligibility is determined by a public interest test. Insurers pass the test when resolution can prevent significant negative effects for the economy, financial markets or society, or protects public funds, in case of a failure. This creates a broader scope than the G-SII determination process and results in more eligible insurers. The resolution tools and resolution planning requirements are inspired by the BRRD, although the practical implications differ substantially for insurers.
- <sup>7</sup> In the absence of a national framework for the resolution of insurers, a resolution authority is not formally designated for this purpose. However, depending on specific circumstances, the supervisory authority, other governmental entities or private persons (e.g. administrators, liquidators or other officers) exercise the resolution powers envisaged in the ICP 12 and ComFrame in the context of the supervisory actions of the national supervisory authority, of the extraordinary administration and the compulsory winding up of the insurer.
- <sup>8</sup> Saudi Arabia issued its Resolution of Systemically Important Financial Institutions Law in December 2020, which came into force in 2021. The law provides for further rules and regulations to be developed in order to complete its implementation.
- <sup>9</sup> The framework includes the power of the resolution authority to establish a privately financed resolution fund which has not yet been established.
- <sup>10</sup> The power to undertake a portfolio transfer is provided in the supervisory framework, and it may be exercised by the supervisory authority as part of an administrative winding-up process undertaken by the “Consortio de Compensación de Seguros”. The power to transfer policies in the context of resolution is pending the implementation of a European framework on the recovery and resolution of (re)insurers in the EU.

- <sup>11</sup> The Spanish legislation does not include a complete framework for the resolution of insurers. The missing powers will be included in the Spanish legislation with the implementation of the Solvency II Review. Nevertheless, a special system is in place for the winding up of insurance companies through the “Consortio de Compensación de Seguros”. This system allows to deal in a particular way with concerns regarding the adoption of the KAs resolution provisions.
- <sup>12</sup> In absence of an explicit official EU provision implemented in the national insurance law (VAG), BaFin functions as the German resolution authority for insurers in practice. With the exception of few insurers being supervised by the Finance ministry of the Länder.
- <sup>13</sup> While Germany, Spain and Italy have not yet formally designated a resolution authority, certain national authorities in these jurisdictions may perform activities or execute certain powers that are similar to those of a designated resolution authority under the KAs. A formal designation will take place once the EU Directive on the recovery and resolution of (re)insurers in the EU will be implemented in these jurisdictions.
- <sup>14</sup> The People’s Bank of China (PBC), the CBIRC, as well as the China Insurance Security Fund Company have a legal mandate for the resolution of insurers. According to the law on PBC, it is responsible for the resolution of financial risks and for maintaining the stability of financial system. Pursuant to the Guidelines on the Regulation and Resolution of Systematically Important Financial Institutions, the PBC leads the resolution of financial institutions that have been designated as systemically important, including insurers. According to the law on CBIRC and the law of insurance, the CBIRC is mandated with taking over any failing insurer and with the transfer of policyholders’ rights. The Policyholder Compensation Company has played an important role in several resolution cases in recent years.
- <sup>15</sup> The power to undertake a portfolio transfer is provided for in the compulsory winding up proceedings and is exercised by the liquidator appointed by IVASS. The power to transfer policies in the context of resolution is pending the implementation of a European framework on the recovery and resolution of (re)insurers in the EU.

## Notes

The columns in this table cover the following elements of the *Key Attributes*:

- Administrative resolution authority: KA 2.1
- Resolution powers: KA 3.2, points (iii), (vi), (vii) and (x); KA3.7, points (i) and (ii); Appendix II-Annex 2, paragraph 4.4
- Power to impose temporary stay on early termination rights: KA 4.3 (first paragraph) and 4.3 (i)
- Privately financed policyholder protection scheme (PPS): Appendix II-Annex 2, paragraph 6.1

## Annex 3: Rules, regulations and guidance relevant to G-SIB resolvability

Jurisdiction	TLAC	Early termination of financial contracts	Operational continuity	Funding in resolution	Continuity of Access to FMI	Valuation capability
European Union / Banking Union	<p>Commission Delegated Regulation (EU) 2021/763 on supervisory reporting and public disclosure of MREL and TLAC, <u>May 2021</u></p> <p>Final rules on external and internal TLAC published in <u>June 2019</u></p> <p>Expectations for Banks published in <u>April 2020</u></p> <p>Guidance for the bail-in operationalisation published in <u>August 2020</u></p> <p>Guidance on bail-in for international debt securities, published in <u>March 2021</u></p> <p>Brexit UK Instruments Communication, <u>March 2021</u></p> <p>MREL SRB policy under the Banking Package, <u>May 2021</u></p> <p>SRB new Resolvability Assessment Policy (heat-map approach), <u>July 2021</u></p> <p>SRB updated 2022 MREL policy, <u>June 2022</u></p>	<p>Directive (EU) 2019/879 of 20 <u>May 2019</u> (BRRD2)</p> <p>Commission Delegated Regulation (EU) 2021/1340 on content of contractual terms on recognition of resolution stay powers, <u>August 2021</u></p> <p>Germany: Regulation, November 2015, amended in <u>December 2020</u></p> <p>Italy: Regulation, <u>January 2018</u></p>	<p>EBA Resolvability Guidelines GL/2022/01, <u>January 2022</u></p> <p>EBA Transferability Guidelines GL/2022/11, <u>September 2022</u></p>			
			<p>SRB Guidance on the Critical Functions Report, <u>December 2018</u></p> <p>European Commission Implementing Regulation (EU) 2018/1624 of <u>October 2018</u></p> <p>SRB guidance on separability of banks in times of crisis, <u>October 2021</u></p> <p>SRB updated Guidance for operational continuity in resolution, <u>November 2021</u></p> <p>SRB guidance on solvent wind-down, <u>December 2021</u></p>	<p>Regulation (EU) 806/2014 of 15 July 2014 (SRMR)</p> <p>European Council ESM Draft guidelines on Common Backstop to the SRF, <u>April 2021</u></p> <p>Backstop to enter into force in <u>early 2022</u>, as agreed by Eurogroup in November 2020.</p> <p>Operational Guidance on Liquidity and Funding in resolution, <u>April 2021</u></p> <p>SRB operational guidance on the identification and mobilisation of collateral in resolution, <u>March 2022</u></p>	<p>SRB 2019 Guidance on the FMI Report, <u>December 2018</u></p> <p>SRB Guidance for FMI contingency plans, <u>July 2020</u></p>	<p>Commission Delegated Regulation on Valuation in Resolution, November <u>2017</u></p> <p>SRB Framework for Valuation, <u>February 2019</u></p> <p>EBA Valuation Handbook, <u>February 2019</u></p> <p>SRB Valuation Data Set instructions document &amp; Explanatory Note, <u>June 2021</u></p>

<b>Canada</b>	Final guidelines published in <u>April 2018</u>	Rule in force under the CDIC Act since December 2017, as amended in 2021. <u>CDIC Eligible Financial Contract (EFC) By-Law</u> came into force on 30 March 2022.	<p style="text-align: center;">CDIC Resolution Planning By-Law (CIF <u>May 2019</u>):  CDIC Resolution Planning Guidance issued in 2016, amended in 2019 and <u>2022</u>  Resolvability Assessment Framework issued in 2019 and published in <u>2022</u></p>			
<b>China</b>	Final rules published in October 2021		<p style="text-align: center;">Commercial Banking Law of the People’s Republic of China (<u>Aug. 2015</u>)  Deposit Insurance Regulations of the People’s Republic of China (<u>Mar. 2015</u>)  Law of the People’s Republic of China on the People’s Bank of China (<u>Dec. 2003</u>)  Provisions on the Additional Regulation of Systemically Important Banks (Interim) (<u>Sep. 2021</u>)  Interim Measures for the Implementation of Recovery and Resolution Plans of Banks and Insurers (<u>June 2021</u>)  Guidelines on Due Diligence in Disposing of Non-Performing Financial Assets (Nov. 2005)</p>			
<b>Hong Kong</b>	Final rules on external and internal TLAC published in <u>December 2018</u>	Final rules published in <u>August 2021</u>	Final Code of Practice chapter published in <u>November 2021</u>	Final Code of Practice chapter published in <u>July 2022</u>		
<b>Japan</b>	Final policy on external and internal TLAC published in <u>March 2019</u>	Regulation published April 2017	Supervisory guidelines on operational continuity in resolution published in July 2018	Final guidelines published in July 2018	Final guidelines published in July 2018	

<b>Switzerland</b>	Final requirements published in <u>October 2015</u>	Final requirements published in <u>March 2017</u>	Requirements published in <u>Banking Act</u> and <u>Banking Ordinance</u>	Regulatory requirements under development		
<b>United Kingdom</b>	Policy statement (external, internal TLAC) published in <u>June 2018</u> Resolvability Assessment Framework published in <u>July 2019</u> (subsequent update <u>May 2020</u> )	Policy statement published in <u>November 2015</u>	Policy statement published in <u>July 2016</u> Resolvability Assessment Framework Consultation, <u>December 2018</u>	Resolvability Assessment Framework, <u>July 2019</u>	Resolvability Assessment Framework, <u>July 2019</u>	Policy statement published in <u>June 2018</u>
<b>United States</b>	Final rule (external, internal TLAC) published in <u>December 2016</u> Final rule (regulatory capital treatment of TLAC holdings) published in <u>October 2020</u>	Final rule published in <u>September 2017</u>	Final Guidance for 2019 and subsequent resolution plan submissions by 8 US G-SIBs, <u>February 2019</u>			

## Annex 4: Selected cases of public assistance or resolution of banks in FSB jurisdictions<sup>58</sup>

The table lists select cases of public assistance or resolution since 2016 for banks with assets over USD 10 billion in FSB jurisdictions. The size threshold was chosen in order to restrict the list to medium and large banks, while the choice of year was based on the fact that several FSB jurisdictions adopted comprehensive resolution frameworks as of 2016. The table does not include cases where the original intervention pre-dated 2016 (e.g. HSH Nordbank, Banca delle Marche, Etruria); sector-wide support programmes (e.g. the Italian guarantee scheme to facilitate the securitisation of non-performing loans, which is voluntary and open to all banks); or cases of emergency liquidity assistance by central banks. The banks are listed by asset size (converted to USD equivalent) at the time of the first public intervention, where possible.

Bank	Balance sheet size at time of intervention	SIB (Y/N)	Home jurisdiction	Date measure taken	Description of measure taken	Amount / Source of assistance (if applicable)	Current status of bank
Hengfeng Bank	CNY1.2 tn [USD173bn (2016)]	N	CN	August 2019	Received investment by sovereign wealth fund Central Huijin Investment Ltd. (60 billion shares).	N/A	Restructuring completed
Banca Monte dei Paschi di Siena	€143.5 bn [USD164 bn (2017)]	Y	IT	December 2016; July 2017	Received precautionary liquidity support (state guarantee) and recapitalisation	€15 bn <sup>59</sup> (liquidity guarantee), €5.4bn (recapitalisation)	In operation, restructuring.
NORD/LB	€146.9 bn [USD160bn (2019)]	Y	DE	December 2019	Received market-conform public support by its public sector owners <sup>60</sup> for strengthening capital and restructuring.	€2.8 bn investment, €0.8 bn capital relief <sup>61</sup>	In operation

<sup>58</sup> FSB (2020) *Evaluation of the effects of too-big-to-fail reforms*, June. Annex G, pp. 124-126.

<sup>59</sup> The State aid approved amounted to €15 bn, of which €11 bn was used.

<sup>60</sup> See [here](#).

<sup>61</sup> The €2.8 bn amount corresponds to the public market-conform measure and the €0.8 bn amount was provided by the Institutional Protection Scheme (IPS)

Bank	Balance sheet size at time of intervention	SIB (Y/N)	Home jurisdiction	Date measure taken	Description of measure taken	Amount / Source of assistance (if applicable)	Current status of bank
Banco Popular Español	€147 bn [USD154.6bn (2017)]	Y	ES	June 2017	Determined as failing or likely to fail (FOLTF) by ECB; put into resolution by Single Resolution Board; losses absorbed by equity and subordinated debt; sale to Banco Santander S.A.	No public funds used	Acquired
Bank of Jinzhou	CNY845.9 bn [USD 122.4 bn (2018)]	N	CN	July 2019	Received equity investment by three state-run financial institutions (Industrial & Commercial Bank of China Ltd., China Cinda Asset Management Co. Ltd., China Great Wall Asset Management Co. Ltd.).	N/A	Restructuring completed
Harbin Bank	CNY615 bn [USD89.3 bn (2018)]	N	CN	November 2019	Two state-run financial institutions (Harbin Economic Development and Investment Co. and Heilongjiang Financial Holdings Group Co. Ltd.) became primary shareholders through share transfer.	N/A	Restructuring completed
Baoshang Bank	CNY431 bn [USD62 bn (2016)]	N	CN	May 2019	Taken over by the People's Bank of China and the China Banking and Insurance Regulatory Commission; guarantee on corporate deposits and interbank debts.	N/A	Restructuring completed and declared bankruptcy
Bank Otkritie Financial Corporation PJSC	RUB2.6 tn [USD44 bn (2017)]	Y	RU	August 2017; December 2017; August 2018; 2018	Entered resolution; capital injection by the Central Bank of the Russian Federation (CBR); split into good bank and bad bank.	N/A; RUB456.2 bn; RUB42,72 bn; N/A	In operation, resolution completed, under control of the CBR

Bank	Balance sheet size at time of intervention	SIB (Y/N)	Home jurisdiction	Date measure taken	Description of measure taken	Amount / Source of assistance (if applicable)	Current status of bank
Yes Bank Ltd.	INR2.9 tn [USD41 bn (2019)]	N	IN	March 2020	On recommendation of the Reserve Bank of India, a Scheme of Reconstruction was sanctioned by the Government on March 13, 2020. In terms of the Scheme, the State Bank of India (largest public sector bank) and other private sector banks have invested INR100 bn (USD1.40 bn) in Yes Bank. The Board of the bank was also superseded and after a brief period, a new Board was constituted to manage the affairs of the bank.	A public sector bank invested INR60.5 bn (USD0.85 bn) in Yes Bank.	In operation
Banca Popolare di Vicenza	€34.4 bn [USD36.4 bn (2016)]	N	IT	February 2017; May 2017; June 2017	Received precautionary liquidity support (state guarantee); declared FOLTF by ECB; negative public interest assessment by SRB; forced administrative liquidation by Bank of Italy; entered compulsory administrative liquidation (including €4.8 bn cash injection and €12 bn state guarantees for combined sale of parts of Banca Popolare di Vicenza and Veneto Banca.)	€3 bn; €2.2 bn	Liquidated
Veneto Banca	€28 bn [USD29 bn (2016)]	N	IT	February 2017; May 2017; June 2017	Received precautionary liquidity support (state guarantee); declared FOLTF by ECB; negative public interest assessment by SRB; forced administrative liquidation by Bank of Italy. Entered compulsory administrative liquidation (including €4.8 bn cash injection and €12 bn state guarantees for combined sale of Banca Popolare di Vicenza and Veneto Banca).	€3.5 bn; €1.4 bn	Liquidated

Bank	Balance sheet size at time of intervention	SIB (Y/N)	Home jurisdiction	Date measure taken	Description of measure taken	Amount / Source of assistance (if applicable)	Current status of bank
Banca Carige	€22 bn [USD26 bn (2018)]	N	IT	January 2019	Received precautionary liquidity support in the form of remunerated guarantees that are restricted to solvent banks. <sup>62</sup>	Up to €3 bn	In operation, acquired and in the process of being merged with the buyer.
Promsvyazbank	RUB1.4 tn [USD24 bn (2017)]	Y	RU	December 2017; March-May 2018; 2018	Entered resolution; capital injection and financial aid provided by Deposit Insurance Agency (DIA); split into good bank and bad bank; nationalisation.	N/A; RUB244.2 bn, including capital injection (RUB113.4 bn) and financial aid (RUB130.8 bn) by DIA; N/A	In operation under government control
B&N Bank	RUB1,1 tn [USD19 bn (2017)]	N	RU	September 2017; March 2018; 2018	Entered resolution; capital injection by CBR; split into good bank and bad bank.	N/A; RUB56.9 bn; N/A	Good bank merged with Bank Otkritie and under control of the CBR

<sup>62</sup> See [here](#).

## Annex 5: Membership in ReSG and its subgroups (November 2021 – October 2022)

### Authorities from jurisdictions

- **Australia:** Reserve Bank of Australia (RBA), Australian Prudential Regulation Authority (APRA)
- **Belgium:** National Bank of Belgium
- **Brazil:** Banco Central do Brazil
- **Canada:** Department of Finance Canada, Bank of Canada, Canadian Deposit Insurance Corporation (CDIC), Office of the Superintendent of Financial Institutions (OSFI)
- **China:** People's Bank of China, China Banking and Insurance Regulatory Commission (CBIRC)
- **France :** French Ministry of Economy and Finance, Banque de France, Autorité de Contrôle Prudentiel et de Résolution (ACPR), Autorité des Marchés Financiers (AMF)
- **Germany:** Deutsche Bundesbank, Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)
- **Hong Kong:** Hong Kong Insurance Authority (HKIA), Hong Kong Monetary Authority (HKMA), Hong Kong Securities and Futures Commission (SFC)
- **India:** Reserve Bank of India (RBI)
- **Indonesia:** Indonesia Ministry of Finance, Bank Indonesia
- **Italy:** Banca d'Italia, Italian Supervisory Authority for Insurance Undertakings (IVASS)
- **Japan:** Bank of Japan, Japan Financial Services Agency (JFSA)
- **Korea:** Korea Financial Services Commission, Korea Deposit Insurance Corporation
- **Mexico:** Banco de México, Instituto para la Protección al Ahorro Bancario (IPAB)
- **Netherlands:** De Nederlandsche Bank (DNB)
- **Russia<sup>63</sup>:** Bank of Russia
- **Saudi Arabia:** Saudi Central Bank (SAMA)

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<sup>63</sup> Russian authorities have agreed not to participate in FSB meetings at present.

- **Singapore:** Monetary Authority of Singapore (MAS)
- **South Africa:** South African Reserve Bank (SARB)
- **Spain:** Bank of Spain, Comisión Nacional del Mercado de Valores (CNMV), FROB Executive Resolution Authority
- **Sweden:** Swedish National Debt Office (SNDO)
- **Switzerland:** Swiss Financial Market Supervisory Authority (FINMA)
- **Türkiye:** Savings Deposit Insurance Fund (SDIF)
- **United Kingdom:** HM Treasury, Bank of England, Prudential Regulation Authority
- **United States:** U.S. Department of the Treasury, Board of Governors of the Federal Reserve System (FRB), Federal Reserve Bank of New York, Commodity Futures Trading Commission (CFTC), Federal Deposit Insurance Corporation (FDIC), Federal Insurance Office of U.S. Department of the Treasury (FIO), Office of the Comptroller of the Currency, Securities and Exchange Commission (SEC)
- **European Union (EU) and Banking Union:** European Commission (EC), European Central Bank (ECB), European Banking Authority (EBA), European Securities and Markets Authority (ESMA), Single Resolution Board (SRB)

## Standard-setting bodies and international financial institutions

- Basel Committee on Banking Supervision (BCBS)
- Bank for International Settlements (Financial Stability Institute)
- Committee on Payments and Market Infrastructures (CPMI)
- International Association of Deposit Insurers (IADI)
- International Association of Insurance Supervisors (IAIS)
- International Monetary Fund (IMF)
- International Organization of Securities Commissions (IOSCO)
- World Bank

## Abbreviations

BRRD	Bank Recovery and Resolution Directive (EU)
bankCBCM	FSB Cross-Border Crisis Management Group for banks
CCPs	Central Counterparties
CMG	Crisis Management Group
CoAgs	Cross-border Cooperation Agreements
COVID-19	Coronavirus disease of 2019
CSD	Central Securities Depository
D-SIBs	Domestic Systemically Important Banks
DL	Default loss
EME	Emerging Market Economy
EU	European Union
fmiCBCM	FSB Cross-Border Crisis Management Group for FMIs
FMIs	Financial Market Infrastructures
FOLTF	Failing or likely to fail
FSB	Financial Stability Board
G-SIBs	Global Systemically Important Banks
G-SIIs	Global Systemically Important Insurers
iCBCM	FSB Cross-Border Crisis Management Group for insurance
ISIN	International Securities Identification Number
ISDA	International Swaps and Derivatives Association
JMP	Jurisdictional Modular Protocol (ISDA)
KA	Key Attributes
LAC	Loss Absorbing Capacity
LEI	Legal Entity Identifier
LRE	Leverage Ratio Exposure

MREL	Minimum Requirement for own funds and Eligible Liabilities (EU)
MSG	Material subgroup
NDL	Non-default loss
PPS	Policyholder Protection Scheme
RAP	Resolvability Assessment Process
ReSG	FSB Resolution Steering Group
RMP	Resolvability Monitoring Process
RWA	Risk-Weighted Assets
SIBs	Systemically Important Banks
SIFIs	Systemically Important Financial Institutions
SIIs	Systemically Important Insurers
SI>1	CCP that is systemically important in more than one jurisdiction
TBTF	Too Big To Fail
TLAC	Total Loss-Absorbing Capacity
TLAC TS	<u>TLAC Term Sheet</u>
uTLAC	Unallocated TLAC resources