

Thematic Review on Public Sector Backstop Funding Mechanisms

Peer review report



9 October 2026

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Foreword

Financial Stability Board (FSB) member jurisdictions, under the FSB Charter and in the *FSB Framework for Strengthening Adherence to International Standards*,¹ committed to lead by example by implementing international financial standards, disclosing their level of adherence to those standards and undergoing periodic peer reviews to evaluate adherence to these standards. To fulfil this responsibility, the FSB has established a regular programme of country and thematic peer reviews of its member jurisdictions.

Thematic reviews focus on the implementation and effectiveness across the FSB membership of international financial standards developed by standard-setting bodies (SSBs) and policies agreed within the FSB in a particular area important for global financial stability. Thematic reviews may also analyse other areas important for global financial stability where international standards or policies do not yet exist. The objectives of the reviews are to encourage consistent cross-jurisdiction and cross-sector implementation; to evaluate (where possible) the extent to which standards and policies have had their intended results; and to identify gaps and weaknesses in reviewed areas and to make recommendations for potential follow-up (including through the development of new standards) by FSB members.

This report describes the findings of the peer review on implementation of the FSB's policies related to the establishment of public sector backstop funding mechanisms to provide temporary funding to banks in resolution, if necessary, as a last resort. This peer review evaluated the progress made and planned by FSB member jurisdictions, assessing whether the establishment, design features and operational readiness of public sector backstop funding mechanisms in FSB member jurisdictions are adequate to achieve orderly resolution of banks that are systemic in failure, while minimising moral hazard risks and mitigating any taxpayer losses. The review is based on the objectives and guidelines for the conduct of peer reviews set forth in the *Handbook for FSB Peer Reviews*.² Unless otherwise noted, analysis and conclusions reflect information as of August 2026 and take into consideration the key elements of the discussion of the FSB Standing Committee on Standards Implementation (SCSI) in September 2026, and input from the FSB Resolution Steering Group (ReSG).

The draft report for discussion by SCSI was prepared by a team chaired by Soledad Núñez (Banco de España). The team comprised Thomas Rave (Federal Ministry of Finance, Germany), Gianluca Aloia (Banca d'Italia), Nobuko Ikeda³ (Bank of Japan), Ken Taniguchi⁴ (Bank of Japan), Stephanie Guigue (HM Treasury, United Kingdom), Chris Lembesis (Federal Reserve Board, United States), Brandon Kirby (Federal Deposit Insurance Corporation, United States), Audrey Lee (Department of the Treasury, United States), Paul Kulkarni (Single Resolution Board, European Union), and João Marques (International Monetary Fund). Peter Goodrich and Masami Inoue (FSB Secretariat) provided support to the team and contributed to the preparation of the report.

¹ FSB (2010), *FSB Framework for Strengthening Adherence to International Standards*, January.

² FSB (2017), *Handbook for FSB Peer Reviews*, April.

³ Until June 2026.

⁴ From June 2026.

Executive summary

This peer review assesses FSB member jurisdictions' implementation progress and adherence to FSB Key Attribute (KA) 6 and its 2016 guidance.⁵ The KA 6 and its 2016 guidance focuses on the establishment of public sector backstop funding ("PBF") mechanisms, to be well placed if authorities decide during a resolution to provide temporary funding to systemic banks in resolution, as a last resort, after private sources of funding as a first-choice source of funding, for example ex-ante asset mobilisation, are exhausted or cannot achieve the objectives of the KAs. Having such public funding ready in advance helps prevent the disorderly failure of a systemic bank or costly bailouts.

This peer review evaluates three questions across the FSB membership: whether a credible PBF mechanism exists and can deliver temporary liquidity at the scale and speed likely to be needed for an orderly bank resolution;⁶ whether tools are in place for taxpayer losses to be recovered; and whether safeguards are in place to contain moral hazard and ensure the last resort nature of such mechanisms.

Key findings

Overall, the peer review has found that jurisdictions have made progress since the adoption of KA 6. However, progress is uneven and incomplete. Only about one in five FSB member jurisdictions are fully compliant with KA 6, while about half have material gaps. Most gaps relate to the credibility of PBF mechanisms, with fewer than half of jurisdictions having mechanisms that are clear, capable of providing liquidity at the required scale, and able to be used in a timely manner.

The 2016 Guiding Principles state that "an effective public sector backstop funding mechanism should be available for use when necessary and appropriate." In many jurisdictions, authorities have not clearly established how much temporary public funding would be available once a systemic bank enters resolution or how they would combine and coordinate multiple funding sources, if needed. Among the jurisdictions reviewed, those demonstrating the greatest funding scale have pre-arranged routes to flexible public resources that allow funding to be expanded in a crisis. Such arrangements can support funding beyond the limits of industry-funded mechanisms, central bank balance sheets, or statutory borrowing caps. At the same time, whether or not a pre-arranged route to more flexible public resources will need to be triggered may depend on the size and structure of a jurisdiction's banking sector and on the availability of alternative arrangements and a systemic bank's private resources⁷ actually prove sufficient to meet the objectives of an orderly resolution. Where that does not prove to be the case, the Key Attributes provide that the arrangements should have been put in place in such a way that any such additional funds are accompanied by appropriate safeguards to protect public funds and

⁵ FSB (2016), *Guiding Principles on the Temporary Funding Needed to Support the Orderly Resolution of a Global Systemically Important Bank*, August.

⁶ The backstop addressed by KA 6 does not contemplate solvency support or temporary public ownership.

⁷ See Section 1 in FSB (2016).

minimise moral hazard risk. Final decisions on triggering such use of flexible public resources can remain a matter of choice for jurisdictional authorities at the time of the resolution.

This report has no implications on the sovereignty of a jurisdiction's fiscal policies or the powers of public authorities to make final decisions on whether to provide public funds at the point a systemic bank enters resolution, when deemed necessary as a last resort. The potential provision of public money for temporary funding in resolution of a systemic bank depends on the specific facts and circumstances in each case.

In addition to the required scale, credibility also depends on whether the authorities and banks are operationally ready to deploy the required amounts in a timely manner. A number of jurisdictions were unable to demonstrate that their PBF mechanisms are operationally ready to provide liquidity under resolution conditions. In particular, the required liquidity should be available under the fast timelines a resolution may demand and, in cases where the PBF mechanisms depend on the ability to monetise assets, they should do so without disrupting the orderly functioning of reference markets. A number of jurisdictions could not demonstrate how their PBF mechanism would convert its resources to cash or lacked cross-authority testing and coordination.

Loss-recovery tools are widely established across jurisdictions, but gaps in many jurisdictions leave taxpayers exposed to the risk of residual losses. Although the legal framework in most jurisdictions enables authorities to recover losses when temporary funding is not fully repaid, the tools available are often incomplete or not fully implemented. These gaps are amplified when the PBF mechanism is comprised of combined arrangements, as in such cases the availability of certain loss recovery tools depends on how different parts of the mechanism are combined.

Even though clear moral hazard safeguards are usually embedded in the legal framework, they are not clearly established in a sizeable minority of jurisdictions. Defining clear safeguards does not predetermine any decision whether to deploy funds, but PBF mechanisms that operate under clear policies governing when public funding may be used, when private funding is insufficient to achieve an orderly resolution, and how losses are allocated, can better mitigate moral hazard while maintaining discretion and flexibility. Individual funding terms, such as pricing, collateral, and maturity, may still be determined case by case.

The peer review did not assess foreign-currency liquidity or other cross-border coordination issues, which are outside its scope and depend on the implementation of other Key Attributes. However, the peer review team observed that internationally active banks may face additional liquidity challenges in resolution. Home authorities may struggle to supply liquidity in foreign currencies and may face impediments to distribute liquidity across borders to the bank's branches or subsidiaries.

Implications

Incomplete implementation of KA 6 in most jurisdictions remains a material gap that weakens authorities' ability to resolve systemic banks and could impact global financial stability. Where a PBF mechanism lacks credibility, uncertainty around the availability of liquidity can affect market confidence, amplify stress, accelerate withdrawals, and increase the risk of disorderly failure or need for ad-hoc public support.

Findings in this report do not affect jurisdictions' potential capability to arrange ad-hoc measures when confronted with a crisis. Acknowledging there may be different paths to completing the resolution of a systemic bank, the report elaborates on preparations needed to meet KA 6, and the advantages of pre-organised arrangements. Its findings should be interpreted as evidence of both best practices and deficiencies in those arrangements and operational preparedness, rather than a way of judging authorities' crisis-management capabilities. Full and consistent implementation of the KAs remains a critical crisis management tool.

Recommendations

Based on the peer review findings, the report recommends that jurisdictions take actions to close the implementation gaps that are identified. Steps in that direction would contribute to: establishing clear and credible public backstop funding arrangements, which can provide liquidity at the scale and speed required for orderly resolution; strengthening operational readiness through governance and testing; and establishing robust arrangements to recover losses, protect taxpayers, and mitigate moral hazard. The report also recommends that the FSB supports member jurisdictions with implementation through sharing of practices, building on existing implementation materials where necessary, as well as close monitoring of progress in implementing KA 6 and its Guiding Principles.

1. Introduction

1.1. Background and objectives

The FSB adopted the Key Attributes of Effective Resolution Regimes for Financial Institutions ('Key Attributes', or KAs) in 2011, to make it possible to resolve a failing financial institution without severe systemic disruption and without exposing taxpayers to loss, while preserving the institution's critical functions.⁸ An effective resolution regime must not only allocate losses and recapitalise a failing bank but also be able to ensure that it can obtain sufficient liquidity to maintain critical functions through resolution (see Box 1). Since the adoption of the KAs, jurisdictions have made substantial progress in strengthening resolution regimes and developing the legal powers, loss-absorption capacity and operational capabilities needed to manage systemic bank failures in an orderly manner. Credible temporary funding arrangements are an important complement to these reforms.

KA 6 addresses funding in resolution and refers to a recapitalised bank's internal liquidity resources and private markets as the preferred source of funding in resolution. However, to the extent a bank's own resources or market access to funding is not available or sufficient, KA 6 calls for a credible public sector backstop funding (PBF) mechanism to be in place, as a last resort, to enable the temporary funding needs of the bank to be met and to achieve an orderly resolution.

This report presents the findings of the FSB thematic peer review of PBF mechanisms. The review examines and evaluates the progress of FSB member jurisdictions in implementing KA 6 and the 2016 *Guiding Principles on the Temporary Funding Needed to Support the Orderly Resolution of a Global Systemically Important Bank* ('Guiding Principles').⁹ More specifically, the peer review:

- Evaluates the progress made by FSB member jurisdictions in implementing a PBF mechanism aligned with KA 6 and the Guiding Principles;
- Assesses whether the establishment, design features and operational readiness of PBF mechanisms in FSB member jurisdictions is adequate to achieve orderly resolution of banks that are systemic in failure while minimising moral hazard risks and mitigating any taxpayer losses;
- Identifies good practices, lessons and shared challenges for establishing PBF mechanisms and implementing KA 6 and the Guiding Principles; and
- Makes recommendations addressed to FSB member jurisdictions and the FSB.

⁸ FSB (2024), "[Key Attributes of Effective Resolution Regimes for Financial Institutions \(revised version 2024\)](#)," April. The revisions to the Key Attributes in 2014 and 2024 did not change the Key Attributes that are relevant to the scope of this review.

⁹ The FSB published subsequent guidance on the funding strategy elements of a resolution plan, which was outside the scope of this review and is therefore not assessed here. FSB (2018), [Funding Strategy Elements of an Implementable Resolution Plan](#), June.

The review forms part of a line of work initiated after the 2023 bank failures. Those bank failures indicated how quickly a bank can experience acute liquidity stress, which may force authorities to arrange ad hoc public funding support if no pre-arranged sources are available, particularly for large, complex, cross-border banks. The FSB analysis of those events emphasised the importance of effective and operationally ready PBF mechanisms.¹⁰ As a result, the FSB undertook to examine whether existing PBF arrangements are adequate for the range of potential failure scenarios, advancing work through information-sharing and monitoring¹¹ before launching this peer review at the request of the 2026 US G20 Presidency.

1.2. Scope

The review focuses on PBF mechanisms available to fund the resolution of a global systemically important bank (G-SIB) or other banks that may be systemically significant or critical if they fail (referred to in this report as ‘systemic banks’). It does not consider the PBF mechanisms available for other sectors covered by the KAs, such as insurers or financial market infrastructures.

For the purposes of this report, PBF mechanisms include all relevant public sources of funding which may be available to a systemic bank at the point at which it is placed into resolution and the periods that follow.¹² It does not cover liquidity support mechanisms available before entry into resolution, unless also available in resolution, nor any form of contribution gathered from within the institution to cover losses or produce liquidity by itself (i.e. bail-in or sale of assets). However, private funding sources are a key part of the resolution regime and should be relied upon as a first-choice source of funding. Their availability has a direct impact on the need for and how much funding – if at all – from a public mechanism could be required as a last resort.

Box 1: Resolution, solvency, and liquidity

The 2008 Global Financial Crisis (GFC) highlighted the need for authorities to be able to manage the failure of systemic banks without causing severe disruption to the financial system or resorting to taxpayer-funded bailouts. This is difficult to achieve under normal insolvency proceedings, as a court may freeze the assets and operations of the bank, which would disrupt the provision of services that may be critical to the financial system and the economy. In addition, prior to the GFC, most tools available to authorities to deal with bank failures were generally designed for smaller banks that did not provide such critical services. Post-crisis resolution frameworks therefore seek to enable the orderly resolution of larger, more systemic institutions while maintaining critical functions and allocating losses to shareholders and creditors in accordance with the creditor hierarchy and applicable safeguards.

Solvency and liquidity are distinct aspects of a bank’s balance sheet structure. Solvency relates to the value of the balance sheet, while liquidity concerns the ability of a bank to pay its obligations in a timely manner. A bank is solvent when the economic value of its assets exceeds its liabilities, and it is liquid when it has sufficient cash or assets that can be readily converted into cash to meet its obligations as they fall due. Solvency and liquidity are often interconnected: a solvent bank may become illiquid if

¹⁰ FSB (2023), *2023 Bank Failures: Preliminary lessons learnt for resolution*, October.

¹¹ See Section 3.2 in FSB (2024), *2024 Resolution Report: “From Lessons to Action: Enhancing Resolution Preparedness”*, December; and “Box 4: Implementation of public sector backstop funding mechanisms” in FSB (2026), *Promoting Global Financial Stability: 2025 FSB Annual Report*, March.

¹² The report does not specifically define the period in, during, or post resolution, as these definitions differ across jurisdictions depending on their resolution framework and tools.

funding counterparties or depositors withdraw funds, but it may face a more fundamental problem if the lack of liquidity is not adequately addressed and erodes the value of assets leading to insolvency.

Resolution frameworks are primarily designed to deal with solvency and liquidity problems that have not been addressed by a systemic bank's own recovery actions. Resolution strategies include a combination of tools to recapitalise a bank and preserve its critical functions and financial stability. For instance, bail-in ensures that losses are absorbed by shareholders and creditors, by giving resolution authorities the powers to write down shares and convert or write down eligible debt, thereby making the use of public funds unnecessary. Once solvency is restored, a resolution strategy provides the means to preserve the failed bank's critical functions, usually through a combination of restructuring to keep those functions operating, transferring critical operations to a buyer or a bridge bank created to hold them temporarily, or winding down those operations in an orderly way.

Regardless of the strategy, the bank in question needs liquidity to maintain any critical functions during resolution. Restoring solvency does not necessarily immediately restore a bank's access to funding, as depositors and market participants may remain reluctant to provide funding. For this reason, the KAs devote considerable attention not only to loss-absorbing capacity but also to the availability of liquidity in resolution, which is essential to maintain confidence and allow the institution to continue meeting its obligations during the resolution process. In its normal course of business, a bank can obtain liquidity by adjusting the composition of its assets, attracting new deposits, borrowing in private markets or accessing ordinary central bank facilities. Preparing for resolution requires a firm to maintain its own sources of liquidity to support the resolution period in which private market funding may not be available. But even with such preparation a PBF mechanism may be needed to provide temporary liquidity until confidence is restored in the bank's ability to meet its short-term obligations, and sustainable access to market funding is recovered.

1.3. Approach

To assess implementation, the peer review grouped the requirements of KA 6 into three assessment dimensions (i) mechanism credibility (KA 6.1/6.3), which combines the size and operational readiness of the PBF mechanism; (ii) provisions to recover taxpayer losses (KA 6.2), and (iii) safeguards to minimise moral hazard (KA 6.4). Each dimension was graded on a four-point scale (Compliant, Largely Compliant, Materially Non-Compliant, Non-Compliant) and an overall KA 6 rating was then assigned. The assessment approach used the Key Attributes Assessment Methodology and is described in further detail in Annex 1.¹³

Only mechanisms established in law were assessed; proposals not yet in force were noted but not considered formally in the assessment. However, once these proposals are in force they may have an impact on a jurisdiction's overall assessment. The ability to source foreign-currency liquidity and other cross-border coordination issues are recognised as material issues but were not part of the assessment dimensions or reflected in individual KA 6 grades, as they depend on implementation of other KAs and actions by other authorities.¹⁴ They are instead addressed in the report's overall findings.

The review draws on responses to a questionnaire distributed to FSB member jurisdictions for purposes of this review and follow-up questions, supplemented by publicly available information

¹³ FSB (2016), Key Attributes Assessment Methodology for the Banking Sector, October.

¹⁴ Cross-border funding issues would depend on implementation of KA 8 (crisis management groups), KA 9 (institution specific cooperation agreements), KA 12 (access to information and information sharing), and KA 11 (recovery and resolution planning).

(including use of relevant findings from the IMF's Financial Sector Assessment Program), previous work completed by the FSB, and feedback received in response to the published terms of reference and a stakeholder outreach event.

The remainder of the report is organised as follows:

- Section 2 defines a PBF and the forms it takes;
- Section 3 summarises members' practices;
- Section 4 examines the factors impacting implementation practices;
- Section 5 summarises the key findings of this peer review; and
- Section 6 sets out recommendations.

Annex 1 contains the assessment methodology used in this peer review. Annex 2 presents an analysis of jurisdictional banking sectors. Annex 3 provides tables summarising the key design features of jurisdictional PBF mechanisms. Annex 4 summarises the rationale for individual jurisdictional assessments, and Annex 5 summarises the feedback received from stakeholders.

2. Overview of public sector backstop funding mechanisms

Role and purpose

A PBF mechanism enables authorities to fund a systemic bank through resolution when private resources and ordinary central bank facilities cannot meet the need. Its role is distinct from loss absorption and recapitalisation: resolution tools can restore solvency by allocating losses to shareholders and creditors, but they do not by themselves ensure that the firm can meet cash outflows, continue critical functions or regain market confidence during and immediately after resolution. In that regard, credibility of a PBF mechanism depends on the legal authority to provide funding and on the mechanism's ability to deliver it at the required scale and speed under the conditions that any resolution scenario could require, thus giving market participants confidence that funding will be available when needed.

PBF mechanisms are therefore best understood as a point of a continuum of liquidity support within the financial safety net (see box 2). A failing systemic bank's liquidity needs should first be met from its own resources, including liquidity buffers, unencumbered assets and any private funding that remains available. Where those sources are insufficient, ordinary central bank facilities may provide liquidity against collateral, where the systemic bank remains eligible and can meet the relevant terms of such facilities. PBF mechanisms sit beyond those sources: they are the public sector backstop available where earlier sources cannot provide short-term liquidity at the scale, speed or confidence needed for an orderly resolution, until such time as the firm again has access to private funding.

PBF mechanisms are central to resolution and financial stability, albeit as a last resort instrument only. A resolution strategy may be difficult or impossible to execute without temporary public funding, even if the legal tools to impose losses on shareholders and recapitalise the systemic bank are available. A bank that is balance-sheet solvent after resolution may still be unable to

operate if it cannot be funded. Without a credible source of temporary liquidity, authorities may be left with two unattractive alternatives: disorderly liquidation of a systemic bank, or ad hoc public support in lieu of, or in addition to, the existing prepared resolution framework. A credible PBF mechanism supports orderly resolution by providing a prepared, legally grounded and operationally ready route to liquidity at the point when it is most needed.

The financial stability function of a PBF mechanism is both direct and indirect. Directly, it provides temporary funding to support the continuity of critical functions through and after resolution. Indirectly, it can reinforce confidence that the resolution strategy can be executed, including in fast-moving stress scenarios where concerns about funding could contribute to stronger run dynamics and liquidity outflows could spill across entities and even jurisdictions and currencies.

Box 2: The PBF and the wider safety net

For the purposes of this report, the financial safety net refers to the set of institutions, arrangements, and tools designed to preserve confidence and maintain financial stability when financial institutions come under stress. Liquidity stress builds across a continuum, from the moment at which a systemic bank comes under pressure but remains outside resolution, through the more acute periods of stress, the determination that it has failed or is likely to fail, and into its resolution. Different parts of the safety net are designed to support the bank's liquidity needs at different points along that continuum, and the PBF mechanism can be understood as the part that is relevant upon entry into resolution.

In normal times a systemic bank holds buffers of liquid assets and stable funding in order to be able to absorb a shock. Prudential regulation and supervision seek to ensure the adequacy of a systemic bank's liquidity risk management. For a moderate or short-lived shock, these buffers may be enough, but they are usually not sized to cater for the outflows linked to a severe or prolonged run.

When the systemic bank has exhausted its liquidity buffers and can no longer access private funding markets or central bank ordinary liquidity facilities, in most jurisdictions liquidity stress is often addressed first through the central bank's lender-of-last-resort powers. The availability of central bank emergency liquidity assistance (ELA) tends to depend on the availability of adequate collateral, and a bank's operational preparedness to access ELA.

After entry into resolution, a systemic bank may not have sufficient eligible collateral, and access to ELA may depend on the jurisdiction's legal and operational framework. The PBF mechanism is intended to provide temporary funding at that stage, i.e. when other sources of liquidity have been exhausted or are no longer effective. It funds the systemic bank in resolution until it can recover access to market funding or ordinary central bank funding.

A critical part of the safety net is a deposit guarantee scheme (DGS), supported by adequate ex ante funding and backstop funding arrangements to meet its obligations, including reimbursing insured deposits up to a specified limit when a bank fails. By providing credible protection to deposits, a DGS supports financial stability and reduces the likelihood and disruptive effects of deposit runs. Where a DGS mandate permits resolution funding, authorities should ensure that such use remains consistent with the DGS's statutory objectives, with the applicable least cost or equivalent safeguards, and with the fund's capacity to meet its obligations. Funding the resolution of a systemic bank could absorb a substantial portion of the fund, potentially impairing its ability to reimburse insured depositors and promote confidence in the financial system.

The relationship between a PBF mechanism and the DGS differs across frameworks. In some frameworks, the deposit insurance fund forms part of the PBF mechanism, with its mandate allowing it to contribute to the resolution funding alongside paying insured depositors. In others, the fund's narrower purpose is retained, so that the deposit insurance fund and PBF mechanism coexist as distinct arrangements, each tasked with separate mandates, funding sources, and governance structures.

Even though the continuum is described in distinct and distinguishable stages, a crisis does not necessarily behave that way. A systemic bank's viability may deteriorate gradually; early intervention, liquidity support, and resolution preparations may proceed concurrently; and moving from going concern to gone concern can occur rapidly. Responsibilities may therefore overlap rather than transfer at a clean boundary. Authorities should establish in advance how the different components of the PBF mechanism work together so they can deploy funding seamlessly within resolution timelines.

Forms of funding

PBF mechanisms come in several broad forms. Some are funded in advance, with funds collected ahead of any need, usually from the industry, and held in a dedicated fund that can be drawn from when resolution requires. In this regard, pre-funded arrangements of this kind can be deployed without immediate recourse to other resources. Resolution funds and deposit insurance funds are examples of this kind of mechanism.

Other PBF mechanisms are contingent, with capacity called on only when the need arises, through borrowing or the use of public guarantees and indemnities. Contingent mechanisms come in many forms: a public indemnity allowing a central bank to manage its financial risks and lend beyond the failed systemic bank's available collateral; a guarantee allowing a resolution authority to borrow from the central bank; or contingent flexible public resources deployed directly to support a systemic bank's resolution.

A PBF mechanism can be provided by different kinds of authorities that make up the safety net. A deposit insurer, where its mandate allows, can support resolution as well as paying insured depositors, backed by the power to recover costs from the insured banks or the industry ex post, and often availing of a government line of credit. A resolution authority may operate a dedicated resolution fund, borrowing against future industry contributions to that fund. A central bank can provide liquidity, usually against collateral, subject to its own conditions, rules and procedures. A ministry of finance may provide fiscal backing to the other funding arrangements, including through appropriations, guarantees, indemnities, and direct funding to the failed systemic bank, subject to authorisation and accountability.

In practice, public funding in resolution is rarely provided by a single mechanism. Resolution funding can be assembled from several parts of the safety net, applied in combination or in sequence.¹⁵ The use of these sources is generally structured pursuant to the local legal framework, such as a guarantee that lets a resolution fund borrow, or a levy power that lets an outlay be recouped. Each mechanism may be governed by a different authority, requiring coordination to achieve credible temporary public funding in resolution. The choice of how these mechanisms are used or the variations in their sequencing will depend on jurisdictions' differing legal, political and banking systems.

¹⁵ For example, once the firm's own resources and private sources have been exhausted, central bank liquidity against collateral could be tapped first, followed by a pre-funded resolution or deposit insurance fund, and flexible public resources standing behind the arrangement as the ultimate source.

Conditions and safeguards

The public provision of resolution funding could encourage risk-taking that makes failures more likely. As such, regardless of the form, effective PBF mechanisms come with conditions designed to protect public funds and to contain moral hazard.

These conditions commonly include: a requirement that losses fall first on the systemic bank's shareholders and creditors; adequate collateral; pricing at a penalty rate above that which the market would charge; limited duration; and limits on the amount of funding available. Mechanisms typically also include tools to recover any public funds used but not fully repaid, whether by a senior claim on the firm that ranks ahead of other creditors, through industry levies, or direct recovery of funds. The goal of these measures is to ensure the cost of intervention falls on the beneficiaries – the banking industry – rather than the taxpayer. Mechanisms typically seek to balance these protections with the need for timely access to sufficient liquidity in resolution.

3. Horizontal summary of practices

Jurisdictions have designed and implemented their PBF mechanisms to reflect these features in a variety of ways. This section summarises adoption across five attributes: mechanism type; potential capacity; operational readiness; tools to recover public funds; and safeguards against moral hazard.

The summary of practices is organised by feature rather than jurisdiction, with the purpose of showing where practices converge and diverge, and identifying the patterns that form the basis of the assessments. Individual jurisdictions are mentioned where they illustrate a pattern. A complete mapping of each jurisdiction's arrangements across the features described is set out in Annex 3.

3.1. Mechanism types and safety net design

PBF mechanisms vary significantly across jurisdictions, reflecting differences in the design of their financial safety nets and the combination of authorities and funding sources available in resolution. For descriptive purposes, this peer review groups these arrangements into five mutually exclusive categories, according to the authorities and funding sources that form the overall PBF mechanism framework.

The first group comprises multi-source PBF arrangements that combine central bank liquidity, a deposit insurance fund (or other similar ex-ante funds), and a fiscal backstop. It is the largest group by number of jurisdictions (seven).¹⁶ Within this group, there are differences in how sources are combined or funds are routed to the systemic bank in resolution: some jurisdictions establish a clear sequence and handoff with the central bank providing collateralised funding, followed by an ex-ante fund with capacity to borrow, and finally a fiscal backstop.¹⁷ Others

¹⁶ This includes Australia, Canada, Japan, Korea, Saudi Arabia, South Africa, and Türkiye.

¹⁷ This is the example in Canada, where central bank ELA is utilised first, followed by the CDIC Deposit Insurance Fund and market borrowings, before the fiscal backstop is activated.

centralise funding through a single authority or mechanism that can access different funding sources, such as a deposit insurer utilising its ex-ante fund and borrowing with a fiscal guarantee or from the central bank.¹⁸

In the second group (four jurisdictions), the central bank is the sole provider of funding to a systemic bank in resolution, in most cases supported by a pre-arranged fiscal backstop.¹⁹ There is effectively no sequencing or multiple sources to coordinate, since the central bank receives a fiscal guarantee or indemnity against losses and the other parts of the financial safety net are not contemplated as funding sources. This approach can provide a higher degree of simplicity and flexibility but often requires legal safeguards to ensure the central bank may participate and is protected against losses.

A third group (five jurisdictions) primarily relies on pre-funded arrangements and market borrowing to provide funding in resolution, without other pre-arranged flexible public resources.²⁰ In these frameworks, ex-ante contributions are generally the first source of funding to a systemic bank in resolution and can supplement its resources with market borrowing. In some jurisdictions, the central bank can also provide emergency liquidity assistance (ELA), if a systemic bank meets the eligibility criteria (e.g. collateral) and the central bank chooses to lend.

A fourth group consists solely of the United States, whose framework relies on a standalone statutory resolution funding mechanism, rather than a central bank facility, an ex-ante fund, or a combination of those arrangements.

Finally, a fifth group comprises two jurisdictions that have not established a PBF mechanism or other arrangements to provide funding in resolution.²¹ These jurisdictions have not yet implemented a resolution framework for banks consistent with the Key Attributes. As a result, they do not have a dedicated mechanism to provide temporary funding to a bank in resolution, and the deposit insurance funds remain focused on covering depositor payouts in liquidation.

3.2. Mechanism credibility: size, flexibility, and operational readiness (KA 6.1 & 6.3)

A PBF mechanism's credibility depends on a number of factors influencing authorities' ability to provide, in a timely manner, sufficient liquidity to support a systemic bank in resolution. This section focuses on the two dimensions of credibility assessed in this peer review: i) the PBF mechanism's size and flexibility – whether the arrangements can reach a scale set by the failing systemic bank's needs through mechanisms that are arranged in advance –; and ii) operational readiness, which refers to the authority's work, before a crisis, to be able to deploy such funding in the compressed timeframe required in a resolution. A PBF mechanism with ample size is not

¹⁸ This is generally the case in Japan and South Korea. How the fiscal backstop is deployed also varies: in some cases the central bank may be enabled to lend beyond collateral; in others, it would provide a guarantee to the deposit insurer; and in some others the fiscal mechanism would be flexible to arrange support in multiple ways, including lending directly to a bank in resolution.

¹⁹ This includes Hong Kong, Singapore, Switzerland's proposed framework, and the UK.

²⁰ This includes Brazil, China, the EBU, and Indonesia.

²¹ Argentina and India.

credible if it is not operationally ready and a well-rehearsed mechanism cannot be relied upon if it cannot reach the necessary size. This section describes the range of practices on each aspect.

For descriptive purposes, the section groups jurisdictions according to the peer review's assessment of each component of KA 6. These groupings contribute to the overall KA 6 assessment, but they do not determine any individual jurisdictional assessment or endorse a particular institutional or funding model.

Size and flexibility

Estimating in advance the liquidity needs of one or more systemic banks in resolution is inherently challenging. Each systemic bank's failure and resolution approaches reflect the idiosyncratic nature of its business model as well as the market environment at the time of failure. Credible arrangements therefore need sufficient capacity and flexibility to respond to a range of potential resolution scenarios. Authorities often increase flexibility by giving PBF mechanisms the authority to combine different funding sources, and by using that authority to define funding capacity in advance of a crisis.

PBF mechanisms vary in their flexibility. Few jurisdictions sit at the higher-flexibility end, where a single scalable mechanism or combined sources of funding are pre-arranged and can reach adequate scale; most sit in the middle, where ex-ante funds are complemented by lending capacity that is bounded or not fully arranged; and some sit at the lower-flexibility end, effectively limited to the use of pre-funded liquidity.

Higher-flexibility mechanisms

At the higher-flexibility end, access to funding beyond the PBF's pre-funded, collateralised or borrowing sources has been arranged in advance. Such access can be in the form of a direct fiscal facility, an indemnity against central bank losses, or a guarantee on the funding entity's borrowing. Three examples demonstrate how this flexibility can allow PBF mechanisms to reach required scale in a resolution scenario.

In the United Kingdom, the Bank of England provides liquidity to the resolution entity, and may request an indemnity from the fiscal authority (HM Treasury) against the residual risk of loss, subject to certain safeguards and conditions. Such arrangements are established in advance and can extend funding to the scale required by resolution by protecting the central bank's balance sheet, for example, in cases where the failing systemic bank's available collateral may not be sufficient as a form of loss protection.

In the United States, the potential amount of funding provided by the PBF mechanism is linked to the asset size of the failed firm. Title II of the Dodd-Frank Act establishes the Orderly Liquidation Fund and allows the Federal Deposit Insurance Corporation (FDIC) to borrow from the U.S. Treasury to support a resolution. The FDIC, in coordination with the U.S. Treasury, can immediately access and provide funding amounting to 90 percent of the firm's total consolidated assets available for repayment. Funding must ultimately be repaid from the failed firm's assets or, if necessary, through industry assessments. Because the borrowing capacity scales with total consolidated assets of the systemic bank and draws on Treasury lending, the facility can potentially mobilise substantial funds, subject to the statutory limits described above.

In Japan, the deposit insurer has pre-arranged access to government guarantees. The Deposit Insurance Corporation of Japan (DICJ) can raise funds from the market through government-guaranteed issuances or borrow from the Bank of Japan to support resolution measures in situations requiring rapid funding, with government guarantees of up to JPY 35 trillion.²² This mechanism ensures a swift response in times of crisis, as the upper limit for government guarantees is predetermined and reviewed annually.

Middle-flexibility mechanisms

In the middle flexibility range, a PBF mechanism can reach beyond its pre-funded and borrowing sources, but through a route which is bounded or not arranged in advance. The route may be committed but bounded by a fixed ceiling; it may exist but be contingent on decisions to design the arrangement only at the point of need; or it may be bounded by budgetary capacity not committed in advance.

For example, in Australia, the PBF mechanism has multiple funding sources to provide flexibility, but those sources are either subject to fixed statutory limits or not arranged in advance. The framework provides for a fiscal contribution to resolution funding, but subject to a fixed statutory limit, so even though the route to the fiscal balance sheet is committed and available, it is capped below the scale the failure of a systemic bank could require.

In Türkiye, there are multiple PBF mechanisms, including the Savings Deposit Insurance Fund of Türkiye (SDIF), ordinary central bank lending against collateral, central bank advances to the SDIF, and fiscal support through the special issuance of government securities to SDIF. Each of these mechanisms is limited, either by ex-ante contributions (SDIF), collateral (central bank lending), or the government budget (government issuance of securities to SDIF). In addition, access to SDIF funding is conditional on the deposit insurer acquiring at least a majority control of the systemic bank's equity.

Lower-flexibility mechanisms

At the lower-flexibility end, the PBF mechanism is bounded by its pre-funded and borrowing sources, with no pre-arranged route beyond them. A pre-funded mechanism, deposit insurer borrowing and collateral-bounded central bank lending may coexist, but with no committed or contingent route above them the funding sources cannot demonstrate reaching a systemic scale. Within that limit, arrangements differ in how far those sources extend.

For example, in Brazil, the deposit guarantee fund is subject to per-bank limits.²³ If the fund is exhausted, the deposit insurer can raise further resources through assessments on the banks, but subject to preset limits and assessment timelines that are likely longer than resolution funding requires. The central bank can also lend but bounded by the systemic bank's eligible collateral. Above these, there are no other arranged sources of further liquidity.

²² The borrowing limit of DICJ is also set at JPY 35 trillion by Cabinet Order. Neither the borrowing limit nor the government guarantee limit can be raised at the discretion of the resolution authority. While the former may be extended through a Cabinet Decision, the latter may be increased subject to approval by the Diet.

²³ The proposed Resolution Fund would also be subject to per-bank limits.

In the European Banking Union, the Single Resolution Fund (SRF) is available but bounded. The SRF can raise additional funds by borrowing in the market but, as issuances would only take place during resolution, they would involve an issuer that does not tap the markets on a regular schedule and with no established credit rating or standing at scale. In that sense, its ability to place debt in the volume and at the speed a systemic resolution would require cannot be assumed.

Operational readiness

Operational readiness determines whether the full capacity of a PBF mechanism can be used timely in the compressed timeframe a resolution usually requires. KA 6 refers to the timely deployment of funds but does not define what timely deployment requires in practice. For the purposes of this review, operational readiness means the preparatory work needed to move from legal availability to usable funding for resolution conditions.

The peer review considered three elements that, taken together, indicate a jurisdiction's level of operational readiness. First, timely deployment of funds concerns the procedures and timelines through which an authority can move from a decision to provide funding to the funds actually reaching the systemic bank. The review considered that such timelines should typically include intra-day, overnight or – during a resolution – weekend deployment. Timely deployment includes how quickly the decision to provide funds can be taken, whether the steps to release and move funds have been mapped and rehearsed and, where appropriate, whether authorities can quickly liquidate assets or raise additional funds, in particular where this is not part of their usual operations.

The second element concerns the protocols that set out how authorities execute the necessary steps to operationalise the PBF mechanism and provide funding in resolution. This includes how the resolution authority, central bank, deposit insurer and finance ministry coordinate their roles, and the extent to which those protocols are documented and tested. There can be a greater need for settled protocols and regular exercises when processes are complex and more authorities, approvals or hand-offs are involved.

The third element concerns the systemic bank's capabilities to monitor, report and estimate funding needs; identify and value collateral; and track and move liquidity across entities and jurisdictions. Even an available and well-governed arrangement can be drawn from only if the systemic bank can meet these operational requirements in resolution.

Operational readiness also relies on outward-facing preparations, which the peer review did not consider as part of jurisdictions' individual assessments. Such preparations include communication with the public and markets to support confidence, coordination with home and host authorities beyond the core resolution group, and the cross-border arrangements required for a group resolution.

Jurisdictions with high levels of operational readiness generally demonstrate rapid deployment timelines (within one day), clearly codified and tested domestic governance arrangements, and

well-prepared firms.²⁴ For example, in Hong Kong, funding can be deployed during the same business day, protocols between the Hong Kong Monetary Authority and the Financial Secretary are in place, and internal testing exercises are conducted. This provides a greater degree of assurance that the scale the PBF mechanism could potentially reach would be realistic from an operational standpoint, and therefore that the PBF mechanism would be ready to meet the timing needs of a resolution. Similarly, during the 2023 crisis of Credit Suisse Switzerland's authorities demonstrated that they could deploy public liquidity support rapidly under compressed timelines. Although the proposed Public Liquidity Backstop (PLB) legislation and the emergency measures the authorities used during the resolution fall outside the scope of this peer review, the Credit Suisse crisis management nevertheless provides practical evidence of rapid operational execution under crisis conditions.

A second group of jurisdictions demonstrate a medium level of operational readiness, showing some evidence of timely deployment but more limited evidence of testing governance arrangements and firm preparedness.²⁵ For example, in Canada, operational readiness is more developed in the case of the ELA and the Canada Deposit Insurance Corporation (CDIC), but the Financial Administration Act (FAA) fiscal backstop lacks codified governance playbooks or protocols and its activation has not been tested.

A third group of jurisdictions provides more limited evidence that the PBF mechanism could be deployed within the timeframe required for resolution.²⁶ This typically includes cases with no indicative timeline for the deployment of funds or testing of such timelines. These jurisdictions have more limited operational readiness, or PBF mechanisms that are established in law but not fully operationalised. This is the case for China, for which comprehensive cross-authority governance, protocols and testing remain under development. In Saudi Arabia the Resolution Fund is still being operationalised with inter-agency agreements yet to be finalised and timeline for fund deployment remains unclear.

3.3. Provisions to recover losses (KA 6.2)

Where temporary sources of public funding are used to accomplish orderly resolution, comprehensive provisions to recover losses are essential to ensure taxpayers are not exposed. A PBF mechanism's inherent exposure to losses varies depending on the mechanism's design, including trade-offs with the features mentioned in the previous sections. For example, mechanisms may involve little or no risks to taxpayers if the funding comes from industry contributions built up over time or loans are made against collateral with adequate haircuts. However, to reach a credible scale of funding in resolution, a PBF mechanism may be called upon to provide funding above any industry contributions or the bank's available collateral, and in these cases effective tools are necessary to ensure the residual risk does not fall on the taxpayer (see box 3).

The peer review's analysis of a mechanism's provisions to avoid losses falling on taxpayers entails four elements: i) whether the PBF mechanism has the powers and tools to impose losses

²⁴ This group includes the EBU, Hong Kong, Japan, Switzerland, the UK, and the US.

²⁵ This group includes Australia, Brazil, Canada, Korea, Mexico, Singapore, and South Africa.

²⁶ This group includes China, Indonesia, Saudi Arabia, and Türkiye.

on or recover funds from the systemic bank in resolution's shareholders and creditors; ii) whether the PBF mechanism has the powers and tools to levy assessments on the financial industry, where residual losses are greater than the capacity of the systemic bank's shareholders and creditors to absorb those losses; iii) whether there is a sound legal basis for the use of these powers and tools; and iv) whether the tools to recover losses are operationalised through procedures that make them ready to use.

Tools to mitigate taxpayer loss demonstrate less variation across the membership, compared to other design features or PBF mechanism elements. Most jurisdictions employ a combination of pre-funded industry contributions, powers to impose losses on shareholders and creditors, and the ability to levy assessments ex-post on the financial industry to mitigate the risks to taxpayers. Variation emerges in how far jurisdictions have implemented these tools, the most common gap being translating a legal basis into an operational tool, followed by the existence of powers to levy assessments on the financial industry.

Among the jurisdictions with the strongest protections against taxpayer losses, recovery tools are comprehensive, well-defined in the legal framework, and operationalised through regulation and procedures.²⁷ For example, in the case of the EBU, EU law sets forth minimum loss allocation to shareholders and creditors and an ex-ante, industry-funded resolution fund (SRF) with statutory ex-post assessments to repay any temporary public support. SRF recovery procedures are in place, so any temporary use of public funds is designed to be recouped from the industry rather than taxpayers. In Mexico, the framework combines fully collateralised central bank standing facilities with a resolution backstop comprising a legal basis for loss recovery – in systemic cases, such a backstop would require the failing systemic bank's entire equity to be pledged; if the loan were not repaid within a short window, the deposit insurance authority would take control of the systemic bank and recoup funds through sale, with any residual shortfall recovered via statutory ex-post assessments on the banking industry and also withholding a senior claim in liquidation.

Another group of jurisdictions has a legal basis for recovery, but practical implementation remains incomplete, or the available tools are not comprehensive.²⁸ These jurisdictions provide only a moderate assurance that residual losses do not fall on taxpayers. For example, in Saudi Arabia the legal framework provides for loss allocation to shareholders and creditors and a statutory basis for ex-post industry recovery, but the Resolution Fund and the central bank's Resolution Liquidity Facility are still under development. Korea's framework can levy the financial industry to recover resolution costs and is supported by an industry-funded deposit insurance scheme, but the full legal power to impose losses on shareholders and certain creditors is not yet in place.

A third group of jurisdictions has very limited or no legal basis to recover losses.²⁹ For example, in Australia loss-recovery protections are incomplete: while collateralised ELA limits risk and the central bank holds a priority claim over unsecured creditors, fiscal support may be provided, but recovery would rely on ad-hoc contractual terms; in turn, a levy is possible but not legislated,

²⁷ This group of jurisdictions includes: the EBU, Hong Kong, Japan, Mexico, the UK, and the US

²⁸ This group of jurisdictions includes: Brazil, China, Korea, Saudi Arabia, Singapore and Switzerland

²⁹ This group of jurisdictions includes Australia, Canada, Indonesia, South Africa, and Türkiye.

and no operational procedures exist, so that residual taxpayer exposure would be possible if temporary funding were not repaid.

Box 3: How losses are absorbed to prevent taxpayer exposure

This box describes how losses are absorbed where a PBF mechanism is used to support the resolution of a systemic bank. Public funding in resolution can be provided as a temporary loan, not to absorb losses of the failed systemic bank, but to support the bank's liquidity needs to continue operating and preserve value while it is restructured and resolved. It becomes a cost to the taxpayer only if it is not fully repaid in the short-term, and only if a series of further protections also fail. Those protections work in sequence, and each covers only what the previous protection has not. In that way, the taxpayer benefits from layers of protection from having to provide even short-term support.

As a precondition, the Key Attributes provide that an institution's investors should absorb losses before any public funding is used. The public funding is therefore not lent to an insolvent bank, but to one that has been recapitalised at its own investors' expense and restored to solvency.

As the resolution strategy is executed, the bank may regain access to private funding markets or use the proceeds from winding down, selling, or transferring the bank's critical services or core assets, which may allow it to repay PBF borrowings.

If the temporary funding is not repaid from those proceeds or access to markets, the source of loss recovery depends on how funding was provided. If sourced from secured lending, the collateral is liquidated first, subject to applicable haircuts. Any shortfall that remains would be covered from the bank's remaining assets, on which the public authority's claim often ranks ahead of other creditors, so that the equity holders and remaining creditors absorb losses first.

In a well-designed and credible framework, any residual costs related to the temporary public funding would therefore lie with the financial sector, as the beneficiary of public resources used to avoid spillovers from the failure of a systemic bank, and not from the taxpayer.

The protections are thus cumulative, and each is dependent on the failure of the preceding protection. For public funding to result in a loss to the taxpayer, the recapitalised bank must fail to repay, recovery from the bank's assets and new shareholders and remaining creditors must fall short, and the industry must be unable to cover the shortfall.

3.4. Conditions to minimise moral hazard (KA 6.4)

Temporary public funding can weaken market discipline if systemic banks or market participants come to expect public liquidity support as a first-line source of resolution funding. Such expectations reduce incentives to maintain adequate liquidity buffers, secure sufficient private funding against severe and prolonged stress, or begin a resolution process at a state where the systemic bank itself can fund its near-term resolution liquidity needs. KA 6.4 addresses this risk by requiring conditions and safeguards that govern both access to temporary public funding and the terms on which authorities provide it.³⁰ For the purposes of this review, the assessment of moral hazard safeguards considers two related elements. First, jurisdictions should establish in advance the conditions governing access to temporary public funding, including the circumstances in which the authorities may provide support. Second, jurisdictions should establish clear arrangements to allocate losses to shareholders and creditors and recover any residual public costs from the firm or financial sector. Together, these elements balance timely

³⁰ These conditions and safeguards are described in Section 3 of the 2016 Guiding Principles.

access to sufficient liquidity with safeguards that preserve market discipline and protect public funds.

Most differences in jurisdictions' implementation of KA 6.4 depend on whether they clearly establish these core conditions, rather than whether they fix individual funding terms in advance. Effective frameworks clearly establish when authorities may provide public funding, the circumstances in which private funding is insufficient, and how losses and any residual costs are ultimately allocated and recovered. Across jurisdictions, authorities often calibrate terms such as pricing, collateral and maturity to the circumstances of a particular resolution. Such flexibility is not, in itself, inconsistent with KA 6.4.

At the strongest end of the implementation spectrum, these core conditions are clearly established in law, even where individual funding terms remain flexible.³¹ In Japan, for example, use of the DICJ Crisis Management Account requires a formal determination that financial stability is at risk, and private funding sources have been exhausted. Shareholders and creditors bear losses, and any remaining costs can be recovered from the industry. At the same time, terms such as maturity and collateral can be set case-by-case. Hong Kong follows a similar approach. Access to the Resolution Facility is governed by statutory conditions for resolution and systemic (financial) stability objectives, while the Financial Institutions (Resolution) Ordinance—the broader resolution regime—provides powers to allocate losses and recover residual costs through an industry levy. Certain funding terms, including limits and maturity, may nevertheless be set case by case. These examples also illustrate that implementation of KA 6.4 does not require all funding terms to be predetermined, provided that the core conditions governing access to public funding and the allocation of losses are clearly embedded in the legal framework.

Other frameworks have most of the core conditions in place, but some elements remain incomplete or less formally established.³² The nature of these gaps vary. In South Africa, emergency liquidity assistance from the South African Reserve Bank is linked to its financial stability mandate and considers whether private funding is unavailable or insufficient. Support from the deposit insurance scheme, CODI, is also linked by law to public-interest and financial stability objectives, while the broader resolution framework provides powers to allocate losses. However, some core conditions reside in internal policy or are applied case-by-case rather than set out as legal conditions, and certain operational arrangements are still being developed. Korea presents a different kind of gap: access conditions and loss-sharing by shareholders are largely established in law, but a general statutory power to impose losses on senior creditors is absent.

Frameworks with the largest remaining gaps are still developing one or more core conditions on public support.³³ In some cases, stronger safeguards have been enacted or proposed but are not yet operational. In Türkiye, access to the deposit insurance fund, SDIF, is subject to a formal supervisory process, with statutory governance and funding limits already in place. However, there is no explicit requirement to demonstrate a financial stability need or exhaust private

³¹ This group of jurisdictions includes: the EBU, Hong Kong, Japan, the UK, and the US.

³² This group of jurisdictions includes: Canada, Korea, Mexico, Singapore, South Africa, and Switzerland.

³³ This group of jurisdictions includes: Australia, Brazil, China, Indonesia, Saudi Arabia, and Türkiye.

funding before its use. The loss-allocation framework is also incomplete, given the absence of a general creditor bail-in power. In Saudi Arabia, the Law on Systemically Important Financial Institutions (SIFI Law) establishes statutory financial stability objectives, resolution entry conditions, creditor loss-allocation powers, and a framework for industry-funded resolution funds. However, the Resolution Liquidity Facility and Resolution Fund remain under development, and the Saudi Central Bank (SAMA) has not yet finalized the operational safeguards governing their use.

4. Factors impacting implementation practices

The horizontal summary of practices demonstrates wide variation in how jurisdictions have implemented KA 6. This section identifies a small number of recurring factors that help to explain this variation, based on the patterns observed throughout the review and information collected from jurisdictions regarding factors that impacted their implementation.³⁴ Each factor bears on a different part of the implementation outcomes: what has prompted a jurisdiction to act, whether its PBF mechanism can reach the scale likely required by resolution of systemic banks, or its mechanism's form.

The first factor relates to the impetus for reform. Jurisdictions frequently cited banking crises as catalysts for reform because they exposed weaknesses in existing crisis management frameworks. Their effects, however, differed across jurisdictions. In some cases, crisis experience accelerated legislation and institutional change while in others, earlier public support contributed to political resistance to future intervention. International standards and peer work were also cited as benchmarks and in certain cases, as influencing implementation timelines. Taken together, these accounts suggest that crisis experience mattered mainly through the policy and institutional response it generated, rather than as a factor on its own.

Macro-fiscal considerations can impact how that impetus ultimately translates into a standing PBF mechanism. Where fiscal capacity is ample, a banking crisis in advanced economies (AEs) may strengthen the case for a backstop. In some emerging market and developing economies (EMDEs), however, banking sector stress can coincide with sovereign or currency stress, so the same crisis can both create momentum for reform and weaken the fiscal capacity needed to support a credible public funding backstop. Although this is not a uniform distinction, it can help explain why financial crisis experiences have results in divergent implementation outcomes.

A second factor relates to the political economy of public funding, which can influence whether pre-arranged public resources, including fiscal support, can be mobilised quickly to support a resolution. Pre-arranged access to flexible public resources is a significant commitment requiring appropriate legal, budgetary, and political authorisation. Establishing such arrangements in advance involves three related considerations: i) whether the necessary legal and budgetary route to public resources can operate within resolution timelines; ii) sovereign capacity and market credibility to support potential exposures; and, iii) the political acceptability and governance of public funds, including how the memories of previous cases of public bank support may influence their acceptability and governance. Together, these considerations can help explain why fiscal capacity alone may not translate into a usable or sufficiently scalable pre-

³⁴ These observations provide context for the patterns identified in the review; they are not survey findings or assessment criteria.

arranged backstop, or why an available legal route may still be impacted by political or sovereign-capacity constraints.

AEs may generally have greater fiscal capacity, but the primary difficulty may lie in securing, ex ante, the legal, budgetary, and political authorisations necessary to act within resolution timelines. Some EMDEs may face a compounded version of this challenge, as tighter fiscal capacity, constraints on sovereign market access, and sovereign-bank linkages interact—particularly where banking stress coincides with sovereign or currency stress. The resulting gaps in scalable backstop capacity may reflect different underlying constraints to those affecting AEs, although no constraints are exclusive to either AEs or EMDEs.

The third factor relates to the overall configuration and institutional and legal underpinning of the broader financial safety net, which shapes how PBF mechanisms are designed and implemented. A PBF mechanism is built not in isolation, but within existing arrangements that include central bank facilities, deposit insurance, banking supervision, or resolution powers. The structure of the safety net shapes the PBF mechanism design and whether implementation focuses on connecting and sequencing established tools and clarifying institutional responsibilities, or on developing underlying legal powers, funding authorities, and governance arrangements in parallel. For instance, structural arrangements differ regarding whether the central bank can lend on an uncollateralised basis, whether the deposit insurer has powers to lend in resolution beyond its target size; or whether resolution funding is routed through the central bank, a dedicated fund, or the fiscal authority. Even among jurisdictions that have achieved full or near full compliance with KA 6, differing institutional settings have produced diverse frameworks, showing there are multiple paths to compliance. Taken together, these patterns suggest a degree of path dependence in PBF mechanism design.

In this regard, the nature of this third factor can also vary across jurisdictions. Where core components of the financial safety net are already in place—as in the case of many AEs—the challenges tend to lie in connecting, sequencing, and operationalising existing authorities and funding channels. In some EMDEs, the development of backstops may instead proceed alongside the continued buildup of resolution powers, deposit insurance funding capacity, or the legal foundation for central bank support.

A fourth factor refers to the structure of the banking sector including its size, concentration, funding models, and cross-border footprint of systemic banks. These characteristics can impact the potential demands placed on PBF mechanisms and their calibration—including potential funding amount, currency needs, and cross-border requirements (see Annex 2 for differences in banking sector size and concentration). Jurisdictions did not point to a single institutional model arising from these characteristics. Rather, sector structure appears to have influenced how mechanisms were calibrated within the broader resolution framework and financial safety net, including the relative reliance on pre-funded resources, central bank facilities, fiscal support, or combinations of these arrangements. A further complexity arises where systemic banks hold significant claims on their own sovereign, as a sovereign-bank nexus can lead banking and sovereign stress to amplify one another. Taken together, these characteristics may help explain why jurisdictions may require mechanisms with different capacities and institutional designs to credibly meet the KA 6 standard, rather than pointing towards a single approach.

Finally, operational maturity also emerged as a recurring explanation for differences in outcomes. Several jurisdictions exhibited different levels of maturity in terms of establishing a

mechanism in law and demonstrating that it could be used in practice. Testing, systemic banks' facing exercises, and practical experience were cited as key areas of ongoing work and seen as helpful to operationalise and refine mechanisms, including by exposing weaknesses in decision-making, information flows, and coordination. In other jurisdictions, implementation of the broader resolution framework remains ongoing. This suggests implementation maturity may help explain variation that is not apparent from legal powers or nominal funding capacity alone.

Interaction between the identified factors can also impact how jurisdictions decide to implement PBF mechanisms. For instance, crisis experience may provide the impetus to act, but the outcome will depend on political deliberations, calibration with existing elements of the financial safety net as well as fiscal capacity.

5. Outcomes and key findings

5.1. Implementation status

Fifteen years after the Key Attributes were adopted by the FSB, few jurisdictions can demonstrate full compliance with the standard for PBF mechanisms established by KA 6 and the Guiding Principles. Jurisdictions have made progress, but the approaches, and more importantly the degree of implementation vary widely. A majority of jurisdictions are deemed either materially non-compliant or non-compliant with KA 6. In many cases, the principal shortcoming is related to the assessment that PBF mechanisms currently in place in jurisdictions are unlikely, on their own, to provide sufficient liquidity to support the resolution of one or more systemic banks, which undermines their credibility. These findings are drawn from the overall distribution of grades across the FSB membership (see table 1).

Table 1: Assessment summary statistics³⁵

	Compliant	Largely compliant	Materially non-compliant	Non-compliant
Overall KA 6	4 (21%)	5 (26%)	8 (42%)	2 (11%)
Mechanism credibility (KA 6.1, 6.3)	4 (21%)	6 (32%)	7 (37%)	2 (11%)
Taxpayer loss mitigation (KA 6.2)	5 (26%)	7 (37%)	5 (26%)	2 (11%)
Moral-hazard minimisation (KA 6.4)	5 (26%)	6 (32%)	6 (32%)	2 (11%)

Individual jurisdictional assessments are summarised in the table below, while detailed supporting rationale is presented in Annex 4.

Table 2: KA 6 assessment

³⁵ The counts represent the number of jurisdictions receiving each grade. The EU Banking Union is counted as one jurisdiction (individual EU member states are not included in these counts).

Jurisdiction	Overall assessment	KA 6.1 and 6.3 (credible arrangements in place)	KA 6.2 (provisions to recover any losses)	KA 6.4 (conditions to minimise moral hazard)
Argentina	NC	NC	NC	NC
Australia	MNC	LC	MNC	MNC
Brazil	MNC	MNC	LC	MNC
Canada	LC	LC	MNC	LC
China	MNC	MNC	LC	MNC
EBU	MNC	MNC	C	C
Hong Kong	C	C	C	C
India	NC	NC	NC	NC
Indonesia	MNC	MNC	MNC	MNC
Japan	C	C	C	C
Korea	LC	LC	LC	LC
Mexico	LC	LC	LC	LC
Saudi Arabia	MNC	MNC	LC	MNC
Singapore	LC	LC	LC	LC
South Africa	LC	LC	MNC	LC
Switzerland	MNC	MNC	LC	LC
Türkiye	MNC	MNC	MNC	MNC
UK	C	C	C	C
US	C	C	C	C

5.2. Implications of implementation gaps

The incomplete implementation of KA 6 is a clear gap in the global resolution framework. It particularly affects crisis preparedness and, left unaddressed, it would weaken the ability of authorities to resolve a systemic bank and could therefore have implications for global financial stability.

The resolution framework was set up to prevent two outcomes: the disruptive liquidation of a systemic bank, or its rescue with open-ended public support. An important element that helps the execution of an orderly resolution consists in the systemic bank having access to sufficient funds to meet liquidity needs during and immediately after resolution. A credible PBF mechanism facilitates an orderly resolution both by providing an important source of temporary backstop funding, but also by supporting market confidence in the lead up to a resolution event. If no credible PBF mechanism is available, authorities may be forced to resort to some form of open-ended public support in order to prevent a disruptive failure. This would revive market

participants' bail-out expectations and defeat the goal the Key Attributes were designed to achieve.

For all these reasons, the design of PBF mechanisms matters. To support financial stability, mechanisms should be capable of containing liquidity outflows, including in cases where systemic bank runs occur quickly (see box 4), and stabilise the funding base through resolution. To avoid reintroducing moral hazard and exposing taxpayers to losses, mechanisms should be temporary, appropriately priced, provided on a secured or senior basis, and with any losses being recovered from the firm or the industry. These dual objectives are compatible: an orderly resolution should both preserve critical banking activities and ensure that the costs are borne by the firm, the proceeds of the resolution or the industry, rather than taxpayers. If temporary funding cannot be fully repaid and losses ultimately fall on taxpayers, the resolution would fall short of the Key Attributes' objective of avoiding taxpayer exposure to loss. In this sense, the Guiding Principles caution that safeguards against moral hazard should not be set in a manner which impedes timely access to sufficient liquidity, since an arrangement that is either too small or too tightly constrained may jeopardise resolution, and even increase the risk of loss it was designed to prevent.

Box 4: runs, liquidity failures, and resolution

The risk of a bank run is an inherent feature of deposit-taking. Because of the illiquid nature of a bank's assets and its liabilities being repayable on demand, a depositor who expects others to withdraw has an incentive to withdraw first, and that rational, individual response could become self-fulfilling and exhaust the bank's liquidity.³⁶ In practice, the financial safety net limits bank runs. Deposit insurance guarantees certain balances and largely removes the first-mover incentives that would otherwise induce depositors to run. Licensing requirements and prudential regulation will then seek to manage the resulting moral hazard. However, deposit insurance does not completely eliminate the possibility of a bank run, as not all deposits are insured and depositors may not fully trust the bank's finances or the jurisdiction's deposit insurance framework.

Digital banking and social media could play a role in accelerating a deposit run. Information now spreads more widely and is reinforced and rapidly amplified, so the shift from an individual withdrawing deposits over concerns with the safety and soundness of a particular institution to a collective run could occur over a much shorter time. In the events of March 2023, the fastest outflows reached 20 to 30 per cent of deposits in a single day, two to three times faster than the peak one-day outflow in the most severe episodes shown by an FSB survey of past runs. In some cases, the speed and scale were so extreme that no amount of liquidity buffer would have prevented the bank's failure.³⁷

Systemic banks which are experiencing stress enter the resolution process when public authorities become convinced that the bank cannot adequately manage the stress and has reached the conditions for failure or likely to fail. Entering resolution does not by itself stop a run. A systemic bank may be recapitalised and still face withdrawals. Repairing the balance sheet may not resolve the concerns that drive depositor runs, as the weakness exposed by the failure may involve recurring risk-management or governance shortcomings, doubts about hidden losses, or uncertainty around the effectiveness of the resolution strategy. At the same time, private funding may be unavailable until confidence returns. Until confidence is re-established, withdrawing can remain the safer choice for an individual depositor, and run dynamics become even more challenging in resolution, as the systemic bank may have already

³⁶ The canonical account is Diamond and Dybvig (1983), which models a run as a self-fulfilling equilibrium arising from the coordination of depositors' expectations.

³⁷ FSB (2024), *Depositor Behaviour and Interest Rate and Liquidity Risks in the Financial System: Lessons from the March 2023 banking turmoil*, October.

depleted its liquidity buffers. Therefore, temporary public funding is needed in a resolution while confidence is rebuilt to enable the systemic bank to maintain its critical functions and for authorities to be successful in concluding its orderly resolution.

5.3. Key findings

Key finding one: PBF mechanism establishment and coordination

Many jurisdictions do not clearly establish the funding that would be available once a systemic bank enters resolution, or how multiple mechanisms would work together. At one end, a few jurisdictions have no dedicated PBF mechanism at all and would rely on broad powers or decisions improvised at the point of a systemic bank's failure, rather than a standing mechanism designed in advance to be used as a last resort once private funding sources have been exhausted or cannot achieve the objectives of the resolution. Even where mechanisms are set up in advance, it is sometimes unclear whether they could be used once a systemic bank has entered resolution. In other cases, where multiple funding sources are in place, questions remain on sequencing and coordination.

Both the temporary public funding available in resolution and the point at which it can be accessed should be made clear in advance, for authorities and market participants to know what the arrangements could deliver ahead of a crisis. Communication of such mechanisms to market participants should be carefully calibrated so as to avoid creating moral hazard. Moreover, where a mechanism is absent, the tools to recover the cost of any support are necessarily absent too, leaving the residual risk with the taxpayer.

Key finding two: PBF mechanism scale

Few jurisdictions can demonstrate that their PBF mechanisms would be able to provide liquidity in the amounts that might be required for the resolution of one or more systemic banks. Without demonstrated capacity at that scale, authorities may find it more difficult to sustain market confidence during resolution. It is not necessarily the absolute size of any single mechanism that matters, but rather how much the available funding sources could potentially extend. In some jurisdictions PBF mechanisms may take the form of a single scalable funding facility or a pre-funded mechanism that can reach beyond its initial cap through pre-arranged access to additional resources. A second group of mechanisms may reach beyond their initial limits, but through a route that is capped. A third group is bounded by their pre-funded and borrowing sources, with borrowing capped by statute or thin market depth, and no access to additional resources.

Among the standing resolution and deposit insurance funds analysed in this peer review, most are unlikely, on their own, to provide liquidity at the scale that may be required for the resolution of a large systemic bank. For a jurisdiction whose banks are not systemic, an arrangement bounded by the size of standing funds may be sufficient if appropriately calibrated to liquidity that may be needed for the resolution of smaller non-systemic banks. The potential gap in scale arguably becomes wider for jurisdictions that host the largest and most systemic banks. Finally, this size constraint is even more relevant if the same pre-funded PBF mechanism is expected

to serve several purposes, for instance where available not only for resolution funding but also for depositor payout or to operationalise a transfer tool.

Key finding three: PBF mechanism flexibility

Among the jurisdictions reviewed, the PBF mechanisms demonstrating the greatest funding capacity benefited from a pre-arranged route, made clear before a crisis, to some form of flexible public resources. Although limits on pre-funded resources occur in all jurisdictions, pre-arranged access to flexible public resources can support the PBF mechanism's size beyond their initial caps or the authorities' own balance sheet or statutory limits in several ways. For example, where another authority decides to directly lend to the resolution authority or the bank in resolution, it can make arrangements in the run-up to the crisis to deploy the funds required to ensure an effective resolution. These flexible public resources can also provide a guarantee or indemnity or another form of collateral to the central bank or the resolution authority to lend at the required scale even in the absence of adequate collateral, where permitted in some cases. Similarly, a public guarantee to the resolution authority can allow it to borrow with similar conditions as the sovereign or support its borrowing from the central bank. Any of those options should be accompanied by pre-arranged tools to allocate losses to the bank's shareholders and creditors, and to recover any residual losses through ex-post levies on the broader banking sector if the financial sector is not directly providing the liquidity support (e.g. via private consortiums or privileged super-priority funding amongst others). At least one jurisdiction believes that a further use of the bail-in tool may also be an option and this is a practical matter to be determined at the time.

Reliance on a resolution or deposit insurance fund can be a coherent route to address the liquidity needs of a smaller institution in resolution. However, for a G-SIB or a bank systemic in failure, adequate capacity of this mechanism could also depend on the private sources available as, for example, through ex-ante asset mobilisation and, in some circumstances whether the fund has a pre-arranged route to flexible resources on a larger scale.

Regardless of the form they take, flexible public arrangements should adequately safeguard public funds and be set up before a crisis, so they can reduce the need for temporary liquidity and support the decision to fund an orderly resolution at the scale and speed required. Advance planning is particularly important where an authority's resources may be constrained, as it allows an authority to assess potential exposures, identify credible funding sources, and clarify approval and repayment arrangements prior to a crisis. Meeting the scale required through flexible resources does not pre-commit an authority to potentially unlimited funding support and does not necessarily imply reliance on additional taxpayer money in all resolution cases. PBFs that rely on flexible resources should be designed to credibly meet potential resolution funding needs while maintaining adequate safeguards once activated. Activating a backstop as a last resort, determining the residual amount of funding needed, lending, and the lending terms remain decisions for the authorities to take. Arranging the route in advance does not predetermine its use but allows the authorities to act swiftly once a decision is made and helps ensure that the framework incorporates the safeguards required under KA 6 to minimise moral hazard, recover losses, and protect public funds.

Key finding four: evidence of operational readiness

In many jurisdictions there is room to improve the operational readiness of PBF mechanisms. An existing mechanism may not be usable within the timeframe required in resolution. Resolution scenarios may require funds to be available during a weekend, or in some cases intra-day or overnight, but a number of jurisdictions fall short of KA 6.1 and 6.3 because they do not specify a delivery timeline or confirm the ability to deploy funds within that window. For pre-funded mechanisms, it is often unclear whether sufficient cash would be immediately available, or whether non-cash assets could be liquidated quickly without adverse market effects.

PBF mechanisms sit at the endpoint of different public sector liquidity support mechanisms available to a bank as it moves through the stress continuum. Where relevant, the implementation and operationalisation of PBF mechanisms can usefully build on the experience and procedures designed by central banks to operationalise ordinary liquidity facilities, as well as banks' to access these ordinary facilities.

Readiness also depends on clear governance and coordination arrangements across the relevant authorities, ideally codified and regularly tested, including with the central bank if it is expected to provide liquidity at scale. Even in jurisdictions where such arrangements are more developed, testing remains uneven and jurisdictions do not consistently specify how timelines and capabilities are tested.

Operational readiness also requires clear communication plans, cross-border coordination where relevant, and banks' capabilities to estimate liquidity needs, identify and value collateral, and access the PBF mechanisms in resolution – such capabilities are often embedded in resolution planning, but are not always tested in practice with banks and other stakeholders.

Key finding five: tools to recover losses

Loss-recovery tools are widely established, although important gaps remain in a sizeable minority of jurisdictions, which results in residual taxpayer exposure to loss. While most jurisdictions have a legal basis in place for recovering residual losses, tools are often incomplete or not operationalised through defined procedures or practical implementation plans. As a result, taxpayers may remain exposed to residual losses if temporary public funding is not fully repaid.

The gaps in loss recovery tools vary across jurisdictions. For instance, lack of a clear creditor hierarchy or powers to impose losses on shareholders and creditors in resolution may limit the extent to which losses can be recovered through the resolution framework. Once temporary funds have been provided, the availability of legal powers and tools to impose levies on the financial system represents a critical tool to ensure taxpayers do not bear any residual loss, yet those powers and tools are missing in several jurisdictions. In cases where jurisdictions combine multiple mechanisms to achieve greater funding scale, the lack of clarity on loss recovery tool application to the combined mechanisms often results in less effective tools for loss recovery.

Key finding six: safeguards to reduce moral hazard

Most jurisdictions have established safeguards to minimise moral hazard and preserve market discipline, but the strength of those safeguards varies considerably across the membership. Jurisdictions with the strongest frameworks embed these safeguards in law and support them with robust arrangements that allocate losses and recover any residual costs to the taxpayer. A sizeable minority of jurisdictions, however, rely on incomplete legal frameworks, internal policy, case-by-case discretion, or reforms that are in progress but have not yet entered into force. PBF mechanisms most commonly fall short by failing to clearly establish the conditions for providing temporary public funding, or by relying on incomplete arrangements to allocate losses and recover any residual public costs from the financial sector.

Jurisdictions with the strongest frameworks consistently establish the conditions for accessing temporary funding in advance while retaining flexibility over the detailed funding terms. This distinction gives authorities certainty about the conditions for accessing temporary public funding while allowing them to tailor detailed funding terms to the circumstances of the resolution. KA 6 and the Guiding Principles reflect this balance, which enables authorities to provide sufficient liquidity under the compressed timelines of resolution while minimising moral hazard, preserving market discipline and protecting public funds.

Observation: challenges with foreign currency funding and cross-border coordination

The resolution of an internationally active bank may face two distinct additional challenges: i) the home authority may struggle to provide liquidity in foreign currencies; and ii) banks may face impediments to distribute liquidity across borders to their branches and subsidiaries. Given the cross-border and firm specific nature of these challenges, the review identifies both dimensions as a material challenge but does not consider them as part of the KA 6 PBF mechanism assessment.³⁸

The first dimension refers to a systemic bank, and a G-SIB in particular, potentially facing outflows in currencies its home central bank cannot issue. Options to obtain foreign currency funding can include the firm's own foreign currency resources, foreign exchange markets, utilising arrangements between central banks to source foreign currency outside of the issuing jurisdiction, and PBF mechanisms in home or host jurisdictions. Their availability, however, may be constrained by operational, legal, or market conditions during stress.

The second dimension concerns the distribution of liquidity within a group. In a "single point of entry" resolution strategy, the provision and distribution of liquidity through the group in resolution is coordinated by the home jurisdiction. If host authorities lack confidence in the home jurisdiction's ability to do so, they may choose to ringfence liquidity and collateral, thereby undermining the very goal of the single point of entry strategy and potentially leading to fragmentation.

³⁸ Foreign currency funding access is not specified in KA 6, the Essential Criteria, or the Guiding Principles, and is beyond the scope of the assessment criteria, other than as a broad reference to international cooperation in the Guiding Principles.

6. Recommendations

The findings of this peer review primarily concern the implementation of KA 6 and the Guiding Principles, and not the design of the standards themselves. The review found that many jurisdictions have not yet fully implemented KA 6 and the Guiding Principles, while also demonstrating that jurisdictions can achieve full compliance within the existing framework. The findings therefore point to implementation gaps rather than shortcomings in the Key Attributes or other resolution standards themselves.

This section sets out recommendations to jurisdictions and the FSB to help close the implementation gaps identified in this report, which refer only to the requirements for orderly resolution under the KAs. The recommendations do not prescribe any specific model, which the KAs deliberately leave to jurisdictional discretion.

The recommendations are intended to help avoid the need for improvised, ad-hoc measures once a jurisdiction is confronted with a crisis. They elaborate on the preparations needed to meet the KA 6 standard and reap the benefits from pre-organised arrangements, and do not judge authorities' crisis-management capabilities at the point of failure.

6.1. Recommendations for jurisdictions

Jurisdictions should take urgent actions to address and close the gaps identified in this report. The peer review has identified six recommendations, referring to specific actions needed by jurisdictions to achieve full and consistent implementation of the KA 6 standard, in order to support credible and effective resolution frameworks.

1. **Recommendation 1 – Establishment and coordination:** Jurisdictions should clearly establish, in advance of a potential crisis, the temporary public funding that would be available to a systemic bank in resolution, how – and to what extent – multiple arrangements would work together, and how the PBF mechanism operates within the broader financial safety net. As appropriate, jurisdictions should communicate the framework governing such funding. Jurisdictions should distinguish between internal operational clarity, firm-specific preparedness and public communication. Public disclosure should provide confidence that a credible framework exists, while avoiding the creation of expectations that individual institutions will have an entitlement to public support.
2. **Recommendation 2 – Scale and flexibility:** Jurisdictions should take steps to ensure that their PBF mechanisms are able to provide liquidity at the scale required for the resolution of one or more systemic banks when necessary and appropriate. Where required by the size and structure of the banking sector, it is only prudent for jurisdictions to consider establishing a pre-arranged route to public resources – such as guarantees and indemnities to lend at a greater scale than collateral or direct deployment of ex-ante funds allow – that can be activated quickly subject to strong safeguards and having regards to the availability of private sources as well as the capacity of public resources.
3. **Recommendation 3 – Operational readiness:** Jurisdictions should further develop the operational readiness of their PBF arrangements, including to that end: cross-authority governance arrangements involving all relevant authorities (notably central banks);

clear expectations for systemic banks' capabilities to readily access liquidity in resolution; and regular testing of PBF arrangements against fast-fail scenarios, so that an existing mechanism can be deployed under acute resolution timelines.³⁹

4. **Recommendation 4 – Loss recovery:** Jurisdictions should ensure the provision of any public funds is supported by a clear legal basis and operational powers to recover losses, including through loss allocation to shareholders and unsecured creditors and ex-post assessments on the industry if all previous recovery tools are insufficient.
5. **Recommendation 5 – Moral hazard mitigation:** Jurisdictions should define in advance the key principles and conditions that will govern authorities' decisions on the potential use and terms of temporary public funding in resolution. This would ensure that such conditions and terms, which would need to be decided on a case-by-case basis, can more effectively mitigate the risks of moral hazard without defeating the timely access on which the effectiveness of the support depends.
6. **Recommendation 6 – Cross-border coordination:** Jurisdictions with systemic banks which have a material cross-border footprint or foreign-currency funding needs could take further steps to prepare with relevant home, host and other authorities for the provision and distribution of liquidity in resolution. This preparation should include identifying relevant authorities, clarifying coordination channels, minimising risks of liquidity being ring-fenced in the group, and discussing how foreign-currency funding would be provided under acute resolution timelines.

6.2. Recommendations for the FSB

The FSB should support jurisdictions in their efforts to achieve full and consistent implementation of the KA 6 standard. The review does not suggest that KA 6 itself or the Guiding Principles need to be amended, but the findings indicate that further advice and international coordination would help jurisdictions implement it more consistently and effectively.

7. **Recommendation 7 – Supporting implementation:** The FSB and other relevant international organisations should support jurisdictions, including members of the FSB's Regional Consultative Groups, in implementing PBF mechanisms that achieve: credibility, timely deployment of funds and testing against compressed resolution timelines, higher assurance that taxpayers are fully protected against losses, and balance between moral hazard safeguards and financial stability objectives. This support should include the sharing of best practices and approaches, and where relevant, demand-driven technical assistance and institutional training for jurisdictions to address the gaps identified in this report.
8. **Recommendation 8 – Implementation guidance:** In light of the findings of this review, the FSB may consider building on its existing implementation guidance, including the *2018 Funding Strategy Elements*. The FSB could build on those materials by

³⁹ This should not bear on any authority's discretion over the lending decision; it rather concerns whether the framework, and the central bank's role in particular, are settled and rehearsed in advance rather than solely at the point of failure.

developing complementary resources, where experience demonstrates a need for greater clarity, to support more consistent implementation of KA 6 across jurisdictions.

9. **Recommendation 9 – Cross-border coordination:** In the context of cross-border cooperation, which was outside the assessment of this peer review, the FSB should consider conducting further work on the sourcing by home jurisdictions of foreign-currency liquidity in internationally active banking groups, as this is an issue no jurisdiction can address alone. The FSB could consider information sharing sessions or workshops as prior diligence for any further work. Given the different angles involved, this work should be appropriately coordinated with other relevant standard-setting bodies.
10. **Recommendation 10 – Monitoring:** The FSB should closely monitor progress in implementing KA 6 and the Guiding Principles and addressing the recommendations in this review, including by tracking the progress of member jurisdictions in addressing the gaps identified. In doing so, it should seek to align this review, where appropriate, with related FSB workstreams, including the Crisis Preparedness Strategic Review. The FSB should consider, at an appropriate time, publicly reporting on the progress to address the recommendations in this report and assess whether further actions or follow-up work are needed.

Annex 1: Assessment methodology

Purpose

This PBF assessment methodology sets out the specific framework used by the peer review team to assess jurisdictions against Key Attribute (KA) 6, “Funding of Firms in Resolution.” It applies the Key Attributes Assessment Methodology for the Banking Sector (Assessment Methodology) and the related policy guidance, including the 2016 Guiding Principles on the temporary funding needed to support the orderly resolution of a global systemically important bank (“2016 Guiding principles”).

Principles

To help ensure fair and credible assessments, the following principles guided jurisdictional assessments:

1. Assessments of PBF mechanisms were based on KA 6, the Assessment Methodology Essential Criteria for KA 6, and the 2016 Guiding Principles.
2. Assessment criteria were supported by specific requirements, elements, or expectations set out in the relevant FSB policies.
3. When determining assessments, priority was given to the KAs, then the Essential Criteria, followed by the 2016 Guiding Principles.
4. The same benchmarks and criteria were applied to all jurisdictions to ensure fairness and comparability, while taking into account the jurisdiction’s institutional structure, systemic profile and financial safety net design.
5. Assessments were based on objective evidence, and minimised unnecessary interpretation, while recognizing that some judgement was required to determine the significance of identified gaps or risks. Where judgement was applied, the basis for that judgment is clearly explained.
6. Assessments focused on mechanisms that are currently established in law. Mechanisms that are proposed but not finalized in law are not assessed in this review.

Detailed assessment criteria

Assessment area	Compliant	Largely Compliant	Materially Non-compliant	Non-compliant
definitions	<i>A jurisdiction will be considered compliant with a KA when all applicable ECs are met without any significant deficiencies.</i>	<i>A jurisdiction will be considered largely compliant with a KA whenever only limited shortcomings are observed which do not raise any concerns about the jurisdiction's ability and clear intent to achieve full compliance with the KA within a prescribed period. The grade "largely compliant" can, in particular, be used when the regime does not meet all applicable ECs, but overall the regime is sufficiently robust and comprehensive and no material risks are left unaddressed.</i>	<i>A jurisdiction will be considered materially non-compliant with a KA whenever there are severe shortcomings in the jurisdiction's compliance with the relevant KA, including in instances where formal rules, regulations and procedures exist but practical implementation of the KA has been weak. It is acknowledged that the gap between "largely compliant" and "materially non-compliant" is wide and that a choice between the two grades may be difficult. The intention is to require assessors to make a clear statement.</i>	<i>A jurisdiction will be considered non-compliant with a KA when there is no substantive implementation of the KA, several ECs are not complied with or the resolution regime is manifestly ineffective. If there is only one EC for a KA and the jurisdiction does not meet that criterion, then the jurisdiction will be considered non-compliant with respect to that KA.</i>
Overall KA 6	Each component is rated "compliant."	KA 6.1/6.3 is rated compliant or largely compliant, and the remaining sub-components are compliant or largely compliant. If KA 6.1/6.3 is compliant or largely compliant, one	KA 6.1/6.3 is rated materially non-compliant; or KA 6.1/6.3 is rated compliant or largely compliant, but at least two other components are materially non-compliant.	KA 6.1/6.3 is rated non-compliant OR at least two components are rated non-compliant.

		other component may be materially non-compliant		
KA 6.1/6.3 (credible arrangements in place)	Jurisdictions should have statutory or other policies in place – so that authorities are not constrained to rely on public ownership or bail-out funds as a means of resolving firms, which meets all Essential Criteria (ECs) and each aspect of the 2016 Guiding Principles. In particular, the legal framework establishes credible arrangement(s) to the degree necessary and appropriate, provide temporary funding in terms of nature, availability, and sufficiency (EC 6.1) to support the use of resolution powers set out in KA 3 and achieve resolution objectives. The arrangements meet all elements of the 2016 Guiding Principles section 2, including sufficient size to meet a range of plausible but extreme scenarios (having had regard to the availability of private resources), timely deployment (e.g., speed of deployment and operational readiness has been tested), and term of funding provides flexibility without raising moral hazard.	A PBF is established in the legal framework for use when necessary and appropriate but does not meet all Essential Criteria (ECs) or each aspect of the 2016 Guiding Principles. However, it is sufficiently robust, and no material risks are left unaddressed (e.g., the size is sufficient having had regard to the availability of private resources), timely deployment is possible but untested, term of funding has some flexibility within a broader limit).	A PBF is established in the legal framework but is not sufficiently credible, or material risks are unaddressed (e.g., the size is materially insufficient in tail risk scenarios for the resolvability of potentially multiple G-SIBs, timely deployment faces significant obstacles, term of funding does not provide for flexibility).	A PBF is not established in the legal framework, and there are no other mechanisms to provide funding commensurate with KA 6 or the 2016 Guiding Principles.
KA 6.2 (provisions to recover any losses)	The PBF's provisions to mitigate the risk of losses to taxpayers are comprehensive and established in the legal framework , including a legal basis to recover funds from shareholders and unsecured creditors,	There is a low risk of losses to public funds (e.g. losses may be recovered from shareholders and unsecured creditors but not the financial system),	There is a medium risk of losses to public funds, due to a limited legal basis to recover losses, OR formal procedures need to be further developed OR	There is no legal or practical basis for the PBF or authorities to recover any losses. OR no mechanism exists to achieve the objectives of KA 6.2.

	or, if necessary, the financial system. The arrangements meet all elements of EC 6.2 (iii) and the 2016 Guiding Principles section 4.	OR the jurisdiction does not meet all elements of EC 6.2 (iii) and section 4 of the 2016 Guiding Principles. There is generally a legal basis in place to recover losses, but the provisions are not comprehensive, OR one of the PBF mechanisms only partially achieves the objectives.	practical implementation of loss recovery provisions is weak.	
KA 6.4 (conditions to minimise moral hazard)	Strict conditions to minimise moral hazard are comprehensive and established in the legal framework, that meet KA 6.4 and Guiding Principles section 3, including: (1) a determination that temporary funding is necessary to foster financial stability and achieve the objectives of an orderly resolution; (2) private sources of funding have been exhausted or cannot achieve the objectives of an orderly resolution; (3) allocation of losses to equity holders and residual costs to unsecured and uninsured creditors; and (4) ex-post assessments to recover costs from the industry; and (5) additional conditions targeted at reducing risk of moral hazard, as described in section 3 of the 2016 Guiding Principles (i.e. preconditions,	There is largely a legal basis in place for conditions to minimise moral hazard, but the conditions are not comprehensive (e.g., the conditions address financial stability need but do not have a last-resort test, they address equity holders but not unsecured creditors, or some material conditions included in Guiding Principles section 3 are missing).	There is a limited legal basis or formal procedures for conditions to minimise moral hazard, and practical implementation is weak. Most of the conditions included in section 3 of the 2016 Guiding Principles are missing.	There are no or very limited conditions to minimise moral hazard. OR no mechanism exists to achieve the objective of KA 6.4.

intensified supervision, term of funding,
collateral haircuts in the case of
collateralized facilities, pricing, exit
incentives).

Explanatory Notes

Overall assessment of KA 6

The overall KA 6 rating reflects the combined assessment of the credibility of the funding mechanism under KA 6.1/6.3, the mitigation of taxpayer loss under KA 6.2, and safeguards to minimise moral hazard under KA 6.4.

The credibility of the mechanism is the anchor for the overall rating: a jurisdiction cannot receive an overall KA 6 rating higher than its KA 6.1/6.3 rating (mechanism credibility). A compliant rating requires all sub-components to be compliant. Where KA 6.1/6.3 is compliant or largely compliant, weaknesses in KA 6.2 (loss recovery) or KA 6.4 (moral hazard) may lower the overall rating depending on their severity and number. Limited shortcomings may still support a largely compliant rating, but material weaknesses—particularly where more than one supporting sub-component is materially non-compliant—would normally result in a materially non-compliant rating.

Mechanism-level and jurisdiction-level assessment

Operational readiness, loss recovery and moral hazard are assessed separately for each established mechanism, whether a jurisdiction has one mechanism or several. Where multiple mechanisms exist, the jurisdictional rating for each sub-component reflects a holistic view of those mechanisms, taking account of their relative significance and how they operate collectively.

Where a mechanism is not yet fully established in the legal framework, for example because legislation has not been enacted, it is not assessed. Where the mechanisms are established in the legal framework but not yet in force, this is reflected in the size and flexibility assessment and may result in a lower flexibility rating. Operational readiness, loss recovery and moral hazard are assessed only by reference to mechanisms currently established in the legal framework and available for use. A jurisdiction may therefore be rated favourably on those sub-components based on existing mechanisms, while receiving a lower credibility assessment if an incomplete mechanism is needed to provide sufficient size or flexibility. That lower credibility assessment may in turn constrain the overall KA 6 rating.

Assessment of KA 6 sub-components

KA 6.1 and KA 6.3 (mechanism credibility)

The assessment of KA 6.1 and 6.3 combines two elements: (i) the size and flexibility of the arrangements that make up the PBF mechanism; and (ii) operational readiness. Each is assessed in terms of high, medium, or low flexibility and operational readiness, which informs an overall credibility assessment. In the absence of a PBF mechanism, KA 6.1 and 6.3 are de facto non-compliant.

For KA 6.1 and KA 6.3, the size and flexibility assessment sets the ceiling for the combined credibility rating, while operational readiness determines whether the jurisdiction reaches that ceiling or is rated one level lower, depending on the extent of operational shortcomings. High flexibility combined with high operational readiness results in a compliant rating for KA 6.1/6.3. Low flexibility cannot result in a rating higher than materially non-compliant, even where operational readiness is high.

The two elements are assessed as follows:

- **Size and flexibility** – The assessment considers whether the funding capacity of the PBF mechanism is sufficient to meet the potential liquidity needs of a jurisdiction's banks in resolution. It also considers the extent to which the capacity of the PBF mechanism can be extended to reach the scale that may be required in resolution. The capacity of the available funding to reach the potential liquidity needs of one or more failing firms, including through the combinations of multiple funding arrangements, indicates high flexibility. Medium flexibility is where the funding capacity of the PBF mechanism may be constrained by statutory or other limits. Where the PBF mechanism is largely limited to ex-ante funds or fixed borrowing limits, that could significantly constrain the mechanisms' ability to meet the liquidity needs of one or more failing firms, indicating low flexibility. The assessment also considers whether a jurisdiction is a home or host of G-SIBs, which ties directly with the credibility of the PBF mechanisms in place.
- **Operational readiness** – Operational readiness is assessed against three considerations: whether funds can be deployed within the timeframe required for orderly resolution; whether domestic governance arrangements are clear, codified and tested; and whether firms are prepared to access funding in resolution. Evidence across all three considerations indicates high readiness. Evidence of timely deployment, but with gaps in governance and/or firm readiness, indicates medium readiness. Inability to demonstrate timely deployment, particularly where testing is limited or absent, indicates a low level of operational readiness.

KA 6.2 (loss recovery)

The assessment first determines whether a loss to public funds can be incurred, including the extent to which public funding is provided on a fully collateralised basis or not. In cases where losses on public funds is possible (e.g. the provision of public funds is not fully secured against collateral with adequate haircuts), the analysis focuses on the legal basis to recover any losses, the loss recovery hierarchy including allocation of losses to shareholders and creditors, and the ability for ex-post industry contributions. The assessment also evaluates the extent to which procedures have been established and practically implemented.

- **Compliant.** The PBF's provisions to mitigate the risk of losses to taxpayers provide a high assurance that risks to taxpayers is limited or non-existent. The provisions are comprehensive and established in the legal framework, including a legal basis to recover funds from shareholders and unsecured creditors and the powers to levy assessments on the wider financial system. This corresponds to a compliant assessment.

- **Largely Compliant.** Losses to public funds are possible. The legal basis to recover funds is largely established but may not be comprehensive, which means that there is a low risk that losses may fall onto taxpayers. One or more loss recovery tools may be missing or not fully implemented (for example, a legal basis to recover funds from shareholders and unsecured creditors exists but not the powers to levy assessments on the wider financial system). This corresponds to a largely compliant assessment.
- **Materially non-compliant.** There is no legal basis to recover losses, resulting in medium risk that losses may fall onto taxpayers if temporary funding is not fully repaid. The power to impose losses on shareholders and creditors or levy the financial system are not established or not fully implemented. This corresponds to a materially non-compliant assessment.

KA 6.4 (moral hazard)

The assessment first determines whether the jurisdiction has a PBF or other mechanism capable of providing temporary funding in resolution. Where a mechanism exists, it is assessed against: (i) the core KA 6.4 conditions: financial stability necessity, exhaustion of private funding, and appropriate loss allocation and cost recovery; and (ii) additional safeguards from the 2016 Guiding Principles, including access conditions, intensified supervision, funding limits, collateral haircuts, pricing, and exit incentives. The safeguards from the 2016 Guiding Principles are assessed collectively. For both core 6.4 conditions and the safeguards from the 2016 Guiding Principles, the assessment considers whether the conditions are grounded in law, formal procedures or policy, case-by-case discretion, or are not applicable.

The overall categorization is anchored on the core KA 6.4 conditions, which determine whether the use of public funds is disciplined, with the additional 2016 Guiding Principles safeguards acting as a reinforcing factor.

- **Compliant.** The KA 6.4 core conditions and the 2016 Guiding Principles safeguards are established in the legal framework and operationalized through procedures.
- **Largely Compliant.** The core conditions are established but one or more rest on a weaker legal/procedural basis or are only partly met, and/or the Guiding Principles safeguards are incomplete.
- **Materially Non-Compliant.** The core conditions are largely absent or rest only on case-by-case discretion, without a binding legal or procedural basis.

Annex 2: Analysis of jurisdictional banking sectors

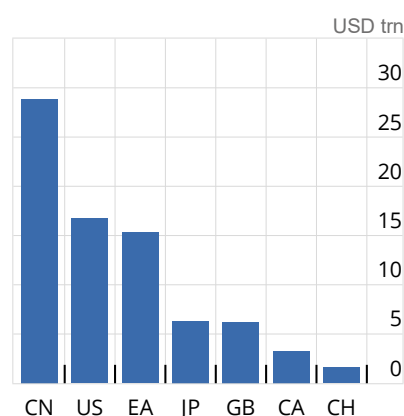
This annex uses public data to show the scale, and concentration of the banking sectors across FSB jurisdictions, since these factors shape how large a credible PBF mechanism may need to be. It provides contextual information and is not part of the assessment methodology described in Annex 1. It does not estimate resolution funding needs or assess the adequacy of any jurisdiction's funding arrangements, which depend not only on firm size, but also on the circumstances and speed of failure, the systemic bank's remaining liquidity and collateral, its funding structure and currencies, market conditions, and the authorities' resolution strategy. Nor does it set out a single quantitative threshold for PBF mechanisms based on sector-wide or individual bank assets. Nevertheless, the analysis supports a clear observation: jurisdictions which are home to larger or more numerous systemic banks may need PBF mechanisms capable of reaching greater scale.

The global systemically important banks are large and have grown further since the global financial crisis. The G-SIBs are among the largest and most interconnected banks in the world, and the largest individual systemic banks each hold assets measured in the trillions of US dollars (Graph 1, Panels A and B). Moreover, G-SIBs' aggregate assets have grown since the global financial crisis, suggesting that the potential scale of a resolution involving one of these systemic banks has, if anything, increased since the Key Attributes were established (Graph 1, Panel C). While total assets are not a direct estimate of resolution liquidity needs, they illustrate the size of the institutions that PBF mechanisms may need to support.

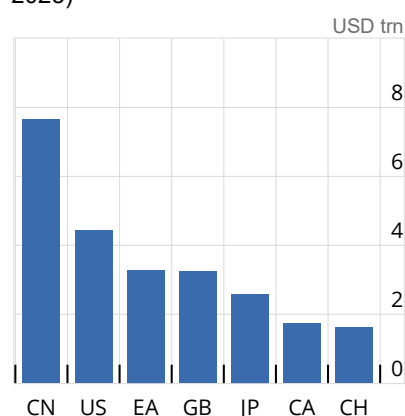
G-SIBs size and growth

Graph 1

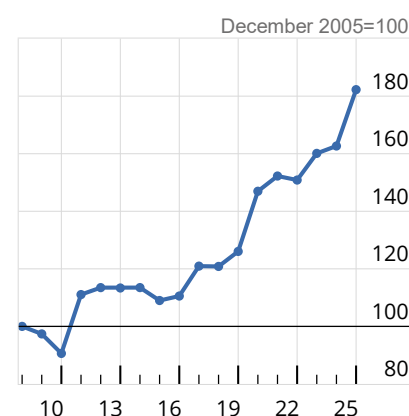
A. GSIBs total assets (end-2025)



B. Largest GSIBs total assets (end-2025)



C. Growth of GSIB total assets



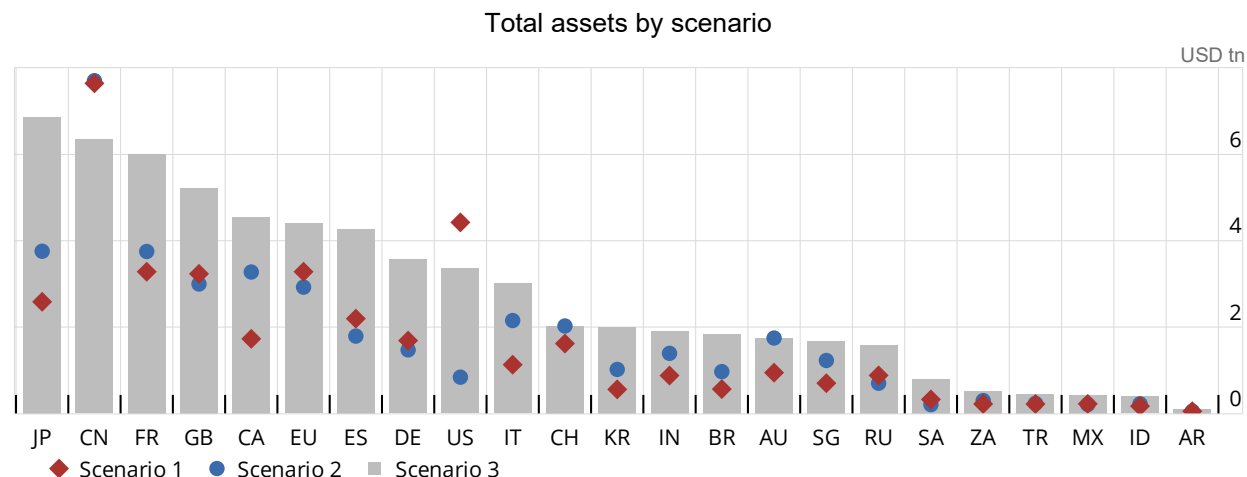
Sources: Fitch; FSB.

Several jurisdictions are home to more than one G-SIB, which could increase liquidity needs if more than one were to be resolved simultaneously. Credible funding capacity may therefore need to cover not only the resolution of the largest single systemic bank, but also, as contemplated by the 2016 Guiding Principles, the potential simultaneous resolution of more than one systemic firm. Graph 2 illustrates this range for each jurisdiction: the assets of the single largest bank (scenario 1), of the two smallest systemic banks (scenario 2), and of the four median

banks of the systemic population (scenario 3)⁴⁰. Taken together they show that the scale of “a resolution” cannot be demonstrated by a single figure but a range, and that a resolution involving multiple firms can exceed that of the single largest bank alone. That range is widest, and the potential scale greatest, in jurisdictions home to several of the largest G-SIBs.

Large banks across FSB membership as of end-2025

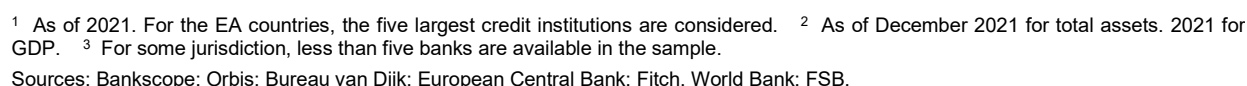
Graph 2



Banking sector size matters beyond G-SIB home jurisdictions: jurisdictions with large domestic banks or significant foreign G-SIB operations may also face substantial liquidity needs in resolution. A number of jurisdictions are home to banks that, while not designated as globally systemic, are large in absolute terms or systemic within their own domestic economies, and whose resolution could require significant temporary liquidity. This underscores that banking sector size is a relevant factor in designing credible PBF mechanisms across FSB member jurisdictions.

⁴⁰ The scenarios are for illustrative purposes, rather than estimates of likely liquidity outflows or predictions of joint failures.

Graph 3



The banking sectors behind the funding arrangements differ markedly in the scale, number and concentration of the banks that could require resolution, and in the size of those banks relative to the economy behind them. These figures inform the assessment of

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credible capacity but do not directly measure adequacy. There is no single numerical threshold based on total assets or sector size, and jurisdictions should assess plausible resolution funding needs in light of systemic bank-specific liquidity profiles, available collateral, relevant currencies, resolution strategies and the possibility of concurrent failures. Nevertheless, the analysis does support a clear directional point: all else equal, jurisdictions that are home to larger or more numerous systemic banks may need PBF mechanisms capable of reaching greater absolute capacity. In smaller or highly concentrated systems, the scale of the banking sector relative to the overall economy may also be an important consideration.

Annex 3: Detailed range of practice tables

Table A.1: PBF mechanism funding sources

Jurisdiction	Funding sources in resolution		
	Funding source A	Funding source B	Funding source C
Argentina	None	None	None
Australia	RBA Exceptional Liquidity Assistance (ELA)	Financial Claims Scheme (FCS) ⁴²	Financial System Stability Special Account (FSSSA)
Brazil	Central bank LLT (collateralised)	FGC Deposit Insurance Fund (DIF), FGC Resolution Fund (RF); FGCoop (cooperative sector)	FGC and FGCoop market borrowing
Canada	Bank of Canada ELA (collateralised)	CDIC Deposit Insurance Fund (DIF); CDIC borrowing (markets/government)	Financial Administration Act (FAA) fiscal backstop
China⁴³	Deposit Insurance Fund (DIF)	PBoC re-lending to DIF;	—

⁴² FCS functions are a) closed-bank payout of insured deposits and b) facilitating the compulsory transfer of business (i.e. transfer of assets and liabilities) of a failed bank to a willing acquirer, so long as the total cost of funding the transfer is equal to or less than the total estimated gross cost of closed-bank insured deposit payout.

⁴³ The FSGF (Financial Stability Guarantee Fund) is being established in domestic law and has been excluded from the scope of the peer review.

EU Banking Union ⁴⁴	Single Resolution Fund (SRF)	SRF borrowings;	—
Hong Kong	Resolution Facility (RF)	Contingent Term Facility (CTF)	Ex-post levy through FIRO Resolution Funding Account
India	None	None	None
Indonesia	Deposit insurer (IDIC) in-resolution liquidity	Deposit insurer ex-post funding (borrowing/issuance; government securities transactions)	Government loans to the deposit insurer
Japan	DICJ liquidity via Crisis Management Account (CMA)	DICJ market borrowing/issuance with government guarantees; BOJ back-financing to DICJ with government guarantees; Intra-DICJ General Account	—
Korea	Relevant sectoral account of KDIC Deposit Insurance Fund (DIF)	Inter-account borrowings within DIF; KDIC market borrowing/bond issuance; BoK loans to KDIC	Government loans to KDIC (DPA Art. 26)
Mexico	Standing Liquidity Facility (FPL)	Central bank ELA; IPAB industry fund; IPAB borrowing authority; IPAB bridge loan (IPAB ELA)	—
Saudi Arabia	Central bank Resolution Liquidity Facility (RLF)	Resolution Fund (RF); Deposit Protection Fund (DPF) bridging to RF	State-sponsored support

⁴⁴ The ESM (the European Stability Mechanism) is not ratified in all EBU member states.

Singapore	Resolution Fund	—	Fiscal guarantee/indemnities
South Africa	Central bank standard liquidity facilities	Central bank ELA; Corporation for Deposit Insurance (CODI) funding	Fiscal guarantees/indemnities
Switzerland⁴⁵	Central bank liquidity (LSFF/ELA/ELF)	—	—
Türkiye	Savings Deposit Insurance Fund (SDIF) pre-funded reserve	Central bank advances to SDIF; Advance collection of premiums; Ordinary central bank lending (if eligible)	Treasury special-issue government securities to SDIF
United Kingdom	Resolution Liquidity Framework (RLF)	—	HM Treasury indemnity for RLF
United States	—	—	Orderly Liquidation Fund (cash advances and guarantees)

⁴⁵ The Swiss PLB is being established in dedicated legislation and has been excluded from the scope of the peer review. Emergency funding capacity already has a permanent basis in the Fiscal Act, as applied in March 2023.

Table A.2: PBF funding flexibility: size and flexibility

Jurisdiction	Ex-ante funds	CB liquidity	Baseline mechanism for public liquidity in resolution	Additional sources of public liquidity in resolution	Fiscal backstop available in resolution
Argentina	NA	NA	NA	NA	NA
Australia	No	Included	RBA ELA (limited by collateral)	FCS	FSSSA (Up to AUD 20bn per Authorisation)
Brazil	Yes (FGC DIF + RF)	Included	FGC ex-ante funds (DIF and RF); CB LLT (limited by collateral); FGCoop (coops)	FGC borrowing/issuance	None
Canada	Yes (CDIC DIF)	Included	Bank of Canada ELA (limited by collateral)	CDIC DIF + borrowing (markets/government)	FAA fiscal backstop

China	Yes (DIF)	Excluded to firms; CB lends to DIF	Deposit Insurance Fund (DIF), limited to least cost test	CB re-lending to DIF ⁴⁶	None
EU Banking Union	Yes (SRF)	Discretionary; generally post-resolution ⁴⁷	Single Resolution Fund (SRF)	SRF borrowings	None
Hong Kong	No	Included (RF/CTF)	Resolution Facility (RF)	Contingent Term Facility (limited by collateral)	FIRO Resolution Funding Account
India	NA	NA	NA	NA	NA

⁴⁶ PBOC re-lending to the DIF is not yet operationalised or supported by fiscal backstop

⁴⁷ Limited by collateral

Indonesia	Yes (single shared DI/resolution fund)	Excluded (only post-resolution if eligible)	Deposit insurer (IDIC) in-resolution liquidity	Deposit insurer ex-post funding (borrowing/issuance; gov't securities transactions)	Government /loans to the deposit insurer
Japan	Yes	Excluded to firms; BOJ back-finance to DICJ with government guarantees included	DICJ via Crisis Management Account (CMA)	Market borrowing/issuance; BOJ back-financing to DICJ; intra-DICJ General Account	Government guarantees for DICJ borrowing/issuance and BOJ back-financing to DICJ and exceptional subsidies ex post
Korea	Yes (KDIC DIF)	Excluded to firms; BoK loans to KDIC included	KDIC via DIF (ASIFI/DPA)	Inter-account borrowings within DIF; KDIC market funding/bond issuance; KDIC loans from BoK	Government loans to KDIC (least cost test binding; no parliamentary approval)

Mexico	Yes (industry fund)	Included (first-line FPL; discretionary ELA)	Standing Liquidity Facility (limited by collateral)	Central bank ELA; IPAB industry fund; IPAB borrowing ($\leq 6\%$ of system liabilities/3y); IPAB bridge loan (IPAB ELA)	None
Saudi Arabia	Yes (DPF)	Included (central bank RLF)	Central bank Resolution Liquidity Facility (limited by collateral)	Resolution Fund (industry-backed); DPF can bridge the RF	State-sponsored support via MoU (under development)
Singapore	No	Excluded to firms; CB loans to Resolution Fund included	Resolution Fund funded by central bank ⁴⁸	None	Fiscal guarantee/indemnities

⁴⁸ MAS lending to the RF is not fully operationalised and not currently supported by fiscal backstop.

South Africa	Yes (CODI)	Included (standard facilities first-line; ELA second-line)	Central bank standard liquidity facilities (limited by collateral)	Central bank ELA (limited by collateral); CODI (least-cost, finite)	Fiscal guarantees/indemnities
Switzerland	No	Included (first-line)	Central bank liquidity ((limited by collateral))	None	None ⁴⁹
Türkiye	Yes (SDIF)	Included (CB advances to SDIF; ordinary CB facilities if eligible)	SDIF pre-funded reserve	Central bank advances to SDIF; advance collection of premiums; ordinary CB lending (if eligible, limited by collateral)	Treasury special-issue securities to SDIF under budget ceilings
United Kingdom	No	Included (RLF in resolution)	Resolution Liquidity Framework (RLF)	None	HM Treasury indemnity for RLF

⁴⁹ The PLB is being established in dedicated legislation, currently before the Swiss Parliament. Once established, the funding flexibility is expected to be scalable for the liquidity needs of a G-SIB resolution.

United States	No	Discretionary; generally post-resolution ⁵⁰	None (dedicated backstop is the next line)	Orderly Liquidation Fund (Treasury) with statutory borrowing authority; obligations capped by firm assets (10% initial consolidated balance sheet; 90% fair value of assets available for repayment thereafter)
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⁵⁰ Limited by collateral.

Table A.3: PBF Operational readiness

Jurisdiction	Timely deployment of funds	Domestic Governance - Playbooks, Protocols, Guidance	Domestic Governance - Testing	Firm Readiness - planning for liquidity in resolution; firm-facing testing
Argentina	NA	NA	NA	NA
Australia	Swift deployment where required for ELA, 7 days for FCS, and intra-day/24h for FSSSA	Protocols for ELA and FCS but not for FSSSA	Evidence of cross-authority testing for ELA; FCS and FSSSA untested	Banks required to be operationally ready to access ELA and support FCS application; no evidence of firm-facing testing
Brazil	Weekend deployment	No evidence	No cross-authority testing	No evidence of expectations on or testing of firms' readiness to access liquidity in resolution

Canada	ELA deployable same day; CDIC up to several business days; fiscal support within up to three business days subject to governmental approval	Protocols in place	Evidence of cross-authority testing	Access to liquidity embedded in firms' resolution planning Evidence of systemic firms' testing for ELA and CDIC
China	DIF fund deployment possible on same day	No evidence	Unclear evidence to cross-authority testing	No evidence of expectations on or testing of firms' readiness to access liquidity in resolution
EU Banking Union	Half of SRF funds are immediately deployable (same day); the remaining subject to a standard 5-day liquidation period, though this timeline may be shortened if urgent liquidity is required	Protocols in place	Evidence of cross-authority testing	Access to liquidity embedded in firms' resolution planning Evidence of firm-facing testing

Hong Kong	Same business-day deployment for the Contingent Term and Resolution Facilities	Protocols in place	Evidence of authority-level testing	Preparation checklists and operational notes for banks' access to liquidity in resolution Evidence of firm-facing exercise
India	NA	NA	NA	NA
Indonesia	Timeline for deployment unclear	Cross-authority protocols in place	No evidence of cross-authority testing	No evidence of firm-facing testing
Japan	Weekend deployment	Cross-authority protocols in place	Evidence of cross-authority testing and coordination	Access to liquidity in resolution embedded in firms' resolution planning Evidence of firm-facing testing for systemic banks
Korea	Swift deployment confirmed though no specific timeline provided	Protocols in place	Evidence of cross-authority testing	Access to liquidity embedded in firms' resolution planning Evidence of firm-facing testing

Mexico	Same-business-day under several facilities	Protocols in place	Evidence of cross-authority testing	Banks required to be operationally ready to access liquidity in resolution Evidence of firm-facing testing for FPL, but unclear for other sources
Saudi Arabia	Timeline for deployment unclear; framework still being operationalised	Agreements not finalised	No cross-authority testing of operational procedures completed	Framework still being developed - No evidence of expectations on or testing of firms' readiness to access liquidity in resolution
Singapore	Timeline for deployment same day for Resolution Fund	Protocols in place	Testing prospective (planned walkthroughs and desktop exercises)	Access to liquidity embedded in firms' resolution planning; Evidence of firm-facing testing of access to the facilities in BAU; no separate testing for resolution, as the access processes are broadly similar
South Africa	SARB same-day; fiscal/CODI timeline for deployment unclear	Protocols in place	Evidence of cross-authority testing	Firms expected to be operationally ready Limited evidence of firm-facing testing

Switzerland	Same-day	Protocols for LSFF/ELF/ELA in place	Evidence of cross-authority testing	Access to liquidity embedded in firms' resolution planning Evidence of firm-facing testing
Türkiye	1-7 days to raise funds	Protocols under development	No evidence of cross-authority testing	No firm-facing testing as banks do not directly access the mechanism
UK	Same-day/weekend deployment	Protocols in place	Evidence of cross-authority testing	Access to liquidity embedded in firms' resolution planning Evidence of firm-facing testing
US	OLF same-day/weekend	Protocols in place	Evidence of cross-authority testing	Access to liquidity embedded in firms' resolution planning Limited evidence of firm-facing testing

Table A.4: Loss recovery

Jurisdiction	Public funds may not absorb losses	Legal basis for recovery	Allocation of losses to shareholders	Ex-post industry assessment	Established procedures
Argentina	No	No	No	No	No
Australia	Not assured	Statutory loss-recovery provisions exist for ELA; industry levy possible in principle but not legislated (except for FCS)	Yes but no fixed statutory waterfall	No standing or contractual levy mechanism in place for ELA or FSSSA, FCS has statutory industry levy mechanism	No
Brazil	Yes	Yes (set out in regulatory framework); Resolution Fund legislation pending	Yes	Yes	Partial (BCB procedures to recover collateral pending)
Canada	Not assured	Yes (parliamentary framework), but not an absolute legal guarantee	Yes	Partial (policy expectation, not guaranteed)	Largely established; some confirmations pending
China	Not assured	Yes	Yes	Partial (no statutory provisions)	Partial (some elements in development)
EU Banking Union	Yes	Yes	Yes	Yes	Yes
Hong Kong	Yes	Yes	Yes	Yes	Yes
India	No	No	No	No	No

Indonesia	No	Yes (set out in IDIC and government regulation)	Partial (shareholder loss allocation can be conditional on negative capital)	No	Partial (some implementing regulations pending)
Japan	Yes	Yes	Yes	Yes	Yes
Korea	Not assured	Partial (bail-in not yet formally legislated)	Partial (framework evolving)	Yes	Partial
Mexico	Not assured	Yes	Yes	Yes	Yes
Saudi Arabia	Not assured	Yes	Yes	Yes	Partial (Resolution Fund not finalised)
Singapore	Not assured	Yes (broad basis; s111 FSMA), specifics still being defined	Yes (no mandated hierarchy ⁵¹)	Under development (consultation ongoing)	Under development
South Africa	Not assured	Yes (new legislation)	Yes (before any public funds)	No	Early stage development
Switzerland	Not assured	Yes for many tools; no constitutional basis for ex-post industry contributions	Yes	No	Yes (recent GSIB resolution; reforms ongoing)
Türkiye	Not assured	Yes (legal basis; ex-ante fund)	Partial	Limited ability for ex-post assessments	Partial
United Kingdom	Yes	Yes	Yes	Yes	Yes

⁵¹ MAS intends to abide by the hierarchy of claims in liquidation. MAS has made such a statement publicly.

United States	Yes	Yes	Yes	Yes	Yes
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Table A.5: Conditions to minimise moral hazard

Jurisdiction	Mechanism	Core KA 6.4 conditions		2016 Guiding Principles, Section 3 safeguards ⁵²
		Financial stability and exhaustion of private funding	Loss allocation	
Argentina	—	N/A — no PBF mechanism	N/A — no PBF mechanism	N/A — no PBF mechanism
Australia	RBA ELA	FS/orderly resolution: Yes - Available only for acute liquidity stress where the borrower is solvent and support is needed for financial-system stability; set in RBA policy Private funding: Partial - Exceptional last-resort lending, but no express public test that all private funding has been exhausted	No - Secured lending; no separate creditor-loss or industry-recovery condition	Short term, collateralised and discretionary; detailed pricing, exit and disclosure terms are case-specific
	FSSSA	FS/orderly resolution: Yes - Statutory authority is directed to depositor protection and financial-system stability Private funding: No - No private-funding exhaustion condition	Partial - Capital instruments may be written off or converted, but no general senior-creditor bail-in; set in statutory law	Statutory cap and approval process are set in law/formal policy; no standard pricing, tenor, collateral or exit terms

⁵² Terms and conditions could include access conditions, intensified supervision, term of funding, collateral haircuts, pricing, exit incentives.

Jurisdiction	Mechanism	Core KA 6.4 conditions		2016 Guiding Principles, Section 3 safeguards ⁵²
		Financial stability and exhaustion of private funding	Loss allocation	
Brazil	FGC Deposit Insurance Fund and Resolution Fund	FS/orderly resolution: No - Deposit guarantee support is not subject to a case-specific financial-stability test Private funding: No - No private-funding exhaustion condition	No - No statutory creditor bail-in condition attached to fund use	Some pricing terms, collateral requirements and amount limits are set in statutory law and/or formal policy; oversight, conditions and reporting absent
	BCB LLT	FS/orderly resolution: No - Standing liquidity line; no case-specific financial-stability gate Private funding: No - No private-funding exhaustion condition	No - Secured central-bank lending; no resolution loss-allocation condition	Eligibility terms, collateral requirements, and operational limits are set in statutory law and/or policy; limits and pricing may be relaxed
	FGCoop	FS/orderly resolution: No — Discretionary support; Private funding: No - No private-funding exhaustion condition	No - No statutory creditor bail-in condition attached to fund use	Pricing terms set in statutory law and/or policy; collateral requirements discretionary; other terms unstated
Canada	CDIC resolution funding	FS/orderly resolution: Yes - CDIC's statutory objects include financial stability and resolution Private funding: Partial - CDIC must minimise its exposure to loss, but no express private-funding exhaustion test set in statutory law and/or policy	Yes - Prescribed capital and bail-in debt absorb losses for D-SIBs set in statutory law and/or policy; CDIC must minimise loss exposure	Statutory governance, borrowing terms set in statutory law and/or policy, oversight and reporting are set; transaction terms are case-specific
	BoC ELA	FS/orderly resolution: Yes - Extraordinary last-resort liquidity may support recovery or resolution of an institution facing serious liquidity stress Private funding: Partial - Explicitly last resort and designed to encourage reliance on private funding, but no formal exhaustion test	No - Secured lending; no separate creditor-loss or industry-recovery condition	Eligibility, collateral requirements, terms, management and supervisory coordination are set in statutory law and/or policy; amount limits remain case-specific

Jurisdiction	Mechanism	Core KA 6.4 conditions		2016 Guiding Principles, Section 3 safeguards ⁵²
		Financial stability and exhaustion of private funding	Loss allocation	
	FAA fiscal backstop	FS/orderly resolution: Partial - Broad ministerial authority supports financial-system stability, rather than a standing mechanism-specific test set in statutory law and/or policy Private funding: No — No private-funding exhaustion condition	No - No standing loss-allocation or ex-post industry-recovery condition identified	No predefined facility-level pricing, tenor, collateral or exit safeguards set in statutory law and/or policy

Jurisdiction	Mechanism	Core KA 6.4 conditions		2016 Guiding Principles, Section 3 safeguards ⁵²
		Financial stability and exhaustion of private funding	Loss allocation	
China	Deposit Insurance Fund	FS/orderly resolution: Yes - The Deposit Insurance Regulation is expressly directed to preventing financial risk and maintaining financial stability Private funding: Partial — Least-cost and risk-resolution features apply, but no express private-funding exhaustion test and addressed only in planning	Partial - Owners and responsible parties may bear losses, but no general statutory creditor bail-in set out in regulation	Access conditions, supervision and disclosure are established in law and/or policy; pricing, exit incentives and other reinforcing safeguards remain largely unstated
EU Banking Union	Single Resolution Fund	FS/orderly resolution: Yes - Resolution must be in the public interest and no alternative private or supervisory measure may prevent failure set in statutory law and/or policy Private funding: Yes – The statutory framework requires prior loss absorption and absence of viable private alternatives	Yes - SRF use to cover losses or recapitalise subject to existence of contribution by shareholders and creditors of at least 8% of total liabilities and own funds set in statutory law and/or policy	Statutory purposes, contribution limits, governance and reporting are set; transaction pricing, tenor and collateral depend on the resolution scheme
Hong Kong	Resolution Facility	FS/orderly resolution: Yes - Available only within resolution and having regard to systemic-stability objectives set in law and/or policy Private funding: Yes - Bridges a resolved institution until market funding resumes; private funding exhaustion required in law	Yes - FIRO write-down/bail-in powers and an ex-post resolution levy allocate losses and recover costs set in law and/or policy	Collateral, governance and reporting are set in law and/or policy; pricing, limits and tenor are case-specific

Jurisdiction	Mechanism	Core KA 6.4 conditions		2016 Guiding Principles, Section 3 safeguards ⁵²
		Financial stability and exhaustion of private funding	Loss allocation	
	Contingent Term Facility	FS/orderly resolution: Yes - Discretionary facility for extraordinary institution-specific stress with potential systemic implications set in law and/or policy Private funding: Yes - Intended after ordinary Settlement and Standby facilities are insufficient set in law and/or policy	No - Secured liquidity set in law and/or policy; no separate creditor-loss or cost-recovery condition	Collateral, governance and reporting are set in law and/or policy; pricing, limits and tenor are case-specific
India	—	N/A — no PBF mechanism	N/A — no PBF mechanism	N/A — no PBF mechanism
Indonesia	IDIC in-resolution liquidity	FS/orderly resolution: Yes—funding is linked to implementing the resolution action and maintaining continuity during resolution. Private funding: Partial—private/investor solutions are pursued, but no uniform exhaustion test applies across all facilities.	Partial—shareholder loss allocation and recovery arrangements apply conditionally; no general creditor bail-in.	limits, tenor, oversight and restrictions set in law and/or policy; pricing, collateral and reporting are case-specific
Japan	DICJ Crisis Management Account	FS/orderly resolution: Yes - Prime Minister confirmation follows a determination that serious financial-system disruption must be prevented; set in law and/or policy Private funding: Yes — PM Specified Confirmation; set in law and/or policy	Yes - Shareholders and eligible creditors absorb losses; losses are in principle recovered ex post from the financial industry; all set in law and/or policy	Statutory approval, governance, tenor, limits, collateral, and reporting are set in law and/or policy

Jurisdiction	Mechanism	Core KA 6.4 conditions		2016 Guiding Principles, Section 3 safeguards ⁵²
		Financial stability and exhaustion of private funding	Loss allocation	
Korea	KDIC Deposit Insurance Fund	FS/orderly resolution: Yes - Resolution support is directed to insolvent institutions and financial-system stability set in law and/or policy Private funding: Partial - Least-cost and self-help principles apply, but no express private-funding exhaustion test set in law and/or policy	Partial - Capital reduction and shareholder/management loss sharing apply; no senior-creditor bail-in set in law and/or policy	Least-cost, due diligence, MOUs, monitoring and corrective action are set in law and/or policy; pricing, collateral and tenor are case-specific
	Standing Liquidity Facility	FS/orderly resolution: No – access does not require a systemic-risk or financial-stability determination. Private funding: Partial – no explicit exhaustion test set in law and/or policy; above-market pricing is intended to discourage use before private funding is exhausted.	No – Secured liquidity; no separate creditor-loss allocation set in law and/or policy	Eligibility, tenor, pricing, collateral and limits are set in law and/or policy
Mexico	Central bank ELA	FS/orderly resolution: No – no systemic-risk determination required for access Private funding: Yes – ELA is intended to be used only after other funding options have been exhausted; set in internal policy	No – Secured liquidity; no separate creditor-loss allocation set in law and/or policy	Oversight set in law and/or policy; case-by-case access eligibility
	IPAB ELA	FS/orderly resolution: Yes – a case-by-case systemic-risk determination by the CEB is required under the Credit Institutions Law Private funding: Yes – available only after the bank has received and defaulted on Banco de México ELA, which is itself a last-resort facility; set in law and/or policy	Partial — shares pledged to IPAB and forfeited on default; no creditor bail-in set in law and/or policy	Limits, tenor, pricing, collateral, exit, oversight and reporting set in law and/or policy

Jurisdiction	Mechanism	Core KA 6.4 conditions		2016 Guiding Principles, Section 3 safeguards ⁵²
		Financial stability and exhaustion of private funding	Loss allocation	
Saudi Arabia	Central Bank RLF	FS/orderly resolution: Yes – Resolution under SIFI Law is subject to statutory financial stability objectives and resolution entry conditions Private funding: Partial – framework prioritizes institution’s own resources before funding, but there is no explicit statutory private funding exhaustion requirement and the RLF operational framework remains under development	Yes — Statutory creditor loss allocation (bail-in) powers are established under SIFI Law.	Operational framework, governance, pricing, collateral and other facility terms remain under development.
	Resolution Fund	FS/orderly resolution: Yes – Resolution under SIFI Law is subject to statutory financial stability objectives and resolution entry conditions Private funding: Partial – framework prioritizes institution’s own resources before funding, but there is no explicit statutory private funding exhaustion requirement and the RF operational framework remains under development	Yes — Statutory creditor loss allocation (bail-in) powers are established under SIFI Law.	Resolution Fund governance is established in law, but operational rules, funding arrangements, and other Guiding Principle safeguards remain under development.
Singapore	Resolution Fund	FS/orderly resolution: Yes — FS determination present in law and/or policy Private funding: Yes – Statutory requirement to consider the availability of private funding	Yes - Statutory bail-in powers	Pricing, collateral requirements, tenor and exit are governed principally by internal policy; no statutory maximum term applies. Enhanced supervision and reporting have statutory or institutional bases, but detailed operational terms are generally not published

Jurisdiction	Mechanism	Core KA 6.4 conditions		2016 Guiding Principles, Section 3 safeguards ⁵²
		Financial stability and exhaustion of private funding	Loss allocation	
South Africa	SARB ELA	FS/orderly resolution: Yes – Case-by-case access linked through internal policy to SARB’s statutory financial stability mandate, although no formal statutory FS determination required Private funding: Partial —SARB assesses whether private funding is unavailable or insufficient in internal policy rather than statutory requirement	No - Secured liquidity; no separate resolution loss-allocation condition	Statutory governance and oversight, reporting set in statutory law and/or policy; transaction-level pricing, collateral, tenor and exit conditions remain limited or case-specific
	CODI Deposit Insurance Fund	FS/orderly resolution: Yes - use must support statutory public interest and financial stability objectives Private funding: Partial – Least-cost and case-by-case assessments apply, but no explicit statutory and/or policy requirement to exhaust private funding	Yes – Statutory bail-in powers permit losses to be imposed on shareholders and eligible creditors	Governance and oversight established in FSR Act; operational terms limited

Jurisdiction	Mechanism	Core KA 6.4 conditions		2016 Guiding Principles, Section 3 safeguards ⁵²
		Financial stability and exhaustion of private funding	Loss allocation	
Switzerland	LSFF	FS/orderly resolution: Partial - Supports financial stability, but access up to the bank-specific limit is not subject to a separate systemic-importance determination set in statutory law and/or policy Private funding: Yes — subsidiarity in law	Yes — strong statutory bail-in under Swiss TBTF regime (AT1 write-down, bail-in/TLAC, FINMA restructuring)	Pre-arranged limit, collateral requirements, special-rate pricing conditions and operational procedures set in law and/or policy
	ELA/ELF	FS/orderly resolution: Partial – Statutory law supports financial stability, but access up to the bank-specific limit is not subject to a separate systemic-importance determination Private funding: Partial - Available when a bank judges its own liquidity buffers insufficient; no full private-funding exhaustion test set in statutory law and/or policy	Yes — strong statutory bail-in under Swiss TBTF regime (AT1 write-down, bail-in/TLAC, FINMA restructuring)	Eligibility, access limits, collateral requirements, governance, solvency/viability checks above the limit and operational procedures are set in law and/or policy
Türkiye	SDIF	FS/orderly resolution: Partial – No explicit temporary-funding financial-stability test set in law and/or policy but supervisory determination of bank into intervention “stage 4” (which is subject to a structured framework) is needed for access to funding Private funding: Partial — no formal exhaustion test set in law and/or policy	Partial - Shareholder rights and control may be transferred and losses recovered, but no general creditor bail-in set in law and/or policy; systemic-risk bypass possible	Statutory governance, fund access limits, and reporting requirements set in law and/or policy

Jurisdiction	Mechanism	Core KA 6.4 conditions		2016 Guiding Principles, Section 3 safeguards ⁵²
		Financial stability and exhaustion of private funding	Loss allocation	
United Kingdom	Resolution Liquidity Framework	FS/orderly resolution: Yes - No facility-level FS test in statutory law and/or policy but the FS/public-interest determination is applied at resolution entry (SRR). RLF available only to a firm already in a BoE-led resolution. Private funding: Partial - Firm resources and market funding are expected first, but no fixed statutory exhaustion test	Yes - Resolution losses are imposed on shareholders and creditors through bail-in and MREL. Residual losses recovered from industry. Both set in law.	Broad collateral requirements and HM Treasury indemnity arrangements set in law and/or policy; pricing, tenor and disclosure requirements are case-specific
United States	Orderly Liquidation Fund	FS/orderly resolution: Yes - Title II is available only where bankruptcy would have serious adverse effects on U.S. financial stability Private funding: Yes - Bankruptcy is the statutory first option; Title II and the OLF are the backstop	Yes - Shareholders and creditors bear losses under the statutory hierarchy; any unpaid OLF-related borrowing from Treasury is recovered from the industry	Statutory borrowing limits, repayment terms, governance, oversight and reporting are set; transaction pricing and other requirements are case-specific

Annex 4: Jurisdictional assessment summary and rationale

Argentina

Public funding sources in resolution		
Funding source A	Funding source B	Funding source C
—	—	—

Assessment summary	
Dimension	Grade
Funding flexibility (reach to scale)	Not applicable
Operational readiness	Not applicable
Overall credibility (KA 6.1/6.3)	Non-compliant
Loss recovery (KA 6.2)	Non-compliant
Moral hazard (KA 6.4)	Non-compliant
Overall assessment	Non-compliant

Rationale. Argentina does not have a PBF mechanism as set out in KA 6 to provide liquidity support to banks in resolution.

The Deposit Guarantee Fund is limited to covered depositor payout and funding some transfer strategies while the central bank cannot provide liquidity support to banks in resolution. Such set-ups can support resolution of smaller banks but there is no specific alternative to provide for resolution funding needs of systemic banks. As a result, Argentina is assessed as NC with KA 6.

Australia

Public funding sources in resolution		
Funding source A	Funding source B	Funding source C
RBA Exceptional liquidity assistance	Financial Claims Scheme (FCS)	Financial System Stability Special Account (FSSSA)

Assessment summary	
Dimension	Grade
Funding flexibility (reach to scale)	Medium
Operational readiness	Medium
Overall credibility (KA 6.1/6.3)	Largely Compliant
Loss recovery (KA 6.2)	Materially non-compliant
Moral hazard (KA 6.4)	Materially non-compliant
Overall assessment	Materially non-compliant

Rationale
• Funding flexibility: Australia's three main funding sources of public funding in resolution are ELA provided at the discretion of RBA, FCS, and the FSSSA which is provided by the Treasury and subject to a statutory limit of up to AUD 20bn per authorisation. The FCS facilitation of transfer of business is subject to a test against the costs of a closed-bank deposit payout and the cap on the FSSSA constrain the pre-arranged scale of their PBF mechanisms and results in a medium flexibility. • Operational readiness: Testing has been limited to collateralised ELA – the establishment of procedures and use of the FSSSA are limited. Expectations on firms' readiness is limited and their testing is not evidenced, resulting in medium operational readiness. • Loss recovery: ELA may be provided on an uncollateralised basis whilst collateral is not required for FSSSA. A statutory industry levy mechanism is in place for FCS but not for ELA or payments under the FSSSA. The RBA and FSSSA do not have pre-arranged legal mechanisms to recover any residual losses from the financial sector more widely and there is no fixed statutory waterfall, which exposes the taxpayer to risks of loss. • Moral hazard: RBA's ELA and the FSSSA are subject to statutory financial stability objectives, but neither is subject to an express private funding exhaustion condition. The framework does not provide a general statutory senior creditor bail-in tool or statutory loss-allocation precondition for FSSSA-funded support. Implementation of the additional Guiding Principles safeguards remains limited. • Overall assessment: While overall credibility (KA 6.1/6.3) is assessed as LC, the gaps for loss recovery (KA 6.2) and moral hazard (KA 6.4) lead to an overall assessment of MNC.

Brazil

Public funding sources in resolution		
Funding source A	Funding source B	Funding source C
Central bank LLT (collateralised)	FGC Deposit Insurance Fund (DIF), FGC Resolution Fund (RF); FGCoop (cooperative sector)	FGC and FGCoop market borrowing
Assessment summary		
Dimension		Grade
Funding flexibility (reach to scale)		Low
Operational readiness		Medium
Overall credibility (KA 6.1/6.3)		Materially non-compliant
Loss recovery		Largely Compliant
Moral hazard		Materially non-compliant
Overall assessment		Materially non-compliant
Rationale		
• Funding flexibility: Brazil's sources of liquidity in resolution are collateralised central bank ELA (LLT) and two ex-ante industry funds: a Deposit Insurance Fund (DIF) and a Resolution fund (RF) for systemic firms with the possibility for the DIF to resort to market borrowing if needed. Legislation introducing the possibility of fiscal support where the RF is not yet finalised.⁵³ The reliance on collateralised ELA and ex-ante funds limits the scale of resolution funding and results in low flexibility. • Operational readiness: Funds deployments within a resolution weekend is said to be possible, though there is no evidence of governance arrangements or testing in place across authorities or with firms, resulting in medium operational preparedness. • Loss recovery: Inherent taxpayer risk is low given the reliance on collateralised ELA and ex-ante funds with ex-post assessment tools but practical implementation of loss recovery provisions is incomplete as the recovery of collateral securing ELA is not fully operationalised, resulting in largely compliant. • Moral hazard: Safeguards for central bank LLT and FGC facilities are limited. Neither facility is to a financial stability necessity determination or a formal private funding exhaustion condition in law or in policy. The framework lacks a general creditor bail-in tool, and the funding mechanisms are not subject to statutory loss-allocation conditions. Implementation of additional Guiding Principle safeguards is limited. • Overall assessment: the weaknesses in funding flexibility substantiates MNC for overall credibility (KA 6.1/6.3) and material gaps in moral hazard mitigation (KA 6.4) support a MNC overall assessment grade.		

⁵³ In Brazil, the Resolution Bill currently under consideration by the National Congress, would once passed, authorise the Federal Treasury to lend to the RF or, in certain situations, directly to financial institutions. Such authorisation of public funding support would be available once private loss absorption measures have been implemented, the resources of the RF are exhausted, and the Resolution Authority determines that recovery measures are insufficient.

Canada

Public funding sources in resolution		
Funding source A	Funding source B	Funding source C
Bank of Canada ELA (collateralised)	CDIC Deposit Insurance Fund (DIF); CDIC borrowing (markets/government)	Financial Administration Act (FAA) fiscal backstop

Assessment summary	
Dimension	Grade
Funding flexibility (reach to scale)	High
Operational readiness	Medium
Overall credibility	Largely Compliant
Loss recovery	Materially non-compliant
Moral hazard	Largely Compliant
Overall assessment	Largely Compliant

Rationale
• Funding flexibility: Canada has three sources for the provision of liquidity in resolution: BoC collateralised ELA; the Canadian Deposit Insurance Corporation (CDIC), and where needed, the possibility of additional fiscal support (FAA). This provides scalable sources of funding that support sizing needs to a systemic bank in resolution, resulting in high flexibility. • Operational readiness: Governance arrangements and testing across authorities and with firms is well-established for ELA and CDIC, but less so regarding access to fiscal support. Funds are generally available within 24-48h for ELA and CDIC assistance funded by its investment portfolio, though other forms of CDIC assistance and FAA funds may take up to several business days. • Loss recovery: Loss recovery tools are more comprehensive in cases where CDIC funding is used. While the FAA backstop would generally be expected to include repayment assurances, it does not by itself have statutory loss recovery tools. Limited loss recovery coverage for FAA leads to a materially non-compliant assessment. • Moral hazard: Statutory financial stability determination is largely in place for CDIC funding while private-funding exhaustion requirement remains limited across the three sources leading to a largely compliant assessment. • Overall assessment: Overall credibility (KA 6.1/6.3) is assessed as LC. Combined with material gaps in loss recovery (KA 6.2) and limitations for moral hazard (KA 6.4) the overall assessment is LC.

China

Public funding sources in resolution		
Funding source A	Funding source B	Funding source C
Deposit Insurance Fund (DIF) with least cost test	PBoC re-lending to DIF;	

Assessment summary	
Dimension	Grade
Funding flexibility (reach to scale)	Low
Operational readiness	Low
Overall credibility	Materially non-compliant
Loss recovery	Largely Compliant
Moral hazard	Materially non-compliant
Overall assessment	Materially non-compliant

Rationale
• Funding Flexibility: China's framework has limited flexibility to reach credible scale, with DIF and FSGF not having reached their target size and CB re-lending not operationalised. • Operational readiness: While DIF activation in certain cases for non-systemic banks provides some evidence for operational readiness, ongoing developments to the legal framework including for FSGF indicate lack of comprehensive cross-authority governance protocols including their testing which leads to low assurance. • Loss recovery: Tools to recoup from industry provide a high assurance that taxpayers will not bear losses although lack of explicit statutory provisions to prevent losses to the PBoC leads to a largely compliant assessment. • Moral-hazard: The DIF includes a financial stability objective, but there is no express funding exhaustion test. Shareholders and responsible parties may bear losses, but there is no general statutory creditor bail-in tool. Access conditions, supervisory arrangements and disclosure requirements are established, but implementation of the broader Guiding Principles safeguards remains incomplete. • Overall assessment: Low funding flexibility and operational readiness support an overall credibility (KA 6.1/6.3) assessment of MNC. While the loss recovery (KA 6.2) framework is largely compliant, material gaps in moral hazard safeguards (KA 6.4) lead to an overall assessment of MNC.

European Banking Union

Public funding sources in resolution		
Funding source A	Funding source B	Funding source C
Single Resolution Fund (SRF)	SRF borrowings	—

Assessment summary	
Dimension	Grade
Funding flexibility (reach to scale)	Low
Operational readiness	High
Overall credibility	Materially non-compliant
Loss recovery	Compliant
Moral hazard	Compliant
Overall assessment	Materially non-compliant

Rationale
• Funding flexibility: The EBU funding sources consist of the SRF and SRF borrowings. Funding flexibility is the only dimension not fully compliant with the objective of KA 6. Although the SRF is pre-funded, its pre-funded size is relatively low and its flexibility is limited. Whilst SRF borrowings are untested their availability adds funding flexibility. The EBU also has agreed to implement the ESM Common Backstop⁵⁴, which will add material pre-arranged additional funding.⁵⁵ • Operational readiness: Timely deployment of funds is evidenced by established governance protocols, cross-authority and firm-facing testing leading to high level of readiness. • Loss recovery: Tools for loss allocation and ex-post industry assessment are in place leading to a compliant assessment for ensuring any potential losses do not fall on taxpayers. • Moral hazard: SRF use is subject to a statutory public-interest test, the absence of viable private alternatives, and prior shareholder and creditor loss absorption. Statutory governance and contribution limits are established, while pricing, tenor and collateral depend on the resolution scheme. • Overall assessment: Given the EBU is home to seven G-SIBs, the low funding flexibility leads to MNC for overall credibility (KA 6.1/6.3) and is significant enough to drive an overall rating of MNC, even though operational preparedness, loss recovery (KA 6.2), and moral-hazard safeguards (KA 6.4) are compliant.

⁵⁴ In 2020 ESM Member States agreed that the ESM will serve as a public backstop to the SRF and agreed on amendments of all relevant legal ESM texts. The ESM Amending Agreement has not been ratified yet.

⁵⁵ The Peer Review did not determine whether a re-grading would arise once the ESM is ratified. However, it recognised that this matter would then need to be reconsidered depending on the precise arrangements ratified.

Hong Kong

Public funding sources in resolution		
Funding source A	Funding source B	Funding source C
Resolution Facility (RF)	Contingent Term Facility (CTF)	Ex-post levy through FIRO Resolution Funding Account

Assessment summary	
Dimension	Grade
Funding flexibility (reach to scale)	High
Operational readiness	High
Overall credibility	Compliant
Loss recovery	Compliant
Moral hazard	Compliant
Overall assessment	Compliant

Rationale
• Funding flexibility: Hong Kong has multiple scalable funding sources which are not bound by ex-ante limits supporting high flexibility of resolution funding, including fiscal support for the central bank to lend beyond a bank's available collateral. • Operational readiness: Demonstrated through established protocols and comprehensive testing with confirmation of fund deployment capabilities on same business day basis supporting high readiness • Loss recovery: Tools for loss allocation and ex-post industry assessment are in place leading to a compliant assessment. • Moral-hazard: Resolution funding is subject to statutory financial stability objectives and private-sector-action conditions, with consideration of the institution's own resources before public funding. The framework provides statutory loss-allocation powers, and price, collateral, governance, and reporting safeguards are established. • Overall assessment: Taken together, the assessment is compliant given that all three components are compliant.

India

Public funding sources in resolution		
Funding source A	Funding source B	Funding source C
—	—	—

Assessment summary	
Dimension	Grade
Funding flexibility (reach to scale)	Not applicable
Operational readiness	Not applicable
Overall credibility	Non-Compliant
Loss recovery	Non-Compliant
Moral hazard	Non-Compliant
Overall assessment	Non-compliant

Rationale
India's resolution powers and tools consist of compulsory mergers or liquidation, with public funding in resolution limited to covered depositor payout from the DICGC. The DICGC is statutorily prohibited from providing any other funding in resolution and the central bank liquidity support would not be available to a bank under liquidation. The existing statutory framework in India does not provide for a PBF mechanism as set out in KA 6 which can meet resolution funding needs for systemic banks in circumstances where central bank liquidity facilities are not available and the DICGC cannot be used to provide funding in resolution. As a result, India is assessed as NC with KA 6.

Indonesia

Public funding sources in resolution		
Funding source A	Funding source B	Funding source C
Deposit insurer (IDIC) in-resolution liquidity	Deposit insurer ex-post funding (borrowing/issuance; government securities transactions)	Government loans to the deposit insurer

Assessment summary	
Dimension	Grade
Funding flexibility (reach to scale)	Low
Operational readiness	Low
Overall credibility	Materially non-compliant
Loss recovery	Materially non-compliant
Moral hazard	Materially Non-Compliant
Overall assessment	Materially non-compliant

Rationale
• Funding flexibility: Indonesia IDIC in-resolution liquidity supports the operational continuity of a bank in resolution but cannot be used to support general repayment of creditors or funding needs of the bank beyond operational expenses. The IDIC has multiple sources of funding, including borrowing and government support if its resources are not sufficient to perform its bank resolution functions. However, because the IDIC is limited to funding a bank in resolution's operating costs and therefore temporary funding to support other cash outflows during stress is excluded, Indonesia's funding flexibility is low. • Operational readiness: Demonstration is limited to having cross-authority protocols in place with lack of testing across authorities and with firms unevidenced and lack of clarity on timeliness of fund deployment resulting in low operational readiness. • Loss recovery: IDIC and government regulations provide for partial shareholder and creditor loss allocation and a priority claim for IDIC on resolution proceeds. The lack of ex-post industry recoupment tools and creditor loss allocation exposes taxpayers to risk of loss resulting in a materially non-compliant assessment. • Moral hazard: Statutory financial stability determination is in place while private-funding exhaustion requirement is partial, and limits and conditionality apply to loss allocation to shareholders and creditors. The reinforcing Guiding Principles terms are only partially met leading to a materially non-compliant assessment. • Overall assessment: Overall credibility (KA 6.1/6.3) is assessed as MNC, material gaps in loss recovery (KA 6.2) due to lack of ex-post industry recoupment tools and moral hazard (KA 6.4) including limits to shareholder and creditor bail-in result in an overall MNC assessment.

Japan

Public funding sources in resolution		
Funding source A	Funding source B	Funding source C
DICJ liquidity via Crisis Management Account (CMA)	DICJ market borrowing/issuance with government guarantee; BOJ back-financing to DICJ with government guarantees; Intra-DICJ General Account	—

Assessment summary	
Dimension	Grade
Funding flexibility (reach to scale)	High
Operational readiness	High
Overall credibility	Compliant
Loss recovery	Compliant
Moral hazard	Compliant
Overall assessment	Compliant

Rationale
• Funding Flexibility: Japan's framework provides scalable funding through multiple sources. The DICJ CMA can fund resolution through market borrowing/bond issuance, BOJ back-financing with government guarantees and access to funds in the DICJ General Account. High flexibility is supported by the possibility to extend limits to borrowing capacity (35tn JPY) through a cabinet decision. • Operational readiness: Demonstrated through established protocols and cross-authority and firm-facing testing of operational arrangements which support timely deployment of funds over a weekend. • Loss recovery: Tools for loss allocation and ex-post industry assessment are in place leading to a compliant assessment. • Moral hazard: Access is subject to statutory financial stability and private funding exhaustion conditions. Shareholders and creditors absorb losses, and statutory approval, governance, tenor, limits, collateral, and reporting are established. • Overall assessment: Taken together, the assessment is compliant given that all three components are compliant.

Korea

Public funding sources in resolution		
Funding source A	Funding source B	Funding source C
Relevant sectoral account of KDIC Deposit Insurance Fund (DIF)	Inter-account borrowings within DIF; KDIC market borrowing/bond issuance; BoK loans to KDIC	Government loans to KDIC (DPA Art. 26)

Assessment summary	
Dimension	Grade
Funding flexibility (reach to scale)	High
Operational readiness	Medium
Overall credibility	Largely Compliant
Loss recovery	Largely Compliant
Moral hazard	Largely Compliant
Overall assessment	Largely Compliant

Rationale
• Funding flexibility: Korea has multiple sources of public funding to reach a flexible scale. The KDIC fund can be supplemented by KDIC market borrowing, BoK loans to the KDIC, and a fiscal backstop via government loans to KDIC. While the use of the KDIC funds is normally governed by the least-cost-test, KDIC law allows a systemic risk exception if needed to pursue financial stability objectives that would now meet the least-cost test. • Operational readiness: While generally demonstrated through establishment of protocols and cross-authority and firm-facing testing, timely deployment of funds is unconfirmed leading to assessment at medium. • Loss recovery: Absence of a statutory bail-in loss allocation tool limits the recapitalisation of the bank to provide further loss taxpayer loss protection while statutory ex-post industry assessments provide some assurance leading to largely compliant. • Moral hazard: Resolution funding is subject to statutory financial stability objectives. While least-cost and self-help principles apply, there is no express private-funding exhaustion test. Capital reduction and shareholder or management loss sharing apply, but the framework does not provide a statutory senior creditor bail-in. Least-cost, due diligence, monitoring, and corrective action are established while pricing, collateral, and tenor remain case-specific. • Overall assessment: High funding flexibility together with medium operational readiness led to overall credibility (KA 6.1/6.3) assessed as LC. Together with loss recovery (KA 6.2) and moral hazard (KA 6.4) both being LC, the overall assessment is LC.

Mexico

Public funding sources in resolution		
Funding source A	Funding source B	Funding source C
Standing Liquidity Facility (FPL)	Central bank ELA; IPAB industry fund; IPAB borrowing authority; IPAB bridge loan (IPAB ELA)	—

Assessment summary	
Dimension	Grade
Funding flexibility (reach to scale)	Medium
Operational readiness	Medium
Overall credibility	Largely compliant
Loss recovery	Largely compliant
Moral hazard	Largely compliant
Overall assessment	Largely compliant

Rationale
• Funding flexibility: Mexico has medium flexibility to reach the scale of funding necessary to fund the liquidity needs of a systemic bank in resolution. Banxico FPL/ELA is available in resolution, and when a bank is determined to be systemic with a potential impact on financial stability collateral requirements may be waived for ELA and IPAB ELA is available to repay defaulted ELA. IPAB resources can extend beyond the ex-ante fund with borrowing subject to a cap of 6% of total liabilities of banking institutions over each 3-year period. • Operational readiness: Established for FPL but appears less developed for the other funding sources. Funds are said to be deployable on the same business day but not assured. • Loss recovery: Tools for loss allocation and ex-post industry assessment are in place for IPAB, however the ability for Banxico to waive collateral requirements results in a low risk of losses in cases where IPAB is not available to repay defaulted ELA, leading to a largely compliant assessment. • Moral hazard: Safeguards are largely in place. Financial stability and private funding conditions are established for ELA-IPAB while the FPL and central bank ELA provide more limited safeguards. The framework does not provide a statutory senior creditor bail-in tool, although pledged shares may be forfeited under ELA-IPAB. Eligibility, pricing, collateral, oversight, and reporting safeguards are established. • Overall assessment: Overall, medium flexibility and less developed operational readiness result in a largely compliant credibility, which results in the overall assessment of largely compliant.

Saudi Arabia

Public funding sources in resolution		
Funding source A	Funding source B	Funding source C
Central bank Resolution Liquidity Facility (RLF)	Resolution Fund (RF); Deposit Protection Fund (DPF) bridging to RF	State-sponsored support

Assessment summary	
Dimension	Grade
Funding flexibility (reach to scale)	Medium
Operational Readiness	Low
Overall credibility	Materially non-compliant
Loss recovery	Largely Compliant
Moral hazard	Materially non-Compliant
Overall assessment	Materially non-compliant

Rationale
• Funding flexibility: Saudi Arabia has a framework which is still being operationalised based on passage of the SIFI law. As a result, the current framework has medium flexibility to reach scale. Once fully operationalised, the framework will have multiple funding sources to reach a flexible scale of liquidity needs. • Operational readiness: Key elements (notably RLF operating arrangements and the fiscal MoU) are still being finalized, operational readiness is low as the mechanisms are not yet fully established and the timeline for funds deployment remains unclear. • Loss recovery: The Resolution Fund has a legal basis for an ex-post levy on the industry, however, loss recovery tools are in the process of being established and pending the full operationalisation of the framework leads to the assessment of largely compliant. • Moral hazard: The SIFI law establishes statutory financial stability objectives, resolution entry conditions, and creditor loss-allocation powers. However, no express private funding exhaustion requirement is established and the RLF and RF remain under development. Without clearly defined statutory conditions and safeguards, implementation of the additional Guiding Principles safeguards remains incomplete. • Overall assessment: The incomplete and developing nature for establishing the mechanisms lead to MNC for overall credibility (KA 6.1/6.3), and moral hazard (KA 6.4), while loss recovery (KA 6.2) is rated LC, leading to an overall assessment of MNC.

Singapore

Public funding sources in resolution		
Funding source A	Funding source B	Funding source C
Resolution Fund, funded by central bank loans	—	Fiscal guarantee/indemnities

Assessment summary	
Dimension	Grade
Funding flexibility (reach to scale)	Medium
Operational readiness	Medium
Overall credibility	Largely Compliant
Loss recovery	Largely Compliant
Moral hazard	Largely Compliant
Overall assessment	Largely Compliant

Rationale
• Funding flexibility: Singapore has a scalable source of public funding via a Resolution Fund financed by central-bank lending with government support, but key elements (central-bank loan mechanics and fiscal backstop details) are not yet fully finalised. • Operational readiness: Assessed as medium, due to cross-authority testing remaining prospective at this stage, despite governance arrangements in place. • Loss recovery: Creditor hierarchy is generally in place with limited exceptions foreseen and operational details for tools to recover costs from the industry are being established leading to low risk of losses for public funds. • Moral-hazard: Resolution funding is subject to statutory financial stability considerations, and the framework provides statutory bail-in powers. The availability of private funding must be considered before RF use is authorised. However, ex-post industry contributions are not yet fully operationalised. Pricing, collateral, tenor, and exit are governed principally by internal policy, while enhanced supervision and reporting have statutory or institutional bases. • Overall assessment: Overall credibility (KA 6.1/6.3) is assessed as LC. Combined with moderate gaps in loss recovery (KA 6.2) and limitations for moral hazard (KA 6.4), the overall assessment is LC.

South Africa

Public funding sources in resolution		
Funding source A	Funding source B	Funding source C
Central bank standard liquidity facilities	Central bank ELA; Corporation for Deposit Insurance (CODI) funding	Fiscal guarantees/indemnities

Assessment summary	
Dimension	Grade
Funding flexibility (reach to scale)	High
Operational readiness	Medium
Overall credibility	Largely Compliant
Loss recovery	Materially non-compliant
Moral hazard	Largely compliant
Overall assessment	Largely Compliant

Rationale
• Funding flexibility: South Africa has multiple public funding sources, including access to a fiscal backstop which support high flexibility in reaching the scale of funding needed to support resolution. • Operational readiness: While protocols are established and cross-authority testing is evidenced, undemonstrated firm-facing testing and unclear timeline for deployment of funds results in medium assessment. • Loss-recovery: Comprehensiveness of tools is dependent on the combination of funding sources. Funding through CODI has comprehensive loss recovery tools including ex post recovery from industry, but other uses of the fiscal support, such as through indemnity provision to SARB to lend beyond available collateral would not be subject to loss recovery from the industry, leading to materially non-compliant. • Moral hazard: CODI is subject to statutory public interest and financial stability conditions, while SARB's ELA decisions are made under its statutory financial stability mandate and are informed by internal operational policies that are not publicly disclosed. The framework provides statutory creditor loss-allocation powers and oversight arrangements are established, although key conditions and operational terms are not consistently established in statute across all funding mechanisms. • Overall assessment: High funding flexibility and largely demonstrated operational readiness support LC for overall credibility (KA 6.1/6.3) while lack of comprehensive loss recovery tools (KA 6.2) across funding sources and broadly established moral hazard safeguards (KA 6.4) lead to an overall assessment of LC.

Switzerland

Public funding sources in resolution		
Funding source A	Funding source B	Funding source C
Central bank liquidity (LSFF/ELA/ELF)	—	—

Assessment summary	
Dimension	Grade
Funding flexibility (reach to scale)	Low
Operational readiness	High
Overall credibility	Materially non-compliant
Loss recovery	Largely Compliant
Moral hazard	Largely Compliant
Overall assessment	Materially non-compliant

Rationale
• Funding flexibility: The assessment is based on the mechanisms which are currently established in the legal framework (central bank liquidity), which demonstrate low funding flexibility. The Swiss Public Liquidity Backstop (PLB) announced by the Federal Council in September 2023 is not yet established in dedicated legislation and is pending before Parliament. An emergency decree established an ad-hoc PLB in March 2023. Once the PLB is established as proposed, the funding flexibility is expected to be scalable for liquidity needs of a G-SIB resolution. Protective measures based on government ordinances have an explicit basis in the Constitution and the Fiscal Act allows expenditures or provision of guarantees in cases of urgency, outside the ordinary budget process. • Operational readiness: High level of readiness is demonstrated through establishment of protocols and regular testing across authorities and firms, supporting same day deployment of funds. While the emergency PLB is not considered as part of this assessment, the successful provision of public funding in the March 2023 banking crisis is nonetheless practical evidence of Swiss authorities' operational readiness. • Loss recovery: Collateralisation and ex-ante fees largely mitigate risks to taxpayer loss. However, the lack of an ex-post industry recoupment tool if there were a collateral shortfall leads to a largely compliant assessment. • Moral-hazard: Access is subject to statutory subsidiarity conditions, and the framework provides statutory creditor loss-allocation powers. However, there is no basis for ex-post industry contributions and additional public-interest and proportionality conditions form part of the proposed PLB framework rather than the current legal framework. Pricing, collateral, access limits, governance, and operational procedures are established. • Overall assessment: The current framework demonstrates low funding flexibility which results in overall credibility (KA 6.1/6.3) of MNC despite demonstrated high operational readiness. This leads to the overall assessment of MNC despite largely compliant implementation of loss recovery tools (KA 6.2) and moral hazard safeguards (KA 6.4).

Türkiye

Public funding sources in resolution		
Funding source A	Funding source B	Funding source C
Savings Deposit Insurance Fund (SDIF) pre-funded reserve	Central bank advances to SDIF; Advance collection of premiums; Ordinary central bank lending (if eligible)	Treasury special-issue government securities to SDIF

Assessment summary	
Dimension	Grade
Funding flexibility (reach to scale)	Medium
Operational readiness	Low
Overall credibility	Materially non-compliant
Loss recovery	Materially non-compliant
Moral hazard	Materially non-compliant
Overall assessment	Materially non-compliant

Rationale
• Funding flexibility: Türkiye has multiple sources of funding for providing public liquidity in resolution; ex-ante funds collected by SDIF with options for borrowing from the fiscal authority and advances from the central bank are the main sources. Funding flexibility is limited by general annual budget laws which leads to a medium assessment. • Operational readiness: Firm-facing testing is not evidenced and the timeline for deployment of funds varies from one to seven days. Comprehensive protocols remain unestablished leading to low readiness. • Loss recovery: Tools are weak due to limits to industry contributions and dependence on shares and asset sales ex-post as well as limits for statutory bail-in or creditor loss allocation leading to materially non-compliant assessment. • Moral hazard: Safeguards are limited: there is no formal private funding exhaustion condition, and loss allocation relies mainly on transfer of majority shares to SDIF rather than a tool to write down shareholders and creditors; most Guiding Principles reinforcing terms are not addressed. Taken together, the elements translate into an overall assessment of materially non-compliant. • Overall assessment: Overall credibility (KA 6.1/6.3) is assessed as MNC due to limits to funding flexibility and low operational readiness. Gaps in loss recovery tools (KA 6.2) and moral hazard safeguards (KA 6.4) support an overall assessment of MNC.

United Kingdom

Public funding sources in resolution		
Funding source A	Funding source B	Funding source C
Resolution Liquidity Framework (RLF)	—	HM Treasury indemnity for RLF

Assessment summary	
Dimension	Grade
Funding flexibility (reach to scale)	High
Operational readiness	High
Overall credibility	Compliant
Loss recovery	Compliant
Moral hazard	Compliant
Overall assessment	Compliant

Rationale
• Funding flexibility: The United Kingdom has a scalable PBF mechanism with the Resolution Liquidity Framework (RLF) provided by the Bank of England, who can request an indemnity from HM Treasury against the risk of losses on the lending, in line with the framework agreed between the authorities. This arrangement results in a high assessment for funding flexibility. • Operational readiness: is established with evidence of codification of processes and testing across authorities and with firms. • Loss recovery: Assured through the possibility of ex-post industry recoupment. Separately, the UK resolution framework provides for loss absorption by shareholders and unsecured creditors in line with the creditor hierarchy. • Moral hazard: Safeguards are in place through requirement of a public interest/financial stability test as a condition for entry to resolution under which RLF is provided, and the amount provided under the RLF is limited to what is strictly necessary to address liquidity stress and support orderly resolution in each specific case. Private resource exhaustion is expected. The reinforcing Guiding Principles terms are met through collateral requirements with appropriate haircuts, and the capital framework under which the Bank can request an indemnity is public, with indemnity terms agreed on a case-by-case basis. Clear incentives are set for firms to return to market funding or BAU ordinary central bank facilities. • Overall assessment: Taken together, the assessment is compliant given that all three components are compliant.

United States

Public funding sources in resolution		
Funding Source A	Funding Source B	Funding Source C
Orderly Liquidation Fund (cash advances and guarantees)	—	—

Assessment summary	
Dimension	Grade
Funding flexibility (reach to scale)	High
Operational readiness	High
Overall credibility	Compliant
Loss recovery	Compliant
Moral hazard	Compliant
Overall assessment	Compliant

Rationale
• Funding flexibility: The United States has a funding source which is scalable due to the Orderly Liquidation Fund set-up which enables fiscal backstop access through Treasury borrowing authority. This supports the high assessment for funding flexibility. • Operational readiness: Demonstrated through assured timely deployment of funds at entry into Title II resolution on same day or over the weekend basis which is supported by cross-authority testing and governance arrangements put in place. • Loss recovery: Loss allocation to shareholders and creditors and loss recovery through ex-post industry assessments are codified leading to a compliant assessment. • Moral hazard: Resolution funding is available only where bankruptcy would have serious adverse effects on U.S. financial stability, with bankruptcy (Title I resolution) remaining the statutory first option. Shareholders and creditors bear losses under the statutory hierarchy, and any unpaid Treasury borrowing is recovered by the industry. Statutory borrowing limits, repayment terms, governance, and reporting are established, while pricing and collateral are determined case-by case. • Overall assessment: Taken together, the assessment is compliant given that all three components are compliant.

Annex 5: Summary of stakeholder feedback

The FSB invited feedback from the public on the areas covered by the peer review. Eight written responses were received. The main points raised in the written public feedback are summarised below, together with the highlights of a roundtable organised in Basel in July 2026.

Stakeholders converged on the importance of backstops that are fast, operationally ready, and perceived as sufficiently large enough to restore confidence—paired with safeguards on pricing, collateral, conditions, and exit. They suggested this would require strong pre-allocation of responsibilities, well-rehearsed operational channels, and clear coordination between central banks and fiscal authorities, particularly in jurisdictions where current frameworks leave gaps between loss-absorption tools and the liquidity needed to execute an orderly resolution. Further work was encouraged on multi-currency operations, governance and accountability, managing transparency and stigma, harmonising cross-border arrangements to reduce fragmentation, and refining cost-allocation approaches to support a level playing field.

Impact of jurisdictional frameworks on the credibility and usability of backstops

- Institutional arrangements shape credibility and speed. Stakeholders noted that emergency central bank liquidity frameworks requiring solvency assessments and multi-layer governance can introduce ambiguity and slow decision-making during stress, precisely when speed is critical.
- Funding tools are unevenly matched to potential liquidity needs. Some existing resources are designed primarily for loss absorption and recapitalisation rather than systemic liquidity provision. Access conditions (e.g., minimum bail-in thresholds and caps on usage) were viewed as stringent and difficult to meet quickly, while overall fund size was often seen as insufficient for a global institution or multiple concurrent cases.
- Legal fragmentation biases choices and adds uncertainty. Where bank liquidation regimes are national rather than harmonised, the interaction with the “no creditor worse off” (NCWO) principle produces different reference outcomes across jurisdictions. Stakeholders viewed this as creating incentives that may bias resolution strategy selection and contribute to fragmentation within integrated banking areas.
- Movement from constructive ambiguity to predictability is valued. Participants welcomed efforts to enshrine backstop arrangements in ordinary law and to clarify objectives, eligibility, and safeguards in advance, reducing reliance on emergency legislation. They emphasised that clarity should come with robust conditions to limit moral hazard and protect taxpayers.
- Home–host coordination is essential for cross-border groups. Stakeholders underscored the need for ex-ante understandings on liquidity distribution within groups, including rules for accessing central bank liquidity across entities and currencies. Absent such arrangements, ring-fencing risks and trapped liquidity can undermine resolution strategies.

- Fiscal and governance realities should be acknowledged. While markets often require signalling ample capacity, participants noted that sovereign constraints and governance arrangements inevitably shape design choices. In some settings, fiscal indemnities or guarantees may be needed to underpin central bank lending capacity.

Experiences and operational challenges in funding in resolution

- Timing is critical; liquidity needs to be available and accessible from the moment resolution is entered. Failure and resolution frequently unfold over compressed time windows (overnight or over weekends). Stakeholders stressed the need for immediate, clearly available backstop capacity on day one to stabilise confidence, even if only a portion is drawn initially, including rapid re-admission of the resolved entity as an eligible central bank counterparty on “Monday morning.”
- Liquidity needs can be very large and persistent. Funding outflows during stress can reach a significant share of a bank’s pre-crisis balance sheet, and may persist beyond an initial stabilisation step—especially in open-bank bail-in scenarios where confidence takes longer to rebuild than solvency.
- Stress precedes resolution; a continuum of tools is needed. Prior to entry into resolution, firms may face increased margin calls, reduced access to repo and central counterparties, and counterparties’ repricing. Stakeholders advocated a continuum from business-as-usual facilities through emergency liquidity to resolution-stage PBF, with operational readiness across all stages.
- Collateral breadth, prepositioning, and “plumbing” are decisive. Participants emphasised broad collateral eligibility (with conservative haircuts), extensive prepositioning across entities and currencies, and routine operational testing of documentation, custody/perfection, and settlement. Setting collateral expectations ahead of time was seen as reducing frictions and stigma.
- Multi-currency issues are a recurrent challenge. Large institutions can experience outflows in multiple currencies simultaneously. Stakeholders highlighted the need for operational access to foreign-currency liquidity (including via central bank arrangements), cross-border collateral mobility, and pre-agreed mechanisms to deploy liquidity where it is needed.
- Stigma and disclosure must be managed. Ex-ante clarity about framework design can mitigate stigma, but legal disclosure requirements for facility usage may invite speculation during crises. Participants encouraged careful external communications and market education on how backstops support orderly resolution, while maintaining robust internal transparency and testing.
- Distinguishing liquidity support from “bailouts” is important. Stakeholders noted that well-collateralised, time-bound liquidity at appropriately calibrated pricing can stabilise markets without imposing losses on taxpayers, and may reduce the need for capital support if confidence is restored promptly.

Financial stability considerations across jurisdictions

- Perceived scale and signalling can help to mitigate runs. Many stakeholders stressed that market confidence benefits from backstops perceived as ample, including signalling that capacity can scale if needed. At the same time, sovereign and inflation constraints mean frameworks should pair lending capacity with safeguards and clearly defined conditions.
- Pricing and conditions help contain moral hazard and crowding-out. Participants favoured pricing that encourages a rapid return to private markets, conditions that require restructuring or deleveraging, and time-bound support. This approach was viewed as limiting moral hazard and avoiding the crowding-out of private solutions.
- Pre-funded vehicles alone are not sufficient for liquidity. Pre-funded resolution resources were considered valuable for loss absorption and guarantees, but too small and too slow to mobilise for systemic liquidity needs. Rapid and scalable central bank capacity, supported where appropriate by fiscal indemnities, was seen as more credible.
- Cost allocation and competitive neutrality should be considered. Stakeholders cautioned against annual ex-ante premiums for public liquidity backstops where no legal entitlement exists, favouring usage-based fees and interest at the time support is provided to avoid implying a guarantee and to mitigate competitive distortions.
- System-wide scenarios require differentiated planning. Stakeholders distinguished between idiosyncratic failures and market-wide stress, noting that size and speed requirements differ. Some advocated earlier, credible conversion of loss-absorbing instruments to underpin confidence, while recognising that liquidity backstops may still be required in the background.
- Deposit structures influence run dynamics and sizing. Differences in uninsured funding and deposit coverage across jurisdictions can affect the scale and speed of outflows, informing calibration of backstop capacity and communication strategies.

Market and operational practices relevant to backstop effectiveness

- Prepositioning can be a practical, system-wide improvement. Participants broadly endorsed collateral prepositioning as a cost-effective way to enhance resilience and speed. Identified benefits included quicker access to central bank facilities and better supervisory insight into banks' asset pools.
- Operational readiness should be tested routinely. Stakeholders recommended routine testing across banks and authorities to validate documentation, settlement channels, and collateral eligibility, minimising case-by-case decisions under pressure. Clear expectations from authorities on acceptable collateral and haircuts were described as incrementally helpful.
- Use industry funds primarily as guarantors for central bank lending. To reduce procyclicality and contagion from direct fund usage and replenishment, stakeholders

suggested deploying resolution or safety-net resources chiefly as guarantee providers for central bank facilities, remunerated via guarantee fees, with central banks supplying the liquidity.

- Governance should align rapid liquidity with timely loss allocation. Some participants supported separating the authority that provides backstop liquidity from the authority that determines bail-in triggers, to avoid delays in allocating losses and to preserve incentives for timely action.
- Transparency versus flexibility requires balance. Stakeholders supported publishing core aspects of the framework (purpose, eligibility, collateral scope, and high-level pricing principles) while retaining flexibility to adjust terms under stress. Clear delineation between business-as-usual facilities, emergency liquidity, and resolution-stage PBF was encouraged.
- Integration with resolution planning is necessary but should be realistic. Plans should identify residual liquidity needs by currency and entity, demonstrate prepositioning and access to central bank facilities, and document home–host coordination to minimise ring-fencing, and map critical functions and operational dependencies ex-ante to reduce the need for public support arising from operational uncertainty.
- Participants encouraged ex-ante agreements on intra-group liquidity flows and distribution of central bank liquidity, particularly within currency unions and integrated markets, to support resolution strategies and reduce fragmentation.