

Thematic Peer Review on Public Sector Backstop Funding Mechanisms

Summary Terms of Reference

1. Objective

Consistent with the FSB *Charter*,¹ *Framework for Strengthening Adherence to International Standards*,² and the *Handbook for FSB Peer Reviews (the Handbook)*,³ the objective of this peer review is to evaluate FSB members' implementation progress and adherence to FSB 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. The relevant FSB policies are:

- FSB Key Attribute 6 of Effective Resolution Regimes for Financial Institutions and
- The Guiding principles on the temporary funding needed to support the orderly resolution of a global systemically important bank ("G-SIB").

The peer review will have three objectives:

- Evaluate the progress made and planned by FSB member jurisdictions in implementing a public sector backstop funding mechanism aligned with Key Attribute 6 and the Guiding Principles;
- Assess whether the establishment, design features and operational readiness of public sector backstop funding 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;
- Identify good practices, lessons and shared challenges for establishing public sector backstop funding mechanisms and the implementation of the guiding principles on temporary funding needed to support the orderly resolution of banks; and if necessary make recommendations addressed to FSB member jurisdictions, the FSB, relevant standard-setting bodies (SSBs) and/or international organisations (IOs).

¹ See Article 6.1 of the *Charter of the Financial Stability Board* (June 2012)

² See the *FSB Framework for Strengthening Adherence to International Standards* (January 2010).

³ See Section 2.1 of the *Handbook for FSB Peer Reviews* (April 2017).

The peer review will focus on the provision of public funding in resolution (section 2 of the Guiding Principles), conditions to minimise moral hazard issues (section 3 of the Guiding Principles), and provisions to recover any losses incurred (section 4 of the Guiding Principles). The peer review will ensure balanced perspectives to address taxpayer risk and moral hazard issues. The peer review will not cover other sources of public funding outside resolution.⁴ In addition, the peer review will primarily focus on G-SIBs, and for those jurisdictions that are not the home supervisor of a G-SIB, other banks that are systemic in failure.

A public sector backstop funding mechanism, as a last resort, is one part of the comprehensive approach to ensuring banks that are systemic in failure have access to liquidity in resolution. That implies that banks' private resources and liquidity risk management capabilities are the first line of defence in resolution planning and for resolvability. The peer review will not focus on aspects related to bank's private resources (section 1 of the Guiding Principles), the soundness and feasibility of resolution plans (section 5 of the Guiding Principles) or the FSB's Funding strategy elements of an implementable resolution plan, as these aspects will be covered by separate FSB work.

2. Process

The primary source of information for the peer review will be FSB jurisdiction responses to a questionnaire. The questionnaire will reflect issues identified in section 1 and will cover information not readily available through other work.

Stakeholder outreach will form part of the peer review. The collection of public feedback may be complemented by further outreach such as roundtables with public and private sector stakeholders.

3. Expected final deliverable

The FSB expects to publish the peer review report in October 2026. Drawing on the range of jurisdictions' experiences, the report will describe FSB member implementation progress and alignment with KA 6 and the Guiding Principles, identify areas where members face common challenges, document practices that have proved effective, including through the use of case studies and make recommendations (where appropriate) to address common challenges. As with any peer review, the report will not set new policies but could recommend actions for consideration by member jurisdictions and international bodies to address common challenges.

⁴ The peer review will follow the scope of public sector backstop funding mechanisms defined in section 2 of the 2016 Guiding Principles.