FSB FINANCIAL STABILITY BOARD

Press release

Press enquiries:
+41 61 280 8138
press@fsb.org

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FSB extends implementation timelines for securities financing transactions

The Financial Stability Board (FSB) today announced extensions to the implementation timelines for minimum haircut standards for non-centrally cleared securities financing transactions (SFTs), to ease operational burdens on market participants and authorities, and thereby assist them in focusing on priorities from the impact of COVID-19.

SFTs such as securities lending and repurchase agreements (repos) play a crucial role in supporting price discovery and secondary market liquidity for a wide variety of securities. However, such transactions can also be used to take on leverage as well as maturity and liquidity mismatched exposures, and therefore can pose risks to financial stability.

As part of its work to enhance the resilience of non-bank financial intermediation, the FSB developed 18 policy recommendations to address financial stability risks that arise from SFTs. These recommendations were published in the FSB's August 2013 report *Policy Framework for Addressing Shadow Banking Risks in Securities Lending and Repos* and updated in the November 2015 report *Regulatory framework for haircuts on non-centrally cleared securities financing transactions*.

The Group of Central Bank Governors and Heads of Supervision decided in March 2020 to defer the implementation of the Basel III framework by one year to January 2023. Since the FSB framework for numerical haircut floors for bank-to-non-bank transactions is expected to be implemented through the Basel III framework in many jurisdictions, the FSB has therefore decided to also extend the implementation dates by one year for its policy recommendations related to minimum haircut standards for non-centrally cleared SFTs. For bank-to-non-bank transactions, the updated implementation date is January 2023 (instead of January 2022). For non-bank-to-non-bank transactions, the updated implementation date is January 2025 (instead of January 2024). This is in line with the re-prioritisation of the FSB's work in light of the COVID-19 pandemic and will give market participants (both banks and non-banks) more time to prepare for the implementation of the framework of numerical haircut floors set out in the minimum haircut standards.

Going forward, the FSB will continue to monitor the implementation of its policy recommendations to address financial stability risks in the SFT markets and to enhance the resilience of non-bank financial intermediation.

Notes to editors

As a result of today's announcement, the implementation timelines for the FSB's November 2015 recommendations on haircuts for non-centrally cleared SFTs will now be extended (Recommendations 14-18: see also updated Annexes 1, 3 and 4 of the November 2015 report for details). The implementation of Recommendation 16 will be extended until January 2022 (instead of January 2021), recommendations 14 and 18 will be extended until January 2023 (instead of January 2022), recommendation 17 will be extended until January 2024 (instead of January 2023) and recommendation 15 will be extended until January 2025 (instead of January 2024).

The FSB coordinates at the international level the work of national financial authorities and international standard-setting bodies and develops and promotes the implementation of effective regulatory, supervisory, and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with approximately 70 other jurisdictions through its six Regional Consultative Groups.

The FSB is chaired by Randal K. Quarles, Vice Chairman, US Federal Reserve; its Vice Chair is Klaas Knot, President of De Nederlandsche Bank. The FSB Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

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