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Mr Svein Andresen
Secretary General
Financial Stability Board
Bank for International Settlements
Centralbahnplatz 2
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Switzerland
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Dear Mr Andresen,

Re: ***Response to the FSB Consultation on Recovery and Resolution Planning: Making the Key Attributes Requirements Operational***

The IBFed welcomes the FSB objective to provide further guidance to supervisors and resolution authorities on Recovery and Resolution Planning and ways to make the FSB Key Attributes requirements operational. The IBFed is in particular supportive in making Crisis Management Groups central to coordinating cross-border resolution and encourages further international cooperation in this area.

We would like to offer some critical observations and constructive recommendations to improve the FSB guidance:

Recovery Triggers and Stress Scenarios (Annex 1)

- The bank's management triggers the implementation of recovery upon its own assessment of the situation which relies on the risk management framework and the context of the crisis. The tools applied for recovery should be at the bank's discretion and be in accordance with the recovery plans prepared in advance during the preparation stage.
- However, the Resolution Authority should always be informed whenever the institution enters the early intervention stage, but should not be involved in the recovery. Warning indicators must be limited in number and rely on existing reporting requirements.
- Qualitative indicators are observed daily by the management. There is no need to incorporate them in a formal list.
- The recovery plan should focus more on triggers than on scenarios. The recovery plan should also contain the governance to be employed after materialisation of the trigger so the management can judge the most appropriate response among the identified recovery tools.

- We are however cautious of setting up triggers that would lead automatically to the implementation of the recovery plan. Automatic and compulsory recovery responses to breached triggers could potentially lead banks to prematurely signal to the market that it is in distress, which could be counterproductive in a stress scenario.
- Recovery plans must remain confidential. If circumstances arise where recovery measures must be implemented, it is paramount that information to the market is controlled by the entity in order not to endanger the implementation of selected tools and accelerate failure. Nevertheless, this needs to be verified with applicable laws for listed firms.
- There must be a robust information and escalation process when indicators turn to red, informing appropriately the supervisory authority when the recovery plan is triggered.
- While a bank is best placed to design firm specific stress scenarios, we are opposed to reverse scenarios unless provided by the authorities at the scale of the country if not at regional level (examples: IMF stress-test performed in 2012). It is however not possible to predict the nature of the next crisis and therefore having a broad range of tools is a better approach.

Developing Resolution Strategies and Operational Resolution Plans (Annex 2)

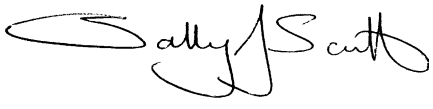
- It should not be determined ex-ante which approach would be retained (SPE/MPE) because for cross border groups it is not possible to predict in advance which part would be in resolution. Therefore, no change in the group's structure should be required by Authorities to improve resolvability. In particular, banks should not be required to restrict their intra-group transactions or subordinate them to external transactions.
- To ensure flexibility, no intra-group support should be required ex-ante. This would enable Resolutions Authorities to cope with different resolution situations and isolate parts of the group without requiring other financial sound entities within the group to provide financial support in a manner that would, in effect, require them to incur losses.

Identification of Critical Functions and Critical Shared Services (Annex 3)

- We believe that the terms used are misleading. We would prefer "critical business activities" (to designate transactions done with external counterparties), and "support functions" for activities performed within the bank to support critical business activities.
- There should be also definitions of critical banking activity and internal critical functions. In a general way this taxonomy should not be too prescriptive.
- Indeed, from a resolution standpoint, it seems more realistic to identify activities which have certain market value while preserving the critical functions of the firm rather than applying solely the criteria of critical functions.

We hope you find these comments useful. Please let us know if you have any further questions or would like to discuss our recommendations in further detail.

Yours sincerely,



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