FSB FINANCIAL STABILITY BOARD

Press release

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G20 Leaders endorse Financial Stability Board policy framework for addressing systemically important financial institutions

The G20 Leaders at the Seoul Summit on 11-12 November endorsed the Financial Stability Board's (FSB) policy framework for *Reducing the moral hazard of systemically important financial institutions (SIFIs)*, including the work processes and timelines set out in the report submitted to the Summit.

SIFIs are financial institutions whose disorderly failure, because of their size, complexity and systemic interconnectedness, would cause significant disruption to the wider financial system and economic activity.

FSB jurisdictions have agreed to put in place the policy framework to reduce the risks and externalities associated with domestic and global systemically important financial institutions in their jurisdictions. As the report states:

- The policy framework for SIFIs should combine:
    - a resolution framework and other measures to ensure that all financial institutions can be resolved safely, quickly and without destabilising the financial system and exposing the taxpayer to the risk of loss;
    - a requirement that SIFIs and initially in particular global SIFIs (G-SIFIs) have higher loss absorbency capacity to reflect the greater risks that these institutions pose to the global financial system;
    - more intensive supervisory oversight for financial institutions which may pose systemic risk;
    - robust core financial market infrastructures to reduce contagion risk from the failure of individual institutions and
    - other supplementary prudential and other requirements as determined by the national authorities.
- Additionally, home jurisdictions for G-SIFIs should:
    - enable a rigorous co-ordinated assessment of the risks facing the G-SIFIs through international supervisory colleges;
    - make international recovery and resolution planning mandatory for G-SIFIs and negotiate institution-specific crisis cooperation agreements within cross-border crisis management groups;

- subject their G-SIFI policy measures to review by the proposed Peer Review Council.

The report issued today contains further recommendations and timelines for putting this framework into place. The FSB and national authorities, in consultation with relevant standard setters, will determine by mid-2011 those institutions to which the FSB G-SIFI recommendations will initially apply. The Peer Review Council will conduct its initial assessment of national G-SIFI policies by end-2012.

Notes to editors

The FSB has been established to coordinate at the international level the work of national financial authorities and international standard setting bodies and to develop and promote 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 is chaired by Mario Draghi, Governor of the Bank of Italy. Its 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.financialstabilityboard.org.