FSB FINANCIAL STABILITY BOARD

Press release

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Ref no: 54/2013

12 August 2013

FSB consults on implementation guidance for the Key Attributes of Effective Resolution Regimes

The Financial Stability Board (FSB) is today launching a public consultation on the application of the *Key Attributes of Effective Resolution Regimes for Financial Institutions* ('the *Key Attributes*') to non-bank financial institutions and on principles governing information sharing for resolution purposes.

Resolution of insurer, FMI and the protection of client assets

The FSB in conjunction with relevant standard-setters (Committee on Payment and Settlement Systems - CPSS, International Association of Insurance Supervisors - IAIS and International Organization of Securities Commissions - IOSCO) has developed Annexes to the *Key Attributes* that set out guidance on:

(1) Resolution of Financial Market Infrastructure (FMI) and resolution of systemically important FMI participants;

(2) Resolution of insurers; and

(3) Client asset protection in resolution.

The *Key Attributes* are a central component of the FSB policy measures endorsed by G20 leaders to address the "too big to fail (TBTF)" problem associated with systemically important financial institutions (SIFIs). They set out the core elements considered necessary to make feasible the resolution of financial institutions without severe systemic disruption and without exposing taxpayers to loss. They constitute an 'umbrella' standard that applies for all parts of the financial sector that could cause systemic problems.

The proposed guidance is designed to assist jurisdictions and authorities in implementing the *Key Attributes* with respect to resolution regimes for FMIs (including central counterparties (CCPs), central securities depositories and securities settlement systems), insurers and firms with holdings of client assets.

The proposed guidance on FMI resolution accompanies the consultative report on FMI recovery published by CPSS and IOSCO today to provide a comprehensive set of guidance on recovery and resolution for different kinds of systemically important FMI. The guidance on resolution of insurers complements the policy measures for global systemically important insurers (G-SIIs) published by the IAIS on 18 July, which include recovery and resolution

planning requirements for G-SIIs. The guidance on Client asset protection in resolution builds on IOSCO's Consultation Report on Recommendations Regarding the Protection of Client Assets of February 2013.

Mark Carney, Chair of the FSB, said: "Today's publication of draft guidance on the resolution of non-bank financial institutions represents further significant progress in international efforts to develop the powers and tools that authorities need to manage the failure of any type of systemic institution without taxpayers bearing the costs. Resolution of firms from other financial sectors has lagged behind the progress made in relation to banks. In light of the move towards mandatory clearing of OTC derivatives, robust resolution regimes for CCPs are particularly important to ensure that greater reliance on CCPs does not result in a new category of TBTF institution."

Information sharing for resolution purposes

The FSB also consults on a set of principles for the design of national legal gateways and confidentiality regimes to allow the sharing of non-public information between domestic and foreign authorities that is necessary for planning and carrying out resolution. They also include the provisions on information sharing and confidentiality that should be included in the institution-specific cross-border cooperation agreements (COAGs) that are required for all global systemically important financial institutions (G-SIFIs) by the *Key Attributes*.

Paul Tucker, Deputy Governor of the Bank of England and Chair of the FSB Resolution Steering Group, said: "Lack of information sharing is one of the key obstacles authorities face when preparing for and dealing with a crisis. Unless authorities are legally permitted and positively willing to share firm-specific non-public information, both within jurisdictions and across borders, and to protect its confidentiality, they will not be able to cooperate effectively in a crisis, nor will they be able to plan together effectively. The draft guidance aims to ensure that information-sharing and confidentiality regimes are fit for purpose and truly used in practice."

Comments and responses

The FSB welcomes comments and responses to the questions raised in the consultative document by **Tuesday, 15 October 2013**. Responses should be sent to fsb@bis.org. Responses will be published on the FSB website unless respondents expressly request otherwise.

Notes to editors

The *Key Attributes of Effective Resolution Regimes for Financial Institutions* are the international standard for resolution regimes for financial institutions. They are a key component of the FSB' policy framework to address the moral hazard and systemic risks associated with institution that are "too big to fail". They were released by the FSB in November 2011 following their endorsement by G20 Leaders at the Cannes Summit. See http://www.financialstabilityboard.org/publications/r_111104cc.pdf.

The FSB first published a list of global systemically important financial institutions (G-SIFIs) in November 2011. The 2012 update to that list contains 28 institutions, all of which are banking groups, while in July 2013 the FSB published an initial list of 9 G-SIIs. Crisis management

groups for those G-SIIs should be established by July 2014 and the recovery and resolution planning requirements under the *Key Attributes* should be met by end 2014.

The FSB also released on 19 April 2013 a Progress Report which outlines more generally the progress in implementing the *Key Attributes* and resolution planning for G-SIFIs.

The FSB Resolution Steering Group leads the FSB's work on resolution and resolution planning and developed the *Key Attributes*. The draft Annexes were developed with input from the Committee on Payment and Settlement Systems (CPSS), International Association of Insurance Supervisors (IAIS) and the International Organization of Securities Commissions (IOSCO).

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 Mark Carney, Governor of the Bank of England. Its Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.