

Press release

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FSB Launches Quantitative Impact Study (QIS2) on Proposed Regulatory Framework for Haircuts on Securities Financing Transactions

The Financial Stability Board (FSB) is launching today the second-stage of its two-stage quantitative impact study (QIS) on the proposed regulatory framework for securities financing transactions. On 29 August 2013, the FSB published the report [Policy Framework for Addressing Shadow Banking Risks in Securities Lending and Repos](#) that set out policy recommendations for addressing financial stability risks in relation to securities lending and repos. These measures formed part of an overall set of policy recommendations to strengthen oversight and regulation of shadow banking, [an overview](#) of which was published on the same date.

At the same time, the FSB noted that, although most of the policy measures were finalised, certain proposed measures would be finalised in light of further assessments of their potential impact on the financial system. These include proposals on a regulatory framework for haircuts on non-centrally cleared securities financing transactions, which consists of (i) minimum standards for methodologies to calculate haircuts on non-centrally cleared securities financing transactions and (ii) a framework of numerical haircut floors that will apply to non-centrally cleared securities financing transactions in which entities not subject to regulation of capital and liquidity/maturity transformation receive financing from regulated financial intermediaries against collateral other than government securities. The FSB invited comments from the public on these proposals by 28 November. As part of the development of these proposals, the FSB had launched a two-stage QIS in April 2013.

The first stage (QIS1) consisted of a data request to a group of 17 large financial intermediaries (banks and broker-dealers) from 12 jurisdictions on historical haircut distributions at three specific points in time (pre-crisis, post-crisis and current) in order to help calibrate detailed minimum haircut proposals. This first stage also included qualitative questions asking participating firms to provide a general description of the factors they take into account and the approach they follow when setting haircuts on securities financing transactions. The summary of QIS1 results is set out in Annex 3 of the August Report.

The second stage of this exercise (QIS2) is now being launched and comprises a more comprehensive quantitative assessment of the impact on a broader set of firms of the FSB's detailed haircuts proposals, both the proposed minimum standards for methodologies used by firms in calculating their own haircuts and the numerical haircut floors to be applied to certain securities financing transactions. It comprises a quantitative data collection template (template A) and a questionnaire (template B) - to be completed by: (i) regulated financial intermediaries (banks/brokers-dealers); (ii) agent securities lenders; and (iii) other non-bank reporting entities, respectively. For the purpose of QIS2, these terms are defined as follows:

- (i) **Regulated financial intermediaries (banks and broker-dealers)** are financial intermediaries that are subject to prudential liquidity and capital regulation.
- (ii) **Agent securities lenders** are entities that lend securities on behalf of clients.
- (iii) **Non-banks** are entities that do not fit either of the above categories, and would include asset managers, insurance companies, pension funds and hedge funds, among others, that obtain financing using securities financing transactions.

The QIS2 instructions and reporting templates to assess the impact of the proposals for each type of entity are now available on the [FSB website](#), and the FSB is inviting interested market participants to voluntarily participate in the exercise. As in the case of QIS1, all data will be treated as strictly confidential, anonymised for global analysis (except for the name of the jurisdiction where the headquarters is located and the type of entity) and used only for the purpose of assessing the impact of the minimum haircut proposals and refining these proposals. Interested firms are asked to fill in the templates and respond to the questionnaire on a voluntary basis by **23 December 2013**. Analysis of the QIS2 results will help the FSB refine and finalise its recommendations by the second quarter of 2014.

Firms interested in participating in QIS2 on a voluntary basis are asked to send their responses in the following manner:

- **Regulated financial intermediaries (banks and broker-dealers):** Interested firms are asked to inform the relevant FSB member national authority in their home jurisdiction of their interest in participating in QIS2 by **15 November**. Firms will be asked to send their responses to the relevant national authority by 23 December. The relevant national authority will anonymise the responses and submit the QIS2 data and information to the FSB.
- **Other financial entities (including Agent securities lenders and Non-banks):** Interested firms are asked to inform the FSB Secretariat (e-mail: Yasushi.Shiina@bis.org) of their interest in participating in QIS2 by **15 November**. They will then be asked to send their responses by 23 December to either (i) the FSB Secretariat directly or (ii) the relevant FSB member national authority, who will be responsible for anonymising their data and information for submission to the FSB.

In case of questions, please contact the FSB Secretariat (Tel: +41 61 280 8579; E-mail: Yasushi.Shiina@bis.org).

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 Mark Carney, Governor of the Bank of England. 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.