

Press release

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Next Steps on the Assessment Methodologies for Non-Bank Non-Insurer Global Systemically Important Financial Institutions (NBNI G-SIFIs)

The Financial Stability Board (FSB) is announcing today that it has decided to wait to finalise the assessment methodologies for non-bank non-insurer global systemically important financial institutions (NBNI G-SIFIs) until the current FSB work on financial stability risks from asset management activities is completed. This will allow further analysis of potential financial stability issues associated with asset management entities and activities to inform the revised assessment methodology.

The FSB, jointly with the International Organization of Securities Commissions (IOSCO), published on 4 March 2015 the second consultative document [Assessment Methodologies for Identifying Non-Bank Non-Insurer Global Systemically Important Financial Institutions \(NBNI G-SIFIs\)](#). The two bodies invited comments on the second consultative document by 29 May 2015. About 50 comments were received, mostly on the proposed methodologies for asset management entities, and the FSB and IOSCO are reviewing these comments.

The ongoing work on financial stability risks from asset management activities was set in train in March, and is focused on risks associated with market liquidity and asset management activities in the current conjuncture, as well as potential structural sources of vulnerability associated with asset management activities. This work will evaluate the role that existing or additional activity-based policy measures could play in mitigating potential risks, and make policy recommendations as necessary.

The FSB will discuss the initial findings from the work on asset management activities at its Plenary meeting in September. It will report on this work to the G20 later this year and will develop activities-based policy recommendations as necessary by spring 2016. The FSB, jointly with IOSCO, will then conduct further analysis and finalise the NBNI G-SIFI asset management assessment methodology, with a focus on any residual entity-based sources of systemic risk from distress or disorderly failure that cannot be effectively addressed by market-wide activities-based policies.

Notes to editors

At the Cannes Summit in November 2011, the G20 Leaders asked the FSB, in consultation with IOSCO, to prepare methodologies to identify systemically important non-bank non-insurer (NBNI) financial entities. In response to the G20 request, the FSB, jointly with IOSCO, has been developing the proposed assessment methodologies for identifying NBNI G-SIFIs.

Systemically important financial institutions (SIFIs) are institutions whose distress or disorderly failure, because of their size, complexity and systemic interconnectedness, would

cause significant disruption to the wider financial system and economic activity. At the Seoul Summit in 2010, the G20 Leaders endorsed the [FSB framework for reducing the systemic and moral hazard risks posed by SIFIs](#).

The implementation of the FSB SIFI framework requires, as a first step, the assessment of the systemic importance of financial institutions at a global level (or G-SIFIs). The framework recognises that SIFIs vary in their structures and activities, and that systemic importance and the global impact upon distress or failure can vary significantly across sectors. Under the Framework, the FSB and national authorities, in consultation with the standard-setting bodies and drawing on relevant indicators, determine which institutions will be designated as G-SIFIs. The assessment methodologies to identify G-SIFIs and the policies applied to them reflect the nature and degree of risks they pose to the global financial system. To date, assessment methodologies and policies have been developed for global systemically important banks (G-SIBs) and insurers (G-SIIs).

The FSB and IOSCO's second consultative document [Assessment Methodologies for Identifying Non-Bank Non-Insurer Global Systemically Important Financial Institutions \(NBNI G-SIFIs\)](#) published on 4 March 2015 comprises a high-level framework and an operational framework that could apply across NBNI financial entities, as well as detailed NBNI sector-specific methodologies. Detailed sector-specific methodologies include: (a) near-final methodologies for finance companies and market intermediaries; and (b) a revised proposal on sector-specific methodologies for asset management entities (investment funds (including hedge funds) and asset managers).

Due to the wide variety of business models that exist in the NBNI financial space, the proposed methodologies allow a greater role for judgment by authorities in the assessment process. As financial data is often limited, the assessment will rely on detailed analysis conducted primarily by national authorities and supplemented by supervisory information-sharing and international coordination through the FSB process. While the consultative document proposed specific methodologies to determine entities that should be assessed as to the systemic implications of their distress or disorderly failure, it does not propose any specific entities for designation, nor any policy measures that would apply to any NBNI G-SIFIs.

The FSB, jointly with IOSCO, invited comments on the second consultative document by 29 May 2015. About 50 comments were received, and the [public responses](#) were published on the FSB website on 12 June.

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.