

Ten years on – taking stock of post-crisis resolution reforms

Sixth Report on the Implementation of Resolution Reforms

6 July 2017

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Executive summary

Ten years on from the global financial crisis, considerable progress has been made towards ending “too big to fail.” The development of policies to help ensure that systemically important financial institutions (SIFIs) can be resolved without wider disruption if they fail is largely complete. Significant work remains in a number of areas to achieve their full implementation. Addressing remaining barriers to the resolvability of SIFIs will remain a priority for the coming year.

- **A milestone in 2017 is the adoption of *Guidance on Central Counterparty (CCP) Resolution and Resolution planning*.** The adoption of resolution guidance by the Financial Stability Board (FSB) concurrent with the adoption of guidance on resilience and recovery planning by the Committee on Payments and Markets Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) forms part of a broader policy framework on CCP resilience, recovery and resolvability. Further work to determine whether additional guidance is required regarding the financial resources of a CCP in resolution will be completed by the end of 2018. The FSB will also consider the need for, and develop as appropriate, further guidance on the treatment of CCP equity in resolution.
- **Implementation of the Total Loss-absorbing Capacity (TLAC) standard for global systemically important banks (G-SIBs) is progressing and most G-SIBs are on course to meet the TLAC requirements which take effect in January 2019.** The majority of G-SIB home jurisdictions have already adopted or are in the process of adopting local TLAC requirements. However, further work remains to fully transpose the TLAC standard into domestic regulations, including the Basel Committee on Banking Supervision (BCBS) standard on TLAC holdings and internal TLAC requirements for the host authorities of material G-SIB subsidiaries.
- **Significant work remains to address cross-border resolution.** Authorities need to continue efforts to address remaining obstacles to the adoption of institution-specific cross-border cooperation agreements (CoAGs), including effective information sharing arrangements, which are not yet in place for all G-SIBs. Efforts also need to continue to promote the broad adherence to the resolution stay protocols of the International Swaps and Derivatives Association (ISDA) by all G-SIBs and their significant counterparties.
- **Resolution planning for global systemically important insurers (G-SIIs) progresses slowly.** In several G-SII home jurisdictions the absence of effective resolution regimes for insurers remains an important impediment to resolvability. The resolution reforms that are underway in some G-SII home jurisdictions will confer more comprehensive powers to authorities and help advance the resolution planning process for G-SIIs in those jurisdictions.

- **Implementation of the *Key Attributes of Effective Resolution Regimes for Financial Institutions* ('Key Attributes') across jurisdictions and sectors remains uneven.** Only a subset of FSB jurisdictions, mostly G-SIB home jurisdictions, have adopted bank resolution regimes with comprehensive powers that are broadly in line with the *Key Attributes*. The powers most often lacking are bail-in powers, powers to impose a temporary stay on the exercise of early termination rights, and powers to require changes to firms' structures and operations to improve resolvability. Reforms underway in FSB jurisdictions address some, but not all of these gaps and few of these reforms have been completed over the past year. A few jurisdictions are undertaking reforms of resolution regimes for insurers and CCPs, but progress in the non-bank sector is slower than in the banking sector.
- **The focus going forward is on implementing agreed resolution policies and on examining the implementation and evaluating the effects.** The finalisation of the *Key Attributes Assessment Methodology for the Banking Sector* now allows for the inclusion of the *Key Attributes* in standards assessments carried out under the International Monetary Fund (IMF)-World Bank Standards & Code Initiative. FSB members have agreed to undergo an assessment of their bank resolution regimes against the *Key Attributes* and to publish the findings. The FSB has also developed a framework for the post-implementation evaluation of the effects of G20 reforms. Going forward the FSB will develop approaches to evaluate the effectiveness and gauge the broader effects of resolution reforms.

Introduction

The purpose of this report is to take stock of the progress made towards a full and consistent implementation of the agreed resolution-related reforms and the commitments set out in the FSB's resolution progress report of August 2016¹:

- **Section 1** reports on the development of guidance on resolution and resolution planning for central counterparties (CCPs) as part of a joint work plan of the FSB, the Committee on Payments and Markets Infrastructures (CPMI), the International Organization of Securities Commissions (IOSCO), and the Basel Committee on Banking Supervision (BCBS) to enhance the resilience, recovery and resolvability of CCPs.
- **Section 2** summarises the findings from the third Resolvability Assessment Process (RAP) for global systemically important banks (G-SIBs) and the FSB's policy work to support authorities in their implementation of the FSB *Key Attributes of Effective Resolution Regimes for Financial Institutions* ('*Key Attributes*')² and the Total Loss-absorbing Capacity (TLAC) standard.
- **Section 3** reports on the progress made towards removing remaining barriers to the resolvability of global systemically important insurers (G-SIIs) and the results from the second G-SII RAP.
- **Section 4** reports on the status of reforms of resolution regimes to implement the *Key Attributes* across FSB jurisdictions drawing on the results from recent implementation monitoring exercises, surveys and peer reviews.
- **Section 5** reports on ongoing work to evaluate the effects and effectiveness of resolution-related reforms.

1. Central counterparty (CCP) resolution and resolution planning

The G20 Leaders made commitment in 2009 to ensure that all standardised over-the-counter (OTC) derivatives contracts are cleared through CCPs.³ As a result, the share of centrally cleared transactions has increased significantly and the range of banks and other financial institutions that channel their transactions through CCPs has broadened.

The CCPs' criticality to the overall safety and soundness of the financial system means that authorities must take steps to ensure that CCPs do not themselves become a source of systemic risk.

Jurisdictions need to ensure that the necessary tools are in place for the orderly recovery and, if needed, resolution of CCPs to protect financial stability and allow for the continuity of critical CCP functions without exposing taxpayers to loss.

¹ See "Resilience through resolvability – moving from policy design to implementation" (<http://www.fsb.org/wp-content/uploads/Resilience-through-resolvability---moving-from-policy-design-to-implementation.pdf>), 18 August 2016.

² See http://www.fsb.org/wp-content/uploads/r_141015.pdf, 15 October 2014.

³ See the G20 Leaders Statement from the Pittsburgh Summit 24-25 September 2009 (http://www.fsb.org/wp-content/uploads/g20_leaders_declaration_pittsburgh_2009.pdf).

1.1. Joint work plan for strengthening the resilience, recovery and resolvability of CCPs

- In 2015, the Chairs of the FSB Standing Committee on Supervisory and Regulatory Cooperation, the FSB Resolution Steering Group, the CPMI, IOSCO, and the BCBS agreed to coordinate their respective international policy work aimed at enhancing the resilience, recovery planning and resolvability of CCPs.
- They adopted a workplan (“joint CCP workplan”)⁴ that identified a set of substantive priorities relating to resilience, recovery planning, resolution and resolution planning and the analyses of central clearing interdependencies and called for the development of further guidance building on and supporting the implementation of existing standards.⁵
- The FSB, the CPMI, and IOSCO have cooperated closely in developing their respective sets of standards and guidance for CCP recovery and resolution to ensure the consistency between their respective policies.⁶

1.2. Guidance on CCP resolution and resolution planning

- The FSB *Key Attributes* and implementation guidance on financial market infrastructure (FMI) resolution in Appendix II-Annex 1 to the *Key Attributes* (‘FMI Annex’) set out a framework for CCP resolution which sits alongside the standards on resilience and recovery established in CPMI-IOSCO’s Principles for financial market infrastructures (‘PFMIs’) and its additional guidance.⁷
- On 5 July 2017, the FSB released the *Guidance on CCP Resolution and Resolution Planning* (‘CCP resolution guidance’)⁸ which complements the existing guidance on implementing the *Key Attributes* and the FMI Annex for CCPs, in particular in regard to the powers that resolution authorities should have to maintain or restore the continuity of critical CCP functions, return the CCP to a matched book where losses arise from clearing member defaults, and to address default and non-default losses. It sets out potential indicators of circumstances that could lead to entry into resolution and includes guidance on the application of the “no creditor worse off than in liquidation” (NCWOL) safeguard. The guidance also covers issues to consider in developing resolution plans and conducting resolvability assessments and addresses a ranges of cross-borders issues, including the establishment and operation of crisis management groups (CMGs), cross-border cooperation and information sharing within CMGs as well as with authorities not

⁴ See “2015 CCP Workplan” (<http://www.fsb.org/wp-content/uploads/Joint-CCP-Workplan-for-2015-For-Publication.pdf>), 15 April 2015.

⁵ See CPMI and IOSCO “Principles for financial market infrastructures” (<http://www.bis.org/cpmi/publ/d101a.pdf>), April 2012; and the FSB *Key Attributes* and its Appendix II-Annex 1 on “Resolution of Financial Market Infrastructures (FMIs) and FMI participants” (http://www.fsb.org/wp-content/uploads/r_141015.pdf), October 2014.

⁶ See “Chairs’ Report on the Implementation of the Joint Workplan for Strengthening the Resilience, Recovery and Resolvability of CCPs” (<http://www.bis.org/cpmi/publ/d165.htm>), 5 July 2017.

⁷ See CPMI-IOSCO *PFMIs* (April 2012) and “Recovery of financial market infrastructures” (<http://www.bis.org/cpmi/publ/d121.htm>), October 2014. See also “Recovery of financial market infrastructures” (<http://www.bis.org/cpmi/publ/d162.htm>), July 2017.

⁸ See <http://www.fsb.org/wp-content/uploads/P050717-1.pdf>.

represented on CMGs; and issues relating to the cross-border effectiveness and enforcement of resolution actions.

1.3. Crisis Management Groups (CMGs) for systemically important CCPs in more than one jurisdiction

- For CCPs that are systemically important in more than one jurisdiction, resolution planning and resolvability assessments should be coordinated within CMGs or equivalent arrangements. The CMGs or equivalent arrangements should be established by the CCP home resolution authorities. To assist home resolution authorities in their determinations as to whether a CCP is systemically important in a foreign (host) jurisdiction the CPMI and IOSCO developed a set of factors which have been incorporated into the FSB's *CCP resolution guidance*. The sole consequence of being identified as systemically important in more than one jurisdiction, as provided in the FSB *Key Attributes* and FMI-Annex, is the establishment of CMG, such that resolution planning and resolvability assessments will be carried out within the CMG.
- So far, by agreement between host and home authorities CMGs have been established or are planned for 12 CCPs.⁹ Several CCP CMGs have had first meetings and started to elaborate CCP-specific cooperation agreements.

1.4. Interdependencies in central clearing

- The joint CCP workplan also identified the need to better understand the interdependencies of CCPs within the financial system and established a study group to undertake analyses and mapping of the interconnections between CCPs and their major clearing members and resulting systemic implications.¹⁰ An additional streamlined CCP data collection will be undertaken later this year to support authorities' understanding of the dynamics of central clearing interdependencies and help the parent committees of the FSB, CPMI, IOSCO and BCBS assess the value of future and regular data collections from CCPs.

1.5. Priorities for 2017/18

Priorities for 2017/18 are to:

- monitor the **implementation of the *Key Attributes* consistent with the expectations regarding CCP resolution and resolution planning expanded upon in the FSB Guidance**, supported by the establishment of CMGs for CCPs that are systemically important in more than one jurisdiction (including the home jurisdiction) which are underpinned by institution-specific cooperation agreements. This includes the launch of resolution planning and resolvability assessments;

⁹ See "Chairs' Report on the Implementation of the Joint Workplan for Strengthening the Resilience, Recovery and Resolvability of CCPs" (<http://www.bis.org/cpmi/publ/d165.htm>), 5 July 2017.

¹⁰ See "Analysis of Central Clearing Interdependencies: Final Report for the Parent Committees" (<http://www.bis.org/cpmi/publ/d164.htm>), 5 July 2017, for the key findings from the report.

- continue further work on **financial resources to support CCP resolution** to determine, based on further analysis and experience gained in resolution planning, by end-2018 whether there is need for any additional guidance; and the need for and, as appropriate development of, further guidance on the **treatment of CCP equity in resolution**.
- As with previous work on CCP resolution, this work will be undertaken in close collaboration with the CPMI and IOSCO.

2. Resolvability of global systemically important banks (G-SIBs)

Making the resolution of G-SIBs feasible and credible is a core component of the FSB’s “too big to fail” policy framework. All G-SIB CMGs conducted a third round of the RAP to gauge progress in their resolution planning work.

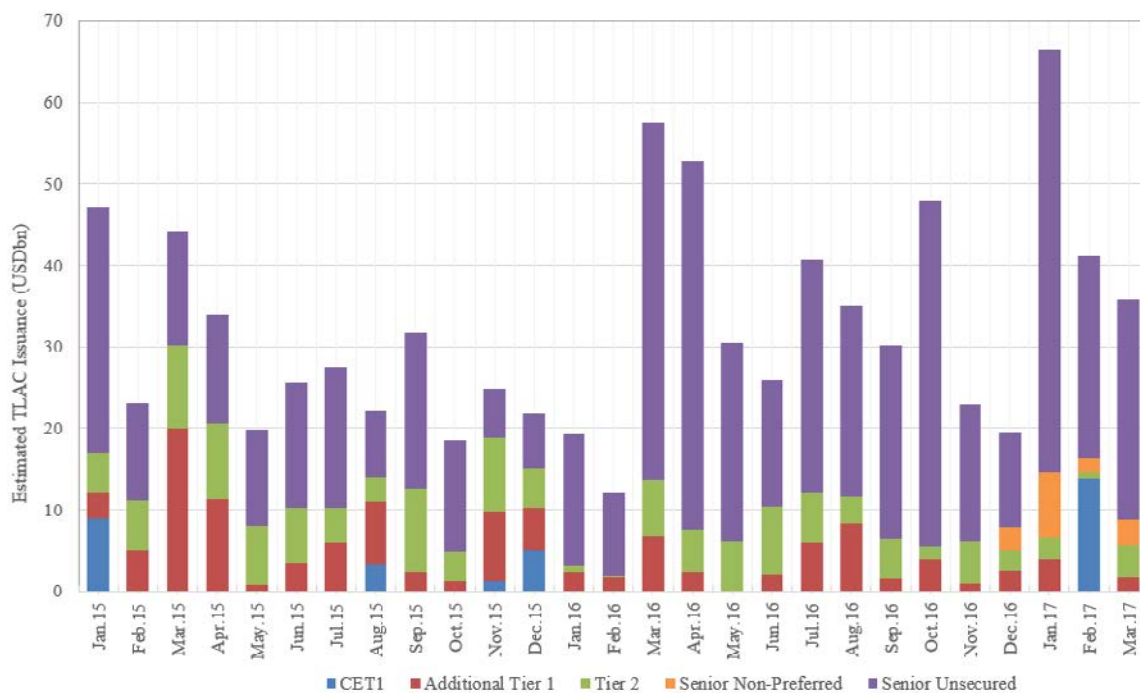
The following aspects of resolvability were considered as part of the **2017 Resolvability Assessment Process (RAP) for G-SIBs**:

2.1. Implementation of the Total Loss-absorbing Capacity (TLAC) standard

- The TLAC standard of November 2015¹¹ defines a minimum requirement for the instruments and liabilities that should be readily available for bail-in within a G-SIB resolution. It has been designed so that failing G-SIBs will have sufficient loss-absorbing and recapitalisation capacity available for authorities to implement an orderly resolution that minimises impacts on financial stability, maintains the continuity of critical functions, and avoids exposing public funds to loss.
- The TLAC standard will be brought into effect in two stages. Firms designated by the FSB as G-SIBs before the end of 2015¹² (and that continue to be designated thereafter, and with the exception of firms headquartered in emerging market economies for which there is an extended conformance period) must comply with the TLAC standard from 1 January 2019. Such firms must meet Minimum TLAC requirements of at least 16% of risk-weighted assets (RWA) and 6% of the Basel III leverage ratio denominator (LRE) from 1 January 2019 and at least 18% RWA and 6.75% LRE from 1 January 2022. Issuance strategies are now in place for all those G-SIBs, and a substantial amount of TLAC has been issued during the course of 2016 and 2017 (see **Graph 1** below).
- Many G-SIBs are estimated to already meet, or be close to meeting, the 2019 minimum external TLAC requirement, while a subset of those G-SIBs are also estimated to be well placed against the 2022 minimum external TLAC requirement.

¹¹ See “Total Loss-Absorbing Capacity (TLAC) Principles and Term Sheet” (<http://www.fsb.org/wp-content/uploads/TLAC-Principles-and-Term-Sheet-for-publication-final.pdf>), 9 November 2015.

¹² See “2015 update of list of global systemically important banks (G-SIBs)” (<http://www.fsb.org/wp-content/uploads/2015-update-of-list-of-global-systemically-important-banks-G-SIBs.pdf>), 3 November 2015.



Sources: Bloomberg, FSB secretariat estimates

Graph 1: Estimated G-SIB issuance by eligible TLAC instrument (January 2015 – March 2017)¹³

- FSB jurisdictions have made substantial progress in transposing the TLAC standard into rules and regulations at jurisdictional levels. Authorities in Sweden, Switzerland, the U.K. and the U.S. have adopted rules on external TLAC requirements, while policy proposals on external TLAC requirements have been published in Japan and in the Banking Union. See **Box 1** for further details.
- Work remains to achieve full implementation, including with respect to rules on TLAC holdings and disclosures as well as with respect to internal TLAC for material G-SIB subsidiaries.

Box 1: Implementation of the TLAC standard

European Union (EU): In November 2016, the European Commission published a banking reform package to, among other things, implement the TLAC standard into EU law. The package proposes a minimum requirement for own funds and eligible liabilities (MREL)¹⁴ requirement in line with the TLAC standard for EU G-SIBs. The package also proposes internal TLAC requirements for certain EU subsidiaries of foreign G-SIBs. The European Commission published a separate proposal on the harmonisation of the creditor

¹³ Consistent with the TLAC Standard Section 11, senior unsecured debt is only included in the data if it is TLAC eligible. This means that it has to be either statutorily or structurally subordinated, or qualify as part of the 2.5 (3.5) % allowance which has been taken into account for those Banking Union G-SIBs, where the authorities or the G-SIB itself have indicated the expected use of the allowance.

¹⁴ Under the EU Bank Recovery and Resolution Directive (BRRD), MREL requirements must be set for all credit and investment firms in the EU, including those firms designated as G-SIBs that must also meet TLAC requirements.

hierarchy across the EU, while the Single Resolution Board has set informative MREL targets for its G-SIBs. The package also includes deductions for G-SIB's TLAC holdings from their own MREL eligible liabilities.

Japan: In April 2016, the Financial Services Agency (FSA) published its approach to the adoption of the TLAC Standard in Japan. The FSA will set requirements at the level of the Minimum TLAC requirement in the TLAC Term Sheet. The 16% RWA requirement will apply from 31 March 2019 and the 18% RWA requirement from 31 March 2022, in line with the Japanese financial year and mirroring the implementation of Basel III. The Japanese G-SIBs will be required to issue external TLAC from the top-tier bank holding companies. The FSA also outlines the preferred single point of entry resolution strategy for an orderly resolution of Japanese G-SIBs.

Sweden: In February 2017 the Swedish resolution authority (Riksgalden) adopted a decision memorandum on MREL that sets an MREL requirement comprising a loss absorption amount equal to an institution's total capital requirements (excluding the combined buffer requirement and the Pillar 2 systemic risk component) and a recapitalisation amount equal to an institution's total capital requirements. It also requires liabilities used to meet MREL requirements to be subordinated.

Switzerland: In May 2016, the Federal Council adopted measures to reinforce the "too big to fail" regime. The measures provide for the introduction of gone concern requirements alongside existing going concern requirements. The Swiss G-SIBs will be subject to a total requirement (including all buffers, except the countercyclical buffer) of 28.6% RWA and 10% of total exposure, to be phased in until the end of 2019. This translates into a higher requirement than the Minimum TLAC requirement in the TLAC Term Sheet. However, the Swiss G-SIBs can obtain a reduction in the gone-concern requirement of up to two percentage points for the unweighted measure for improvements in their resolvability (under the condition that the resulting requirement does not fall below the Minimum TLAC in the TLAC Term Sheet).

United Kingdom: In November 2016, the Bank of England published its policy on setting MREL. Based on this policy, UK G-SIBs will be required to meet the minimum requirements set out in the TLAC standard. From 1 January 2020, UK G-SIBs will be required to meet an MREL equivalent to two times their Pillar 1 capital requirements and one times their Pillar 2A capital requirements; or 6% leverage ratio exposures. From 1 January 2022, and subject to review before the end of 2020, UK G-SIBs will be required to meet an MREL equivalent to the higher of two times the minimum capital requirements (Pillar 1 and Pillar 2A) or the higher of two times the applicable leverage ratio requirement or 6.75% of leverage exposures (in line with the TLAC standard).

United States: In December 2016, the Federal Reserve Board finalised its rulemaking on TLAC, Long-Term Debt, and Clean Holding Company Requirements for Systemically Important U.S. Bank Holding Companies and Intermediate Holding Companies of Systemically Important Foreign Banking Organizations. U.S. G-SIBs will be required to hold at a minimum a TLAC amount of the greater of 18% RWA and 9.5% total leverage exposure, and a long-term debt amount of the greater of 6% RWA (plus G-SIB surcharge)

and 4.5% total leverage exposure. The final rule also includes an internal TLAC requirement for the U.S. operations of certain foreign banking organisations.

2.2. BCBS standard on TLAC holdings and disclosures

- The BCBS issued its TLAC holdings standard in October 2016.¹⁵ See **Box 2** for further details. The requirements for TLAC disclosures were finalised in March 2017 and released as part of the *Pillar 3 disclosure requirements - consolidated and enhanced framework* in March 2017.¹⁶

Box 2: BCBS TLAC holdings standard

The BCBS standard on TLAC holdings aims to reduce the risk of contagion within the financial system should a G-SIB enter resolution. It applies to both G-SIBs and non-G-SIBs. The main elements of the prudential treatment of TLAC are as follows:

- **Tier 2 deduction:** banks must deduct holdings of TLAC instruments that are not already included in regulatory capital from their own Tier 2 capital.
- **Threshold below which no deduction is required:** the deduction is subject to the thresholds that apply to existing holdings of regulatory capital and an additional 5% threshold for non-regulatory-capital TLAC holdings only. This additional threshold is subject to stricter conditions for G-SIBs.
- **Instruments ranking pari passu** with subordinated forms of TLAC must also be deducted.

The standard also reflects changes to Basel III to specify how G-SIBs must take account of the TLAC requirement when calculating their regulatory capital buffers. The standard will take effect at the same time as the minimum TLAC requirements for each G-SIB.

2.3. Internal TLAC

- Most CMGs have not yet designated the entities in G-SIB host jurisdictions that will be subject to an internal TLAC requirement, and few G-SIB host authorities have set internal TLAC requirements.
- To assist authorities in the implementation of the internal TLAC requirements the FSB has developed additional guidance on internal TLAC. The guidance was published on 6 July 2017 following a public consultation in December 2016.¹⁷ See **Box 3** for further details.

¹⁵ See “TLAC holdings” (<http://www.bis.org/bcbs/publ/d387.pdf>).

¹⁶ See <http://www.bis.org/bcbs/publ/d400.pdf>.

¹⁷ See “Guiding Principles on the Internal Total Loss-absorbing Capacity of G-SIBs (‘Internal TLAC’)” (<http://www.fsb.org/wp-content/uploads/P060717-1.pdf>).

Box 3: FSB guiding principles on internal TLAC

A key objective of internal TLAC is to provide host authorities with confidence that G-SIBs can be resolved in an orderly manner and thereby minimise incentives to ring-fence assets domestically which would fragment the financial system. The FSB Guiding Principles on Internal TLAC of 6 July 2017 provide additional guidance on the process and the respective roles, including the consultation and communication, of home and host authorities in:

- **identifying a material sub-group** and the entities that form part of it and the **distribution of internal TLAC** among those entities;
- determining the **composition of internal TLAC** and the scaling of internal TLAC requirement within the 75% - 90% range consistent with the TLAC term sheet in a manner that supports the preferred resolution strategy;
- determining the **issuance strategy for internal TLAC** (which could be issued directly to the resolution entity or indirectly through multiple legal entities) and considering the availability of non-prepositioned TLAC to cover risks on the resolution entity's own balance sheet and to recapitalise any direct or indirect subsidiary of the resolution entity;
- determining the **triggers for internal TLAC** under which a write-down and/or conversion into equity is expected to take place; and
- the **process for triggering** internal TLAC.

2.4. Operational continuity in resolution

- G-SIBs and authorities have made steady progress in taking measures to ensure the operational continuity of the services needed to maintain a G-SIB's critical functions in resolution. Most G-SIBs have identified those critical services and mapped the services to business lines and legal entities, including through the development of global service catalogue tools.
- A number of G-SIBs have also amended, or are in the process of amending, service level agreements to include resolution clauses, including in some cases through the development of a single global master services agreement.
- Work remains to make continuity arrangements fully operational in resolution and ensure that providers of operational services have sufficient financial resources to continue in resolution.

2.5. Continuity of access to financial market infrastructures (FMIs)

- Significant further work is needed to ensure the robustness of arrangements to support continued access to FMIs by a firm in resolution for as long as it meets its obligations to the FMIs. Steps that have been taken so far generally relate to the initial identification of critical FMI services and associated levels of payments and settlement activity. Only a few G-SIBs have developed contingency plans to support continued access.

- The issuance of guidance on continuity of access to FMIs on 6 July 2017 should help accelerate progress in this area.¹⁸ See **Box 4** for further details.

Box 4: FSB guidance on continuity of access to FMIs for a firm in resolution

The Guidance was published in July 2017 following a public consultation in December 2016. It is intended to assist supervisory, oversight and resolution authorities in evaluating whether firms that are subject to resolution planning requirements have appropriate arrangements to support continuity of access to critical FMI services during or after entry into resolution by the firm or its parent or any affiliate. The Guidance covers:

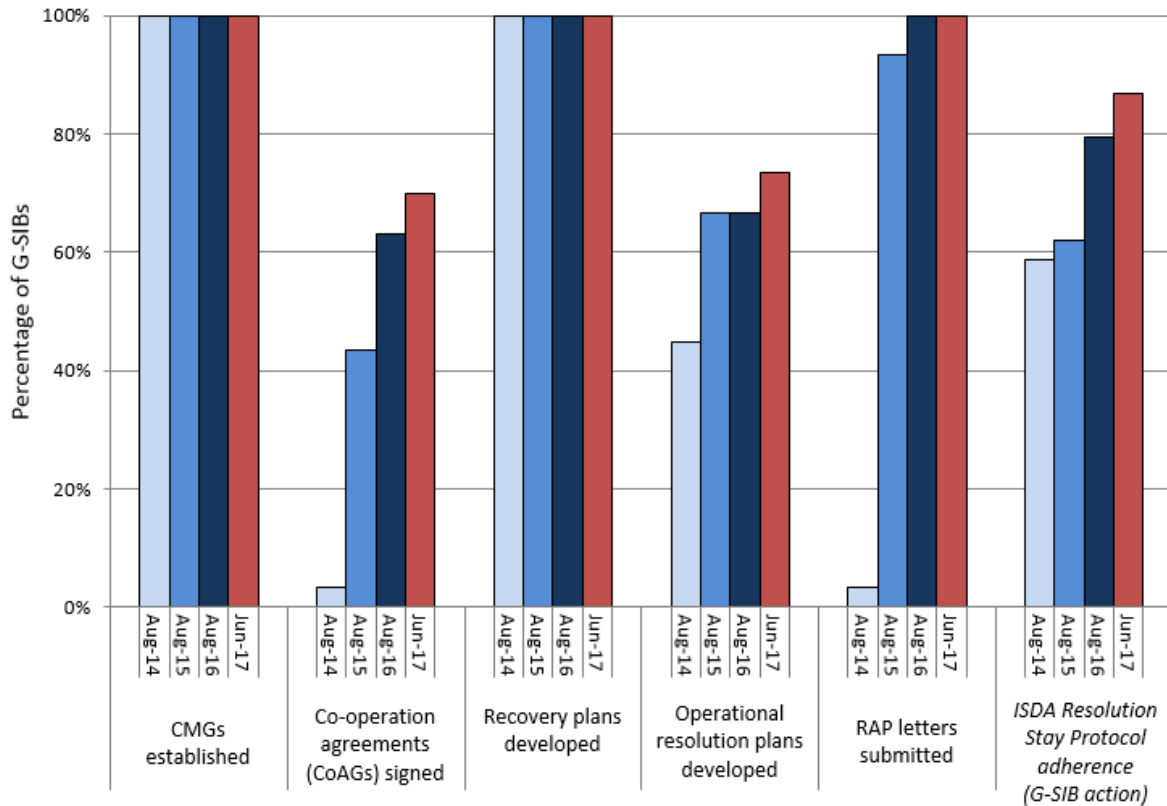
- **Continuity of access arrangements at the level of the provider of critical FMI services.** Providers of critical FMI services (which include FMIs as well as intermediaries that facilitate access to FMIs) should take appropriate steps to consider and plan for the resolution of a user of their services taking into account the interaction between the resolution regimes that apply to their service users and their own risk management framework. They should clarify in advance the actions they may take in a resolution scenario.
- **Continuity of access expectations and requirements applicable to G-SIBs as users of FMI services.** G-SIBs should take measures to facilitate their continued access to critical FMI services in resolution, including by ensuring that obligations to FMI service providers can be met throughout resolution and through the provision of information to the relevant authorities, both as part of resolution planning and in contingency planning by a firm ahead of, and during, resolution.
- **Cooperation between relevant authorities of the providers of FMI services and the respective authorities of G-SIBs as users of those services.** The guidance stresses the importance of cooperation and information sharing between the relevant resolution, oversight and supervisory authorities. These authorities should identify in advance the information that needs to be maintained and reported to them on a regular basis and the information that would need to be available to them in a crisis situation.

2.6. Cross-border cooperation and information sharing agreements

- Institution-specific cross-border cooperation agreements (CoAGs) are an essential underpinning of the cooperation and coordination between home and host authorities within CMGs. CoAGs are still not in place for nine G-SIBs (see **Graph 2** below). The lack of formal cooperation agreements may pose impediments to cooperation and information sharing for purposes of resolution planning as well as in an actual crisis. Work is continuing on equivalence assessments as to confidentiality requirements in

¹⁸ See “Guidance on Continuity of Access to Financial Market Infrastructures (“FMIs”) for a Firm in Resolution” (<http://www.fsb.org/wp-content/uploads/P060717-2.pdf>).

relevant home or host jurisdictions and should enable the timely adoption of the CoAGs for the remaining G-SIBs.



Graph 2: Authorities’ resolution planning status for G-SIBs (August 2014-June 2017)

2.7. Cross-border stays on early termination rights

- 26 G-SIBs have adhered to the 2015 International Swaps and Derivatives Association (ISDA) Universal Resolution Stay Protocol (‘Universal Protocol’), which extended the 2014 Protocol beyond bilateral OTC derivatives contracts to securities financing transactions (see **Graph 2**).¹⁹ Adherents to the Universal Protocol agree to be bound by temporary stays under identified resolution regimes with respect to their foreign law governed financial contracts²⁰ with other adhering parties. Identified regimes include those in France, Germany, Japan, Switzerland, the United Kingdom and the United States. Over the course of 2016 and 2017, additional Country Annexes for Italy, the Netherlands, Spain and Sweden were adopted.

¹⁹ The exceptions are Agricultural Bank of China, Bank of China, China Construction Bank and Industrial and Commercial Bank of China.

²⁰ G-SIBs’ financial contracts governed under domestic law are captured by statutory stay provisions in all developed economy G-SIB home jurisdictions.

- Adherence by G-SIBs has been based on the recognition by the international regulatory community as well as industry that other firms and counterparties should be subject to similar terms. As a result, FSB members have been developing regulatory measures to extend adherence to non-G-SIB counterparties, and the ISDA Jurisdictional Modular Protocol (“JMP”) facilitates compliance with the relevant regulatory measures. Regulatory measures have been finalised in Germany, Japan, Switzerland and UK, and the JMP currently contains a German, Japanese and UK Module. See **Table 1** below for the extent of G-SIB adherence to the Universal Protocol, Country Annexes and JMPs.
- The effectiveness of the Protocol hinges on wide adherence and therefore requires actions both by firms as well as authorities. Jurisdictions need to finalise regulatory measures that promote adherence and ensure broad and consistent compliance among non-G-SIB counterparties.

G-SIB		2015 Universal Protocol	Additional Country Annexes (Spain, Italy, Netherlands) ²¹	UK JMP	Germany JMP	Japan JMP
BU	BNP Paribas	✓				✓
	Crédit Agricole	✓				✓
	Deutsche Bank	✓			✓	✓
	Groupe BPCE	✓				
	ING Bank	✓	✓			
	Santander	✓		✓		
	Société Générale	✓				
	Unicredit	✓				
CH	Credit Suisse	✓		✓		
	UBS	✓	✓	✓	✓	✓
CN	ABC					
	Bank of China					
	CCB					
	ICBC					
JP	Mitsubishi UFJ FG	✓		✓		✓
	Mizuho FG	✓		✓		✓
	Sumitomo Mitsui FG	✓		✓		✓
SW	Nordea	✓				
UK	Barclays	✓	✓	✓		✓
	HSBC	✓	✓	✓		✓
	RBS	✓	✓	✓		
	Standard Chartered	✓	✓	✓		

²¹ The Swedish Country Annex was published on 27 June 2017 and so is not included in this table.

US	Bank of America	✓		✓		✓
	BNY Mellon	✓		✓		
	Citigroup	✓	✓	✓	✓	✓
	Goldman Sachs	✓	✓	✓		✓
	J.P. Morgan	✓	✓	✓	✓	✓
	Morgan Stanley	✓		✓		✓
	State Street	✓				
	Wells Fargo	✓				

**Table 1: G-SIB adherence to the 2015 ISDA Universal Stay Protocol
(as of 13 June 2017)**

Source: ISDA website²²

Key: BU = Banking Union, CH = Switzerland, CN = China, JP = Japan, SW = Sweden

2.8. Funding in resolution

- Authorities and G-SIBs are progressing work to assess likely funding needs in resolution and G-SIBs are working to improve their capabilities to forecast funding needs and identify unencumbered collateral at a legal entity and jurisdictional level.
- To implement the FSB’s *Guiding principles on the temporary funding needed to support the orderly resolution of a G-SIB*²³, the FSB is working with CMG authorities to support the development and implementation of resolution funding plans, including with respect to:
 - methodologies to estimate funding needs in resolution;
 - the operational implementation of private and public sources of resolution funding; and
 - firms’ operational and reporting capabilities to forecast funding needs, produce liquidity reporting for resolution purposes and identify the ownership and location of unencumbered assets.

2.9. Valuation capability and bail-in execution

- Timely and accurate valuations are critical for resolution and needed to (i) provide an estimate of the firm’s financial position, to quantify future expected losses; (ii) provide a value of the firm after resolution; and (iii) inform the extent to which losses will fall on shareholders and creditors.
- Several authorities highlighted impediments to resolvability arising from firms’ limited valuation capabilities. Some G-SIBs have implemented changes to management information systems (MIS) to improve month-end accounting processes. However,

²² See <https://www2.isda.org/>.

²³ See <http://www.fsb.org/wp-content/uploads/Guiding-principles-on-the-temporary-funding-needed-to-support-the-orderly-resolution-of-a-global-systemically-important-bank-“G-SIB”.pdf>, 18 August 2016.

questions remain regarding the ability of firms to replicate month-end processes for a resolution and the capacity of MIS to incorporate resolution specific valuation assumptions.

- The FSB is continuing work on the execution of a bail-in transaction and will publish a consultative document by the end of 2017. The consultation will cover a range of issues that authorities have to address as they plan for and execute a bail-in, in particular:
 - the valuation processes to inform the exercise of bail-in powers;
 - the operational processes to suspend or cancel the listing of securities, to notify creditors, and to deliver new securities or tradeable certificates following the entry into resolution;
 - the processes for transferring governance and control rights and establishing a new board for the firm in resolution;
 - the roles home and host authorities in the execution of all aspects of the bail-in transaction; and
 - communications to stakeholders and the public.

2.10. Financial and operational interdependencies

- The 2017 RAP also identified financial and operational interdependencies within G-SIBs as potential impediment to resolvability and a restructuring of the firm following the stabilisation period.
- Firms' booking models could hinder the separation of business lines and legal entities in a restructuring, and the wind-down of derivatives and trading activity during resolution.

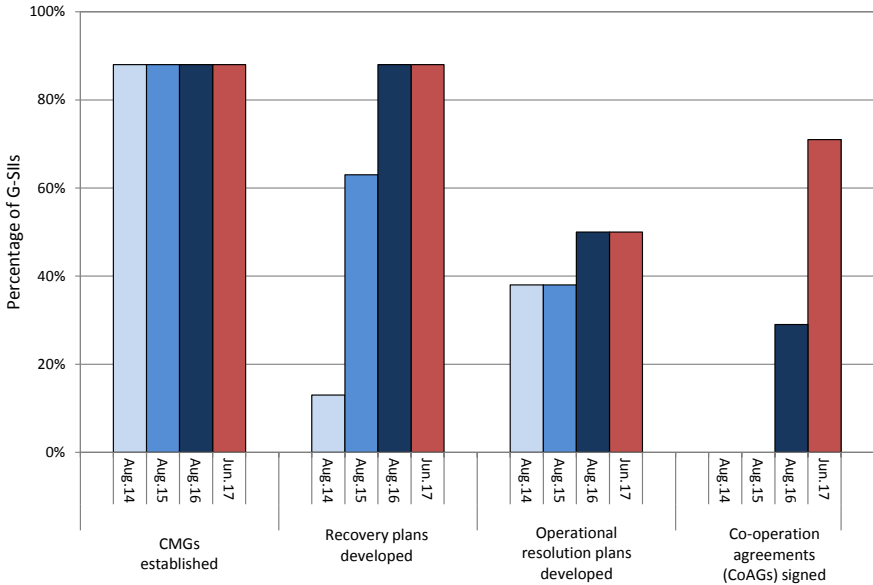
2.11. Priorities for 2017/18

- A priority for 2017/18 is the full implementation of the TLAC standard with a review of the technical implementation being undertaken in 2019.
- Efforts will continue to eliminate the remaining barriers to resolvability. In particular, the FSB will continue work to promote the effective implementation of existing resolution planning guidance and in particular the *Guidance on continuity of access to FMI for a firm in resolution* and *Guiding principles on the temporary funding needed to support the orderly resolution of a G-SIB*.
- The FSB will also issue a consultative document on the execution of bail-in.

3. Resolvability of global systemically important insurers (G-SIIs)

3.1. Results of the 2017 Resolvability Assessment Process (RAP)

- The G-SII home and relevant host authorities have completed or are working towards completing the second RAP for G-SIIs that were designated in 2015. Overall, recovery and resolution planning work has steadily progressed for G-SIIs over the past several years albeit at a slow pace. See **Graph 3**. Whereas CMGs have been established and recovery plans developed for most G-SIIs, operational resolution plans remain under development. The number of CoAGs signed for G-SIIs has more than doubled since August 2016 to May 2017. However, CoAGs are still not in place for all G-SIIs.



Graph 3: Authorities' resolution planning status for G-SIIs (August 2014-June 2017)²⁴

- The absence of resolution regimes with the full range of powers and tools set out in the *Key Attributes*, remains the most important impediment to G-SII resolvability.** The resolution reforms that are underway in some G-SII home jurisdictions will confer more comprehensive powers to authorities and help advance the resolution planning process for G-SIIs in those jurisdictions. See “Reforms of insurance resolution regimes” of Section 4.
- The complexity and interconnectedness of G-SIIs pose challenges to resolvability.** Despite changes to legal and operational structures in the case of some G-SIIs, the complexity of the organizational structures and high degree of internal and external (financial and operational) interconnectedness remain important challenges to resolvability.

²⁴ G-SIIs that were added to/removed from the G-SII list from 2014 to 2016 are excluded to ensure a consistent sample.

- **The availability and scope of cover under policyholder protection schemes (PPS) vary significantly across jurisdictions.** PPSs typically have caps on funding, and if the scale of compensation required exceeds the caps, alternative funding sources may need to be identified. In many jurisdictions, PPSs cannot finance resolution actions (e.g., facilitating a transfer of the business). Additional resolution funding sources therefore need to be identified.
- **G-SIIs operate under different legal frameworks and resolution regimes which may give rise to conflict in a resolution.** There is a potential for multiple competing administrative and insolvency proceedings both in the home jurisdiction and in relevant host jurisdictions. Difficulties may also arise from differences in the legal frameworks that underlie the insurance business in home and host jurisdictions. Many authorities have not assessed to what extent and in what form the application of the preferred resolution tools for the G-SII lies on cooperation from host authorities.

3.2. Priorities for 2017/18

- The development of robust resolution plans for all G-SIIs will remain a priority. The FSB will continue work in consultation with International Association of Insurance Supervisors (IAIS) on the execution of resolution powers (e.g., powers to conduct portfolio transfer, run-off, restructuring and bail-in) and use of resolution tools (e.g., bridge institutions, management vehicles) in the insurance context and application of the NCWOL safeguard.

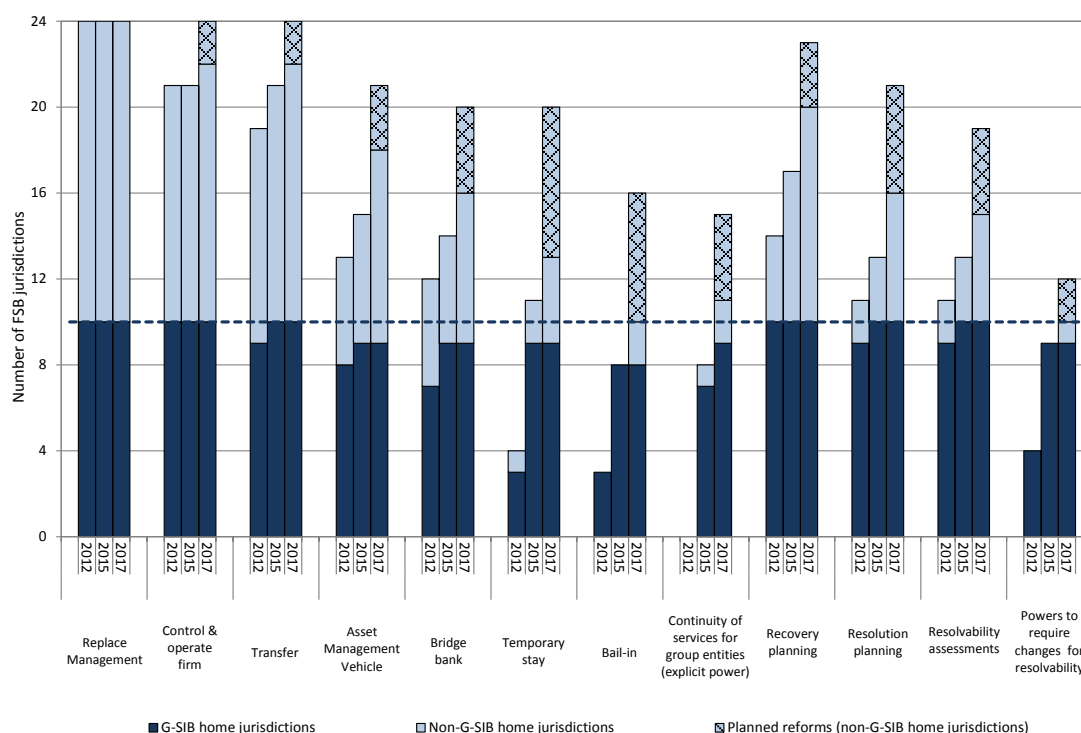
4. Implementation of the *Key Attributes* in FSB jurisdictions

4.1. Reforms of bank resolution regimes

- Progress in reforming jurisdictions' legal frameworks for bank resolution has continued since the FSB's resolution progress report of August 2016, albeit at a slow pace. The findings of the March 2016 report on the *Second Thematic Review on Resolution Regimes*²⁵ in this area remain valid – namely, that only a subset of FSB jurisdictions (mostly G-SIB home jurisdictions) have implemented bank resolution regimes with comprehensive powers that are broadly in line with the *Key Attributes*.
- The powers most often lacking are bail-in powers, powers to impose a temporary stay on the exercise of early termination rights and powers to require changes to the legal and operational structures of firms to improve their resolvability. See **Graph 4**. See also **Annex 1** for a snapshot of the status of implementation of certain elements of the *Key Attributes* in FSB jurisdictions' bank resolution regimes as of May 2017.
- Hong Kong has adopted a resolution regime with a full set of powers and recovery and resolution planning broadly in line with the *Key Attributes* which is expected to come into force on 7 July 2017.

²⁵ See <http://www.fsb.org/wp-content/uploads/Second-peer-review-report-on-resolution-regimes.pdf>, 18 March 2016.

- Several other jurisdictions (Argentina, Australia, Brazil, Canada, China, India, Indonesia, Korea, Russia, Saudi Arabia, Singapore, South Africa and Turkey) report that they have reforms underway to bring their resolution regimes more in line with the *Key Attributes* and plan to introduce missing powers in their resolution regimes, introduce resolution planning requirements for all banks that are potentially systemic in failure and adopt powers to require banks to take measures to improve resolvability.
- The timelines for the reforms differ, and there is no definite timeframe in many cases given that the length of the legislative process is difficult to predict.



Graph 4: Availability of bank resolution powers, recovery and resolution planning and resolvability assessments in FSB jurisdictions

4.2. Reforms of insurance resolution regimes

- Although a number of jurisdictions have in place administrative resolution regimes for insurers, reforms are overall still significantly less advanced in the insurance sector as compared to the banking sector.
- The resolution powers that are most commonly lacking are powers to establish a temporary bridge institution; powers to restructure, limit or write down liabilities (including insurance and reinsurance liabilities); powers to carry out bail-in; powers to temporarily stay the exercise of early termination rights, and powers to require changes to legal and organizational structures to improve resolvability. Furthermore, in most jurisdictions, there is no explicit legal requirement for recovery and resolution planning.
- A number of jurisdictions have initiated reforms that will bring their insurance resolution regimes closer in line with the *Key Attributes*. See **Box 5**. See also **Annex 2**

for a snapshot of the status of implementation of certain elements of the *Key Attributes* in FSB jurisdictions' insurance resolution regimes as of May 2017.

Box 5: Pending reforms of insurance resolution regimes

Reforms of insurance resolution regimes are pending in several jurisdictions. They cover the designation of an administrative resolution authority; resolution powers (e.g., powers to ensure continuity of essential services and functions, powers to undertake a portfolio transfer, powers to conduct a run-off as well as the lacking powers listed above); the NCWOL safeguard; privately-financed PPSs or resolution funds; cross-border cooperation and information sharing including powers to give effect to foreign resolution actions; and requirements for recovery and resolution planning.

- In **France** a bill was adopted in December 2016 that mandates the government to develop a recovery and resolution framework for insurers within a year. Draft legislation is now under intra-governmental consultation.
- **India** issued a draft law for consultation in September 2016 which is expected to be finalised in the coming year.
- In the **Netherlands** reform proposals were issued for consultation and are expected to be finalised in the coming year.
- **Singapore** issued a consultation paper on proposed legislative amendments in April 2016. The bill to implement the proposed legislative amendments are currently under discussion.
- **South Africa** intends to publish for public consultation draft legislation during 2017 based on the proposals set out in the discussion paper on strengthening the South African resolution framework published in August 2015.

4.3. Peer review of Japan

- The peer review of Japan, which was published in December 2016,²⁶ examined the framework for resolution of financial institutions. It found that the 2013 revisions to the Deposit Insurance Act represented a substantial enhancement to Japan's resolution framework given its cross-sectoral nature and wide range of powers. The authorities have also expanded the scope of recovery and resolution planning, and developed a preferred resolution strategy for Japanese G-SIBs in their proposed framework for the orderly resolution of such firms.
- Notwithstanding this progress, the review concludes that there is additional work to be done. This involves developing transparent and formal guidance on the choice of resolution measures; publicly clarifying the resolution funding framework to minimise gaps between market expectations and the authorities' intentions; developing sector-specific adaptations to, and strategies based on, the resolution regime; and ensuring that

²⁶ See "Peer Review of Japan" (<http://www.fsb.org/wp-content/uploads/Japan-peer-review-report.pdf>), 21 December 2016.

court involvement does not compromise the timely and effective implementation of the *Key Attributes*.

4.4. Methodology for IMF-World Bank assessments of compliance in the banking sector

- On 19 October 2016, the FSB published the *Key Attributes Assessment Methodology for the Banking Sector*,²⁷ which sets out essential criteria to guide the assessment of the compliance of a jurisdiction's bank resolution frameworks with the *Key Attributes*. The methodology was developed in close collaboration with experts from FSB jurisdictions, relevant standard-setting bodies, the IMF and the World Bank. It is designed to promote consistent assessments across jurisdictions and provide guidance to jurisdictions when adopting or reforming bank resolution regimes to implement the *Key Attributes*.

4.5. FSB Members commitment to undergo assessments

- The finalisation of the *Key Attributes Assessment Methodology for the Banking Sector* allows for the inclusion of the *Key Attributes* in standards assessments carried out under the IMF-World Bank Standards & Code Initiative, as well as in the list of FSB key standards for sound financial systems.²⁸
- FSB members have agreed to undergo an assessment of their bank resolution regimes against the *Key Attributes* methodology and to publish the findings. In particular home and key hosts of G-SIBs are encouraged to do so as part a future Financial Sector Assessment Program.

4.6. Development of a Key Attributes Assessment Methodology for the Insurance Sector

- The finalisation of the *Key Attributes Assessment Methodology for the Banking Sector* is the first step in implementing a modular approach to assessments of the *Key Attributes*. The modular approach entails the development of self-contained and free-standing methodologies that are tailored to the specific features of a particular sector and facilitate the assessment of resolution regimes for different types of institutions. The FSB is developing a *Key Attributes Assessment Methodology for the Insurance Sector* which will be published for consultation by the end of 2017.

4.7. Regional FSB meetings on resolution issues

- The FSB is coordinating with its Regional Consultative Groups (RCGs) to raise awareness and further the understanding in non-FSB jurisdictions of how the *Key Attributes* apply in emerging markets and to domestically and regionally systemic financial firms.

²⁷ See <http://www.fsb.org/wp-content/uploads/Key-Attributes-Assessment-Methodology-for-the-Banking-Sector.pdf>.

²⁸ The FSB has designated certain standards as deserving priority implementation (depending on country circumstances) given that they are broadly accepted as representing minimum requirements for good practice that countries should be encouraged to meet or exceed. See http://www.fsb.org/what-we-do/about-the-compendium-of-standards/key_standards/.

- At RCG meetings, members discussed TLAC implementation (at the October 2016 RCG meeting for Europe)²⁹; recovery triggers and tools for recovery, and the legal and operational framework for recovery and resolution (at the May 2017 RCG meeting for the Middle East and North Africa)³⁰; issues concerning the information needs of host authorities with regard to resolution of financial institutions (at the May 2017 RCG meeting for the Americas)³¹; and implementation of the *Key Attributes* and recovery and resolution plans, focusing on the *Key Attributes Assessment Methodology for the Banking Sector* (at the June 2017 RCG meeting for Asia)³².
- The FSB also held several outreach events and workshops with industry representatives, and key market stakeholders on CCP resolution, internal TLAC, continuity of access to FMIs, cross-border effectiveness of resolution actions and insurance resolution.

5. Evaluating the effects of resolution-related reforms

With the implementation of resolution reforms having advanced in many jurisdictions, the initial analysis of the effects of those reforms is becoming possible. To this end, the FSB has developed a framework for the post-implementation evaluation of the effects of G20 reforms. The framework will guide analyses of whether the reforms are achieving their intended outcomes, and help to identify any material unintended consequences that may have to be addressed, without compromising on the objectives of the reforms.³³

The FSB has taken stock of approaches used at jurisdictional level to evaluate whether domestic resolution reforms are achieving their intended outcomes. According to the stocktake, a range of both qualitative and quantitative indicators are considered for this purpose, including:

- estimates of funding advantages of systemically important financial institutions (SIFIs) based on market prices/spreads of their instruments;
- credit rating agency expectations of government support, as reflected in ratings uplifts for SIFIs or other changes in rating methodologies;
- assessments of risk-taking activities and compensation practices;
- changes to legal and organisational structures to enhance resolvability; and
- bail-in capacity and capability and findings from resolvability assessments.

²⁹ See “Eleventh Meeting of the Financial Stability Board Regional Consultative Group for Europe” (<http://www.fsb.org/wp-content/uploads/Eleventh-Meeting-of-the-Financial-Stability-Board-Regional-Consultative-Group-for-Europe.pdf>), 24 October 2016.

³⁰ See “FSB Regional Consultative Group for the MENA discusses regional vulnerabilities, banking supervision issues and correspondent banking” (<http://www.fsb.org/wp-content/uploads/20170515-MENA-RCG-press-release.pdf>), 15 May 2017.

³¹ See “FSB RCG for the Americas discusses regional issues, resolution, correspondent banking and FinTech” (<http://www.fsb.org/wp-content/uploads/Americas-RCG-press-release.pdf>), 30 May 2017.

³² See “FSB Regional Consultative Group for Asia discusses financial stability issues” (<http://www.fsb.org/wp-content/uploads/FSB-RCG-Asia-Press-Release-1.pdf>), 9 June 2017.

³³ See “Framework for Post-Implementation Evaluation of the Effects of the G20 Financial Regulatory Reforms” (<http://www.fsb.org/wp-content/uploads/P030717-4.pdf>), 3 July 2017.

The FSB will continue to deepen the analysis and develop approaches to gauge the effects and evaluate the effectiveness of resolution reforms.

6. Summary of actions and timelines

I. Central Counterparties (CCPs)		
Action	Responsible	Completion by
Implement the <i>Key Attributes</i> consistent with the expectations regarding CCP resolution and resolution planning expanded upon in the FSB Guidance, supported by the establishment of CMGs for CCPs that are systemically important in more than one jurisdiction (including the home jurisdiction) which are underpinned by institution-specific cooperation agreements. This includes the launch of resolution planning and resolvability assessments.	CCP home and host authorities	Status report by end-2018
Assess the adequacy of financial resources to support resolution and assess the need for additional (prefunded or committed) financial resources, including capital, and consider the need for further guidance. Consider the need for, and develop as appropriate, further guidance on the treatment of CCP equity in resolution.	FSB in consultation with CPMI-IOSCO	End-2018
II. Global Systemically Important Banks (G-SIBs)		
Action	Responsible	Completion by
Total Loss-absorbing Capacity (TLAC) Standard Implementation		
Transpose the TLAC standard into rules and regulations, including internal TLAC requirements for host authorities of G-SIB material sub-group.	FSB Members	End-2018
Comply with the TLAC standard and meet a TLAC requirement of at least 16% RWA and 6% of the Basel III LRE, including identification of material sub-groups and issuance of internal TLAC.	(non-EME) G-SIBs designated before the end of 2015	January 2019
Establish a process for ongoing monitoring of the conformance with the TLAC standard.	FSB, BCBS	Starting in 2018
Review of technical implementation of the TLAC standard.	FSB, BCBS, FSB Members	End-2019
Meet a TLAC requirement of at least 18% RWA and 6.75% of the Basel III LRE.	(non-EME) G-SIBs designated before the end of 2015	January 2022
Meet a TLAC requirement of at least 16% RWA and 6% of the Basel III LRE.	EME G-SIBs designated before the end of 2015	January 2025 (at the latest)

Bail-in Execution		
Consult on a proposal for principles on the execution of bail-in covering resolution valuations, exchange mechanics, governance, securities law and disclosure issues and communication.	FSB	End-2017 (final guidance in 2018)
Continuity of Access to Financial Market Infrastructures (FMIs)		
Implement the <i>Guidance on Continuity of Access to FMIs for a firm in Resolution</i> and undertake further work as needed to support implementation.	FSB Members	Status report by end-2018
Funding in Resolution		
Further work supporting implementation of the <i>Guiding principles on the temporary funding needed to support the orderly resolution of a G-SIB</i> .	FSB	Status report by end-2018
Cross-border Effectiveness of Resolution		
Adopt regulations to promote adherence (buy-side/sell-side) to the ISDA stay protocol.	G-SIB home jurisdictions	End-2017
Further work supporting implementation of the <i>Principles for Cross-border Effectiveness of Resolution Actions</i> . ³⁴	FSB	Status report by end-2018
Resolvability Assessment Process (RAP)		
Conduct a fourth RAP and consider any potential enhancements to the process.	G-SIB home and host authorities in CMGs	End-2018
III. Global Systemically Important Insurers (G-SIIs)		
Action	Responsible	Completion by
Resolvability Assessment Process (RAP)		
Conduct a third RAP with focus on the implementation of the guidance on <i>Developing Effective Resolution Strategies and Plans for Systemically Important Insurers</i> ³⁵ and consider any potential enhancements to the process.	G-SII home and host authorities in CMGs	End-2018
Resolution Regimes and Resolution Planning		
Further work supporting implementation of resolution reforms in the insurance sector on the execution of resolution powers and use of resolution tools and on the application of the NCWOL safeguard.	FSB in consultation with IAIS	End-2018

³⁴ See <http://www.fsb.org/wp-content/uploads/Principles-for-Cross-border-Effectiveness-of-Resolution-Actions.pdf>, 3 November 2015.

³⁵ See <http://www.fsb.org/wp-content/uploads/Final-guidance-on-insurance-resolution-strategies.pdf>, 6 June 2016.

IV. Monitoring Implementation and Evaluating the Effects of Reforms to Resolution Regimes		
Action	Responsible	Completion by
Implementation Monitoring		
Continue implementation monitoring on the basis of standardised templates for the bank and non-bank sector.	FSB	Status update by end-2018
Undergo a Key Attributes assessment by the IMF-World Bank for the banking sector and publish the findings.	All FSB Members starting with G-SIB home jurisdictions	Starting in 2017
Deepen the analysis and develop approaches to evaluate the effects of resolution-related reforms and improved resolvability.	FSB	2018
Key Attributes Assessment Methodology		
Develop a <i>Key Attributes Assessment Methodology for the Insurance Sector</i> for use in IMF and World Bank compliance assessments for insurers.	FSB, IMF, World Bank, and IAIS	Consultation end-2017 Final methodology end-2018

Annex 1: Status of implementation of aspects of bank resolution regimes by FSB jurisdictions (as of May 2017)

This table does not provide a full or independent assessment of the extent to which resolution regimes of FSB jurisdictions comply with the *Key Attributes* and does not reflect a judgement on whether national implementation is effective in achieving the outcomes that are intended under the *Key Attributes*. It is based on self-reporting by national authorities as regards the implementation of certain resolution tools as described in the *Key Attributes* are provided for in the legal frameworks and resolution regimes of FSB jurisdictions. The availability of such powers, as indicated in the table, should not lead to the conclusion that resolution will necessarily be effective, nor does the absence of such powers necessarily mean that a jurisdiction will not be able to achieve an effective resolution.

FSB Jurisdiction	Powers to transfer or sell assets and liabilities	Powers to establish a temporary bridge institution	Powers to write down and convert liabilities (bail-in)	Power to impose temporary stay on early termination rights	Resolution powers in relation to holding companies	Recovery planning for systemic firms	Resolution planning for systemic firms	Powers to require changes to firms' structure and operations to improve resolvability
Argentina				(B)				1
Australia					(B)		(B)	¹ (B)
Brazil		(B)	(B)	(B)				¹ (B)
Canada			2	(B)	3		(B)	
China							4	1
France								
Germany								
Hong Kong	5	5	5	5	5	(B)	5	5
India	(B)	(B)	(B)	(B)	(B)	(B)	(B)	(B)
Indonesia								1
Italy								

FSB Jurisdiction	Powers to transfer or sell assets and liabilities	Powers to establish a temporary bridge institution	Powers to write down and convert liabilities (bail-in)	Power to impose temporary stay on early termination rights	Resolution powers in relation to holding companies	Recovery planning for systemic firms	Resolution planning for systemic firms	Powers to require changes to firms' structure and operations to improve resolvability
Japan			6					
Korea			(B)	(B)		(B)	(B)	1
Mexico					7			1
Netherlands								
Russia					(B)			
Saudi Arabia	(B)	(B)	(B)	(B)	³ (B)	(B)	(B)	¹ (B)
Singapore			(B)	(B)		(B)	(B)	¹ (B)
South Africa	(B)	(B)	(B)	(B)		(B)	(B)	(B)
Spain								
Switzerland								
Turkey								
United Kingdom								
United States								

Current status of implementation	
	Implemented
	Partially implemented (all elements in the KA provision are satisfied but powers/requirements can be exercised only in limited circumstances)
	Not implemented (some or all of the elements in the KA provision are not satisfied)
	Not applicable
Cells highlighted in bold indicate that the jurisdiction reports progress in implementation of a specific aspect of its bank resolution regime compared to July 2016.³⁶	

Status of any pending reforms	
A	Reforms agreed (final legislation or rule approved) but not yet in force
B	Reforms under development (policy proposals published or issued for intra-governmental consultation; draft legislation submitted to legislative body or rule-making process initiated under existing statutory authority)

- ¹ Supervisory authorities have some powers to require supervised institutions to make changes to their business organisation and legal structure, but the purposes for and circumstances under which authorities can exercise such powers vary.
- ² Legislation was passed in June 2016 to provide a legislative framework for a bail-in regime for Canada’s domestic systemically important banks. Regulations necessary for the full implementation of the bail-in regime are currently being developed. The timing of the introduction and coming into force has not yet been announced.
- ³ Bank holding companies not present in the jurisdiction.
- ⁴ The jurisdiction is developing resolution plans only for G-SIBs, and not for other domestically incorporated banks that could be systemically significant or critical if they fail.
- ⁵ Hong Kong’s Financial Institutions (Resolution) Ordinance was passed by the legislative council on 22 June 2016 and is expected to commence operation on 7 July 2017.
- ⁶ The Japanese authorities report that they are able to achieve the economic objectives of bail-in by capitalising a bridge institution to which functions have been transferred and by liquidating the residual firm via powers to separate assets and liabilities of a failed institution. However, it is not clear that the recapitalisation is achieved by converting claims of creditors of the failed institution into equity of that institution or of any successor in resolution as required by KA 3.5 (ii).
- ⁷ The Mexican authorities report that due to the operational characteristics of current holding companies in Mexico and the legal framework governing them, the resolution of a bank that could be systemically significant or critical if it fails can be achieved without specific resolution powers for holding companies. The March 2016 peer review and the self-reporting by the authorities does not provide sufficient information to evaluate the scope that the regime should have to ensure effective resolution in all conceivable scenarios.

³⁶ See Annex 1 of “Resilience through resolvability – moving from policy design to implementation” (<http://www.fsb.org/wp-content/uploads/Resilience-through-resolvability---moving-from-policy-design-to-implementation.pdf>), 18 August 2016.

Notes

The columns in this table cover the following elements of the *Key Attributes*:

- Resolution powers: KA 3.2, points (vi), (vii), (ix) and (x);
- Power to impose temporary stay on early termination rights: KA 4.3 (first paragraph) and 4.3 (i);
- Resolution powers in relation to holding companies: KA 1.1 (i);
- Recovery and resolution planning for systemic firms (requirements and/or current practice): KA 11.2;
- Powers to require changes to improve firms' resolvability: KA 10.5.

Annex 2: Status of implementation of aspects of insurance resolution regimes by FSB jurisdictions (as of May 2017)

This table does not provide a full or independent assessment of the extent to which resolution regimes of FSB jurisdictions comply with the *Key Attributes* and does not reflect a judgement on whether national implementation is effective in achieving the outcomes that are intended under the *Key Attributes*. It is based on self-reporting by national authorities as regards the implementation of certain resolution tools as described in the *Key Attributes* are provided for in the legal frameworks and resolution regimes of FSB jurisdictions. The availability of such powers, as indicated in the table, should not lead to the conclusion that resolution will necessarily be effective, nor does the absence of such powers necessarily mean that a jurisdiction will not be able to achieve an effective resolution.

FSB Jurisdiction	Existence of administrative resolution authority	Powers to undertake a transfer (including a portfolio transfer)	Powers to establish a temporary bridge institution	Powers to administer existing insurance contracts and fulfil obligations (including run-off)	Power to impose temporary stay on early termination rights	Powers to restructure, limit or write down insurance and reinsurance and other liabilities	Existence of privately-financed policyholder protection schemes or resolution funds
Argentina							
Australia		¹ (B)		¹ (B)			(B)
Brazil							
Canada							
China							
France	(B)	(B)	(B)	(B)	(B)	(B)	
Germany					2	2	
Hong Kong	3	3	3		3	3	3
India	(B)	(B)	(B)	(B)	(B)	(B)	(B)

FSB Jurisdiction	Existence of administrative resolution authority	Powers to undertake a transfer (including a portfolio transfer)	Powers to establish a temporary bridge institution	Powers to administer existing insurance contracts and fulfil obligations (including run-off)	Power to impose temporary stay on early termination rights	Powers to restructure, limit or write down insurance and reinsurance and other liabilities	Existence of privately-financed policyholder protection schemes or resolution funds
Indonesia							
Italy							
Japan							
Korea							
Mexico							
Netherlands				(B)	(B)	(B)	
Russia							
Saudi Arabia	(B)	(B)	(B)	(B)	(B)	(B)	(B)
Singapore					(B)		
South Africa	(B)	(B)	(B)	(B)	(B)	(B)	
Spain							
Switzerland		4	(B)		4	(B)	
Turkey					(B)		
United Kingdom		5		5		5	
United States							

Current status of implementation	
	Implemented
	Partially implemented (all elements in the KA provision are satisfied but powers/requirements can be exercised only in limited circumstances)
	Not implemented (some or all of the elements in the KA provision are not satisfied)

Status of any pending reforms	
A	Reforms agreed (final legislation or rule approved) but not yet in force
B	Reforms under development (policy proposals published or issued for intra-governmental consultation; draft legislation submitted to legislative body or rule-making process initiated under existing statutory authority)

- ¹ The power is not currently exercisable in relation to authorised non-operating holding companies of the insurer, or subsidiaries of the insurer or holding company.
- ² The power is currently only exercisable if a company can no longer fulfil its liabilities but the opening of insolvency proceedings is not in the best interest of the policy holders.
- ³ Hong Kong's Financial Institutions (Resolution) Ordinance was passed by the legislative council on 22 June 2016 and is expected to commence operation on 7 July 2017.
- ⁴ The power is available in a resolution proceeding; however, it is unavailable in an insolvency proceeding.
- ⁵ The authorities of the United Kingdom report that non-administrative resolution authorities (the Prudential Regulation Authority and the court) have these powers.

Notes

The columns in this table cover the following elements of the *Key Attributes*:

- Administrative resolution authority: KA 2.1
- Resolution powers: KA 3.2, points (iii), (vi), (vii) and (x); KA3.7, points (i) and (ii); Appendix II-Annex 2, paragraph 4.4
- Power to impose temporary stay on early termination rights: KA 4.3 (first paragraph) and 4.3 (i)
- Privately-financed policyholder protection scheme (PPS): Appendix II-Annex 2, paragraph 6.1

Abbreviations

BCBS	Basel Committee on Banking Supervision
BRRD	Bank Recovery and Resolution Directive (EU)
CCPs	Central counterparties
CET1	Common Equity Tier 1
CMG	Crisis Management Group
CoAGs	Cross-border Cooperation Agreements
CPMI	Committee on Payments and Market Infrastructures
EME	Emerging market economy
EU	European Union
FMI	Financial market infrastructures
FSB	Financial Stability Board
G-SIBs	Global systemically important banks
G-SIIs	Global systemically important insurers
IADI	International Association of Deposit Insurers
IAIS	International Association of Insurance Supervisors
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
ISDA	International Swaps and Derivatives Association
JMP	Jurisdictional Modular Protocol (ISDA)
KA	Key Attribute
LRE	Leverage ratio denominator
MIS	Management information systems
MREL	Minimum requirement for own funds and eligible liabilities (EU)
NCWOL	No creditor worse off than in liquidation
OTC	Over-the-counter (derivatives)
PFMIs	Principles for Financial Market Infrastructures (CPMI-IOSCO)
PPS	Policyholder protection scheme
RAP	Resolvability Assessment Process
RCG	Regional Consultative Group
ROSC	Reports on the Observance of Standards and Codes
RWA	Risk-weighted assets
SIFIs	Systemically important financial institutions
TLAC	Total Loss-absorbing Capacity