

## Public Disclosures on Resolution Planning and Resolvability

### Public summary of comments on the June 2019 Discussion paper

As part of its ongoing work regarding public disclosures on resolution planning and resolvability, the FSB published a discussion paper in June 2019 for consultation.<sup>1</sup> The discussion paper explored how general and firm-specific disclosures on resolution planning and resolvability could be further enhanced. Five responses were received from seven different groups.<sup>2</sup> Respondents expressed general support for transparency and disclosure regarding resolution planning and resolvability. They observed that public disclosures by authorities on banks' resolution planning and resolvability can bolster market discipline and accountability, while incentivising firms to remove barriers to resolvability. Several respondents indicated caution about firm-specific disclosures and stressed the need to protect commercially sensitive information.

The FSB does not plan to develop further guidance on resolution disclosures at this stage. However, it will continue to encourage appropriate levels of disclosure by authorities of their general resolution policies and by firms, as applicable, of firm-specific disclosures. It will also consider how to collect and share references to authorities' disclosures of general resolution-related policies, including policy proposals, in particular rules with possible cross-border effects. In 2022, the FSB will revisit the question of whether further guidance is needed.

#### General non-firm-specific disclosures

Regarding general disclosures (e.g. frameworks, resolution planning, elements of resolvability), respondents suggested that authorities publish on their websites documents that describe their resolution frameworks in a simple way. Resolution authorities could set out a clear decision tree over the use of different resolution tools and provide a general, non-firm specific overview of their funding plans and preferred resolution strategies. The credibility of the resolution framework could be further enhanced by disclosing details such as the expected communication process, identification of stakeholders and timeline at the actual point of failure, as well as single point of entry (SPE) vs. multiple point of entry considerations.

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<sup>1</sup> FSB (2019) [Public Disclosures on Resolution Planning and Resolvability – Discussion paper for Public Consultation](#), June.

<sup>2</sup> The individual responses have been [published on the FSB website](#).

Respondents highlighted as examples for useful practices for general disclosures the Bank of England’s “Purple Book,”<sup>3</sup> the SRB’s “Industry Dialogues”<sup>4</sup> and US authorities’ disclosures about their expectations for the US G-SIBs’ resolution plans.<sup>5</sup> These provide market participants with both deeper insight into the resolvability standards that firms are meeting, and confidence in regulators’ ability to assess the readiness of firms to execute a resolution strategy. Further means of disclosure could include stakeholder events to help improve stakeholders’ understanding of evolving frameworks and a repository with links to documents in each jurisdiction.

### **Firm-specific disclosures**

Respondents supported consistency to the extent possible of requirements regarding firm-specific disclosures, including the format and timing of disclosures across firms and authorities. Commenters noted that authorities should consider the possible risks of firm-specific disclosures (e.g. disclosure of critical business lines, leading to the assumption that they would be protected during resolution).

Several respondents indicated caution about firm-specific disclosures and stressed the need to protect commercially sensitive information, and the need to preserve necessary flexibility (constructive ambiguity) in the actual resolution decisions and implementation.

Some commenters noted that the disclosure of factual information (e.g. issuances of total loss-absorbing capacity (TLAC)) entails fewer potential adverse effects than scenario or judgement based information, such as firm-specific details of preferred strategies. The discussion paper sought comments on whether disclosures compliant with the Basel Committee Pillar 3 disclosure requirements for external and internal TLAC would be appropriate and sufficient for market participants to evaluate firms’ TLAC exposures. Respondents generally found that no additional TLAC-related disclosures would be needed to assess resolvability.

Respondents’ views differed on whether or not resolvability assessments regarding specific firms should be made public; those opposed noted that such disclosures could constrain firms and regulators’ available options to execute the optimal resolution strategy. One commenter noted that it would be beneficial if resolution authorities could publicly disclose the high-level (and non-confidential) outcomes of their resolvability assessments, noting in particular whether firms’ resolution plans are deemed credible and feasible and where barriers to resolvability remain, as applicable.

Another commenter cautioned that banks should not be obliged to disclose resolvability assessments, stating this could lead to challenges for already weak banks. Another respondent noted that market expectations that are based on disclosed information could constrain options available to firms and regulators as they seek to execute the optimal resolution strategy.

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<sup>3</sup> Bank of England (2017) [The Bank of England’s approach to resolution](#), October.

<sup>4</sup> Single Resolution Board [Industry Dialogues](#).

<sup>5</sup> Board of Governors of the Federal Reserve System (Board) and Federal Deposit Insurance Corporation (FDIC) (2019) [Final guidance for the 2019 and subsequent resolution plan submissions by the eight largest, complex U.S. banking organizations](#), February.