Komisja Nadzoru Finansowego (the Polish Financial Supervision Authority) welcomes the FSB’s proposal on the Internal Total Loss-Absorbing Capacity of G-SIBs. The Subject of Internal TLAC is a very important one for countries with significant presence of large international banking groups. The reason for the establishment of this standard is for the host authorities to have a confidence that there is sufficient loss-absorbing and recapitalization capacity available to subsidiaries in their jurisdictions. It has to be underlined then, that this framework should be tailored, and construed in a way that suits the needs and provides satisfactory safeguards for the host authorities. For this goal to be achieved, the following elements are crucial:

- Ultimate responsibility of the host authorities for the setting of the Internal TLAC. While some limits (upper limit of the 90% stand-alone requirement) may be introduced, no other provisions should constrain these authorities in establishing the requirement at the level ensuring that in the event of a crisis they could fulfil the tasks for which they have been constituted. In this context it is especially welcomed that the FSB acknowledges the lack of expectation towards the hosts to reduce the internal requirement if it comes to be greater than the one resulting from the assessment of the home authority, and in consequence from the external TLAC requirement.

- Ultimate responsibility of the host authorities for the assessment of the entities in their jurisdictions for the purpose of the definition of material sub-groups. Setting the Internal TLAC is conditional on the existence of a material sub-group, so the mere responsibility for the former cannot be seen as sufficient if the host authority isn’t given the power to indicate the entities for which the requirement is set.

- Adequate timing for the decision on the triggering internal TLAC. As the internal TLAC is to be set at the level lower than the external Minimum TLAC requirement that would apply to the
material sub-group if it were itself a resolution group, the delay in making a decision on the triggering of internal TLAC may hamper the effectiveness of the crisis management action.

The solutions proposed in the consultation paper by the Financial Stability Board largely address the above-mentioned issues in a satisfactory way. Though some doubts may arise with respect to the extent of the coordinating role of the home supervisor in the aforesaid assessments and the potential of diverging views between the home and host authorities, mutual understanding and agreement remains the goal, as well as the base scenario in all cases. The Polish Financial Supervision Authority is convinced that the FSB’s paper will provide additional clarity, and will foster the cooperation and increase the effectiveness of international crisis management preparatory measures.