FSB FINANCIAL STABILITY BOARD

Press release

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FSB publishes review of TLAC Standard

The Financial Stability Board (FSB) today published a technical review of the implementation of the Total Loss-Absorbing Capacity (TLAC) Standard for Global Systemically Important Banks (G-SIBs) in resolution. When fully implemented, the TLAC Standard will promote financial stability by providing confidence that G-SIBs have appropriate capacity to absorb losses and, if necessary, to achieve an orderly resolution and to maintain the continuity of critical functions.

The review concludes that progress has been steady and significant in both the setting of external TLAC requirements by authorities and the issuance of TLAC by G-SIBs. All relevant G-SIBs meet or exceed the TLAC target ratios of at least 16% of risk-weighted assets and 6% of the Basel III leverage ratio denominator based on estimates from publicly available data. Estimates of G-SIB issuances of TLAC range between USD 350 and 400bn per year for the past three years, in a variety of market conditions. As of 2018, most TLAC had been issued in USD (about 67%) and EUR (about 19%).

The FSB sees no need to modify the TLAC Standard at this time. However, as implementation is ongoing, further efforts are needed to implement the TLAC Standard fully and effectively and to determine the appropriate group-internal distribution of TLAC resources across home and host jurisdictions.

Mark Branson, Chair of the FSB Resolution Steering Group and CEO of the Swiss Financial Market Supervisory Authority FINMA, said: “The successful build-up of loss-absorbing capacity has enhanced the resolvability of G-SIBs and strengthened market belief that too-big-to-fail risks have been reduced. However, the job is not complete. Important challenges remain, particularly in ensuring that, in a crisis, TLAC will be available in the right amounts at all locations within a group."

The FSB will continue to monitor implementation of the TLAC Standard and issuance of TLAC instruments and report at least annually on progress. To support the effective implementation of the TLAC Standard it will take stock of the range of practices of authorities and Crisis Management Groups in implementing the TLAC Standard, particularly with respect to internal TLAC pre-positioning, the management of non-pre-positioned TLAC and authorities’ approaches as regards the review of the TLAC-eligibility of instruments and their subordination.

Notes to editors

When the FSB adopted the TLAC standard in 2015, it made a commitment to examine in 2019 whether implementation is proceeding in a manner consistent with the agreed timelines and objectives as set out in the TLAC Standard; and to identify any technical issues or operational challenges that authorities or firms encounter in the implementation of the standard. The review was informed by surveys of the home and host authorities of G-SIBs, responses to a call for public feedback and discussions with stakeholders at a roundtable organised by the FSB in September 2018.

The FSB is currently publicly consulting on how general and firm-specific disclosures on resolution planning and resolvability could be further enhanced, focusing mainly on disclosures of resolution planning for G-SIBs.

In June the FSB published a report on market fragmentation which included an examination of banks' cross-border management of capital and liquidity. In response to this report the FSB noted that it will focus on facilitating further analysis and discussion of approaches and mechanisms for more efficient and effective cross-border cooperation amongst authorities. Further work will include strengthening the understanding of approaches by supervisory and resolution authorities towards pre-positioning of capital and liquidity by international banks. In May the FSB also launched an evaluation of the effects of the too-big-to-fail reforms for banks that were agreed by the G20 in the aftermath of the global financial crisis. The FSB will issue a public consultation on this evaluation in June 2020 and will publish the final report in late 2020.

The FSB Resolution Steering Group leads the FSB's work on resolution regimes, resolution planning, and resolvability assessments for all sectors and developed the *Key Attributes of Effective Resolution Regimes for Financial Institutions*.

The FSB coordinates at the international level the work of national financial authorities and international standard-setting bodies and develops and promotes 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 also conducts outreach with approximately 70 other jurisdictions through its six Regional Consultative Groups.

The FSB is chaired by Randal K. Quarles, Vice Chairman for Supervision, US Federal Reserve; its Vice Chair is Klaas Knot, President, De Nederlandsche Bank. The FSB 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.fsb.org.