FSB publishes papers on funding and interconnectedness practices to aid resolution planning for insurers

The Financial Stability Board (FSB) today published two papers: on practices for funding in resolution; and on internal financial and operational interconnectedness designed to facilitate effective resolution planning for insurers.

The practices paper on Resolution Funding for Insurers discusses the different sources of resolution funding, including privately funded policyholder protection schemes and standalone resolution funds, and how they interact with each other when both exist. The paper also discusses temporary funding sources for resolution funds and mechanisms in place to recover funds used in resolution.

The practices paper on Internal Interconnectedness in Resolution Planning for Insurers explores ways to map and assess financial and operational interconnectedness in insurance companies. Individual insurance entities within a group or conglomerate are often linked with other entities within the group through financial exposures and receive operational services from them. These linkages may be critical for their financial and operational continuity and may, therefore, have an impact on the design and choice of the preferred resolution strategy.

The FSB welcomes feedback on these practices papers. The submitted views would help inform the FSB’s further reflections. In particular, the FSB invites comments from stakeholders on the following questions:

- What elements of information required in your jurisdiction regarding the description and mapping of internal operational interconnectedness are the most relevant? Which further elements could support the assessment of interconnectedness? Which elements of these reporting requirements are easy to deliver, and which elements pose challenges? Are there specific challenges related to the mapping and assessment of cross-border interconnections?

- What further consequences or challenges to financial and operational continuity in resolution should be considered in the context of operational interconnectedness in addition to those identified in the paper? What preparatory measures could be taken to ensure the smooth execution of resolution action? Are there specific challenges related to cross-border interconnections?
What further consequences or **challenges to the determination and mobilisation of internal or external funding** should be considered in addition to those identified in the paper? What preparations could be taken to ensure availability of these funding sources in resolution? Are there specific challenges related to cross-border situations?

Are the **conditions for the use of other sources** of funding in resolution, such as liquidity facilities, policyholder protection schemes or standalone resolution funds, transparent and predictable in your jurisdiction? If not, what action or information would increase predictability? Are there additional complications related to cross-border situations?

Are there additional or different considerations to be applied to the above questions based on whether the insurer is part of a **conglomerate** or not?

Answers should be provided to fsb@fsb.org by 15 March 2022 with the subject heading “Resolution Funding and Interconnectedness Practices for Insurers: Stakeholder feedback”. Responses will be published on the FSB’s website unless respondents expressly request otherwise. The FSB will also host a workshop with stakeholders in Q2 2022 around the same questions.

**Notes to editors**

The FSB’s *Key Attributes of Effective Resolution Regimes for Financial Institutions* sets out its expectations on the funding of firms in resolution in Key Attribute (KA) 6. Further guidance on resolution funding for insurers is provided in FSB KAs Appendix II - Annex 2 (Resolution of Insurers). The KAs also address various aspects of interconnectedness. Notably KA 11, which states recovery and resolution planning should take account of the specific circumstances of the firm and reflect, among other things, interconnectedness.

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 Klaas Knot, President of 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.