FSB report highlights need to address remaining resolution gaps

The Financial Stability Board (FSB) today published its 2019 Resolution Report. The report provides an update on progress in implementing policy measures to enhance the resolvability of systemically important financial institutions and sets out plans for further work. The report concludes that authorities and firms need to be mindful of any remaining gaps as they work towards making resolution strategies and plans operational in all sectors.

- Central Counterparties (CCPs) - A policy priority for the FSB is the further strengthening of the resilience and resolvability of CCPs. Its continuing work on financial resources and tools to support orderly resolution will lead to further guidance, on which the FSB will publicly consult during the second quarter of 2020.

- Banks - Global systemically important banks have been made more resolvable through the build-up of total loss-absorbing capacity (TLAC) and other measures. Notwithstanding this progress, challenges remain. Authorities need to determine the appropriate balance between group-internal distribution of TLAC and non-pre-positioned resources; and access to temporary liquidity in the relevant currencies and in adequate amounts when and where needed by firms going through resolution requires ex ante preparation by firms and authorities.

- Insurance - Resolvability monitoring in the insurance sector highlighted in particular challenges stemming from group-internal interconnectedness.

Speaking about today’s publication, Mark Branson, Chair of the FSB Resolution Steering Group and Chief Executive Officer of the Swiss Financial Market Supervisory Authority FINMA, said: “We have made significant progress in increasing resolvability, but the progress is uneven across sectors. The critical importance of CCPs to the overall safety and soundness of the financial system means that authorities must ensure that CCPs do not themselves become a source of systemic risk or contagion and that any systemically important CCP can be successfully resolved without resort to a government “bailout”. Beyond CCPs, remaining gaps that could affect the effective execution of resolution plans, either at a statutory level or in firms’ operational capabilities, also need to be closed. Continued monitoring of progress by the FSB through its resolvability assessment process for systemic institutions remains crucial.”

Notes to editors
The FSB Resolution Steering Group leads the FSB’s work on resolution regimes, resolution planning and resolvability assessments for all sectors and developed the FSB’s 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, Governor and 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.