FSB highlights need for resolution preparedness

The Financial Stability Board (FSB) today published its 2020 Resolution Report. The report updates on progress in implementing policy measures to enhance the resolvability of systemically important financial institutions and highlights the need for resolution preparedness. It also discusses lessons learnt from the COVID-19 pandemic, which confirmed the importance of ongoing work on resolvability, including for central counterparties (CCPs).

- Banks – Global systemically important banks (G-SIBs) are estimated to already meet the final 2022 minimum external total loss absorbing capacity (TLAC) requirement. TLAC-eligible bond issuance has continued through the difficult COVID-19 pandemic environment, and the market has so far absorbed issuance without difficulty. Disclosure of external TLAC levels by G-SIBs has improved over the past year. There is still however little information available to market participants on the distribution of TLAC within banking groups. Work is ongoing on the management, distribution and transferability of these resources.

- CCPs – Recent periods of market turmoil have demonstrated the benefits that central clearing brings for global financial stability. The Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) coordinated a review, which qualified thirteen CCPs as systemically important in more than one jurisdiction. Most authorities have established crisis management groups for these CCPs and commenced resolution planning. To support discussions on CCP resolvability and adequacy of financial resources for resolution, the FSB issued Guidance on financial resources to support CCP resolution and on the treatment of CCP equity in resolution. The Chairs of the FSB, CPMI, IOSCO and the FSB Resolution Steering Group agreed to collaborate on and conduct further work on CCP financial resources through their respective committees.

- Insurance – The FSB continues to monitor implementation of the Key Attributes for the insurance sector. Progress on implementation of national insurance resolution regimes has slowed down, with no significant reforms, such as finalisation of new or enhanced insurance resolution frameworks, reported in this recent cycle. A number of jurisdictions have identified systemically important insurers for purposes of recovery and resolution planning. Key areas of attention for FSB work on resolution planning for insurers are intra-group interconnectedness and funding in resolution.
Notes to editors

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, US Federal Reserve; its Vice Chair is 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.