



Press release

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FSB adjusts implementation timelines for its policy recommendations to address financial stability risks in securities financing transactions

The Financial Stability Board (FSB) today announced adjustments to the implementation timelines for its recommendations on securities financing transactions (SFTs), specifically those related to minimum haircut standards for non-centrally cleared SFTs.

SFTs such as securities lending and repurchase agreements (repos) play a crucial role in supporting price discovery and secondary market liquidity for a wide variety of securities. However, such transactions can also be used to take on leverage as well as maturity and liquidity mismatched exposures, and therefore can pose risks to financial stability.

As part of its work to enhance the resilience of non-bank financial intermediation, the FSB developed 18 policy recommendations to address financial stability risks that arise from SFTs such as repos and securities lending. These recommendations are published in the August 2013 report [*Policy Framework for Addressing Shadow Banking Risks in Securities Lending and Repos*](#) and updated in the November 2015 report [*Regulatory framework for haircuts on non-centrally cleared securities financing transactions*](#).

Although FSB member jurisdictions are making progress in implementing these policy recommendations, their implementation has seen significant delays in some jurisdictions, especially for the recommendations related to minimum haircuts standards for non-centrally cleared SFTs used by banks to provide financing to non-banks. These delays stem mainly from the new date for implementing the minimum haircut standards on bank-to-non-bank SFTs into banking regulation as part of the Basel III framework, which is now January 2022.

The FSB has therefore decided to adjust the implementation timelines for its recommendations related to minimum haircuts standards for non-centrally cleared SFTs, including those related to quantitative standards, i.e. the framework of numerical haircut floors (Recommendations 14-18: see [updated Annexes](#) 1, 3 and 4 of the November 2015 report for details). For example, the implementation timelines for the policy recommendations related to the framework of numerical haircut floors will be extended to January 2022 (instead of end-2018) for bank-to-non-bank transactions and to January 2024 (instead of end-2019) for non-bank-to-non-bank transactions. The implementation timelines for other recommendations remain unchanged.

Going forward, the FSB will continue to monitor implementation of its policy recommendations for SFTs so as to both address financial stability risks in the SFT markets as well as enhance the resilience of non-bank financial intermediation.

Notes to editors

To address financial stability risks from SFTs, the FSB developed 18 policy recommendations published in August 2013 and updated in October 2015. These recommendations cover:

- (i) **Improvements to regulatory reporting and market transparency of SFTs (Recommendations 1-5)** – collection of granular SFT data; global SFT data collection and aggregation through the FSB (see also FSB [Standards and Processes for Global Securities Financing Data Collection and Aggregation](#) published in November 2015); improvement to financial institutions' public disclosures through the Enhanced Disclosure Task Force; and review of reporting requirements for fund managers to end-investors.
- (ii) **Regulation of SFTs (Recommendations 6-9 and 12-18)** – minimum standards for cash collateral reinvestment, principles for regulations governing re-hypothecation of client assets; minimum regulatory standards for collateral valuation and management; and minimum haircut standards for non-centrally cleared SFTs (including the framework of numerical haircut floors).
- (iii) **Structural aspects of SFT markets (Recommendations 10-11)** – evaluation of the possible introduction of central clearing for inter-dealer repos.

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.