The Financial Stability Board (FSB) published today a Thematic Review on Bank Resolution Planning. This report forms part of a series of peer reviews to support timely and consistent implementation of the FSB’s Key Attributes of Effective Resolution Regimes for Financial Institutions. The Key Attributes set out the core elements of effective resolution regimes that allow authorities to resolve financial institutions in an orderly manner without taxpayer exposure to loss, while maintaining continuity of their vital economic functions.

The peer review evaluates the implementation by FSB jurisdictions of the resolution planning standard as set out in the Key Attributes and in associated guidance. It focuses on resolution planning for all domestically incorporated banks that could be systemically significant or critical if they fail (‘systemic in failure’).

The peer review finds that bank resolution planning frameworks have been adopted in most FSB jurisdictions, with planning most advanced for global systemically important banks (G-SIBs) and in jurisdictions that are home to them. The range of banks subject to resolution planning varies widely and some of the requirements – for example, the frequency of resolution plan review, data reporting and the content of plans – also tend to vary, particularly for banks other than G-SIBs or domestic systemically important banks (D-SIBs).

Notwithstanding the progress made to date, the review stresses that important work remains to ensure that bank resolution plans can be put fully into effect and sets out recommendations:

- For FSB jurisdictions to take further steps to adopt and operationalise their resolution planning framework. This includes having powers to require banks to take measures to improve their resolvability; developing playbooks for executing resolution strategies; advancing work on resolution funding and valuation; and enhancing resolution-related cross-border cooperation and information sharing arrangements. Those jurisdictions identified in the report as not having a resolution planning framework should report to the FSB by June 2020 on actions undertaken, or planned, to adopt such a framework.

- For the FSB to undertake work to support member authorities’ resolution planning for banks other than G-SIBs that could be systemic in failure.

- For the FSB, working with relevant authorities and other bodies as appropriate, to promote the sharing of bank resolution planning experiences and practices in enhancing cooperation and information-sharing arrangements, particularly for non-G-SIBs and with non-crisis management group (CMG) host jurisdictions for G-SIBs.
Lesetja Kganyago, Governor of the South African Reserve Bank and Chairman of the FSB’s Standing Committee on Standards Implementation (SCSI) that oversaw the preparation of the peer review, said “Resolution reforms are a critical component of the policy framework for addressing the too-big-to-fail problem. The findings of the peer review provide a good baseline to monitor developments, and its recommendations will maintain the momentum for reform.”

Stefan Gannon, Commissioner of the Resolution Office at the Hong Kong Monetary Authority (HKMA) and Chair of the peer review team, said “Important steps have been taken in recent years by FSB jurisdictions to establish resolution planning frameworks and operationalise resolution strategies. But much work is still needed, both by member authorities and by the FSB to ensure effective implementation of the Key Attributes in this area.”

Notes to editors

The FSB began a regular programme of peer reviews in 2010, consisting of thematic reviews and country reviews. The objectives of thematic reviews are: to encourage consistent cross-country and cross-sector implementation; to evaluate (where possible) the extent to which standards and policies have had their intended results; and to identify gaps and weaknesses in reviewed areas and to make recommendations for potential follow-up (including through the development of new standards) by FSB members. The objectives and guidelines for the conduct of these reviews are set out in the Handbook for Peer Reviews.

The peer review on bank resolution planning is the third thematic peer review on resolution regimes and the fourteenth thematic review conducted by the FSB. The report published today describes the findings of this review, including the key elements of the discussion in the FSB SCSI. The draft report was prepared by a team of experts drawn from FSB member institutions and led by Stefan Gannon, Commissioner of the Resolution Office at the HKMA.

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.