FSB reports to the G20 on progress in reforming resolution regimes and resolution planning

The Financial Stability Board (FSB) published today its report to the G20 on progress in reform of resolution regimes and resolution planning for global systemically important financial institutions (G-SIFIs). This progress report reviews what has been achieved so far and sets out further actions to implement the FSB Key Attributes of Effective Resolution Regimes for Financial Institutions fully in substance and in scope and ensure that all G-SIFIs are resolvable.

Effective resolution regimes and resolution planning are core to the FSB’s policy for ensuring that G-SIFIs can be resolved without recourse to public subsidy and without disruption to the wider financial system. The FSB has identified the following priorities for 2015 to help further advance progress in this area:

- Finalise the common international standard on total loss absorbing capacity (TLAC) that globally systemic banks must have;
- Achieve the broad adoption of contractual recognition of temporary stays on early termination and cross-default rights in financial contracts and finalise FSB guidance on effective cross-border recognition;
- Develop further guidance to support resolution planning by home and host authorities, in particular in regard to funding arrangements and operational continuity of core critical services; and
- Promote the full implementation of the FSB’s requirements for resolution regimes and resolution planning beyond the banking sector.

FSB jurisdictions have made continued progress in adopting the powers and tools needed to resolve failing banks. Few jurisdictions have in place resolution regimes that are fully compliant with the Key Attributes and that also provide adequate powers for resolving failures in the non-bank financial sectors. The FSB will continue monitoring implementation of
the Key Attributes to support implementation across all financial sectors, including for financial market infrastructures, insurers and firms that hold client assets.

The FSB also reports the initial results from the launch of the Resolvability Assessment Process (RAP). The RAP assesses the resolvability of each G-SIFI at the level of senior officials of the firm’s home and key host authorities. The initial assessments show that good progress has been made in resolution planning, but that material legal, operational and financial barriers to the feasibility and credibility of the resolution plans remain to be addressed. A number of those barriers relate to issues that are covered by the FSB work priorities for 2015 and may be mitigated as that work is finalised and implemented.

Notes to editors

At the Seoul Summit in 2010, the G20 Leaders endorsed the FSB policy framework for reducing the moral hazard posed by systemically important financial institutions (SIFIs) which set out the FSB’s agenda for addressing the risks arising from global systemically-important financial institutions (G-SIFIs). It consists of requirements for assessing the systemic importance of institutions, for additional going-concern loss absorbency, for increased supervisory intensity, for more effective resolution and for stronger financial market infrastructure.

The Key Attributes of Effective Resolution Regimes for Financial Institutions are a key component of the FSB’s policy framework for reducing the moral hazard. They were released by the FSB in November 2011 and endorsed by G20 Leaders at the Cannes Summit as a new international standard for resolution regimes for financial institutions. On 15 October, the FSB reissued the Key Attributes of Effective Resolution Regimes for Financial Institutions incorporating guidance on their application to non-bank financial institutions and on arrangements for information sharing that support the effective resolution of cross-border financial institutions.

The FSB’s report to the G20 on Progress and Next Steps Towards “Ending Too Big To Fail” of September 2013 set out the further actions required from the G20, the FSB and other international bodies to complete the policy initiative to end “too-big-to-fail”. It identified the need to develop a proposal on the adequacy of loss-absorbing capacity in resolution and to address remaining impediments to cross-border resolution as important outstanding issues to be addressed.

On 29 September 2014, the FSB issued a consultative document on cross-border recognition of resolution actions.

On 10 November 2014, the FSB published its proposal for a common international standard on the total loss absorbing capacity.

The FSB was established to coordinate at the international level the work of national financial authorities and international standard setting bodies and to develop and promote 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 65 other jurisdictions through its six regional consultative groups.

The FSB is chaired by Mark Carney, Governor of the Bank of England. Its 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.financialstabilityboard.org.