



*Financial Stability Department  
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Mr Mario Draghi  
Chairman  
Financial Stability Board

## Response by Sveriges Riksbank to the FSB Consultative Document Effective Resolution of Systemically Important Financial Institutions dated 19 July 2011

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Sveriges Riksbank (the central bank of Sweden) welcomes the opportunity to respond to the FSB Consultation. Much of the proposals in the consultation document build upon previous work conducted by various international bodies (e.g. the EC) on effective resolution regimes. The Riksbank has had the opportunity to comment in detail on this previous work, therefore, in the following we focus on general / high-level comments.

- The Riksbank supports the general aim of removing barriers from achieving group level resolutions of multinational systemically important financial institutions (SIFIs), which in many cases may be the first best solution, whilst retaining national authorities' abilities and rights to resolve institutions in their jurisdiction if group level action cannot be agreed or achieved.
- The Riksbank supports the development of national resolution regimes (NRRs) for SIFIs, and believe that the resolution of cross-border financial institutions will be facilitated by the recognition and harmonization of NRRs.
- A key element of the proposed new regime is the power to bail-in debt within resolution. The Riksbank supports the work on bail-in tools. However, there is still a significant amount of development and detail needed before we can determine whether they are a practical tool for resolving large, complex, cross-border financial institutions. Also, it is highly uncertain that such a tool could work in a system-wide crisis. Therefore, we believe it is necessary for national authorities to retain nationalization as a backstop tool in case other resolution tools are not feasible.
- In addition, we support the proposal for cross-border cooperation agreements, as information exchange and coordination of authorities' actions will be vital to effectively resolve cross-border institutions.

- We also believe that the development of Recovery and Resolution Plans (RRPs) and resolvability assessments are important elements. It is important to be clear on that the guidance on RRP's primarily concern global SIFIs. Such plans could also be useful for regional or national SIFIs, but this should be an issue for regional or national bodies. We also would like to caution that the level of ambition needs to be tailored to the circumstances at hand. It may not be realistic to produce RRP's for any bank which may be potentially systemic, but rather to focus the work on the most important cross-border financial institutions. Also, the design of the RRP's and the degree of details in them will likely need to be tailored to individual countries' legal and institutional frameworks. We also appreciate that the FSB will be working with relevant bodies to develop sector-specific guidance for the application of its framework to non-bank SIFIs.
- We support that there should be international monitoring of developments in this area. Key factors for monitoring should be the capacity to enable cross-border coordination of resolution, such as the existence of clear mandates for the authorities to cooperate and exchange information.
- It may be helpful to be more descriptive on the issue of burden-sharing. Whilst the introduction of the proposals in the consultation document will remove or reduce the use of taxpayer funds, resolutions will still require the use of funds (either through bail-in or the use of resolution funds). Therefore, there will still be a need to agree on how the cost of resolutions should be shared between creditors or contributors to a resolution fund in the jurisdictions in which the resolved institution operates.
- We believe that the choice of creditor rankings should be left to national authorities to determine, unless in-depth studies show harmonization of rankings can reduce resolution costs materially.

Stockholm, 2 September 2011

**Sveriges Riksbank**

Mattias Persson

**Head of Department**