



Institute  
and Faculty  
of Actuaries

# Information sharing for resolution purposes

Consultative Document

15 October 2013

## **About the Institute and Faculty of Actuaries**

The Institute and Faculty of Actuaries is the chartered professional body for actuaries in the United Kingdom. A rigorous examination system is supported by a programme of continuous professional development and a professional code of conduct supports high standards, reflecting the significant role of the Profession in society.

Actuaries' training is founded on mathematical and statistical techniques used in insurance, pension fund management and investment and then builds the management skills associated with the application of these techniques. The training includes the derivation and application of 'mortality tables' used to assess probabilities of death or survival. It also includes the financial mathematics of interest and risk associated with different investment vehicles – from simple deposits through to complex stock market derivatives.

Actuaries provide commercial, financial and prudential advice on the management of a business' assets and liabilities, especially where long term management and planning are critical to the success of any business venture. A majority of actuaries work for insurance companies or pension funds – either as their direct employees or in firms which undertake work on a consultancy basis – but they also advise individuals and offer comment on social and public interest issues. Members of the profession have a statutory role in the supervision of pension funds and life insurance companies as well as a statutory role to provide actuarial opinions for managing agents at Lloyd's.



Secretariat to the Financial Stability  
Board  
Bank for International Settlements  
Centralbahnplatz 2  
CH-4002 Basel  
Switzerland

15 October 2013

Dear Sirs,

### Information sharing for resolution purposes

The Institute and Faculty of Actuaries (IFoA) welcomes the opportunity to respond to the Consultative Document (CD) 'Information sharing for resolution purposes'. The response has been prepared by the IFoA's Resolution and Recovery Working Party whose members have experience of, and expertise in, this area.

The IFoA agrees that the draft guidance is sufficiently generic to apply across all financial sectors and that the provisions on legal gateways for disclosure of non-public information outline the key elements that should be included in a jurisdiction's legal framework needed to allow national authorities to share information for resolution-related purposes with other national and foreign authorities.

In paragraph 1.4, the IFoA suggests that the FSB makes reference to the legal frameworks which secure the transit of information between authorities.

The IFoA recommends that in paragraph 1.9, greater clarity could be achieved by replacing 'resolution-related purposes' with 'functions relating to resolution'. In addition to the purposes listed, the IFoA suggests two specific circumstances when information-sharing would be appropriate:

- 1) To enable supervisory authorities to peer review one another's readiness, as the proposed framework will only be as effective as its weakest element. An effective peer review framework is needed to ensure that a minimum level of supervisory preparation is in place.
- 2) To enable effective scenario planning, including "living will" types of arrangements, it may be necessary for many of the organisations affected to participate.

In relation to the standards of 'adequate confidentiality requirements' (paragraphs 1.10 to 1.15 and 2.4 to 2.5), in the IFoA's view the proposals do not address the period of retention of confidential information. While this may be implicit in paragraph 1.10 as a feature of the protection of confidential data, the IFoA advises that this point should be made explicitly.

The IFoA agrees with the exclusion of information received from foreign authorities in paragraph 1.15.

In addition to the issues listed by the FSB in relation to the exchange of information for resolution-related purposes, the IFoA encourages the FSB to expand their comments on cross border cooperation agreements (COAGs). COAGs need to be designed to enable them to be multi-lateral not bilateral. While a set of bilateral agreements is workable with very small numbers of organisations, the number of agreements increases extremely quickly. Table 1 sets out the numbers of bilateral agreements required between parties according to the number of parties involved. Given

that there are likely to be multiple organisations even within each state, the complexity of a set of bilateral arrangements even for a relatively small number of countries may become unmanageable.

Number of parties	Number of bilateral agreements
2	1
3	3
4	6
10	45
20	190
30	435
100	4950

It is unclear to the IFoA whether the reciprocity requirements (paragraph 1.7), or other factors mean that COAGs will need to be bilateral rather than multi-lateral, if this is the case then the IFoA recommends further consideration of this practical challenge.

Should you want to discuss any of the points raised in greater detail please contact Paul Shelley, Policy Manager ([paul.shelley@actuaries.org.uk](mailto:paul.shelley@actuaries.org.uk)/ 07917604985) in the first instance.

Yours faithfully



Nick Dexter  
Chair, Recovery and Resolution Working Party