FSB announces policy measures to address systemically important financial institutions (SIFIs) and names initial group of global SIFIs

At the Cannes Summit today, the G20 Leaders endorsed the implementation of an integrated set of policy measures to address the risks to the global financial system from systemically important financial institutions (SIFIs), and the timeline for implementation of these measures. Specific measures focus on global SIFIs (G-SIFIs) to reflect the greater risks that these institutions pose to the global financial system.

The policy measures announced today comprise:

- A new international standard as a point of reference for reforms of national resolution regimes, to strengthen authorities’ powers to resolve failing financial firms in an orderly manner and without exposing the taxpayer to the risk of loss;
- Requirements for resolvability assessments, recovery and resolution plans and institution-specific cross-border cooperation agreements for G-SIFIs;
- Requirements for additional loss absorption capacity above the Basel III minimum for global systemically important banks; and
- More intensive and effective supervision through stronger supervisory mandates, and higher supervisory expectations for risk management functions, risk data aggregation capabilities, risk governance and internal controls.

The policy measures are set out in the following documents published under separate press releases today: Key Attributes of Effective Resolution Regimes for Financial Institutions; Global Systemically Important Banks: Assessment Methodology and the Additional Loss Absorbency Requirement; and Intensity and Effectiveness of SIFI Supervision.

The FSB today identifies the initial group of 29 G-SIFIs for which the resolution-related requirements will need to be met by end-2012. Going forward, the list of G-SIFIs will be updated each year in November. The additional loss absorbency requirement will apply from 2016, initially to those banks identified in November 2014 as G-SIFIs. These banks will also have to meet the higher supervisory expectations for data aggregation capabilities by January 2016.

The FSB will conduct an iterative process of peer reviews to ensure that the new standard for resolution regimes is implemented fully and consistently across countries and institutions. A Peer Review Council will evaluate implementation of the G-SIFI requirements.
Mario Draghi, Chairman of the FSB said “G20 endorsement of the policy measures marks a major milestone. Full and consistent implementation of these policies will lower the probability and impact of SIFI failure, and address moral hazard risks by enabling financial institutions at the core of the global system to be resolved without disrupting the real economy and imposing costs on taxpayers.”

Notes to editors
The G20 Leaders at the Seoul Summit on 11-12 November 2010 endorsed the FSB policy framework for reducing the moral hazard of SIFIs. The policy measures announced today implement critical elements of this framework.

The FSB has been 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’s 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.