FSB releases reports on progress in implementing the SIFI framework

The FSB is releasing three documents on latest steps in implementing the FSB’s policy framework for addressing the systemic and moral hazard risks associated with systemically important financial institutions (SIFIs).

**Update of group of global systemically important banks (G-SIBs)**

An initial group of G-SIBs was published in November last year. This updated list of G-SIBs is based on end-2011 data. This year, the G-SIBs are shown allocated to buckets corresponding to their required level of additional loss absorbency. This allocation is provisional and will be based in the future on the best and most current available data prior to implementation. The additional loss absorbency requirements for G-SIBs will be phased in starting from 2016, initially for those banks identified as G-SIBs in November 2014, and are to be fully met by 2019. The timelines for the other policy requirements relating to global SIFIs (G-SIFIs), and in particular the timetable for implementation of resolution planning requirements for newly designated G-SIFIs, have also been further specified.

**Progress report on Resolution of Systemically Important Financial Institutions**

Progress in reforming national resolution regimes and advancing recovery and resolution planning for G-SIFIs is encouraging overall. Getting the right legislation in place is essential to countries having the necessary powers to advance resolvability of G-SIFIs and the legal capacity for cross-border border co-operation. Reforms to align resolution regimes with the FSB’s Key Attributes of Effective Resolution Regimes for Financial Institution are not complete and still ongoing in several FSB jurisdictions.

Some headway has been made in G-SIFIs resolution planning. Cross-border crisis management groups are now established for nearly all the G-SIFIs designated by the FSB in November 2011 and have initiated discussions on high-level resolution strategies. Operational resolution plans and institution-specific cooperation agreements to implement the strategies and plans are on track to be completed during the first half of 2013. However, effective implementation is contingent on the requisite legal frameworks being in place and may also require some adaptation of firms’ financial and organisational structures.

The FSB has further work underway to support implementation of the Key Attributes. This includes the development of an assessment methodology for the Key Attributes and further guidance on the application of the Key Attributes to the resolution of non-banks, including insurers, investment firms and financial market infrastructures. The FSB will be publishing shortly for consultation draft guidance on key aspects of recovery and resolution planning.
Progress report on Increasing the Intensity and Effectiveness of SIFI Supervision

This report concludes that further steps are needed to make supervision more proactive and effective. It notes that the IMF-World Bank’s Financial Stability Assessment Programs continue to indicate that problems exist in countries meeting the requirements for effective supervision. The report makes further recommendations to support continuous improvement in SIFI supervision, in particular of G-SIFIs:

- **More intense SIFI supervision.** Supervisors should be more proactive in assessing succession planning, risk culture, the effectiveness of Boards and senior management, and stress testing processes at firms.

- **Assessment of effective supervision.** Governments should commit to implement the various standard setters’ Core Principles for effective supervision, including official mandates, resources and independence of supervisors. The IMF and World Bank should actively monitor progress.

- **Operational risk.** The BCBS should update its capital requirements for operational risk by the end of 2014, as operational risk has been a prominent factor in recent loss events at financial institutions.

- **Supervisory colleges.** The FSB and standard setters should intensify efforts to increase the effectiveness of supervisory colleges, including through the adequate exchange of information and cooperation within core supervisory colleges.

Notes to editors

The G20 Leaders at the Seoul Summit in 2010 endorsed the FSB policy framework for reducing the moral hazard of SIFIs and at the Cannes Summit in 2011 endorsed an integrated set of policy measures to address the risks to the global financial system from SIFIs, which implement critical elements of the SIFI framework. In November 2011 the FSB identified an initial group of G-SIFIs, which will be further updated each year in November.

The FSB’s Key Attributes of Effective Resolution Regimes for Financial Institutions are the international standard for resolution regimes for financial institutions. They were released by the FSB in November 2011 following their endorsement by G20 Leaders at the Cannes Summit.

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 is chaired by Mark Carney, Governor of the Bank of Canada. 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.