

Press release

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Ref no: 1/2014

8 January 2014

Proposed Assessment Methodologies for Identifying Non-Bank Non-Insurer Global Systemically Important Financial Institutions

The Financial Stability Board (FSB) and the International Organization of Securities Commissions (IOSCO) are publishing today for public consultation [Assessment Methodologies for Identifying Non-bank Non-insurer Global Systemically Important Financial Institutions \(NBNI G-SIFIs\)](#).

Systemically important financial institutions (SIFIs) are institutions whose distress or disorderly failure, because of their size, complexity and systemic interconnectedness, would cause significant disruption to the wider financial system and economic activity. At the Seoul Summit in 2010, the G20 Leaders endorsed the [FSB framework for reducing the systemic and moral hazard risks posed by SIFIs](#).

The implementation of the FSB SIFI framework requires, as a first step, the assessment of the systemic importance of financial institutions at a global level (or G-SIFIs). The framework recognises that SIFIs vary in their structures and activities, and that systemic importance and impact upon distress or failure can vary significantly across sectors. It requires that the FSB and national authorities, in consultation with the standard-setting bodies, and drawing on relevant indicators, determine which institutions will be designated as G-SIFIs. The assessment methodologies to identify G-SIFIs need to reflect the nature and degree of risks they pose to the global financial system. To date, assessment methodologies have been developed for global systemically important banks (G-SIBs) and insurers (G-SIIs).

The assessment methodologies for identifying NBNI G-SIFIs published today for public consultation complement the methodologies that currently cover banks and insurers. While the consultative document proposes specific methodologies for the identification of NBNI G-SIFIs, it does not designate any specific entities as systemically important or propose any policy measures that would apply to NBNI G-SIFIs. In the report [Progress and Next Steps Towards Ending "Too-Big-To-Fail"](#) published in September 2013, the FSB explained that policy measures will be developed once the methodologies are finalised.

In developing the methodologies, the FSB and IOSCO based their work on the following principles:

- (i) The overarching objective in developing the methodologies is to identify NBNI financial entities whose distress or disorderly failure, because of their size, complexity and systemic interconnectedness, would cause significant disruption to the global financial system and economic activity across jurisdictions.

- (ii) The general framework for the methodologies should be broadly consistent with methodologies for identifying G-SIBs and G-SIIs, i.e. an indicator-based measurement approach where multiple indicators are selected to reflect the different aspects of what generates negative externalities and makes the distress or disorderly failure of a financial entity critical for the stability of the financial system (i.e. “impact factors” such as size, interconnectedness, and complexity).

The FSB and IOSCO welcome comments on this document. Comments should be submitted by **7 April 2014** by email to fsb@bis.org or post (Secretariat of the Financial Stability Board, c/o Bank for International Settlements, CH-4002, Basel, Switzerland). All comments will be shared with IOSCO and be published on the FSB and IOSCO websites unless a commenter specifically requests confidential treatment.

Mark Carney, Chairman of the FSB, stated that “Today’s proposals are an essential first step towards addressing the risks to global financial stability and economic stability posed by the disorderly failure of financial institutions other than banks and insurers. They are integral to solving the problem of financial institutions that are too big to fail.”

Greg Medcraft, Chairman of the IOSCO Board and a member of the FSB Plenary, stated that “The development of assessment methodologies for identifying NBNI G-SIFIs is challenging as it needs to capture the wide range of business models and risk profiles in the non-bank non-insurer financial space while maintaining broad consistency with the overall SIFI framework. This public consultation will help us to better understand the market intermediaries and investment funds whose failure pose systemic risks. I look forward to industry views.”

Notes to editors

At the Cannes Summit in November 2011, the G20 Leaders asked the FSB, in consultation with IOSCO, to prepare methodologies to identify systemically important non-bank non-insurer (NBNI) financial entities. In response to the G20 request, the FSB tasked its Workstream on Other Shadow Banking Entities (WS3) to prepare, in consultation with IOSCO, proposed assessment methodologies for identifying NBNI G-SIFIs. This task was reaffirmed at the G20 Summit in St Petersburg on 5-6 September 2013, when the G20 Leaders asked the FSB, in consultation with IOSCO and other standard-setting bodies, to develop for public consultation methodologies for identifying NBNI G-SIFIs by the end of 2013.

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 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.

IOSCO is the global standard setter for securities market regulation. The organization's membership regulates more than 95% of the world's securities markets in more than 115 jurisdictions. The IOSCO Board is chaired by Greg Medcraft, chairman of the Australian Securities and Investments Commission. Its Secretariat is located in Madrid, Spain. For further information on IOSCO, visit the IOSCO website, <http://www.iosco.org>.