

## **2019 Resolution Report**

### **Eighth Report on the Implementation of Resolution Reforms**

#### **“Mind the Gap”**

**14 November 2019**

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# **Eighth Report on the Implementation of Resolution Reforms**

## **Overview**

**Significant progress has been achieved, but there is need to be mindful of remaining gaps.**

An important lesson of the global financial crisis was that it is insufficient for authorities to rely entirely on policies aimed at reducing the probability of individual financial firms failing. Since failure cannot be ruled out, it is vital to be able to contain spillovers by preserving the continuity of firms' critical functions without taxpayers' solvency support. There has been remarkable progress in implementing the FSB's resolution policies. However, progress is uneven across reform areas and sectors. Authorities and firms need to be mindful of any remaining gaps as they work towards making resolution strategies and plans operational.

### **1. Central counterparties**

**The FSB continues to focus on resources and tools to support an orderly resolution of a failing central counterparty (CCP).** Further strengthening the resilience and resolvability of CCPs has become an FSB policy priority. This has been driven by the over-the-counter (OTC) derivatives market reforms—particularly the central clearing requirement—which have changed the operating environment in these markets. The focus of the FSB's policy work is on ensuring the adequacy of financial resources to support the orderly resolution of a CCP in a manner that maintains financial stability and the continuity of critical CCP functions without solvency support from taxpayers.

**The work will lead to the development of further guidance, on which the FSB will consult publicly in the first half of 2020.** The guidance is intended to assist authorities and Crisis Management Groups (CMGs) in adopting a structured process for evaluating the adequacy of a CCP's resolution resources and, if necessary, the need for additional resources. The policy work will be undertaken in close consultation with the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO).

**The guidance should also address the treatment of CCP equity.** This includes considering how CCPs (or successor entities) could be recapitalised to maintain the continuity of essential CCP functions in the case of write-down of equity.

**Further analysis for the guidance will focus on non-default loss resolution scenarios.** This should help gain an understanding of the scale of potential non-default losses, for example through investment losses or operational problems of CCPs themselves, and the allocation of actual losses in resolution, and inform the development of the guidance. The work will take into account CPMI and IOSCO's upcoming analysis of non-default losses in recovery.

**CMGs are in place for most of the major CCPs, but credible resolution plans are still lacking in many jurisdictions.** CMGs have been established for eleven of the 13 CCPs reported as systemically important in more than one jurisdiction, and for five CCPs there is an institution-specific cooperation agreement. There remains a gap in adopting cooperation agreements and developing credible resolution plans for CCPs, which includes identifying and addressing impediments to resolution.

**In many jurisdictions, authorities have resolution powers that can be applied to CCPs.** However, some jurisdictions continue to lack comprehensive resolution arrangements that would be consistent with the FMI Annex to the FSB *Key Attributes*. There have not been substantial changes to the legal and regulatory frameworks for the resolution of CCPs over the past year. In the European Union (EU), the corresponding regulation is currently under negotiation.

## **2. Banks**

**Global systemically important banks (G-SIBs) have been made more resolvable through total loss-absorbing capacity (TLAC) and other measures.** Costs of failure are more likely to be absorbed by investors rather than taxpayers. G-SIBs have issued substantial amounts of TLAC. All (non-emerging market economies (EME)) G-SIBs meet the 2019 TLAC minimum of 16 % RWA and 6% of the Basel III leverage ratio denominator. Two thirds of G-SIBs already meet the 2022 TLAC minimum of 18% RWA and 6.75% of the Basel III leverage ratio denominator. Most G-SIB home authorities have adopted restrictions on holdings to mitigate the risk of cross-holdings that could spread contagion into the global financial system in the event of a bail-in. Notwithstanding this progress on TLAC, work remains to be done to address other aspects of G-SIB resolvability.

**Challenges remain to determine the appropriate group-internal distribution of TLAC and management of non-pre-positioned resources.** The FSB will take forward the actions set out in its July 2019 *Review of the Technical Implementation of the TLAC Standard*. These include a stock-take of the range of practices of authorities and CMGs in implementing the TLAC standard, particularly with respect to internal TLAC pre-positioning and the management of unallocated non-pre-positioned resources. The stocktake will also cover authorities' approaches as regards the review of the TLAC-eligibility of instruments and their ranking in the creditor hierarchy. The FSB will consider if any further guidance is needed in these areas.

**To the extent market access to funding is not available or sufficient, access to temporary liquidity in relevant currencies and in adequate amounts when and where needed is critical for firms going through resolution and requires ex ante preparation by firms and authorities.** In many jurisdictions further work is required in particular on temporary liquidity backstop arrangements and the cross-border aspects of temporary liquidity provision to support a single-point of entry resolution strategy.

**To reach a steady state in resolution planning, authorities and firms need to be mindful of potential gaps at a technical level and in their operational capabilities that could affect the effective resolution execution.** Work is ongoing on operationalising bail-in execution, and ensuring operational continuity and continuity of access to financial market infrastructures (FMIs) for banks in resolution.

**The FSB publicly consulted in June 2019 on solvent wind-down planning practices and resolution-related disclosures.** While the FSB is not planning to issue further guidance at this stage, it will continue to promote sound solvent wind-down planning and monitor resolution-related disclosure practices. It will continue to encourage appropriate levels of disclosure by authorities of their general resolution policies and by firms, as applicable, of relevant institution-specific information.

### 3. Insurers

**Resolvability monitoring in the insurance sector shows varied progress.** The FSB, in consultation with the International Association of Insurance Supervisors (IAIS) and national authorities, decided not to engage in an identification of G-SIIs in 2018. However, some jurisdictions have maintained their identification of systemically important insurers for purposes of recovery and resolution planning. Over the past year, two jurisdictions (Netherlands and Singapore) introduced or strengthened powers to resolve insurers.

**The FSB's resolvability monitoring exercise for the insurance sector highlighted challenges in funding in resolution and in resolution planning stemming from internal interconnectedness in particular.** Ongoing work on resolution planning focuses on intragroup funding, intragroup reinsurance, centralised cash pooling, intragroup guarantees, and operational interconnections. Work on resolution funding encompasses temporary sources of funding and interactions with any existing policyholder protection schemes, information sharing and communication.

### 4. Going forward

**Strengthening resolvability across all sectors remains necessary.** The FSB (through its Resolution Steering Group (ReSG)) will continue to provide a forum for its members to share their experience with resolution planning and actual resolution cases and strengthen their understanding of approaches in home and host jurisdictions towards implementation of robust resolution policies. ReSG will continue to discuss how to avoid risks of unnecessary fragmentation (*e.g.*, disproportionate capital and liquidity pre-positioning), while facilitating the cross-border cooperation necessary for orderly resolution. Other topics for further discussion include resolution planning for domestic systemically important banks, state-owned banks and cooperatives. ReSG will also conduct outreach to stakeholders, including through workshops with participation of industry and academia.

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## Introduction

This is the eighth report on the implementation of resolution reforms. The report takes stock of progress made by FSB members in implementing reforms and summarises findings from the FSB's monitoring of resolvability across the banking, insurance, and financial market infrastructure sectors. It discusses the progress in implementing the FSB's resolution policies for CCPs (Section 1), banking (Section 2), and insurance (Section 3); initiatives in monitoring implementation and evaluating the effects of resolution reforms (Section 4); and actions and timelines going forward (Section 5).

The report has been prepared by the FSB Resolution Steering Group (ReSG), which is the primary global forum for the development of standards and guidance for resolution regimes, planning, and execution for systemically important financial institutions (SIFIs), including banks, insurers, and financial market infrastructures (FMIs). ReSG is chaired by Mark Branson, Chief Executive Officer of the Swiss Financial Market Supervisory Authority (FINMA). Its mandate is to develop, issue, and maintain those standards and guidance, monitor resolvability and crisis preparedness, help build trust between home and host authorities, and serve as a knowledge-sharing forum for resolution authorities and other authorities with a role in crisis management. In doing so, ReSG relies on three sector-specific working groups: the Cross-border Crisis Management Working Group for banks (bankCBCM) chaired by Boštjan Jazbec, Single Resolution Board; the Cross-border Crisis Management Working Group for insurance (iCBCM) chaired by Jörg Krause, BaFin; and the Cross-border Crisis Management Working Group for FMIs (fmiCBCM) co-chaired by Ricardo Delfin, Federal Deposit Insurance Corporation (FDIC), and Petra Hielkema, De Nederlandsche Bank (DNB).

The following authorities are represented on ReSG and/or its subgroups: Australian Prudential Regulation Authority (APRA), Banco Central do Brazil, National Bank of Belgium, Canadian Deposit Insurance Corporation (CDIC), Department of Finance Canada, Office of the Superintendent of Financial Institutions (OSFI), Ontario Securities Commission, Bank of Canada, China Banking and Insurance Regulatory Commission (CBIRC), People's Bank of China, Autorité de Contrôle Prudentiel et de Résolution (ACPR), Autorité des Marchés Financiers (AMF), French Ministry of Economy and Finance, Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Deutsche Bundesbank, Hong Kong Monetary Authority (HKMA), Hong Kong Securities and Futures Commission, Reserve Bank of India, Bank Indonesia, Indonesia Ministry of Finance, Banca d'Italia, Italian Supervisory Authority for Insurance Undertakings (IVASS), Bank of Japan, Japan Financial Services Agency (JFSA), Korea Financial Services Commission, Banco de México, De Nederlandsche Bank (DNB), Bank of Russia, Saudi Arabian Monetary Authority (SAMA), South African Reserve Bank (SARB), Bank of Spain, Comisión Nacional del Mercado de Valores (CNMV), FROB Executive Resolution Authority, Monetary Authority of Singapore (MAS), Sveriges Riksbank, Swedish National Debt Office (SNDO), Swiss Financial Market Supervisory Authority (FINMA), Turkey Savings Deposit Insurance Fund, Turkey Ministry of Treasury and Finance, HM Treasury, Bank of England, Board of Governors of the Federal Reserve System, Federal Reserve Bank of New York, US Department of the Treasury, Commodity Futures Trading Commission, Federal Insurance Office of US Department of the Treasury (FIO), Securities and Exchange Commission (SEC), Federal Deposit Insurance Corporation, European Commission



(EC), European Banking Authority (EBA), European Central Bank (ECB), and the Single Resolution Board (SRB).

The following standard-setting bodies and international financial institutions are represented: Basel Committee on Banking Supervision (BCBS), Bank for International Settlements (Financial Stability Institute), Committee on Payments and Market Infrastructures (CPMI), International Association of Deposit Insurers (IADI), International Association of Insurance Supervisors (IAIS), International Monetary Fund (IMF), International Organization of Securities Commissions (IOSCO), World Bank.

# 1. Central Counterparties (CCPs)

## 1.1 CCP resilience and resolvability a policy priority

Central clearing of standardised OTC derivatives is a key pillar of the G20 Leaders' commitment to reform derivatives markets in response to the global financial crisis. CCPs also provide critical clearing services for other asset classes, such as physical commodities, securities, and exchange traded derivatives.

CCPs' criticality to the overall safety and soundness of the financial system means that authorities must take steps to ensure that CCPs do not themselves become a source of systemic risk and that any CCP can be successfully resolved without resort to a government "bailout". In the extreme, the possibility of a CCP needing to be resolved cannot be ruled out.

The FSB published in 2014 an Annex to the FSB Key Attributes that takes into account the specificities of FMIs.<sup>1</sup> Then, as part of the 2015 Joint Work Plan,<sup>2</sup> the FSB also developed guidance on CCP resolution and resolution planning, which was published in July 2017,<sup>3</sup> alongside guidance from the CPMI and IOSCO on CCP resilience and recovery.<sup>4</sup>

In 2017, the FSB made a commitment to develop further guidance on financial resources to support CCP resolution and on the treatment of CCP equity in resolution. To inform this work, the FSB published a discussion paper for public comment in November 2018.<sup>5</sup> Work is ongoing to further develop the guidance, drawing on the feedback to the public consultation and on the relevant authorities' and CMGs' practical experiences with resolution planning. Before finalisation, the guidance will be subject to further public consultation.

## 1.2 Thirteen CCPs systemically important in more than one jurisdiction

In 2018, 13 CCPs were identified as systemically important in more than one jurisdiction ('SI>1') as determined by the oversight or supervisory authorities and resolution authorities in the relevant jurisdictions, based on the criteria set out in the FSB's *Guidance on CCP Resolution and Resolution Planning*. CPMI and IOSCO coordinate the review of the SI>1 CCP list every two years, with the next review due in 2020. Authorities are expected to report to CPMI and IOSCO on an ongoing basis any change in their determination of a CCP's systemic importance. There were no changes to the list of SI>1 CCPs in 2019.

Once a CCP has been identified as systemically important in more than one jurisdiction, the authorities are expected to (i) conduct resolution planning (consistent with the Key Attributes and the expectations set out in the *Guidance on CCP Resolution and Resolution Planning*), (ii) establish CMGs, (iii) adopt institution-specific cooperation agreements (CoAgs) and (iv) launch a process of resolvability assessments and resolution planning consistent with the agreed timeline (see Textbox below).

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<sup>1</sup> FSB (2014), [Key Attributes of Effective Resolution Regimes for Financial Institutions](#), October.

<sup>2</sup> FSB (2015), [CCP Work Plan](#), September.

<sup>3</sup> FSB (2017), [Guidance on Central Counterparty Resolution and Resolution Planning](#), July.

<sup>4</sup> CPMI and IOSCO (2014, revised 2017), [Recovery of financial market infrastructures](#), and [Cover Note to the Report](#).

<sup>5</sup> FSB (2018), [Discussion paper on financial resources to support CCP resolution and the treatment of CCP equity in resolution](#), November.

Completing the establishment of CMGs and agreeing the CoAgs for SI>1 CCPs will be vital to ensure that robust cooperation and information sharing arrangements are in place to support effective resolution planning. CMGs are now in place for 11 out of the 13 SI>1 CCPs and five have adopted a CoAg as of publication of this report (see Graph 1). Although the CMGs have made some progress in resolution planning, important gaps still remain in developing credible resolution plans for CCPs and identifying and addressing impediments to resolution.

### **Timeline for resolution planning and the establishment of CMGs**

Once a CCP has been agreed to be systemically important in more than one jurisdiction (SI>1):

- The home resolution authority (or if no resolution authority has been designated, the lead supervisor of a CCP) should identify and contact relevant authorities regarding CMG membership within six months of the CCP being identified as SI>1 (using the [July 2017 FSB Guidance](#) if membership is not stated in law/ regulations).
- The first CMG meeting (preferably a physical meeting) should be held within 12 months of the CCP being identified as SI>1 and should include a discussion on a draft CCP-specific Cooperation Agreement (CoAg).
- The CoAg should be finalised and signed within 18 months of the first CMG meeting (or by the end of 2019, in cases where a CMG has already been in place for more than a year).
- Resolution planning and resolvability assessments should be launched within 12 months of the first CMG meeting (or by the end of 2019, in cases where a CMG has already been in place for more than a year).

## Status of the establishment of CMGs as at September 2019

CCP	Home jurisdiction	CMG (Y/N)	CoAg (Y/N)	Authorities represented	Jurisdictions represented <sup>A</sup>
<b>BME Clearing</b>	Spain (EU)	Y	N	10	5
<b>CC&amp;G<sup>B</sup></b>	Italy (EU)	Y <sup>C</sup>	N	11	3
<b>CME Inc.</b>	US	Y	N	12	8
<b>Eurex Clearing</b>	Germany (EU)	Y	N	20	12
<b>EuroCCP</b>	Netherlands (EU)	Y	Y	19	9
<b>HKFE Clearing Corporation</b>	Hong Kong SAR	Y	N	2	2
<b>ICE Clear Credit</b>	US	Y	N	10	5
<b>ICE Clear Europe</b>	UK (EU)	Y	Y	16	7
<b>LCH Ltd</b>	UK (EU)	Y	Y	16	9
<b>LCH SA</b>	France (EU)	Y	Y	25	11
<b>Nasdaq Clearing</b>	Sweden (EU)	N <sup>D</sup>	N	-	-
<b>OMI Clear</b>	Portugal (EU)	N	N	-	-
<b>SIX x-clear</b>	Switzerland	Y	Y	14	7

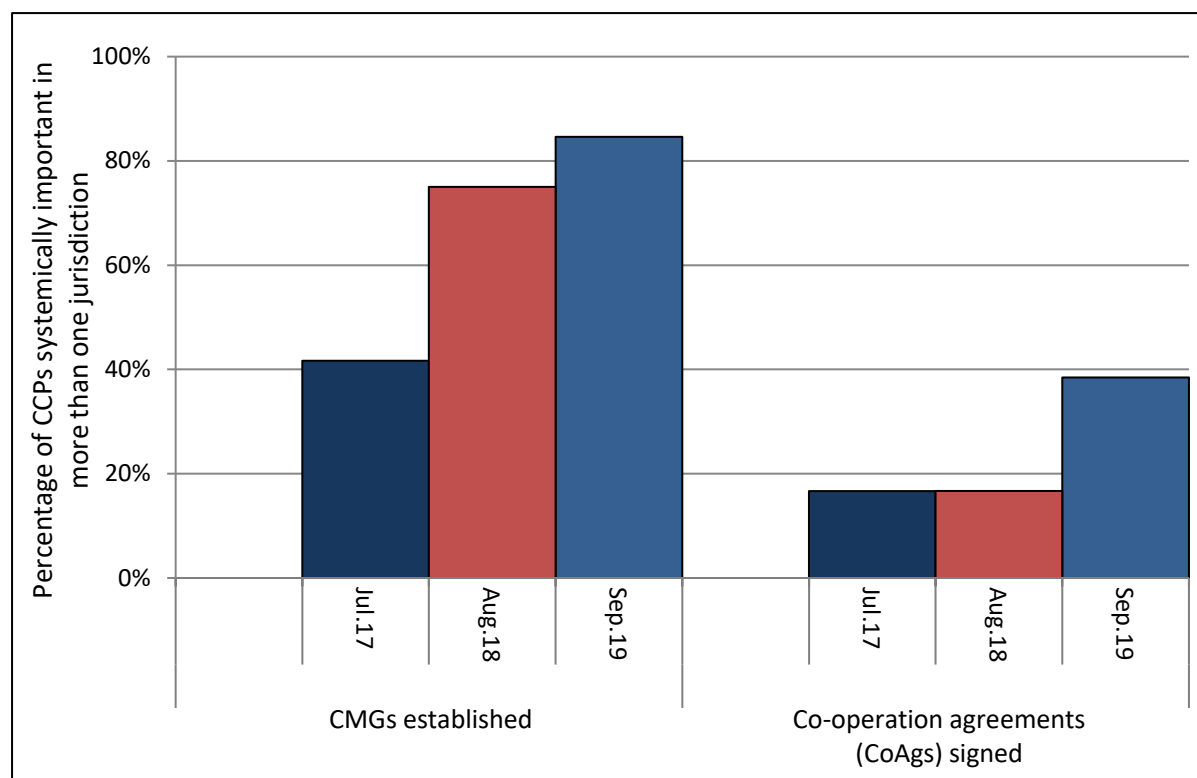
<sup>A</sup> Considering the specificities of the EU legislative framework, the number of jurisdictions represented in CMGs reflects both the EU as a single jurisdiction and its individual Member States.

<sup>B</sup> Cassa di Compensazione e Garanzia

<sup>C</sup> The first CMG meeting will be held on 6 December 2019; CMG members have been identified and invited to attend.

<sup>D</sup> The Swedish FSA (Finansinspektionen) is in the process of setting up a CMG for Nasdaq Clearing.

**Graph 1: Resolution planning status for CCPs that are systemically important in more than one jurisdiction (July 2017 - September 2019)**



### 1.3 CCP resolution regime reforms ongoing

Of the 13 SI>1 CCPs reported as systemically important in more than one jurisdiction, eight are already subject to resolution arrangements. The others are located in EU Member States where the authorities are awaiting the finalisation of the EU regulation on CCP recovery and resolution. Negotiations on the European Commission's November 2016 proposal have recently resumed between EU Member States. The European Parliament agreed its stance in March 2019.

In July 2019, the German Finance Ministry consulted on a legislative proposal, which provides resolution tools that take into account the specific business model of a CCP. For the resolution tools, the draft bill is largely based on the European Commission proposal.

The legislation and associated regulations for Canada's FMI resolution regime are now in force. The regime establishes the Bank of Canada as the resolution authority for all domestic clearing and settlement systems that the Governor of the Bank has designated for oversight. The Bank of Canada is currently finalising associated guidance for the resolution regime and completing resolution plans for the four FMIs (including one CCP) that have been designated.

### 1.4 Adequate financial resources to support CCP resolution and further work on non-default loss scenarios

The FSB discussion paper of 15 November 2018 outlined a five-step process to guide authorities in their assessment of the adequacy of CCPs' financial resources to support orderly

resolution. The process consists of (i) the identification of hypothetical default and non-default loss resolution scenarios; (ii) the evaluation of existing tools and resources available for resolution; (iii) the analysis of full resolution costs; (iv) the comparison of existing tools and resources to resolution costs and identification of any gaps; and (v) the consideration of the availability, costs, and benefits of potential means to address the gaps.

In their responses to the public consultation,<sup>6</sup> market participants expressed support for the FSB's ongoing work, but expressed different views with respect to the overall assessment of whether available resources to support resolution would be adequate in different resolution scenarios.

Over the past year, authorities and CMGs have been applying the factors and considerations set out in the discussion paper to undertake an initial assessment of existing resources and tools to support resolution. Key findings were:

- the need to consider a range of scenarios for purposes of evaluating the adequacy of resources, including (i) fail-scenarios in which multiple clearing members or owners do not meet their obligations under the CCP recovery actions and resources to support recovery are not collected as expected; (ii) scenarios where execution of recovery would in principle be possible but in practice such an option would likely compromise financial stability; (iii) non-default loss scenarios arising, for example, from investment losses or operational issues (e.g. cyber incidents); and (iv) scenarios that involve concurrent actions such as cash calls or variation margin haircutting by multiple CCPs that are simultaneously managing a default, and which could result in multiple demands on clearing member resources;
- the need to take into account a number of factors that affect the availability of resources and tools in various resolution scenarios, including (i) the group and ownership structure of a CCP - in particular, whether the CCP is part of a group providing other clearing or FMI services; (ii) the extent of segregation between different clearing services; (iii) interconnections with other CCPs; (iv) balance-sheet specific features; (v) the absence of unsecured liabilities that could support a bail-in; (vi) the potential for resources and tools to transmit systemic risk; and (vii) the time horizon for resolution and the point at which resolution would be initiated; and
- the need to undertake further analysis of non-default resolution scenarios to gain an understanding of how potential losses could be quantified and how actual losses arising from non-default loss scenarios would be allocated in a resolution.

Ongoing work to develop further guidance will therefore pay particular attention to addressing the above findings as well as considering possible approaches to estimating resolution costs, quantifying resource needs and assessing the potential for systemic risk transmission arising from the use of various resolution tools.

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<sup>6</sup> FSB (2019), [Public responses to consultation on Financial resources to support CCP resolution and the treatment of CCP equity in resolution](#), February.

## 1.5 Treatment of CCP equity in resolution

The discussion paper also raised questions regarding the treatment of CCP equity in resolution, the implications of having CCP rules that comprehensively allocate losses in the event of member default that may have the effect of shielding CCP equity from losses, and the application of the “no creditor worse off than in liquidation” (NCWOL) safeguard. The responses to the public consultation<sup>7</sup> reflected differing views especially regarding the point at which CCP equity should absorb losses, and under which scenarios this might occur. Respondents emphasised that the treatment of CCP equity depends in part on the particular legal regime in a jurisdiction, including the range of powers available to the resolution authority and the applicable insolvency and securities law. Work is continuing to reach a better understanding of the differences across jurisdictions depending on legal and insolvency regimes and between default loss and non-default loss scenarios.

## 1.6 Development of further guidance in 2020

The FSB, in consultation with CPMI and IOSCO, is developing further guidance, which it plans to issue for consultation in the first half of 2020. This work draws on the experience of authorities and CMGs in assessing the quality and quantity of resources for resolution, and on the comments received from stakeholders in response to the public consultation.

The future guidance should help authorities and CMGs in adopting a structured process for evaluating the adequacy of resources to support resolution on a CCP-specific basis and, if necessary, addressing the need for any additional resources considering a reasonable range of scenarios. It should also assist authorities and CMGs in their analysis of the treatment of CCP equity.

## 2. Bank resolution

### 2.1 Recent resolution regime reforms

The necessary framework conditions to successfully resolve a G-SIB are largely in place in all home and key host jurisdictions. However, in some FSB jurisdictions the implementation of the *Key Attributes* remains incomplete. See Annex 1 for a snapshot of the implementation status of certain elements of the *Key Attributes* in FSB jurisdictions’ bank resolution regimes.

Since the FSB’s 2018 resolution report,<sup>8</sup> further reforms have mostly focused on the full implementation of the TLAC Standard<sup>9</sup> (see Annex 2):

- The EU, Hong Kong, and Japan have adopted rules to implement the TLAC Standard.

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<sup>7</sup> See footnote 7.

<sup>8</sup> FSB (2018), [2018 Resolution Report: Keeping the Pressure Up, Seventh Report on the Implementation of Resolution Reforms](#), November.

<sup>9</sup> FSB (2015), [Total Loss-Absorbing Capacity \(TLAC\) Principles and Term Sheet](#), November.

- In addition to the EU rules, the UK has updated its MREL Policy Statement to include a consideration of TLAC when setting the MREL requirement.
- Brazil, Canada, Hong Kong, Japan, Singapore, and Switzerland have adopted the BCBS TLAC Holding Standard, effective 1 January 2019,<sup>10</sup> and the US has published draft proposals aiming to implement the BCBS TLAC Holding Standard as well as requirements related to TLAC public disclosures.

## 2.2 G-SIB resolvability

### 2.2.1 *Fifth round of the G-SIB resolvability assessment process*

G-SIB CMGs conducted a fifth round of the resolvability assessment process (RAP) during 2018-2019, covering all 29 G-SIBs on the 2018 list.<sup>11</sup> The RAP was launched in 2013 to promote adequate and consistent reporting on the resolvability of each G-SIFI and on the overall status of resolution planning processes.<sup>12</sup> The key RAP findings are reported in summary form in this report.

The findings show that resolution strategies and plans are now in place for all G-SIBs (see Graph 2). However, institution-specific cross-border cooperation agreements (CoAgs), which are an essential underpinning for cooperation and coordination within CMGs, are still not in place for four G-SIBs. Resolution authorities continue to improve their planning and operationalise resolution. This process is still in a transition period; to reach a steady state, operational aspects and cross-border coordination issues need to be addressed or further refined to ensure comprehensive resolution preparedness.

ReSG is reviewing how to continue to effectively monitor, assess and compare the incremental progress towards improved resolvability through the RAP. Whereas resolution policies that set quantitative targets, such as TLAC, can be more easily monitored and compared, others, such as the robustness in resolution of service level agreements and preparedness in executing a bail-in transaction, require a qualitative assessment.

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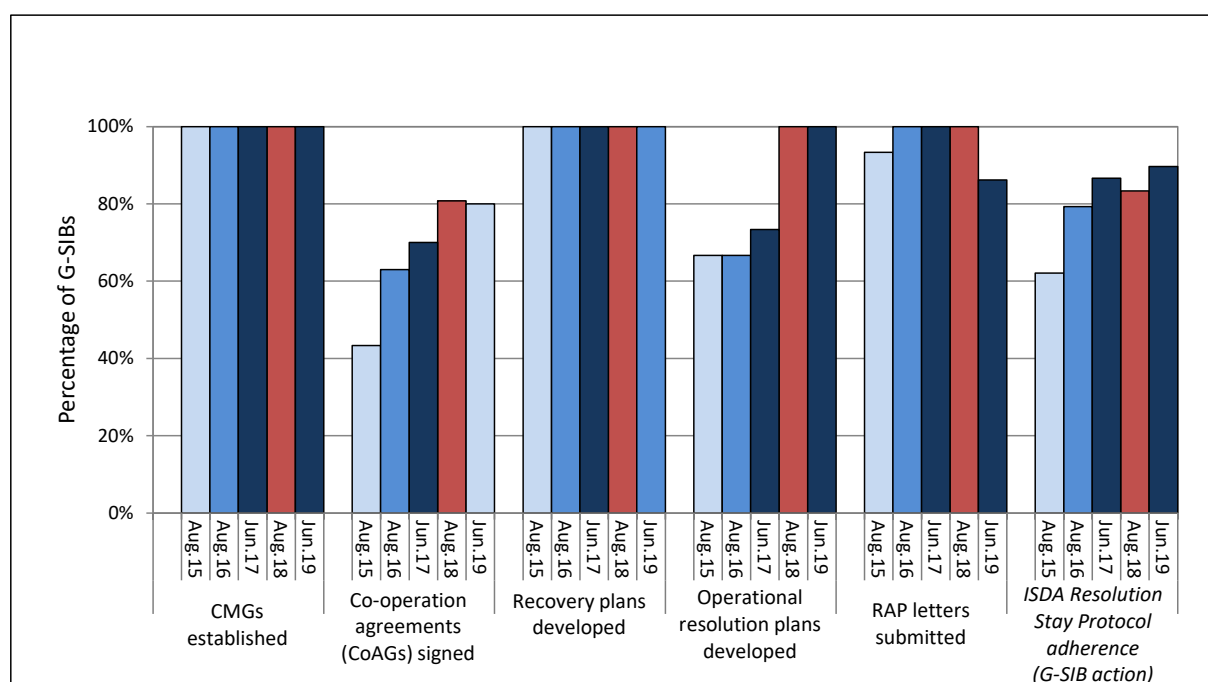
<sup>10</sup> The TLAC holding standards are effective from 1 January 2019 in Brazil, Canada, Singapore, and Switzerland, from 31 March 2019 in Japan, and from 1 April 2019 in Hong Kong.

<sup>11</sup> FSB (2018) [2018 List of Global Systemically Important Banks \(G-SIBs\)](#), November.

<sup>12</sup> FSB (2013), [Progress and Next Steps Towards Ending 'Too-Big-To-Fail' \(TBTF\)](#), September. See also Key Attribute 8.2. Fn 6.



**Graph 2: Resolution planning status for G-SIBs (August 2015 - August 2019)**



### 2.2.2 Total Loss-absorbing Capacity

G-SIBs have issued substantial amounts of TLAC resources, which have been well absorbed by capital markets. All G-SIBs meet the 2019 external TLAC Minimum, while two-thirds are estimated to already have met the 2022 TLAC Minimum.<sup>13</sup> Once the BCBS Pillar 3 disclosure requirements,<sup>14</sup> which came into effect on 1 January 2019, have been implemented fully by all G-SIB home and key host jurisdictions, consistent and comparable data will be available to evaluate and compare TLAC resources across G-SIBs.

The pre-positioning in host jurisdictions of internal TLAC at subsidiaries or sub-groups that are determined to be material (“material subgroups” or MSGs) should help to ensure an appropriate distribution of loss-absorbing and recapitalisation capacity within resolution groups outside of their resolution entity’s home jurisdiction.

The determination of MSGs should be a two-way collaborative process between host and home authorities.<sup>15</sup> Authorities generally rely on the TLAC Standard criteria to determine materiality.<sup>16</sup> MSGs of G-SIBs have been identified in Hong Kong (three MSGs), Japan (two MSGs), Mexico (one MSG), Singapore (one MSG), the UK (six MSGs) and the US (10 MSGs). Identification and formal designation of MSGs is still ongoing in the EU and Japan.

<sup>13</sup> See FSB (2019), [Review of the Technical Implementation of the Total Loss-Absorbing Capacity \(TLAC\) Standard](#), July.

<sup>14</sup> See BCBS (2018), [Pillar 3 disclosure requirements – consolidated and enhanced framework](#), March.

<sup>15</sup> FSB TLAC TS, Section 16: “The host authority of subsidiaries that meet one or more criteria set out in Section 17 will determine the composition of the material sub-group and distribution of internal TLAC in its jurisdiction in a manner that supports the effective implementation of the agreed resolution strategy and achieves the objectives of internal TLAC. It should do so in consultation with the home authority of the resolution entity of the resolution group to which the material sub-group belongs and the CMG.”

<sup>16</sup> FSB TLAC TS, Section 17.

Authorities have calibrated internal TLAC within the range provided in the TLAC TS of 75-90% of the external TLAC that would apply to the MSG if it were a stand-alone resolution group. Whereas jurisdictions discuss pre-positioning within CMGs, taking into consideration resolution planning and resolvability assessments, in some cases, the local regulations set the internal TLAC scaling at a fixed percentage.

The review of the technical implementation of the TLAC Standard of July 2019 concluded that further efforts are needed to achieve an appropriate group-internal distribution of TLAC resources, while at the same time avoiding potential risks of unnecessary fragmentation of capital resources across home and host jurisdictions.<sup>17</sup> Work is progressing on an agreed set of actions (see Section 10: Summary of Actions and Timelines), including a stocktake of authorities' and CMGs' practices in calibrating and pre-positioning internal TLAC, as well as allocating it to MSGs within resolution groups. The actions also include analysing how non-pre-positioned TLAC resources are managed so they can be used flexibly to address capital shortfalls at the level of a resolution entity or any direct or indirect subsidiary in line with the resolution strategy. The FSB will also monitor authorities' approaches to the review of the TLAC-eligibility or subordination of instruments issued by firms. The FSB will consider, as appropriate, whether any further guidance is needed.

### **2.2.3 Operationalisation of the bail-in tool**

Work is continuing on the operational steps, processes and capabilities needed to execute a bail-in transaction consistent with the FSB's *Principles on Bail-In Execution*.<sup>18</sup> As part of this work, members will engage with relevant stakeholders, including central securities depositories, stock exchanges, other trading venues, market authorities, and national numbering authorities to identify and address technical issues or cross-border complexities. For example, a TLAC bail-in may raise issues in connection with a suspension of trading, cancellation of shares, or the issuance, delivery, or listing of new shares. The objective is to release a practices paper on bail-in execution with a focus on cross-border issues.

### **2.2.4 Access to temporary liquidity to support orderly resolution**

A firm in resolution needs to continue to have sufficient liquidity to meet its obligations. ReSG surveyed members' progress in implementing the *Guiding Principles on the temporary funding needed to support the orderly resolution of a global systemically important bank*; and the status of the development of resolution funding plans<sup>19</sup> taking into account the FSB's guidance, *Funding Strategy Elements for an Implementable Resolution Plan*, issued in June 2018.<sup>20</sup>

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<sup>17</sup> FSB (2019), [Review of the technical implementation of the Total Loss-Absorbing Capacity \(TLAC\) Standard](#), July.

<sup>18</sup> FSB (2018) [Principles on Bail-in Execution](#), June.

<sup>19</sup> As used in the survey, the term "resolution funding plan" had the meaning and usage given to the term in the guidance, acknowledging that, prior to resolution, the funding plan could consist of a strategy for determining the funding needs in resolution. Thus, the actual plan for funding in resolution would be developed or revised immediately prior to entry in resolution, taking into account the firm's recovery and contingency actions and the current market conditions.

<sup>20</sup> FSB (2016), [Guiding Principles on the temporary funding needed to support the orderly resolution of a global systemically important bank \(G-SIB\)](#), August and FSB (2018), [Funding Strategy Elements for an Implementable Resolution Plan](#), June.

The survey showed that progress in the development of resolution funding plans across G-SIBs and implementation of the FSB guidance varies. More work is required, in particular, with respect to firms' capabilities for monitoring liquidity, estimating and planning for liquidity needs in resolution, in particular in foreign currency, liquidity provision at the material subsidiary level when the parent resolution entity is in resolution, the cross-border mobilisation of collateral, and coordination and communication among relevant home/host authorities.

ReSG members identified a number of issues for further exploration or clarification related to the provision of liquidity prior to and during resolution, in particular:

- collateral mobilisation issues when collateral is located in multiple jurisdictions, including adequate firm capabilities to assess eligibility of collateral and mobilise it across jurisdictions and the capacity to effect collateral pricing at short notice;
- the implications of local liquidity requirements, including rules on the use of liquidity buffers and transfer liquidity among affiliates, for the overall liquidity available;
- the roles and responsibilities of home and host authorities for providing liquidity support at different levels and entities in a group; and
- the capacity of resolution funds to provide liquidity and the availability of public sector backstop arrangements.

### ***2.2.5 Ensuring operational continuity in resolution***

Mapping of critical shared services to critical functions (e.g. through use of service catalogue tools) within G-SIBs has been largely completed in previous RAP cycles. Work is ongoing to refine and deepen this mapping, especially in cases where the complexity of the group structure and the multiple interdependencies among entities pose challenges.

Authorities are monitoring whether G-SIBs have processes in place to: (i) further improve and maintain the mapping; (ii) identify resolution resilient contracts; (iii) monitor risks of early termination; and (iv) ensure central contract repositories are in place for managing intra-group and external vendor contracts and service level agreements (SLAs).

Some G-SIBs have not yet completed the process of amending contracts and SLAs (both intra-group and with external vendors) to make them resolution resilient (i.e. including resolution stay clauses). For some G-SIBs, the amount of contracts and SLAs supporting critical functions that remain to be identified, checked for resolution resilience, and centralised in contract repositories, numbers in the thousands.

### ***2.2.6 Continued access to financial market infrastructures (FMIs)***

A firm in resolution needs to continue to have access to FMIs (for example payments systems and CCPs) to continue to maintain critical functions and meet obligations. As a means of engagement with external stakeholders on progress in transposing the FSB's *Guidance on continuity of access to FMIs for firms in resolution*, the FSB held an industry workshop on 21

May 2019<sup>21</sup> to explore ways to further support implementation. Workshop participants reflected on possible approaches to achieve efficiencies, for example through the development of common templates firms can use to gather information needed from relevant FMI service providers to support resolution planning; and further engagement on likely communication and information needs of authorities and FMI service providers prior to and during a resolution of a member. ReSG will continue to explore these and other possible approaches by authorities, FMI service providers, and firms to support implementation of the Guidance.

### ***2.2.7 Cross-border recognition of stays on termination rights in financial contracts***

Early termination of financial contracts by counterparties of a firm in resolution poses a risk to orderly resolution and also risks wider contagion through financial markets.

Advanced economy G-SIBs have already adhered to the ISDA Universal Protocol. FSB members have been developing national regulatory measures to require or encourage contractual recognition of stays on early termination rights in financial contracts by adhering to non-G-SIB counterparties, and the ISDA Jurisdictional Modular Protocol (“JMP”) modules facilitate compliance with relevant regulatory measures.

National regulatory measures are in place in France, Germany, Italy, Japan, Switzerland, UK and the US. Resolvability, however, depends on the scope and phase-in periods provided for in those national rules. European rules have been harmonised via the revision of the Bank Recovery and Resolution Directive, which introduces cross-border contractual stay recognition for financial contracts. It was published in June 2019 and will enter into force following national transposition by EU Member States.

In late 2018 the JMP was supplemented with an Italian Module and a French Module, in addition to the existing German, Japanese, Swiss, UK and US Modules. G-SIBs have taken steps to adhere to relevant country annexes and JMPs, and to comply with the national stay rules. Work is ongoing in this area.

### ***2.2.8 Regulatory approvals and authorisations to support continuity***

ReSG conducted a survey on the regulatory approvals and authorisations necessary in member jurisdictions. This focused in particular on the bail-in period, and following the end of the bail-in period, when ownership and control of the firm or newly established financial company would be transferred to new shareholders, including holders of debt instruments of the failed firm. Newly appointed directors and senior managers (including those of subsidiaries and branches) of the firm in resolution are also required to obtain regulatory approvals, the requirements for which differ across jurisdictions.

As part of resolution planning efforts, member jurisdictions and CMGs consider information regarding generally applicable current practices, processes regarding ‘fit and proper’

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<sup>21</sup> FSB (2019) [\*Industry workshop on continuity of access to FMIs for firms in resolution – Informal summary of the workshop\*](#), August.

authorisations and change of control approvals, and potential avenues for cooperation regarding approvals and authorisations.

### **2.3 Public Disclosures on Resolution Planning and Resolvability**

As part of its ongoing work regarding public disclosures on resolution planning and resolvability, the FSB published a discussion paper in June 2019 for consultation.<sup>22</sup> While there was general support for transparency and disclosure regarding resolution planning and resolvability, some respondents indicated caution about firm-specific disclosures. The FSB will continue to encourage appropriate levels of disclosure by authorities of their general resolution policies and also by firms, as applicable, of firm-specific disclosures. It will consider how to collect and share references to authorities' disclosures of general resolution-related policies, including policy proposals, in particular rules with possible cross-border effects.

The FSB does not plan to develop further guidance on resolution disclosures at this stage. In 2022 it will revisit the question of whether further guidance is needed.

### **2.4 Solvent wind-down of derivatives**

In support of efforts to improve the resolvability of individual G-SIBs, including the solvent wind-down of derivatives and trading portfolios, the FSB published a discussion paper in June 2019 for consultation.<sup>23</sup> Respondents generally opined that any further guidance should be considered in a way that would limit or reduce regulatory divergence, while acknowledging differing business models and commenting that any future guidance should be principles-based and capabilities-focused. Respondents noted, for example, that for some strategies the primary objective in solvent wind-down is capital preservation, while in others the objective is liquidity generation. The FSB does not plan to develop further guidance at this stage but will continue to promote sound solvent wind-down practices as part of resolution planning.

### **2.5 Resolution of domestic systemically important banks, state-owned banks and cooperatives**

With a particular focus on the largest systemically important banks since the crisis, it is unclear whether authorities have planned and prepared as fully for the failure of large domestic and regional banks. According to the findings of the *Thematic Review on Bank Resolution Planning* of April 2019 ("Thematic Review"),<sup>24</sup> resolution planning for banks other than G-SIBs is generally at an earlier stage. The Thematic Review therefore recommended that the FSB (working through ReSG and bankCBCM) undertake work to support member authorities' resolution planning for banks other than G-SIBs that could be systemic in failure, reflecting their less complex nature and the potential need to tailor resolution planning in keeping with the principle of proportionality.

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<sup>22</sup> FSB (2019) [Public Disclosures on Resolution Planning and Resolvability](#), June. Responses have been [published on the FSB website](#).

<sup>23</sup> FSB (2019) [Solvent Wind-down of Derivatives and Trading Portfolios – Discussion paper for Public Consultation](#), June. Responses have been [published on the FSB website](#).

<sup>24</sup> FSB (2019) [Thematic Review on Bank Resolution Planning – Peer Review Report](#), April.

Such work could include sharing of experiences and lessons learned from resolution planning for such banks; consideration of how to adapt expectations set out in existing FSB guidance on resolution planning; and targeted work on topics of particular relevance for these banks, such as the development of resolution strategies more likely to be chosen. ReSG members have had initial discussions about resolution approaches involving tools other than bail-in, such as bridge banks and purchase and assumption agreements, and the resolution of banks with different legal and ownership structures, such as state-owned banks and cooperatives. The FSB plans to hold a workshop in the first half of 2020 to explore further the topic of resolution planning for state-owned banks and cooperatives.

## **2.6 Experience with actual resolution cases and simulations**

Experience with actual resolution cases remains limited in some jurisdictions. However, authorities shared crisis management lessons from the resolution of domestic banks and the conduct of crisis simulation exercises. The lessons both from simulations and actual resolution should remind authorities and firms of the importance of:

- timely availability of granular data about bank assets and liabilities to obtain an accurate picture of the situation at the point of resolution and to allow the resolution authority to take appropriate action;
- cooperation between relevant domestic and foreign supervisory and resolution authorities;
- alternative strategies or backup plans, in case the preferred strategy cannot be implemented;
- liquidity in resolution and addressing challenges associated with managing liquidity;
- adequate and timely communication;
- the importance of management information systems to generate necessary data;
- the need for authorities to be able to perform a reasonably robust valuation in a very short time frame; and
- avoiding uncoordinated actions across multiple jurisdictions

A common lesson in all cases was the limited time for executing the resolution actions and hence the need to undertake sufficient preparatory work and coordination between authorities.

### **3. Insurance resolution**

#### **3.1 Resolution regimes and resolution planning for insurers**

During the past year, two jurisdictions (the Netherlands<sup>25</sup> and Singapore<sup>26</sup>) introduced or strengthened resolution regimes for insurers. In the US, there are no longer any insurers designated by the Financial Stability Oversight Council (FSOC) for consolidated supervision and enhanced prudential standards. However, a number of jurisdictions have continued to identify systemically important insurers for purposes of recovery and resolution planning, and conduct recovery and resolution planning for other insurers.<sup>27</sup> Authorities have in place CMGs, CoAgs or other information sharing arrangements for these institutions and for the G-SIIs.

#### **3.2 Resolvability in the insurance sector**

The 2019 resolvability monitoring exercise highlighted challenges in resolution stemming from internal interconnectedness and funding in resolution. The FSB's Cross-Border Crisis Management Working Group for insurance (iCBCM) is focusing on relevant elements of these topics. Work on internal interconnectedness covers intragroup funding (shareholding, debt), intragroup reinsurance, centralised cash pooling, intragroup guarantees, tax interconnections, operational interconnections (including shared service centres, service level agreements, organisational and human resources structures). The iCBCM's work on resolution funding notably encompasses temporary sources of funding (expectations on insurers, private and public sources of funding), set-up of a resolution fund (including financing, administrative features, and interactions with any existing policyholder protection schemes), and information sharing and communications.

#### **3.3 Pilot assessment using the draft Key Attributes Assessment Methodology for the insurance sector**

The Key Attributes Assessment Methodology for the Insurance Sector (Insurance KAAM) will be used by IMF assessment teams as part of Financial Sector Assessment Programs (FSAPs) to assess jurisdictions' insurance regimes. The draft KAAM has been tested in an IMF FSAP pilot assessment and is being reviewed in light of the lessons from the assessment. The FSB will finalise the Insurance KAAM in late 2019 and plans to publish a final version in 2020.

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<sup>25</sup> FSB (2019) [Public Disclosures on Resolution Planning and Resolvability](#), June.

<sup>26</sup> The Act on the recovery and resolution of insurers took effect on 1 January 2019.

<sup>27</sup> The MAS (Amendment) Act 2017, which came into effect on 26 October 2018, introduced additional powers and tools to enhance Singapore's resolution regime. These included enhancements relating to recovery and resolution planning, temporary stays on early termination rights, statutory bail-in, cross-border recognition, creditor compensation framework and resolution funding arrangements.

<sup>28</sup> The FSB, in consultation with the International Association of Insurance Supervisors (IAIS) and national authorities, published a list of G-SIIs in November 2016. Since 2017 the FSB, in consultation with the IAIS and national authorities, has decided not to engage in an identification of G-SIIs. See FSB (2018) [FSB welcomes IAIS proposed insurance systemic risk framework and decides not to engage in an identification of G-SIIs in 2018](#), November.

## **4. Monitoring implementation and evaluating the effects of reforms**

### **4.1 Thematic peer review on bank resolution planning**

In April 2019, the FSB published the Thematic Review, which found that resolution planning frameworks have been adopted in most, but not all, FSB jurisdictions, and that notwithstanding the progress made to date, important work remains to ensure resolution plans can be fully put into effect. The report recommends authorities consider how to adapt existing FSB guidance to D-SIBs and other banks, and that ReSG undertake further work to support resolution planning for banks other than G-SIBs and to enhance cross-border cooperation and information sharing for resolution planning purposes.

### **4.2 FSB Members' commitment to undergo compliance assessments**

In July 2017, the IMF and World Bank endorsed the inclusion, in the Standards & Codes Initiative, of the KAs as they apply to bank resolution regimes, for the purpose of undertaking assessments and preparing Reports on the Observance of Standards and Codes (ROSCs).

The commitment of FSB members to “undergo a Key Attributes assessment by the IMF-World Bank for the banking sector and publish the findings” has been included in FSB resolution progress reports since 2016, when the KA assessment methodology was finalised. However, no such formal assessments for the banking sector have taken place to date. A formal assessment of compliance is voluntary. However, there is an expectation that FSB jurisdictions will lead by example in implementing international financial standards and disclosing their level of adherence. The decision about whether to conduct such an assessment will continue to be by agreement between IMF and World Bank staff and the authorities, taking into account the overall priorities of the FSAP.

### **4.3 Evaluation of effects of TBTF reforms**

In May 2019, the FSB initiated the evaluation of the effects of the too-big-to-fail (TBTF) reforms for systemically important banks (SIBs). The aim is to determine whether the reforms are achieving their intended objectives, and to identify any material unintended consequences that may have to be addressed, without compromising on the reforms' objectives.

The evaluation also includes an assessment of the extent to which resolution reforms have enhanced authorities' ability to resolve SIBs in an orderly manner, without exposing taxpayers to loss, while maintaining continuity of vital economic functions. It also assesses the extent to which reform-induced changes in SIBs' structures and activities have impacted overall financial system resilience and structure, financial market functioning, global financial integration (including issues related to market fragmentation), or the cost and availability of financing.

The FSB has conducted outreach on this topic through workshops with relevant stakeholders and through a call for public feedback.<sup>28</sup> A draft report will be issued for public consultation in June 2020, and the final report will be published in late 2020.

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<sup>28</sup> See FSB (2019) [FSB launches evaluation of too-big-to-fail reforms and invites feedback from stakeholders](#), May.



#### 4.4 Market fragmentation

The *FSB Report on Market Fragmentation* stated the need for authorities to strengthen their understanding of approaches in home and host jurisdictions towards pre-positioning. The FSB has taken forward work on this issue through the review of the technical implementation of its TLAC Standard. The FSB also held a workshop on 26 September 2019 in Philadelphia to engage with industry representatives, academics, and other stakeholders to explore the impact of those requirements on the funding practices, capital structure, and organisation of large, internationally-active financial institutions and the way they conduct their business.

Workshop participants reflected on possible approaches taken by authorities and financial institutions to ensure sufficient pre-positioning of resources while reducing incentives for disproportionate pre-positioning, and to provide incentives for greater coordination in times of stress. These include approaches to improve cross-border supervisory and regulatory cooperation; generate and share better information to give comfort to both home and host authorities; and effectively deploy resources held elsewhere in the group to where they are needed in stress. Further work will continue on these issues, including going-concern requirements and those related to resolution.

The FSB has reported to G20 Ministers and Governors on the progress in its work on market fragmentation.<sup>29</sup>

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<sup>29</sup> FSB (2019) [Updates on the Work on Market Fragmentation](#), October.

## 5. Summary of actions and timelines

I. CENTRAL COUNTERPARTIES (CCPS)		
Action	Responsible	Completion by
<p>Conduct resolution planning consistent with the expectations set out in the <i>Guidance on CCP Resolution and Resolution Planning</i></p> <p>Establish CMGs for CCPs that are systemically important in more than one jurisdiction (including the home jurisdiction)</p> <p>Adopt institution-specific cooperation agreements (CoAgs)</p> <p>Launch a process of resolvability assessments and resolution planning.</p>	CCP home and host authorities for CCPs that are systemically important in more than one jurisdiction (SI>1 CCP)	<p>Consistent with the agreed timeline<sup>30</sup></p> <p>Report (as part of the 2020 Resolution Report) on the status of (i) resolution planning; and (ii) the process of resolvability assessments (RAP)</p>
Review the SI>1 CCP list	CCP home and host authorities, CPMI, IOSCO	2020
Conduct an evaluation of the adequacy of financial resources to support CCP resolution, and of the treatment of CCP equity in resolution, on the basis of the draft guidance.	SI>1 CCP home and host authorities	Q3 2020
Conduct a first RAP (including an evaluation of the adequacy of financial resources to support CCP resolution, and of the treatment of CCP equity in resolution, on the basis of the final guidance)	SI>1 CCP home and host authorities	2021
Drawing on feedback from CCP home authorities and CMGs and responses to the consultation on the discussion paper, develop evidence-based further guidance on financial resources to support resolution, including in particular also addressing non-default loss resolution scenarios; and on the treatment of CCP equity in resolution.	FSB (ReSG fmiCBCM) in consultation with CPMI-IOSCO	<p>Public consultation in H1 2020</p> <p>Final guidance in Q4 2020</p>

<sup>30</sup> See Textbox p. 4.

II. GLOBAL SYSTEMICALLY IMPORTANT BANKS (G-SIBS)		
Action	Responsible	Completion by
<b>Total Loss-absorbing Capacity (TLAC) Standard Implementation<sup>31</sup></b>		
Monitor implementation of the TLAC standard and issuance of TLAC instruments on the basis of public disclosures of external and internal TLAC by G-SIBs, and surveys of authorities' regulatory reforms and policies; as part of this, consider the impact in jurisdictions with high concentrations of foreign bank ownership and large presence of G-SIB subsidiaries. The FSB will report its findings annually in its Resolution Report.	FSB (ReSG), BCBS G-SIB home and host authorities within CMGs	Report by end-2020  (as part of the 2020 Resolution Report)
Take stock of the range of practices of authorities and CMGs in implementing the TLAC Standard and address any identified technical issues (considering, as appropriate, if any further guidance is needed) with particular focus on:  (i) pre-positioning of internal TLAC at MSGs within G-SIB groups and the process of home and host authorities' coordination in calibrating internal TLAC;  (ii) management of non-pre-positioned TLAC resources and effective arrangements or mechanisms that ensure that these resources can be available to support MSGs when they reach the point of non-viability;  (iii) design features of TLAC instruments (triggers, call features) and ranking in the creditor hierarchy, and authorities' approaches as regards the review of TLAC-eligibility of instruments;  (iv) monitoring how resolution authorities examine that the conditions set out in the TLAC Standard for applying the exceptions to subordination and eligibility requirements are met.	ReSG bankCBCM	By end 2020
Consider any technical issues relating to the bail-inability of TLAC instruments arising from the format of issuance (i.e. direct vs. indirect issuance),	ReSG bankCBCM	End 2020

<sup>31</sup> The actions reflected here are those included in the [Review of the Technical Implementation of the TLAC Standard of 2 July 2019](#).

issuance under third country law and securities law issues.		
Meet a TLAC of at least 18% RWA and 6.75% of the Basel III LRE.	(non-EME) G-SIBs designated before the end of 2015	January 2022
	EME G-SIBs designated before the end of 2015	January 2028 (at the latest)
Meet a TLAC Minimum of at least 16% RWA and 6% of the Basel III LRE.	EME G-SIBs designated before the end of 2015	January 2025 (at the latest)
<b>Resolution planning and resolvability</b>		
Review the RAP and underlying template to promote adequate and consistent reporting on G-SIBs resolvability (including to ensure that CMGs consider as part of their resolvability assessments for each G-SIB the TLAC requirement, quantity and quality and group distribution of internal TLAC, and evaluate whether and how authorities could consider any potential fragmentary effects as part of resolvability discussions within CMGs). <sup>32</sup>	ReSG bankCBCM	End 2019 (conduct 'test run' in 2020 and complete end-2020 for use in 2021 RAP)
Conduct sixth RAP for G-SIBs on the basis of the existing template ( thereafter on the basis of the new template).	G-SIB home and host authorities in CMGs	Report of key findings (as part of the 2021 Resolution Report)
Take stock of mechanisms to operationalise bail-in execution and consider developing a practices paper.	ReSG bankCBCM FSB Members	2020 (development of a practices paper)
Support implementation of the continuity of access guidance through further engagement with FMI service providers and firms on information exchange and communication protocols (including between G-SIBs and FMIs, and between FMIs and resolution authorities).	ReSG bankCBCM FSB Members	2020

<sup>32</sup> See TLAC Review Recommendation 9.2.

Consider how resolution-related disclosures could be further enhanced.	ReSG bankCBCM	End 2019 (Report on the findings from the public consultation)
Monitor disclosures and determine whether further guidance is needed	ReSG bankCBCM	By end 2022
Consider how solvent wind-down planning for derivatives and trading portfolios could be further encouraged.	ReSG bankCBCM	End 2019 (Report on the findings from the public consultation)
Undertake work to support member authorities' resolution planning for banks other than G-SIBs that could be systemic in failure, reflecting their less complex nature and the potential need to tailor resolution planning in keeping with the principle of proportionality. ( <a href="#"><i>Recommendation of the FSB Thematic Peer Review on Bank Resolution Planning of 29 April 2019</i></a> )	ReSG bankCBCM	Workshop in 2020 on resolution planning for state-owned banks and cooperatives
<b>III. INSURANCE</b>		
<b>Action</b>	<b>Responsible</b>	<b>Completion by</b>
Update the 2019 resolvability monitoring in the insurance sector.	FSB members with material insurance operations as determined by authorities <sup>33</sup>	Report (as part of the 2020 resolution report) mid-2020
Undertake further work supporting resolution planning in addressing (i) challenges arising from intra-group interconnectedness issues; and (ii) funding in resolution.	FSB (ReSG iCBCM)	Status report (as part of the 2020 resolution report) 2020
Finalise the Key Attributes Assessment Methodology for the Insurance Sector for use in IMF and World Bank compliance assessments for insurers	FSB (ReSG iCBCM) in cooperation with the IMF and the World Bank and IAIS	By end-2019; (to be published in 2020)

<sup>33</sup> This is without prejudice to the high-level monitoring of implementation of the Key Attributes that is undertaken on an annual basis across all FSB jurisdictions.

IV. MONITORING IMPLEMENTATION AND EVALUATING THE EFFECTS OF REFORMS TO RESOLUTION REGIMES		
Action	Responsible	Completion by
Continue implementation monitoring on the basis of standardised templates for the bank and non-bank sectors.	FSB (SCSI/ReSG)	end-2020
Undergo a Key Attributes assessment by the IMF-World Bank for the banking sector and publish the findings.	FSB Members	Ongoing
Carry out an evaluation of the effects of TBTF reforms	FSB (dedicated working group in coordination with FSB Standing Committees, ReSG and relevant standard-setting bodies)	2020
Explore the potential role of the LEI in resolution (Recommendation of the <a href="#">FSB Thematic Review on Implementation of the Legal Entity Identifier of 28 May 2019</a> )	ReSG bankCBCM iCBCM fmiCBCM	2020 (report findings as part of 2020 Resolution Report)

## Annex 1: Status of implementation of aspects of bank resolution regimes by FSB jurisdictions as of September 2019

This table does not provide a full or independent assessment of the extent to which resolution regimes of FSB jurisdictions comply with the Key Attributes and does not reflect a judgement on whether national implementation is effective in achieving the outcomes that are intended under the Key Attributes. It is based on self-reporting by national authorities as regards the implementation of certain resolution tools as described in the Key Attributes are provided for in the legal frameworks and resolution regimes of FSB jurisdictions. The availability of such powers, as indicated in the table, should not lead to the conclusion that resolution will necessarily be effective, nor does the absence of such powers necessarily mean that a jurisdiction will not be able to achieve an effective resolution.

FSB Jurisdiction	Powers to transfer or sell assets and liabilities	Powers to establish a temporary bridge institution	Powers to write down and convert liabilities (bail-in)	Power to impose temporary stay on early termination rights	Resolution powers in relation to holding companies	Recovery planning for systemic firms	Resolution planning for systemic firms	Powers to require changes to firms' structure and operations to improve resolvability
Argentina								1
Australia							(B)	
Brazil		(B)	(B)	(B)				<sup>1</sup> (B)
Canada					2			
China							3	1
France								
Germany								
Hong Kong								
India	4							

FSB Jurisdiction	Powers to transfer or sell assets and liabilities	Powers to establish a temporary bridge institution	Powers to write down and convert liabilities (bail-in)	Power to impose temporary stay on early termination rights	Resolution powers in relation to holding companies	Recovery planning for systemic firms	Resolution planning for systemic firms	Powers to require changes to firms' structure and operations to improve resolvability
Indonesia								1
Italy								
Japan			5					
Korea			(B)	(B)		(B)	(B)	1
Mexico								1
Netherlands								
Russia					(B)			
Saudi Arabia	(B)	(B)	(B)	(B)	<sup>2</sup> (B)	(B)	(B)	<sup>1</sup> (B)
Singapore			(B)					
South Africa	(B)	(B)	(B)	(B)	(B)	(B)	(B)	(B)
Spain								
Switzerland								
Turkey		(B)	(B)	(B)		(B)	(B)	(B)
United Kingdom								
United States								



Current status of implementation	
	Implemented
	Partially implemented (all elements in the KA provision are satisfied but powers/requirements can be exercised only in limited circumstances)
	Not implemented (some or all of the elements in the KA provision are not satisfied)
	Not applicable
Cells highlighted in bold indicate colour change from the 2018 report.	

Status of any pending reforms	
<b>A</b>	Reforms agreed (final legislation or rule approved) but not yet in force
<b>B</b>	Reforms under development (policy proposals published or issued for intra-governmental consultation; draft legislation submitted to legislative body or rule-making process initiated under existing statutory authority)

- <sup>1</sup> Supervisory authorities have some powers to require supervised institutions to make changes to their business organisation and legal structure, but the purposes for and circumstances under which authorities can exercise such powers vary.
- <sup>2</sup> Bank holding companies not present in the jurisdiction.
- <sup>3</sup> The jurisdiction is developing resolution plans only for G-SIBs, and intends to do so for D-SIBs once these are identified.
- <sup>4</sup> The Banking Regulation Act's relevant powers do not extend to state-owned banks.
- <sup>5</sup> The Japanese authorities report that they are able to achieve the economic objectives of bail-in by capitalising a bridge institution to which functions have been transferred and by liquidating the residual firm via powers to separate assets and liabilities of a failed institution. However, it is not clear that the recapitalisation is achieved by converting claims of creditors of the failed institution into equity of that institution or of any successor in resolution as required by KA 3.5 (ii).

## Notes

The columns in this table cover the following elements of the *Key Attributes*:

- Resolution powers: KA 3.2, points (vi), (vii), (ix) and (x);
- Power to impose temporary stay on early termination rights: KA 4.3 (first paragraph) and 4.3 (i);
- Resolution powers in relation to holding companies: KA 1.1 (i);
- Recovery and resolution planning for systemic firms (requirements and/or current practice): KA 11.2;
- Powers to require changes to improve firms' resolvability: KA 10.5.

## Annex 2: Rules, regulations and guidance relevant to G-SIB resolvability

Jurisdiction		TLAC	Early termination of financial contracts		Operational continuity	Funding in resolution	Continuity of Access to FMIs	Valuation capability
Banking Union	France	Final rules on external and internal TLAC published in <a href="#">June 2019</a>	EU rules - Directive (EU) 2019/879 of 20 May 2019 (BRRD2)	Regulation published in December 2017	SRB Guidance on the Critical Functions Report, <a href="#">December 2018</a>  European Commission Implementing Regulation (EU) 2018/1624 of <a href="#">October 2018</a>	Regulation (EU) 806/2014 of 15 July 2014 (SRMR)  Terms of reference for the common backstop to the Single Resolution Fund, endorsed in <a href="#">December 2018</a>	SRB 2019 Guidance on the FMI Report, <a href="#">December 2018</a>	SRB Framework for Valuation, <a href="#">February 2019</a>  EBA Valuation Handbook, <a href="#">February 2019</a>  EBA Regulatory Technical Standards for Valuation in Resolution, <a href="#">May 2017</a>
	Germany			Regulation published in <a href="#">November 2015</a>				
	Italy			Regulation published in <a href="#">January 2018</a>				
	Netherlands			-				
	Spain			-				

Canada	Final guidelines published in April 2018 <a href="http://www.osfi-bsif.gc.ca/eng/osfi-bsif/med/Pages/tlac_nr2018.aspx">http://www.osfi-bsif.gc.ca/eng/osfi-bsif/med/Pages/tlac_nr2018.aspx</a>	Rule in force under the CDIC Act since December 2017.  Potential measures to support cross-border enforceability of stays under consideration.	<p>CDIC Resolution Planning By-Law (CIF May 2019): <a href="https://laws-lois.justice.gc.ca/eng/regulations/SOR-2019-138/index.html">https://laws-lois.justice.gc.ca/eng/regulations/SOR-2019-138/index.html</a></p> <p>CDIC Resolution Planning Guidance issued in 2016 <a href="https://www.cdic.ca/wp-content/uploads/summary-cdic-resolution-plan-guidance.pdf">https://www.cdic.ca/wp-content/uploads/summary-cdic-resolution-plan-guidance.pdf</a></p> <p>Resolvability Assessment Framework issued in 2019 (not available online)</p>			
China	Regulation under construction		Commercial Banking Law of the People's Republic of China (Aug. 2015)  Deposit Insurance Regulations of the People's Republic of China (Mar. 2015)	Deposit Insurance Regulations of the People's Republic of China (Mar. 2015)  Law of the People's Republic of China on the People's Bank of China (Dec. 2003)		Guidelines on Due Diligence in Disposing of Non-Performing Financial Assets (Nov. 2005)
Hong Kong	Final rules on external and internal TLAC published in <a href="#">December 2018</a>	Rules under development in 2019	Guidance under development in 2019			
Japan	Final policy on external and internal TLAC published in <a href="#">March 2019</a>	Regulation published April 2017	Supervisory guidelines on operational continuity in resolution published in July 2018	Final guidelines published in July 2018	Final guidelines published in July 2018	

Switzerland	Final requirements published in <a href="#">October 2015</a>	Final requirements published in <a href="#">March 2017</a>	Requirements published in <a href="#">Banking Act</a> and <a href="#">Banking Ordinance</a>	Central Bank ELA ( <a href="#">SNB Guideline</a> ) Guidance under development in 2019		
United Kingdom	Policy statement (external, internal TLAC) published in <a href="#">June 2018</a>	Policy statement published in <a href="#">November 2015</a>	Policy statement published in <a href="#">July 2016</a> Resolvability Assessment Framework Consultation, <a href="#">December 2018</a>	Resolvability Assessment Framework, <a href="#">July 2019</a>	Resolvability Assessment Framework, <a href="#">July 2019</a>	Policy statement published in <a href="#">June 2018</a>
United States	Final rule (external, internal TLAC) published in <a href="#">December 2016</a> Joint Notice of Proposed Rulemaking regarding regulatory capital treatment for the purposes of meeting minimum TLAC capital treatment, <a href="#">April 2019</a>	Final rule published in <a href="#">September 2017</a>	Final Guidance for 2019 and subsequent resolution plan submissions by 8 US G-SIBs, <a href="#">February 2019</a>			

### Annex 3: Status of implementation of aspects of insurance resolution regimes by FSB jurisdictions as of September 2019

This table does not provide a full or independent assessment of the extent to which resolution regimes of FSB jurisdictions comply with the Key Attributes and does not reflect a judgement on whether national implementation is effective in achieving the outcomes that are intended under the Key Attributes. It is based on self-reporting by national authorities as regards the implementation of certain resolution tools as described in the Key Attributes are provided for in the legal frameworks and resolution regimes of FSB jurisdictions. The availability of such powers, as indicated in the table, should not lead to the conclusion that resolution will necessarily be effective, nor does the absence of such powers necessarily mean that a jurisdiction will not be able to achieve an effective resolution.

FSB Jurisdiction	Existence of administrative resolution authority	Powers to undertake a transfer (including a portfolio transfer)	Powers to establish a temporary bridge institution	Powers to administer existing insurance contracts and fulfil obligations (including run-off)	Power to impose temporary stay on early termination rights	Powers to restructure, limit or write down insurance and reinsurance and other liabilities	Existence of privately-financed policyholder protection schemes or resolution funds
Argentina							
Australia							
Brazil		(B)	(B)			(B)	
Canada							
China							
France						1	
Germany					2	2	
Hong Kong							
India							

<b>FSB Jurisdiction</b>	<b>Existence of administrative resolution authority</b>	<b>Powers to undertake a transfer (including a portfolio transfer)</b>	<b>Powers to establish a temporary bridge institution</b>	<b>Powers to administer existing insurance contracts and fulfil obligations (including run- off)</b>	<b>Power to impose temporary stay on early termination rights</b>	<b>Powers to restructure, limit or write down insurance and reinsurance and other liabilities</b>	<b>Existence of privately- financed policyholder protection schemes or resolution funds</b>
<b>Indonesia</b>							
<b>Italy</b>							
<b>Japan</b>							
<b>Korea</b>							
<b>Mexico</b>							
<b>Netherlands</b>				6	6	6	
<b>Russia</b>							
<b>Saudi Arabia</b>	(B)	(B)	(B)	(B)	(B)	(B)	(B)
<b>Singapore</b>						(B)	
<b>South Africa</b>	(B)	(B)	(B)	(B)	(B)	(B)	
<b>Spain</b>							
<b>Switzerland</b>		3	<sup>4</sup> (B)		<sup>4</sup> (B)	<sup>4</sup> (B)	
<b>Turkey</b>					(B)		
<b>United Kingdom</b>		5		5		5	
<b>United States</b>							

Current status of implementation	
	Implemented
	Partially implemented (all elements in the KA provision are satisfied but powers/requirements can be exercised only in limited circumstances)
	Not implemented (some or all of the elements in the KA provision are not satisfied)
Cells highlighted in bold indicate a colour change from the 2018 report.	

Status of any pending reforms	
<b>A</b>	Reforms agreed (final legislation or rule approved) but not yet in force
<b>B</b>	Reforms under development (policy proposals published or issued for intra-governmental consultation; draft legislation submitted to legislative body or rule-making process initiated under existing statutory authority)

- <sup>1</sup> The framework provides for a broad set of new resolution tools, such as transfers of assets and liabilities, and bridge institutions, but does not include a bail-in tool. Although it is understood that there are no legal constraints under the French constitution that would hinder the introduction of bail-in powers, legal uncertainty may emanate from the lack of specific exemptions set out in EU law that could subsequently be exploited by creditors in legal challenges when bail-in powers are applied. (See IMF (2019) [\*France : Financial Sector Assessment Program-Technical Note-Key Attributes of Effective Resolution Regimes for Insurance Companies\*](#), October.)
- <sup>2</sup> The power is currently only exercisable if a company can no longer fulfil its liabilities but the opening of insolvency proceedings is not in the best interest of the policy holders.
- <sup>3</sup> The Insurance Supervision Act provides currently the legal basis to transfer portfolios in direct insurance. The Swiss government is currently drafting an amendment to the resolution regime of insurers, which will include the resolution powers to transfer also reinsurance portfolios. The public consultation phase with an explicit draft of the new Code was published in [November 2018](#). An entry into force can be expected in 2020 at the earliest.
- <sup>4</sup> The Swiss government is currently drafting an amendment to the resolution regime of insurers, which will include the resolution powers that are currently missing. The public consultation phase with an explicit draft of the new Code was published in [November 2018](#). An entry into force can be expected in 2020 at the earliest.
- <sup>5</sup> The authorities of the United Kingdom report that non-administrative resolution authorities (the Prudential Regulation Authority and the court) have these powers.
- <sup>6</sup> As of 1 January 2019, a [new national resolution framework](#) is in place. The Act introduces recovery planning for all Dutch insurers that are required to comply with Solvency II, and introduces resolution planning for insurance companies that could be eligible for resolution. Eligibility is determined by a public interest test. Insurers pass the test when resolution can prevent significant negative effects for the economy, financial markets or society, or protects public funds, in case of a failure. This creates a broader scope than the G-SII determination process and results in more eligible insurers. The resolution tools and resolution planning requirements are inspired by the BRRD, although the practical implications differ substantially for insurers.



## **Notes**

The columns in this table cover the following elements of the *Key Attributes*:

- Administrative resolution authority: KA 2.1
- Resolution powers: KA 3.2, points (iii), (vi), (vii) and (x); KA3.7, points (i) and (ii); Appendix II-Annex 2, paragraph 4.4
- Power to impose temporary stay on early termination rights: KA 4.3 (first paragraph) and 4.3 (i)
- Privately-financed policyholder protection scheme (PPS): Appendix II-Annex 2, paragraph 6.1

## Abbreviations

BCBS	Basel Committee on Banking Supervision
BRRD	Bank Recovery and Resolution Directive (EU)
bankCBCM	FSB Cross-Border Crisis Management Working Group for banks
CCPs	Central Counterparties
CET1	Common Equity Tier 1
CMG	Crisis Management Group
CoAgs	Cross-border Cooperation Agreements
CPMI	Committee on Payments and Market Infrastructures
EME	Emerging Market Economy
EU	European Union
FMIs	Financial Market Infrastructures
FSAP	Financial Sector Assessment Program
FSB	Financial Stability Board
G-SIBs	Global Systemically Important Banks
G-SIIs	Global Systemically Important Insurers
fmiCBCM	FSB Cross-Border Crisis Management Working Group for FMIs
IADI	International Association of Deposit Insurers
IAIS	International Association of Insurance Supervisors
iCBCM	FSB Cross-Border Crisis Management Working Group for insurance
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
ISDA	International Swaps and Derivatives Association
JMP	Jurisdictional Modular Protocol (ISDA)
KA	Key Attributes
LRE	Leverage Ratio Denominator
MIS	Management Information Systems
MREL	Minimum Requirement for own funds and Eligible Liabilities (EU)
NCWOL	No Creditor Worse Off than in Liquidation
OTC	Over-The-Counter (derivatives)
PFMIs	Principles for Financial Market Infrastructures (CPMI-IOSCO)
PPS	Policyholder Protection Scheme
RAP	Resolvability Assessment Process

ReSG	FSB Resolution Steering Group
RCG	Regional Consultative Group
ROSC	Reports on the Observance of Standards and Codes
RWA	Risk-Weighted Assets
SIFIs	Systemically Important Financial Institutions
SI>1	CCP that is systemically important in more than one jurisdiction
TLAC	Total Loss-Absorbing Capacity