# Press release

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## FSB welcomes extension of industry initiative to promote orderly cross-border resolution of G-SIBs

The Financial Stability Board (FSB) welcomes the announcement today by ISDA,[1] SIFMA,[2] ICMA[3] and ISLA[4] of the execution by 21 global systemically important banks (G-SIBs) of a revised ISDA Resolution Stay Protocol (the "Protocol"). The Protocol builds on the version developed in 2014, which focused on amending ISDA Master Agreements for over-the-counter (OTC) bilateral derivatives to improve the effectiveness of cross-border resolution actions. The coverage of the Protocol has now been extended to securities finance transaction master agreements.[5]

Under the Protocol, counterparties agree to the cross-border enforceability of existing statutory stays on resolution-related early termination and other default rights in OTC bilateral derivatives contracts and securities financing agreements. This facilitates an orderly resolution of a G-SIB in a manner that treats domestic and foreign counterparties similarly, while helping to ensure continuity of critical functions and minimising the wider impact on the market.

An initial set of 18 G-SIBs and other large dealer banks adhered to the 2014 protocol covering OTC bilateral derivatives in November 2014. The FSB subsequently called on all G-SIBs and other firms with significant derivatives exposures to adhere to the protocol by the end of 2015, and requested that such contractual terms be incorporated into other financial contracts with resolution-related termination features rights. FSB members also committed to support the adherence process through regulatory or supervisory actions.

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[1] The International Swaps and Derivatives Association
[2] Securities Industry and Financial Markets Association
[3] International Capital Market Association
[4] International Securities Lending Association
[5] The ISDA press release announcing the protocol is available at http://www2.isda.org/attachment/ODAwNQ==/Resolution%20Stay%20Protocol%20relaunch%20FINAL.pdf

Today's announcement marks a milestone, with the Protocol having been extended to cover securities financing agreements and an additional four G-SIBs having adhered to the revised Protocol.

A number of FSB member jurisdictions are in the process of finalising regulations and supervisory measures that will require non-bank counterparties of G-SIBs to trade on similar terms, thereby limiting the potential for arbitrage within the market and ensuring greater stability at the point of resolution. In anticipation of such regulations, the industry is developing a mechanism for non-bank counterparties to adhere to similar terms which is expected to be launched in 2016.

Mark Carney, Chair of the FSB, stated that "Since the financial crisis, regulators around the world have improved the resilience of firms but we must ensure that if a firm fails in the future it happens in an orderly way without taxpayers footing the bill and without major disruption to the wider financial system. The financial crisis exposed critical obstacles to cross-border resolution that complicated authorities' ability to stem contagion across the global financial system. The Protocol closes off much of the cross-border close-out risk that statutory stays have not been able to eliminate because their reach is limited to national borders. I am particularly pleased to see that all sectors of the industry are working together to find a solution to this issue."

As a result of the extension of the Protocol to securities financing transactions and its adoption by G-SIBs, it is estimated that more than $560bn of cross-border securities financing activity that could previously have been terminated at the point of resolution will be subject to the stay regimes of relevant G-SIB home jurisdictions.

**Notes to editors**

The FSB's report to the G20 on *Progress and Next Steps Towards Ending "Too-Big-To-Fail" (TBTF Report)* of September 2013 set out the further actions required from the G20, the FSB and other international bodies to complete the policy initiative to end "too-big-to-fail". It identified uncertainties about the cross-border effectiveness of resolution measures as an important impediment to cross-border resolution.

At the St. Petersburg Summit in 2013, the G20 committed to undertake the necessary actions to remove obstacles to cross-border resolution and asked the FSB to "develop policy proposals on how legal certainty in cross-border resolution can be further enhanced". In response to that request, the FSB published a consultative paper in November 2014 and, on 3 November 2015, the final version of Principles for Cross-border Effectiveness of Resolution Actions, which set out statutory and contractual mechanisms that jurisdictions should consider including in their legal frameworks to give cross-border effect to resolution actions in accordance with the *Key Attributes*. As part of this work, the FSB encouraged the development of the original ISDA protocol, to 18 G-SIBs, which was announced in October 2014 and which has been extended today. Industry initiatives of the kind announced today are consistent with those proposals and, together with the other policy measures adopted by the FSB, will enhance the predictability and likely success of resolving a cross-border institution.

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 also conducts outreach with 65 other jurisdictions through its six regional consultative groups.

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.fsb.org.