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Principles on Bail-in Execution
Consultative Document dated 30 November 2017

Dear Sirs:

Credit Suisse welcomes the opportunity to comment on the Financial Stability Board's (FSB) proposed Principles on Bail-in Execution. Credit Suisse is a longstanding supporter of efforts to put in place credible G-SIB resolution strategies and ending Too-Big-To-Fail. Since 2015 Credit Suisse Group is an active issuer of bail-in debt in the market and is well on track to meet the Swiss Too-Big-To-Fail TLAC requirements, which are one of the toughest in the world.

The Swiss resolution regime was designed to make bail-in execution fast, enforceable and once executed finite, without the possibility to reverse a bail-in through legal challenge. Playbooks on bail-in execution have been established which among other aspects cover the exchange mechanics and the operational steps required to execute a bail-in. Any FSB guidance on bail-in execution needs to respect national regimes, which have already been implemented and comply with the Key Attributes of Effective Resolution Regimes for Financial Institutions, as published by the FSB on October 15, 2014.

In regard to the FSB consultation document this letter relates to, Credit Suisse has provided comments through the Institute of International Finance. We would like however to take this opportunity to emphasise the following points:

We ask the FSB to clarify at the outset of the guidance that the proposed Principles on Bail-in Execution shall not override existing regimes. They should merely serve as guidance to regimes which are in development and shall be handled flexibly to accommodate national law and existing market practise. For example, we do not see the principles being applicable to the US resolution regime, which is enforcing bail-in through a bridge bank strategy where existing processes are well established. Similarly, we do not see these proposed principles to be fully applicable to the Swiss resolution system, which was designed to enable bail-in execution over a "weekend".

Principle 3:

Some clarification that the information requirement covers the bail-inable liabilities under the preferred resolution strategy, which are issued to the market would be welcome. Overall, we think that regulators should make every effort to exploit existing sources of information and avoid duplication. The banks have in recent years invested significant resources building out their management information capabilities and this should be exploited to its full potential. We also think that the guidance should not specify reporting requirements under a specific GAAP, but rather clarify that the information for each G-SIB should be available under the relevant Group accounting / reporting standard.

Principle 4:

To avoid conflicting requirements, Principle 4 should clarify that it only applies to banking groups which are not subject to Pillar 3 disclosure on TLAC.
It addition, it would be beneficial to establish a protocol for regulators to communicate at the outset of resolution which liabilities will be subject to bail-in and which are not. This would in our view reduce the risk of runs and help stabilise the bank.

Principles 5 and 6:

In line with our general remark on the proposed guidance on Bail-in Execution, it seems that the focus on appointing a "valuer" stems from the implementation of the EU resolution regime, which specifically requires that an external valuer is performing the relevant valuations.

First and foremost, the relevant resolution authority needs to have the required information available, when it comes to the PONV determination and the required bail-in amount to work through a G-SIB resolution. The Swiss bail-in regime does not envisage that a valuer is appointed. However, the Swiss resolution authority requires the banks to maintain certain valuation capabilities, which would be the basis of a PONV determination and the calculation of the required recapitalization amount. Similarly, the UK Solvent Wind Down analysis which certain banks in the UK need to perform, is based on the bank's own determination of an exit strategy and the banks own model to value the exit costs and the associated capital and liquidity position. The US resolution plan requires the calculation of RCAP / RCEN and RLAP / RLEN by the bank and based on its own models as the basis of a PONV determination and the calculation of the required capital and liquidity to execute on the resolution strategy.

To protect the resolution authorities from compensation claims, we recognise the benefit of involving an external valuer for the no creditor worse off than in liquidation (NCWOL) test. We envisage that such valuer would confirm that the methodology, the process and the material assumptions used in the NCWOL valuation had been prudent and are in line with market practise, but not run the valuation itself. This confirmation process however can be done post bail-in and it does not hinder or slow down the resolution process.

Furthermore, it might be worthwhile to specify that host regulators should use materially the same assumptions and methodology as applied by the home regulator for the group, when valuations for a Material Legal Entity need to be performed. In particular the assumptions should be tailored to the resolution strat-

egy and should reflect the time horizon over which assets might be disposed to reflect true economic value.

Following on from the points raised above, we would also want to emphasise the progress which needs made in regard to international cooperation and recognition of resolution actions. The Key Attributes require jurisdictions to provide for transparent and expedited processes to give effect to foreign resolution measures, either by way of a mutual recognition process or by taking measures under the domestic resolution regime that support and are consistent with the resolution measures taken by the foreign home resolution authority. Unfortunately, implementation of this requirement is still lagging behind. As a consequence, the burden has been transferred to firms for e.g. Firms are required to include bail-in acknowledgement clauses in financial contracts and to adhere to protocols provided by the International Swaps and Derivatives Association ("ISDA") to ensure that bail-in will be enforceable in a cross-border situation. Had the mutual recognition process been more successful, it would have meant that all the resolution powers and rights granted to the resolution authorities, such as bail-in, are effectively applicable and enforceable according to the laws and the regulations of the host countries and firms would not have to do remediate financial contracts multiple times!

The Financial Stability Board has laid with its Key Attributes of Effective Resolution Regimes for Financial Institutions the foundation to solve Too-Big-To-Fail. Since than national resolution regimes adopted the Key Attributes and proceeded to build credible resolution regimes. Each of them works slightly differently and is aligned to the national legal framework. However all of them follow the Financial Stability Board's Key Attributes. Any new FSB guidance or principles need to recognize the national differences and need to provide enough flexibility not to undermine what has been achieved so far. We would be happy to discuss our perspective more fully with FSB staff if this would be helpful, and appreciate the opportunity to comment on this consultation.

In case of any queries or questions on our comments, please do not hesitate to contact us.

Yours sincerely

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cc: FINMA