FSB FINANCIAL STABILITY BOARD

6 June 2018

Monitoring the Technical Implementation of the FSB Total Loss-absorbing Capacity (TLAC) Standard

Call for public feedback

The FSB is inviting interested parties to submit views and evidence on the technical implementation of its standard on the adequacy of total loss-absorbing and recapitalisation capacity for Global Systemically Important Banks (G-SIBs) in resolution ('the TLAC standard').

The submitted views and evidence should help inform the FSB's examination of whether the implementation of the TLAC standard is proceeding in a manner consistent with the TLAC principles and Term Sheet. The FSB will report on the results of its monitoring by the time of the G20 Summit in June 2019.

Responses on the issues identified in this document should sent to fsb@fsb.org by 20 August 2018. Responses will be published on the FSB's website unless respondents expressly request otherwise.

Background

In November 2015 the FSB issued a new standard on the adequacy of total loss-absorbing and recapitalisation capacity for Global Systemically Important Banks (G-SIBs) in resolution ('the TLAC standard').[1] The TLAC standard comprises a set of principles and a Term Sheet (TS) that implements those principles. It defines a minimum requirement for the instruments and liabilities that should be readily available for bail-in within resolution at G-SIBs. It has been designed so that failing G-SIBs will have sufficient loss-absorbing and recapitalisation capacity available in resolution for authorities to implement an orderly resolution that minimises impacts on financial stability, maintains the continuity of critical functions, and avoids exposing public funds to loss.

G-SIBs are expected to meet a Minimum TLAC requirement of at least 16% of the resolution group's risk-weighted assets (TLAC RWA Minimum) as from 1 January 2019 and at least 18% as from 1 January 2022. Minimum TLAC should also be at least 6% of the Basel III leverage

[1] See *Principles on Loss-absorbing and Recapitalisation of G-SIBs in Resolution" and "Total Loss-absorbing Capacity (TLAC) Term Sheet* (http://www.fsb.org/wp-content/uploads/TLAC-Principles-and-Term-Sheet-for-publication-final.pdf), November 2015.

ratio denominator (TLAC Leverage Ratio Exposure (LRE) Minimum) as from 1 January 2019, and at least 6.75% as from 1 January 2022.

G-SIBs headquartered in emerging market economies are expected to meet the 16% RWA and 6% LRE Minimum TLAC requirement no later than 1 January 2025, and the 18% RWA and 6.75% LRE Minimum TLAC requirement no later than 1 January 2028.[2]

The TLAC standard provides that, by the end of 2019 the FSB will undertake a review of the technical implementation of the standard. The FSB will report on the results of the review by the time of the G20 Summit in 2019.

Objective

The objective of the review is to examine whether the implementation of the TLAC standard is proceeding in a manner consistent with the timelines and objectives[3] as set out in the TLAC standard (see Section 21 TS). It is acknowledged that the review is undertaken at a time when implementation is still ongoing and when full regulatory adoption is not yet achieved (nor expected) in most jurisdictions. The purpose of the review is to monitor implementation and identify any technical issues or operational challenges in the implementation of the standard. The review is not seeking views on the standard itself or any desired changes. There should be no expectation or assumption of changes to the TLAC standard as a result of the review. However, based on the findings from the review FSB members may consider the development of further implementation guidance.

The FSB is seeking views and evidence in particular on:

(1) the regulatory adoption of the TLAC principles and Term Sheet, including the relevant provisions of the Basel Committee standard on TLAC holdings and Pillar 3 disclosure requirements, through rules, regulations and policies in G-SIB home and relevant host jurisdictions;

(2) cross-border aspects of the implementation of the TLAC standard, in particular relating to the identification of material subgroups, the determination of internal TLAC requirements and trigger conditions and mechanism for internal TLAC;

(3) G-SIBs' issuance strategies and overall progress towards meeting external and internal TLAC requirements, including nature and composition of the issued TLAC-instruments and specific features (e.g., triggers) and level of public disclosures by each bank;

(4) distribution of TLAC instruments and liabilities in the market, including obstacles relating to issuance and holdings; and

[2] The conformance date can accelerate if, in the five years after the publication of the term sheet, the aggregate amount of the EME's financial and non-financial corporate debt securities or bonds outstanding (as measured using BIS statistics, excluding issuance by policy banks) exceeds 55% of the EME's GDP (as reported by the relevant national authorities).

[3] To "help achieve a level playing field internationally and to ensure that there is market confidence that each G-SIB has a minimum amount of loss absorbing capacity that would be available to absorb losses and recapitalise it in resolution" and "provide host authorities with confidence that there is sufficient loss absorbing and recapitalisation capacity available to subsidiaries in their jurisdiction with legal certainty at the point of entry into resolution." (Principles on Loss-absorbing and Recapitalisation Capacity).

(5) any technical issues, jurisdiction-specific circumstances or other material factors affecting or likely to affect the implementation of the TLAC standard.