

FSB 2018 Resolution Report: “Keeping the pressure up”

Seventh Report on the Implementation of Resolution Reforms

15 November 2018

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SEVENTH REPORT ON THE IMPLEMENTATION OF RESOLUTION REFORMS

OVERVIEW

Ten years later....

- Ten years ago Lehman Inc. failed. The financial crisis demonstrated that large financial institutions could not be resolved in a manner that maintained the continuity of critical functions and without exposing taxpayers to the risk of loss. The largest financial institutions were therefore considered to be “too-big-to-fail” (TBTF).
- The progress made over the past decade is significant: FSB members developed a framework and a set of policy measures to reduce the moral hazard risks posed by systemically important financial institutions (SIFIs),¹ including an international standard for resolution, *Key attributes of effective resolution regimes for financial institutions*² (the Key Attributes, or KAs).
- Jurisdictions have undertaken substantial reforms to help end TBTF.³ Implementation is most advanced in the banking sector where most home and key host jurisdictions of global systemically important banks (G-SIBs) have introduced resolution regimes that are broadly aligned with the Key Attributes and launched a continuous process of resolution planning for G-SIBs. The picture is different for insurance companies and central counterparties (CCPs), where progress is less advanced.
- It is important at this juncture to keep the pressure up, on firms to continue strengthening their resolvability and complete the build-out of the necessary capabilities, and on authorities and lawmakers to complete the necessary reforms and implement them fully in substance and in scope.
- This report provides an overview of the progress in implementing the FSB’s resolution policies in the banking (Section I) and insurance (Section II) sectors and for CCPs (Section III), and sets out the next steps in monitoring and evaluating the effects of

¹ See FSB policy framework for addressing systemically important financial institutions, 11 November 2010 <http://www.fsb.org/what-we-do/policy-development/systematically-important-financial-institutions-sifis/>. (‘SIFI Framework’)

² See “Key Attributes of Effective Resolution Regimes for Financial Institutions” (http://www.fsb.org/wp-content/uploads/r_141015.pdf), 15 October 2014.

³ For a summary of progress made by home authorities of G-SIBs please refer to Annex 2, Rules, regulations and guidance on aspects of G-SIB resolvability.

resolution reforms (Section IV) and the actions and timelines for 2019 and beyond (Section V).

Global systemically important banks

- Resolution strategies and operational resolution plans are now in place for all G-SIBs. Despite the very substantial progress, the ‘maintenance phase’ for resolution plans has not yet been reached. Important technical and operational aspects need to be addressed to make sure that resolution plans can be executed effectively, if needed, and are well tested and actively maintained.
- A key priority for the FSB and its members in 2018/2019 is the full and consistent implementation of the FSB’s *Principles on Loss-absorbing and Recapitalisation Capacity of G-SIBs in Resolution and Total Loss-absorbing Capacity (TLAC) Term Sheet*⁴ (TLAC standard) across all G-SIB home and key host authorities, including in particular of the ‘internal TLAC’ component which requires close home-host cooperation and coordination. The FSB is undertaking a review of the technical implementation of the TLAC standard and will report on its findings in 2019.
- Other priorities at present are ensuring that authorities have the capacity and firms have taken steps to support the ability to execute a bail-in of TLAC resources in a timely manner, when needed; that effective arrangements are in place for the provision of temporary liquidity in resolution; that temporary stays on early termination rights in financial contracts have effect across borders; and that the continuity of access to financial market infrastructures (FMIs) and FMI intermediaries for firms in resolution can be maintained.

Insurance

- A few FSB jurisdictions have over the past year introduced or are in the process of introducing insurance resolution regimes that are aligned with the Key Attributes. However, the majority of FSB jurisdictions do not have in place comprehensive resolution regimes for insurers.
- The FSB has launched a ‘resolvability monitoring’ exercise to take stock of progress being made by jurisdictions in resolution planning. A sub-set of FSB jurisdictions have identified insurers as systemically important and put in place a resolution planning process for those firms. However, the lack of powers and tools needed to operationalise resolution plans continues to be one of the main challenges in resolution planning.
- A focus of authorities going forward will continue to be the development of resolution powers and tools for insurers and issues related to their effective application, including the interaction with insolvency procedures, the identification of loss-absorbing

⁴ See “Total Loss-Absorbing Capacity (TLAC) Principles and Term Sheet” (<http://www.fsb.org/2015/11/total-loss-absorbing-capacity-tlac-principles-and-term-sheet/>), 9 November 2015.

resources and funding mechanisms, valuation, the timing of entry into resolution, and interconnectedness within financial conglomerates.

- The finalisation of the Key Attributes Assessment Methodology for the insurance sector expected in 2019 should assist authorities in the development or reform of their resolution regimes.

Central Counterparties (CCPs)

- Most jurisdictions do not yet have in place a comprehensive resolution regime for CCPs. While CCPs have rulebooks in place that establish loss allocation arrangements for default-losses and some non-default losses and provide for recovery actions consistent with the *Principles for financial market infrastructures*⁵ and CPMI-IOSCO's *Recovery of financial market infrastructures*⁶ guidance, planning for the resolution of a CCP remains critically important. It is important for Authorities to consider these recovery arrangements when designing an effective CCP resolution plan and applying the “no creditor worse off than in liquidation” (NCWOL) safeguard in resolution.
- In 2017 authorities began to establish crisis management groups (CMGs) for CCPs that have been identified as systemically important in more than one jurisdiction.⁷ CMGs and institution-specific cooperation agreements that underpin their operation are not yet in place for all such CCPs and resolution planning for CCPs is still at an early stage.
- To assist CMG authorities in their resolution planning efforts and assessment of the adequacy of financial resources to support resolution, the FSB has published a discussion paper on financial resources and on the treatment of CCP equity in resolution⁸. Drawing on authorities' experience with resolution planning and the comments from the industry and public on the discussion paper the FSB will, in consultation with CPMI and IOSCO, develop appropriate evidence-based further guidance by 2020.

Going forward...

- As authorities and firms gain experience with resolution planning and with the first actual resolution cases under their new frameworks, and as the structure of firms and the financial system continues to evolve, a need may arise to review and possibly refine

⁵ See “Principles for financial market infrastructures” (<https://www.bis.org/cpmi/publ/d101.htm>), April 2012.

⁶ See “Recovery of financial market infrastructures” (<https://www.bis.org/cpmi/publ/d162.pdf>), October 2014 (Revised July 2017).

⁷ The CCPs are identified through a process facilitated by CPMI-IOSCO through a set of factors to guide relevant national authorities in their determinations. The list of identified CCPs, first published in July 2017, will be reviewed every two years. It was reviewed and updated in 2018. The next review will take place in 2020. There are currently 13 CCPs that are reported as systemically important in more than one jurisdiction.

⁸ Available here: <http://www.fsb.org/2018/11/financial-resources-to-support-ccp-resolution-and-the-treatment-of-ccp-equity-in-resolution-discussion-paper-for-public-consultation>

technical aspects of resolution policies. The FSB supports such reviews and provides a forum for its members to share their practical experiences.

- Implementation of the 2010 FSB Framework for *Reducing the moral hazard posed by systemically important financial institutions (SIFIs)*⁹ and the *2011 FSB Policy Measures to Address SIFIs*¹⁰ has progressed to such an extent that it is becoming timely to evaluate their impact. The FSB intends to evaluate the effects of the TBTF reforms in order to determine whether they are achieving their objectives and whether they have had any material unintended consequences. The evaluation is expected to be completed in 2020.

⁹ See “Reducing the moral hazard posed by systemically important financial institutions (SIFIs)” (http://www.fsb.org/wp-content/uploads/r_101111a.pdf?page_moved=1), 20 October 2010.

¹⁰ See “Policy Measures to Address Systemically Important Financial Institutions” (<http://www.fsb.org/wp-content/uploads/Policy-Measures-to-Address-Systemically-Important-Financial-Institutions.pdf>), 4 November 2011.

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I. BANK RESOLUTION

Resolution regimes

- Almost all G-SIB home and key host jurisdictions have in place comprehensive bank resolution regimes that align with the Key Attributes. However, the implementation of the Key Attributes is still incomplete in some FSB jurisdictions. See [Annex 1](#) for a snapshot of the status of implementation of certain elements of the *Key Attributes* in FSB jurisdictions' bank resolution regimes.
- Since the publication of the FSB's resolution progress report of July 2017¹¹, Singapore has revised its resolution regime to introduce temporary stay and bail-in powers and resolution planning requirements, while Hong Kong's cross-sectoral resolution regime has come into force with sector-specific resolution powers. Australia has introduced powers to require changes to firms' structure and operations to improve resolvability.
- In many G-SIB home and key host jurisdictions reform efforts remain focused on the implementation of the TLAC standard. For example, the Banking Union developed proposals to amend the Capital Requirements Regulation and the Bank Recovery and Resolution Directive which are expected to be adopted in 2019, and in Hong Kong rules prescribing loss-absorbing capacity (LAC) requirements for banks (that are aligned with the FSB's TLAC standard) are expected to come into operation on 14 December 2018.

G-SIB resolution planning and resolvability assessments

- G-SIB CMGs conducted a fourth round of the resolvability assessment process (RAP)¹² during 2018, covering 29 of the 30 G-SIBs in the 2017 list.¹³
- Resolution plans are now in place for all G-SIBs. However, institution-specific cross-border cooperation agreements (CoAgs) which are an essential underpinning for cooperation and coordination in resolution and resolution planning within CMGs are still not in place for 5 G-SIBs. See [Annex 3](#).
- For 28 G-SIBs the resolution strategy is based on a single point of entry (SPE) approach, and for two G-SIBs on a multiple point of entry (MPE) approach. A key priority for G-SIB home and key host authorities in 2018/2019 is the full and consistent implementation of the FSB's TLAC standard including the requirements relating to

¹¹ See <http://www.fsb.org/wp-content/uploads/P060717-3.pdf>.

¹² The objective of the RAP is to promote adequate and consistent reporting on the resolvability of each G-SIFI and help determine what should be done to address material recurring issues with respect to resolvability. It involves the reporting by home authorities to the FSB Chair of progress and issues in G-SIB resolution planning which are then reported in summary form in the FSB's annual resolution report. See [Progress and Next Steps Towards Ending 'Too-Big-To-Fail' \(TBTF\)](#), September 2013.

¹³ See <http://www.fsb.org/wp-content/uploads/P211117-1.pdf>. Royal Bank of Canada, as a newly designated G-SIB, is not immediately subject to the RAP. See Annex II of the 2013 list (http://www.fsb.org/wp-content/uploads/r_131111.pdf) for the timetable for implementation of resolution planning requirements for newly identified G-SIBs.

internal TLAC and surplus TLAC consistent with the *FSB Guiding Principles on Internal TLAC*¹⁴.

■ Other priorities at present are:

- ensuring that authorities have the capacity and firms have taken steps to support the ability to timely execute a bail-in of TLAC resources consistent with the FSB's *Principles on Bail-in Execution*¹⁵;
- providing effective arrangements for the provision of temporary liquidity in resolution consistent with the FSB's 2016 *Guiding Principles on the temporary funding needed to support the orderly resolution of a global systemically important bank*¹⁶ and the 2018 guidance on *Funding Strategy Elements of Implementable Resolution Plans*¹⁷;
- effective cross-border stays of early termination rights in financial contracts through adherence to the ISDA Resolution Stay Protocol and its jurisdictional modules (or equivalent contractual arrangements) supported by appropriate regulatory measures; and
- maintaining continuity of critical functions and services in resolution, particularly in regard to the continuity of access to FMIs and continuity where G-SIBs themselves act as FMI intermediaries as set out in the FSB Guidance on *Continuity of Access to FMIs for a firm in resolution*¹⁸.

■ The FSB also plans to explore the use of resolution tools other than bail-in, such as sale of business, bridge bank and asset management vehicles, in the future.

Implementation of the Total Loss-absorbing Capacity (TLAC) standard

- G-SIBs identified by the FSB before the end of 2015¹⁹ (and that continue to be designated thereafter, and with the exception of firms headquartered in emerging market economies) are expected to comply with the FSB TLAC standard from 1 January 2019.²⁰ Such firms must meet the TLAC Minimum of at least 16% of risk-weighted

¹⁴ See “Guiding Principles on the Internal Total Loss-Absorbing Capacity of G-SIBs (‘Internal TLAC’)” (<http://www.fsb.org/2017/07/guiding-principles-on-the-internal-total-loss-absorbing-capacity-of-g-sibs-internal-tlac-2/>), 6 July 2017.

¹⁵ See “Principles on Bail-in Execution” (<http://www.fsb.org/wp-content/uploads/P210618-1.pdf>), 21 June 2018.

¹⁶ See “Guiding principles on the temporary funding needed to support the orderly resolution of a global systemically important bank” (<http://www.fsb.org/wp-content/uploads/Guiding-principles-on-the-temporary-funding-needed-to-support-the-orderly-resolution-of-a-global-systemically-important-bank-“G-SIB”.pdf>), 18 August 2016.

¹⁷ See “Funding Strategy Elements of an Implementable Resolution Plan” (<http://www.fsb.org/wp-content/uploads/P210618-3.pdf>), 21 June 2018.

¹⁸ See “Guidance on Continuity of Access to Financial Market Infrastructures (FMIs) for a firm in Resolution” (<http://www.fsb.org/wp-content/uploads/P060717-2.pdf>), 6 July 2017.

¹⁹ See “2015 update of list of global systemically important banks (G-SIBs)” (<http://www.fsb.org/wp-content/uploads/2015-update-of-list-of-global-systemically-important-banks-G-SIBs.pdf>), 3 November 2015.

²⁰ G-SIBs newly designated between 2016 and before the end of 2018 and that continue to be designated thereafter must meet Minimum TLAC requirements of at least 18% RWA and 6.75% of the Basel III leverage ratio denominator by 1 January 2022. Firms that are designated as G-SIBs thereafter must meet Minimum TLAC requirements of at least that amount within 36 months from their date of designation.

assets (RWA) and 6% of the Basel III leverage ratio denominator (LRE) from 1 January 2019 and at least 18% RWA and 6.75% LRE from 1 January 2022.²¹

- G-SIBs headquartered in emerging market economies are subject to an extended conformance period.²² At present, there is no TLAC framework applied to the four G-SIBs in China.
- The TLAC standard defines a minimum requirement for the instruments and liabilities that G-SIBs should have readily available to enable authorities to implement an orderly resolution. An entity to which resolution tools are assumed to be applied by the relevant authority ('resolution entity') is expected to maintain external loss-absorbing and recapitalisation capacity ('external TLAC') and preposition a portion of it at its material sub-groups or subsidiaries during normal times ('internal TLAC'). The remaining portion ('surplus' TLAC) should be readily available at the resolution entity to recapitalise subsidiaries where needed.

Ongoing review of implementation

- The FSB is undertaking a comprehensive review of the technical implementation of the TLAC standard. The objective is to examine whether implementation is proceeding in a manner consistent with the timelines and objectives²³ set out in the TLAC standard. The review should help identify any technical issues or operational challenges that G-SIB home and relevant host authorities face in implementing the standard. It will be informed by the input received from market participants in response to a call for public feedback, and discussions with the Basel Committee on the interactions between going-and-gone-concern loss-absorbency frameworks. It is expected that the review will be completed by the time of the 2019 G20 Summit.

External TLAC

- In most G-SIB home jurisdictions²⁴ external TLAC requirements are close to being finalised (Banking Union, Hong Kong, Japan) or already in force (Canada, Switzerland, the UK and the US). Requirements are set equal to (Japan) or above the FSB TLAC Minimum (e.g., Switzerland: TLAC requirement of 10% leverage ratio denominator with a resolvability rebate of up to 2%, resulting in minimum 8% LRD; US: fully phased-in leverage ratio denominator TLAC is currently set to a minimum of 7.5%).

²¹ See "Total Loss-Absorbing Capacity (TLAC) Principles and Term Sheet" (<http://www.fsb.org/wp-content/uploads/TLAC-Principles-and-Term-Sheet-for-publication-final.pdf>), 9 November 2015. The TLAC standard applies to G-SIBs alongside the regulatory capital adequacy requirement published by the Basel Committee on Banking Supervision (BCBS), including Basel III: A global regulatory framework for more resilient banks and banking systems in December 2010 (revised in June 2011) and Final elements of the reforms to raise the quality of regulatory capital in January 2011.

²² See Section 21 of the TLAC Term Sheet.

²³ 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 recapitalised it in resolution" (Principles on Loss-absorbing and Recapitalisation Capacity (iii)) 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 (vi)).

²⁴ Including jurisdictions that host a G-SIB with a multiple point of entry resolution strategy.

Some jurisdictions require a specific proportion of TLAC to be issued in the form of debt (e.g., Hong Kong, US).

- To the extent TLAC policies are already in place, jurisdictions have adopted TLAC eligibility requirements including a subordination requirement broadly in line with the TLAC standard, though with some variations. A few jurisdictions require or favour TLAC issuance under domestic law.

Internal TLAC and surplus TLAC

- Progress in implementing internal TLAC is less advanced. Internal TLAC requirements have been finalised in the UK and the US, while policy proposals have been issued in the European Union and Hong Kong. Some aspects of implementation remain under consideration, including the process for determining the internal TLAC requirement, or how it can be assured that ‘surplus TLAC’ is readily available in resolution to recapitalise any direct or indirect material subsidiaries where needed.
- With the exception of Hong Kong, G-SIB host jurisdictions that are not also home jurisdiction of any G-SIBs have not yet issued any proposals for internal TLAC regulations and the identification of material subgroups.

TLAC issuance to date

- A substantial amount of external TLAC has been issued during the course of 2017 and 2018, across a wide range of different instruments and liabilities (see Graph 1 below). TLAC issuances have been absorbed well by the markets. However, the market appetite is yet to be tested through the full range of market cycles. Based on estimates and publicly available information almost all G-SIBs will meet the 2019 external TLAC Minimum, while two thirds of G-SIBs are estimated to already meet the 2022 external TLAC Minimum. This estimate takes into account, for the Banking Union, the allowance of 2.5 % RWA of TLAC-eligible instruments that are pari passu with other ineligible senior unsecured instruments and, for Japan, the reliance up to the same amount of 2.5% RWA by the Japanese G-SIBs on ex ante commitments of the Japanese deposit insurance that are pre-funded.

Disclosures

- Most G-SIB home and key host jurisdictions have not yet adopted requirements for disclosures of the amount, maturity, and composition of external and internal TLAC consistent with the TLAC standard. Whereas a number of G-SIBs have disclosed their TLAC issuances on a voluntary basis, the relevant data are not publicly available for all G-SIBs in a consistent format.
- Switzerland and Canada have implemented the Basel Committee Pillar 3 disclosure requirements which include requirements for TLAC disclosures.²⁵ Consultation papers

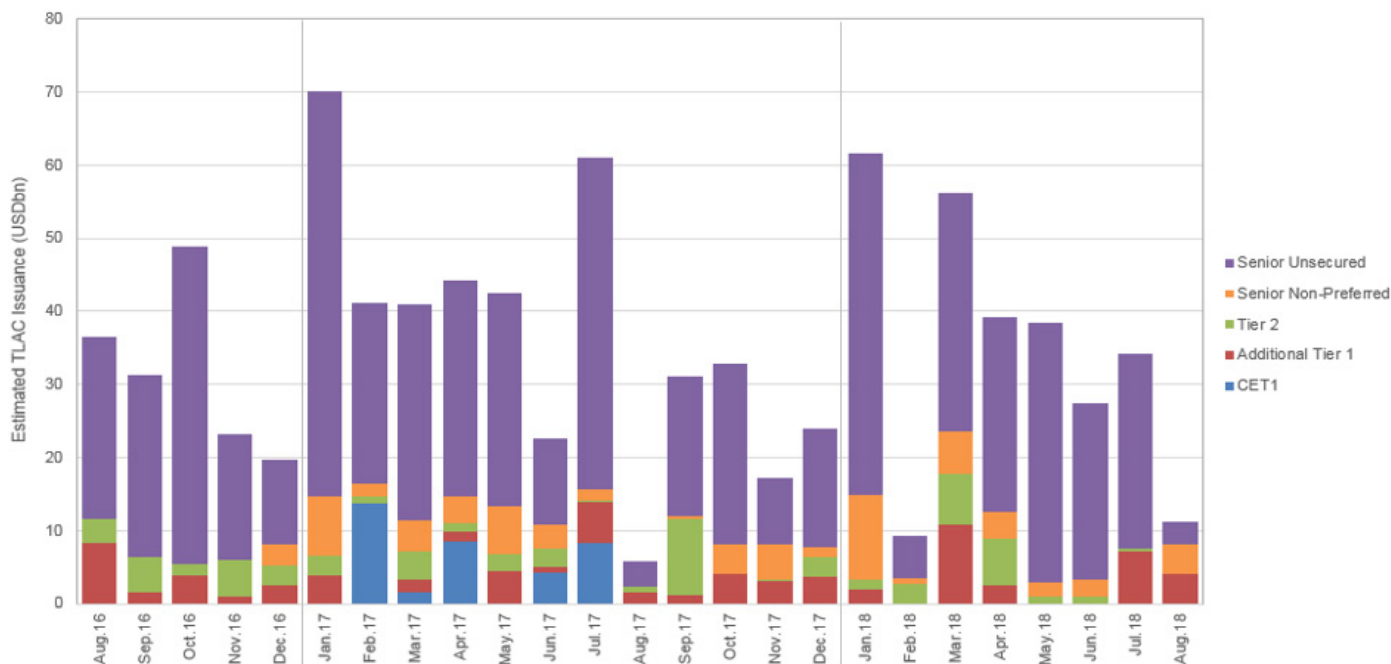
²⁵ Basel Committee, Pillar 3 disclosure requirements – consolidated and enhanced framework, 29 March 2017, see <https://www.bis.org/bcbs/publ/d400.htm>.

or policy proposals on disclosure of TLAC have been published in the European Union, Hong Kong and the UK.

- G-SIBs that are publicly listed and traded make public disclosures regarding among other things, TLAC issuances and the firms' resolution strategies.

TLAC holdings

- To reduce the potential for a G-SIB resolution to spread contagion it is important to disincentivise banks from holding TLAC issued by G-SIBs. However, most G-SIB home jurisdictions and key host jurisdictions have not yet adopted rules aimed at disincentivising TLAC holdings. By November 2018 Switzerland expects to have finalised such provisions. The European Union also included such provisions in its legislative proposal which is currently undergoing trilateral negotiations. Requirements are due to come into force in Hong Kong in 2019. In Canada, a framework that disincentivises Canadian banks from holding TLAC issued by G-SIBs will also come into effect in 2019.
- The majority of FSB jurisdictions have not introduced any specific restrictions for retail holdings of TLAC. Nevertheless, general suitability rules and fiduciary duties apply and may mitigate the risks that could arise from a distribution of TLAC instruments to retail clients. Steps are being taken in some jurisdictions to establish rules to address the potential threat to financial stability that could arise from retail holdings of TLAC which would in practice be difficult to bail-in. For example, in Canada, D-SIBs have voluntarily agreed not to distribute bail-in debt to retail investors in the primary market. In Switzerland, denominations of TLAC ensure that retail investors are disincentivised from holding TLAC securities directly. Under the loss-absorbing capacity rules expected to come into operation in Hong Kong later this year, TLAC will be subject to minimum denomination restrictions, and in addition cannot be distributed to ordinary retail investors.



Sources: Bloomberg, FSB secretariat estimates

Graph 1: Estimated G-SIB issuance by eligible TLAC instrument (August 2016 - August 2018)²⁶

Access to temporary liquidity to support orderly resolution

- Ensuring access to sufficient liquidity to maintain the continuity of critical functions remains another important resolution planning priority. Further progress is needed, in particular in relation to cross-border coordination aspects. G-SIB home authorities envisage undertaking further work on resolution funding over the coming year taking into account the FSB’s 2016 *Guiding Principles on the temporary funding needed to support the orderly resolution of a global systemically important bank*²⁷ and the recent guidance on *Funding Strategy Elements of an Implementable Resolution Plan*.²⁸ In the UK, the Bank of England recently published a summary of its resolution liquidity framework, including the temporary public sector backstop funding mechanism.²⁹ In

²⁶ Consistent with Section 11 of the TLAC term sheet, senior unsecured debt is only included in the data if it is TLAC eligible. This means that it has to be either statutorily or structurally subordinated, or qualify as part of the allowance in Section 11 of the TLAC term sheet for liabilities that would otherwise be eligible to count as external TLAC but which rank alongside those excluded liabilities in the insolvency creditor hierarchy (which has been taken into account for certain Banking Union G-SIBs, where the authorities or the G-SIB itself have indicated the expected use of the allowance).

²⁷ See “Guiding principles on the temporary funding needed to support the orderly resolution of a global systemically important bank (“G-SIB”)” (<http://www.fsb.org/wp-content/uploads/Guiding-principles-on-the-temporary-funding-needed-to-support-the-orderly-resolution-of-a-global-systemically-important-bank-“G-SIB”-.pdf>), 18 August 2016.

²⁸ See “Funding Strategy Elements of an Implementable Resolution Plan” (<http://www.fsb.org/2018/06/funding-strategy-elements-of-an-implementable-resolution-plan-2/>), 21 June 2018.

²⁹ See <https://www.bankofengland.co.uk/-/media/boe/files/news/2017/october/the-bank-of-england-approach-to-resolution>.

the US G-SIBs are developing capabilities for estimating resolution execution liquidity needs and the pre-positioning framework for such liquidity.

Cross-border stays on early termination rights

- All advanced economy G-SIBs have adhered to the ISDA 2015 Universal Stay Protocol and have taken steps in the last year to adhere to additional country annexes.³⁰ However, not all G-SIBs have adhered to all relevant country annexes.
- To ensure that other firms and counterparties are subject to terms similar to those under the Universal Stay Protocol, members have been developing regulatory measures to extend adherence to non-G-SIB counterparties. Regulatory measures have been finalised in France, Germany, Italy, Japan, Switzerland, the UK and the US. Regulations are expected to be developed in the Netherlands and Spain following finalisation of amendments to the European Union Bank Recovery and Resolution Directive.
- The ISDA Jurisdictional Modular Protocol (“JMP”) facilitates compliance with the relevant regulatory measures and currently contains a German, Japanese, Swiss, UK and US module. The module for Italy is expected to be finalised by the end of 2018. Modules for the Netherlands and Spain will be developed once the regulatory requirements are finalised.

Bail-in execution and valuation capabilities

- Further efforts are needed to achieve readiness for the execution of a bail-in transaction. Consistent with the recent FSB Guidance on Bail-in Execution,³¹ authorities should ensure that G-SIBs have in place valuation capabilities that support the timely provision of valuation data at a sufficient level of granularity and to enable valuations to be performed within a suitable timeframe. Several G-SIB home authorities expect to develop policies or regulatory requirements in this area. In June 2018, the Bank of England published a Statement of Policy setting out its expectations with respect to the capabilities firms should have in place to support resolution valuations by an independent valuer and by the Bank of England as resolution authority. In the US, G-SIBs addressed valuation-related capabilities in their July 2017 Title I resolution plans.

Operational continuity in resolution

- For the majority of G-SIBs the mapping of critical shared services³² to critical functions (e.g. through use of service catalogue tools) has been completed. This effort enables authorities and firms to understand which critical services need to continue in resolution and to adopt measures to support operational continuity in resolution (for example through the establishment of service companies, changes to legal entity structures, and

³⁰ The 2015 ISDA Universal Stay Protocol covers France, Germany, Japan, Switzerland, UK, US. Additional country annexes are in place for Spain, Italy, the Netherlands, Sweden and Hong Kong.

³¹ See <http://www.fsb.org/2018/06/funding-strategy-elements-of-an-implementable-resolution-plan-2/>

³² An activity, function or service performed by either an internal unit, a separate legal entity within the group or an external provider, performed for one or more business units or legal entities of the group, the failure of which would lead to the collapse of (or present a serious impediment to the performance of) critical functions. See [FSB Guidance to support operational continuity in resolution](#), 18 August 2016.

amendments to service level agreements (SLAs)). A substantial number of G-SIBs are pre-positioning financial resources (e.g. working capital) at service entities. For a minority of G-SIBs, their home resolution authorities report that progress on operational continuity is less advanced.

Continuity of access to financial market infrastructures (FMIs)

- Resolution planning work on continuity of access to FMIs is generally at an early stage. On 6 July 2017, the FSB published guidance on *Continuity of Access to Financial Market Infrastructures (“FMIs”) for a Firm in Resolution*³³. However, a number of G-SIBs have made material progress in providing information to resolution authorities on their reliance on critical FMI services, including a mapping of service providers to legal entities, businesses and critical functions, the development of playbooks for maintaining access to critical FMI services and describing alternative arrangements.
- A few resolution authorities are engaging with FMIs to develop agreed upon procedures and communication protocols to facilitate cooperation in resolution. In a few cases FMIs are implementing changes to their rulebooks to reflect provisions in the resolution regime that restrict the ability of FMIs to terminate or suspend access and to set out the terms and conditions under which access could be maintained. Some progress is also being made with respect to G-SIBs’ contractual arrangements as FMI intermediaries, but not on a systematic basis. See Annex 4 for the results of a survey of FSB members on implementation of the guidance on continuity of access to FMIs.
- As resolution planning work on continuity of access to FMIs progresses, authorities will continue to engage with relevant FMI oversight authorities, including through the FSB and CPMI-IOSCO, to make sure that policies on the continuity of access to FMIs and on FMI resilience are consistent and mutually supportive.

Solvent wind down of derivatives and trading book activity

- For G-SIBs with large derivative and trading portfolios a solvent wind-down of such activities may be carried out as a recovery action or in resolution. FSB members are undertaking an analysis of approaches to a solvent wind-down of such activities focussing on firm capabilities, authorities’ review of firm capabilities governance, and cooperation amongst home and host authorities. In the US, the authorities have issued resolution planning guidance on derivatives and trading activities, including the capabilities that firms should have to identify and mitigate the risks associated with such activities and to facilitate implementation of a solvent wind down as part of their resolution strategies.³⁴

Resolution-related disclosures

- Recognising the importance of resolution-related disclosures for the credibility of firms’ resolvability in the market, the FSB is analysing practices and approaches in FSB jurisdictions regarding resolution-related disclosures, covering both firm-specific

³³ See “Guidance on Continuity of Access to Financial Market Infrastructures (FMIs) for a Firm in Resolution” (<http://www.fsb.org/wp-content/uploads/P060717-2.pdf>), 6 July 2017.

³⁴ See <https://www.fdic.gov/news/news/press/2018/pr18040.pdf>.

disclosures as well as disclosure of general (i.e., non-firm-specific) information on resolution planning, resolution tools and resolvability frameworks. The FSB will by early 2019 issue a discussion paper for public comment on ex ante disclosure relating to resolution planning and resolvability.

II. INSURANCE RESOLUTION

Resolution regimes for insurers

- About one fourth of FSB jurisdictions have in place or have plans to introduce a resolution regime for systemically important insurers that is broadly aligned with the FSB Key Attributes. During the past year, comprehensive reforms have been undertaken in Australia, France, Hong Kong and Singapore and are pending in a number of other jurisdictions, including the Netherlands and South Africa. See [Annex 5](#).

Resolvability in the insurance sector

- At the end of 2017 the FSB conducted a comprehensive survey to monitor resolvability in the insurance sector. Twelve FSB members with material insurance activities participated in the survey.³⁵ The purpose of the survey was to take stock of progress in implementation of resolution planning consistent with the Key Attributes and the 2016 FSB guidance on [Developing Effective Resolution Strategies and Plans for Systemically Important Insurers](#),³⁶ and to complement the 2018 G-SII RAP process³⁷ as well as the high-level monitoring of implementation of the Key Attributes that is undertaken on an annual basis across all FSB jurisdictions.
- Amongst those jurisdictions that participated in the monitoring survey most jurisdictions have in place a recovery and resolution planning process and have identified systemically important insurers for which recovery and resolution planning should be carried out. Some of the surveyed jurisdictions apply recovery and resolution planning to other identified insurers in addition to the previously identified G-SIIs.³⁸
- The preferred resolution strategy for many insurers is a multiple point of entry strategy that relies on entry into resolution at the level of the local operational entities rather than

³⁵ The following jurisdictions participated in the monitoring survey: Australia, China, France, Germany, Italy, Japan, the Netherlands, Singapore, South Africa, Switzerland, UK, and US. This includes the home jurisdictions of insurers that had been designated as Global Systemically Important Insurers in 2016. See <http://www.fsb.org/wp-content/uploads/2016-list-of-global-systemically-important-insurers-G-SIIs.pdf>.

³⁶ See <http://www.fsb.org/2016/06/developing-effective-resolution-strategies-and-plans-for-systemically-important-insurers/>, 6 June 2016.

³⁷ A first round of the RAP for G-SII was undertaken in 2016 and a second RAP was conducted in 2017. In 2017, authorities agreed to conduct a third RAP and to send RAP letters to the FSB Chair by the end of June 2018 to enable the FSB to report to the G20 by the time of the 2018 G20 Summit on the findings from the third RAP. See <http://www.fsb.org/wp-content/uploads/P060717-3.pdf>. The FSB, in consultation with the International Association of Insurance Supervisors (IAIS) and national authorities, published a [list of G-SIIs in November 2016](#). In November 2017 the FSB did not publish a new list, but declared that the policy measures, which include recovery and resolution planning and regular resolvability assessments, and participation in the RAP would continue to apply. The FSB, in consultation with the IAIS and national authorities, has decided not to engage in an identification of G-SIIs in 2018. See <https://www.fsb.org/2018/11/fsb-welcomes-iais-proposed-insurance-systemic-risk-framework-and-decides-not-to-engage-in-an-identification-of-g-siis-in-2018/>.

³⁸ France, Germany, Italy, Netherlands, Singapore, UK.

the parent entity in the home jurisdiction. The lack of powers and tools needed to operationalise resolution plans continues to be one of the main challenges in resolution planning. Challenges also arise from connections with other activities such as banking and asset management in the context of financial conglomerates and close cooperation and coordination may be needed when different sectoral authorities are involved.

Cross-border crisis management groups and institution-specific cooperation agreements

- CMGs and institution-specific cooperation agreements are in place for six insurance groups.

Priorities going forward

- The FSB will continue, through the Cross-border Crisis Management Group for insurers (iCBCM), to provide a forum for authorities to exchange views, share experiences and discuss challenges and obstacles that arise in relation to the orderly resolution of insurers. A focus of resolution authorities going forward will be to continue to develop resolution powers and tools for insurers and solve issues related to their effective application, including the interaction with insolvency procedures, the identification of loss-absorbing resources and funding mechanisms, valuation, the timing of entry into resolution, and interconnectedness within financial conglomerates.
- The Key Attributes Assessment Methodology Insurance Module which has been developed for use in IMF and World Bank assessments of insurance resolution regimes and for technical assistance has been revised following the 2017 public consultation and is being tested in a pilot assessment. It will be further reviewed in light of the lessons from the pilot assessment and is expected to be finalised in 2019.

III. RESOLUTION OF CENTRAL COUNTERPARTIES (CCPS)

- Centrally clearing standardised OTC derivatives is a pillar of the G20 Leaders' commitment to reform OTC derivatives markets in response to the global financial crisis. 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."

Resolution regimes and resolution planning

- A few jurisdictions have made further progress in putting in place a resolution regime for CCPs that broadly aligns with the Key Attributes. Canada introduced legislation in the 2018 federal budget to enact a policy framework for FMI resolution. Under this framework, the Bank of Canada acts as the resolution authority for Canadian FMIs. The European Union is continuing to develop its CCP recovery and resolution framework, which was first published in draft in 2016. In some jurisdictions (e.g., U.S.) the general insolvency and resolution regimes apply to CCPs also.
- To assist authorities in carrying out resolution planning consistent with the expectations set out in the Key Attributes and the FMI Annex for CCPs the FSB, in consultation with CPMI and IOSCO, developed specific guidance in 2017 for CCPs on Resolution and

Resolution Planning.³⁹ FSB members set as a priority for 2017/18 to monitor, in close cooperation with CPMI and IOSCO, resolution planning consistent with the expectations set out in the FSB Guidance for CCPs that are systemically important in more than one jurisdiction.

CCPs reported as systemically important in more than one jurisdiction

- In 2017, 12 CCPs were reported as systemically important in more than one jurisdiction by agreement between home and host authorities on the basis of a set of criteria set out in the FSB Guidance on CCP Resolution and Resolution Planning.⁴⁰ Authorities reviewed and updated the list in October 2018. The updated list comprises the following 13 CCPs (alphabetically by name): BME Clearing (Spain); Cassa di Compensazione e Garanzia (CC&G) (Italy); CME Inc. (US); Eurex Clearing (Germany); EuroCCP (Netherlands); HKFE Clearing Corporation (Hong Kong SAR); ICE Clear Credit (US); ICE Clear Europe (UK); LCH.Clearnet SA (France); LCH Ltd (UK); Nasdaq Clearing AB (Sweden); OMIClear (Portugal); and SIX x-clear (Switzerland).
- CPMI-IOSCO will review the list every two years. Member authorities will report to CPMI-IOSCO on an ongoing basis any change in their determination of systemic importance.

Crisis Management Groups and CCP-specific Cooperation Agreements

- To date, nine CMGs have been formed and held at least one meeting. The national authorities and/or national competent authorities of three other CCPs are currently addressing remaining local legal issues before establishing a CMG. Cooperation agreements (CoAgs) have been agreed for two CCPs. See [Annex 3](#).
- Resolution planning for CCPs is still at an early stage as some jurisdictions do not yet have in place resolution regimes for CCPs and/or a designated resolution authority. The FSB encourages jurisdictions to continue developing their resolution regimes for CCPs in order to facilitate continued resolution planning. A number of issues remain to be addressed, including as regards the adequacy of financial resources to support orderly resolution and the treatment of CCP equity in resolution.
- Resolution plans for CCPs must build on robust recovery plans. As stated in the *Chairs' Report on the Implementation of the Joint Workplan for Strengthening the Resilience, Recovery and Resolvability of CCPs*⁴¹ a CCP's recovery plan, including the full allocation of financial losses and replenishment of the CCP's financial resources and capital, is important when designing an effective CCP resolution plan. A CCP's recovery plan is also critical when applying in resolution the "no creditor worse off than in liquidation" (NCWOL) safeguard, which assumes the full application of the CCP's rules and procedures for loss allocation consistent with applicable insolvency law. CPMI and IOSCO have

³⁹ FSB, *Guidance on Central Counterparty Resolution and Resolution Planning* (CCP Guidance) July 2017 (www.fsb.org/2017/07/guidance-on-centralcounterparty-resolution-and-resolution-planning-2/).

⁴⁰ See CCP Guidance at Section 9.1.

⁴¹ See "Chairs' Report on the Implementation of the Joint Workplan for Strengthening the Resilience, Recovery and Resolvability of Central Counterparties" (<https://www.bis.org/cpmi/publ/d165.pdf>), 5 July 2017.

reviewed the progress made by CCPs in implementing arrangements on financial risk management and recovery planning and published their findings in May 2018. This review determined that, while participating CCPs had made progress some had not fully implemented measures in the areas of risk management and recovery planning.⁴²

Financial resources to support CCP resolution and the treatment of CCP equity in resolution

- In 2017 the FSB made a commitment to undertake further work on financial resources to support CCP resolution and on the treatment of CCP equity in resolution drawing on the practical experiences gained from resolution planning by relevant authorities and CMGs.
- To inform this process, the FSB has published a discussion paper for public comment. The paper outlines a suggested five-step process that could be used by relevant authorities to inform their assessment of the adequacy of financial resources consistent with the expectations set out in the FSB Guidance. It also delineates questions relating to the treatment of CCP equity in resolution and the implications for the NCWOL safeguard of loss allocation rules that comprehensively allocate losses in the event of member default and some types of non-default loss, consistent with the CPMI-IOSCO *Principles for Financial Market Infrastructures*.
- The home authorities of the 13 CCPs that are systemically important in more than one jurisdiction as identified to date through a process facilitated by CPMI-IOSCO should, as part of resolution planning and in consultation with the authorities on the CMGs, undertake in 2019 an assessment of the adequacy of financial resources to support resolution, taking into account the discussion paper. Moreover, the home authorities should be able to provide perspective and feedback on these issues, even if there is not yet a CMG or an identified resolution authority for a particular CCP.
- Drawing on the comments received from stakeholders and the public in response to the public consultation on the discussion paper as well as on the experience of authorities in assessing the nature and quality of resources for resolution as part of resolution planning, the FSB plans, in consultation with CPMI and IOSCO, to develop evidence-based further guidance by 2020.

⁴² See CPMI and IOSCO, *Implementation monitoring of PFMI: follow-up Level 3 assessment of CCPs' recovery planning, coverage of financial resources and liquidity stress testing*, May 2018 (www.bis.org/cpmi/publ/d177.htm and www.iosco.org/library/pubdocs/pdf/IOSCOPD601.pdf).

IV. MONITORING IMPLEMENTATION AND EVALUATING THE EFFECTS OF REFORMS

Thematic peer review on bank resolution planning

- The FSB is carrying out a peer review to evaluate implementation of the resolution planning standard set out in the Key Attributes and in associated guidance in relation to banks. The FSB will publish the report with the findings and recommendations of the peer review in the first half of 2019.

Country peer reviews with a resolution component

- Since the previous resolution progress report, the FSB reviewed the state of reforms to resolution regimes in four peer reviews of FSB jurisdictions: Argentina (August 2017), Korea (December 2017), Singapore (February 2018) and Hong Kong (February 2018). See a summary of findings in [Annex 6](#).

FSB Members' commitment to undergo compliance assessments

- Following the finalisation of the Key Attributes Assessment Methodology for the Banking Sector, the Key Attributes have been included in the list of standards assessed under the IMF-World Bank Standards & Code Initiative, as well as in the list of FSB key standards for sound financial systems.⁴³ In 2017, FSB members agreed, as confirmed in the G20 Hamburg Action Plan to undergo an assessment of their bank resolution regimes based on the Key Attributes as part of a future Financial Sector Assessment Program (FSAP) and to publish the findings. The Key Attributes are also used to inform the policy analysis and recommendations in bilateral surveillance and the preparation of technical notes on crisis management and resolution as part of the FSAP and technical assistance on crisis management and resolution.⁴⁴

Evaluation of effects of TBTF reforms

- The FSB agreed to launch an evaluation of TBTF reforms which includes the FSB resolution policies. The evaluation will be based on the July 2017 FSB *Framework for Post-Implementation Evaluation of Effects of the G20 Financial Regulatory Reforms*⁴⁵ and examine the extent to which the reforms have addressed systemic and moral hazard risks. This may include, for example an analysis of whether there has been an observed reduction in the implicit funding subsidies of SIFIs, whether business models and risk profiles have changed as intended, and whether the incentives to address TBTF are aligned across different types of policies. At the same time, consistent with the FSB evaluation framework, the evaluation will explore the broader effects on overall financial system resilience, the orderly functioning of markets, and the cost and

⁴³ The FSB has designated certain standards as deserving priority implementation (depending on country circumstances) given that they are broadly accepted as representing minimum requirements for good practice that countries should be encouraged to meet or exceed. See http://www.fsb.org/what-we-do/about-the-compendium-of-standards/key_standards/.

⁴⁴ The 2017 joint IMF-World Bank review of the standards and codes (S&C) Initiative note that technical notes on crisis management and resolution have been an expectation of the FSAP since 2010, and now incorporate elements set out in the KA.

⁴⁵ See "Framework for Post-Implementation Evaluation of the Effects of the G20 Financial Regulatory Reforms" (<http://www.fsb.org/wp-content/uploads/P030717-4.pdf>), 3 July 2017.

availability of financing. The evaluation is expected to be completed by end 2020 (with a public consultation in the first half of 2020).

V. SUMMARY OF ACTIONS AND TIMELINES

I. GLOBAL SYSTEMICALLY IMPORTANT BANKS (G-SIBS)		
Action	Responsible	Completion by
Total Loss-absorbing Capacity (TLAC) Standard Implementation		
Transpose the TLAC standard into rules and regulations, including internal TLAC for host authorities of G-SIB material sub-groups.	FSB Members	End-2018
Comply with the TLAC standard and meet a TLAC Minimum of at least 16% RWA and 6% of the Basel III LRE, including identification of material sub-groups and issuance of internal TLAC.	(non-EME) G-SIBs designated before the end of 2015	January 2019
Establish a process for ongoing monitoring of the conformance with the TLAC standard.	FSB (ReSG), BCBS	Starting in 2018
Review of technical implementation of the TLAC standard, report on findings, and identify any technical issues or operational challenges that G-SIB home and relevant host authorities face in the implementation of the standard.	FSB (ReSG), BCBS FSB Members	Report by mid-2019
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
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)
Resolution planning and resolvability		
Conduct sixth RAP for G-SIBs with focus on priority issues (TLAC, bail-in execution, funding in resolution, continuity of access to FMIs in resolution)	G-SIB home and host authorities in CMGs	Mid-2019
Implement the <i>Guidance on Bail-in execution</i> and undertake further work as needed to support implementation, including as regards valuation and the interaction with central securities depositories (CSDs)	G-SIBs/G-SIB home authorities/ FSB (ReSG)	Status report (as part of the 2019 resolution report) mid-2019 Further work by end-2020
Implement the Guidance on Continuity of Access to Financial Market Infrastructures (FMIs) and engage with relevant stakeholders including FMIs and oversight authorities of	G-SIB home authorities/FMI oversight bodies/FSB	Joint workshop by end-2019

relevant FMIs to address coordination issues (e.g., through a workshop).	(ReSG bankCBCM, fmiCBCM), CPMI-IOSCO	Status report (as part of the 2019 resolution report) mid-2019
Implement the <i>Guidance on Funding strategy Elements</i> and undertake further work as needed to support implementation.	G-SIBs/G-SIB home authorities FSB (ReSG bankCBCM)	Status report (as part of the 2019 resolution report) mid-2019 Further work by end-2020
Finalise regulations to promote adherence by other counterparties (buy-side/sell-side) to the ISDA Resolution Stay Protocol, and monitoring of adherence.	FSB Members	Status report (as part of the 2019 resolution report)
Conduct analysis on approaches to solvent wind-down as part of recovery and resolution planning and publish discussion paper for public comment.	FSB (ReSG bankCBCM)	Publish discussion paper by Q1 2019
Consult with market participants and other stakeholders on approaches to ex-ante resolution-related public disclosures and publish discussion paper for public comment.	FSB (ReSG bankCBCM)	Publish discussion paper by Q1 2019
Undertake stock-take of regulatory approvals and authorisations (e.g., ‘fit and proper’, qualified holdings) in resolution.	FSB (ReSG bank CBCM)	End-2019
II. INSURANCE		
Action	Responsible	Completion by
Update the 2018 resolvability monitoring in the insurance sector.	FSB members with material insurance operations as determined by authorities ⁴⁶	Report (as part of the 2019 resolution report) mid-2019
Undertake further work supporting the development of resolution powers and tools for insurance and solving issues relating to their effective application, including valuation, the identification of loss-absorbing resources, and interconnectedness.	FSB (ReSG iCBCM)	Status report (as part of the 2019 resolution report) mid-2019 Further work by end-2020

⁴⁶ 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.

Finalise the <i>Key Attributes Assessment Methodology for the Insurance Sector</i> 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
III. CENTRAL COUNTERPARTIES (CCPS)		
Action	Responsible	Completion by
Conduct resolution planning consistent with the expectations set out in the <i>Guidance on CCP Resolution and Resolution Planning</i> , establish CMGs for CCPs that are systemically important in more than one jurisdiction (including the home jurisdiction), adopt institution-specific cooperation agreements (CoAgs) and launch a process of resolvability assessments and resolution planning.	CCP home and host authorities	Status report (as part of the 2019 resolution report)
Establish a timeline to implement the above actions (the establishment of CMGs and related CoAgs and launch of a process of resolvability assessment and resolution planning) and ensure an efficient interplay with CCP home authorities' assessment of the adequacy of resources and treatment of CCP equity within the CMG.	FSB (ReSG fmiCBCM)	Q1 2019
CCP home authorities to assess within CMGs the adequacy of financial resources and the treatment of CCP equity on the basis of the November 2018 FSB discussion paper and report general findings from this assessment process to the FSB.	CCP home authorities with CMGs	Q4 2019
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 and treatment of CCP equity in resolution.	FSB (ReSG fmiCBCM) in consultation with CPMI-IOSCO	2020
IV. Monitoring Implementation and Evaluating the Effects of Reforms to Resolution Regimes		
Action	Responsible	Completion by
Conduct thematic peer review on resolution planning for banks	FSB (SCSI/ReSG)	Mid-2019
Continue implementation monitoring on the basis of standardised templates for the bank and non-bank sectors.	FSB (SCSI/ReSG)	Mid-2019
Undergo a Key Attributes assessment by the IMF-World Bank for the banking sector and publish the findings.	FSB Members	Starting in 2017
Carry out an evaluation of the effects of TBTF reforms.	FSB (dedicated working group in coordination with	2020

	Standing Committees and ReSG) and relevant standard-setting bodies	
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Annex 1: Status of implementation of aspects of bank resolution regimes by FSB jurisdictions as of October 2018

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)				¹ (B)
Canada					2			
China							3	1
France								
Germany								
Hong Kong								
India	4							
Indonesia								1
Italy								

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
Japan			5					
Korea			(B)	(B)		(B)	(B)	1
Mexico					6			1
Netherlands								
Russia					(B)		(B)	
Saudi Arabia	(B)	(B)	(B)	(B)	² (B)	(B)	(B)	¹ (B)
Singapore			⁷ (B)	⁷ (B)				7
South Africa	(B)	(B)	(B)	(B)	(B)	(B)	(B)	(B)
Spain								
Switzerland								
Turkey		(B)	(B)	(B)		(B)	(B)	(B)
UK								
US								

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 2017 report.	

Status of any pending reforms	
A	Reforms agreed (final legislation or rule approved) but not yet in force
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)

- ¹ 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.
- ² Bank holding companies not present in the jurisdiction.
- ³ The jurisdiction is developing resolution plans only for G-SIBs, and not for other domestically incorporated banks that could be systemically significant or critical if they fail.
- ⁴ The Banking Regulation Act's relevant powers do not extend to state-owned banks.
- ⁵ 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).
- ⁶ The Mexican authorities report that due to the operational characteristics of current holding companies in Mexico and the legal framework governing them, the resolution of a bank that could be systemically significant or critical if it fails can be achieved without specific resolution powers for holding companies. The March 2016 peer review and the self-reporting by the authorities does not provide sufficient information to evaluate the scope that the regime should have to ensure effective resolution in all conceivable scenarios.
- ⁷ The Monetary Authority of Singapore (MAS) consulted on 16 July 2018 on proposed regulations to enhance the resolution regime for financial institutions in Singapore, including on temporary stays on termination rights and the statutory bail-in regime. With regard to bail-in, the scope of the power does not extend to senior debt liabilities (see the 2018 peer review of Singapore at <http://www.fsb.org/wp-content/uploads/P260218.pdf>).

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 on aspects of G-SIB resolvability

Jurisdiction		TLAC	Operational continuity	Early termination of financial contracts	Funding in resolution	Continuity of Access to FMIs	Valuation capability
Banking Union	France	Policy proposal published in November 2016 ¹		Regulation published in December 2017 ²			
	Germany			Regulation published in November 2015 ³			
	Italy			Regulation published in January 2018 ⁴			
	Netherlands						
	Spain						
China							
Hong Kong		Final rule published in October 2018 ⁵					

¹ Proposal of 23 November, 2016 amending the Capital Requirements Regulation (CRR), the Capital Requirements Directive (CRD), the Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism Regulation (SRMR).

² See « Arrêté du 22 novembre 2017 modifiant l'arrêté du 11 septembre 2015 relatif aux critères d'évaluation de la résolvabilité » (<https://www.legifrance.gouv.fr/eli/arrete/2017/11/22/ECOT1732091A/jo/texte>) and « Décision n°2017-CR-09 du Collège de résolution de l'ACPR du 18 décembre 2017 sur les critères d'évaluation de la résolvabilité » (<https://acpr.banque-france.fr/sites/default/files/media/2018/02/27/decision-2017-cr-09-de-l-acpr.pdf>).

³ „Gesetz zur Sanierung und Abwicklung von Instituten und Finanzgruppen (Sanierungs- und Abwicklungsgesetz - SAG) § 60a Vertragliche Anerkennung der vorübergehenden Aussetzung von Beendigungsrechten“.

⁴ “Disposizioni in materia di sospensione temporanea da parte dell'autorità di risoluzione dei meccanismi terminativi dei contratti finanziari”.(Regulatory measures concerning the temporary suspension of termination rights by the resolution authority in relation to financial contracts governed by the law of a third country) 16 January, 2018).

⁵ “Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements - Banking Sector) Rules”.

Japan	Policy proposal published in April 2018 ⁶	Guidelines published in July 2018 ⁷	Regulation published in April 2017 ⁸	Guidelines published in July 2018 ⁷	Guidelines published in July 2018 ⁷	
Switzerland	Final requirements published in October 2015 ⁹		Final requirements published in March 2017 ¹⁰			
UK	Policy statement published in June 2018 ¹¹	Policy statement published in July 2016 ¹²	Policy statement published in November 2015 ¹³			Policy statement published in June 2018 ¹⁴
US	Final rule published in December 2016 ¹⁵	Proposed guidance published in June 2018 ¹⁶	Final rule published in September 2017 ¹⁷	Proposed guidance published in June 2018 ¹⁶	Proposed guidance published in June 2018 ¹⁶	Proposed guidance published in June 2018 ¹⁶

⁶ “Revisions to the FSA’s Approach to Introduce the TLAC Framework”.

⁷ <https://www.fsa.go.jp/news/30/ginkou/20180713/2.pdf>

⁸ <https://www.fsa.go.jp/news/28/20160808-1/02.pdf>

⁹ “New “too-big-to-fail” capital requirements for global systemically important banks in Switzerland,” FINMA.

¹⁰ “FINMA Banking Insolvency Ordinance,” FINMA.

¹¹ “The Bank of England’s approach to setting a minimum requirement for own funds and eligible liabilities (MREL),” Bank of England.

¹² “Ensuring operational continuity in resolution,” Policy statement 21/16, Bank of England.

¹³ “Contractual stays in financial contracts governed by third-country law,” Policy statement 25/15, Bank of England.

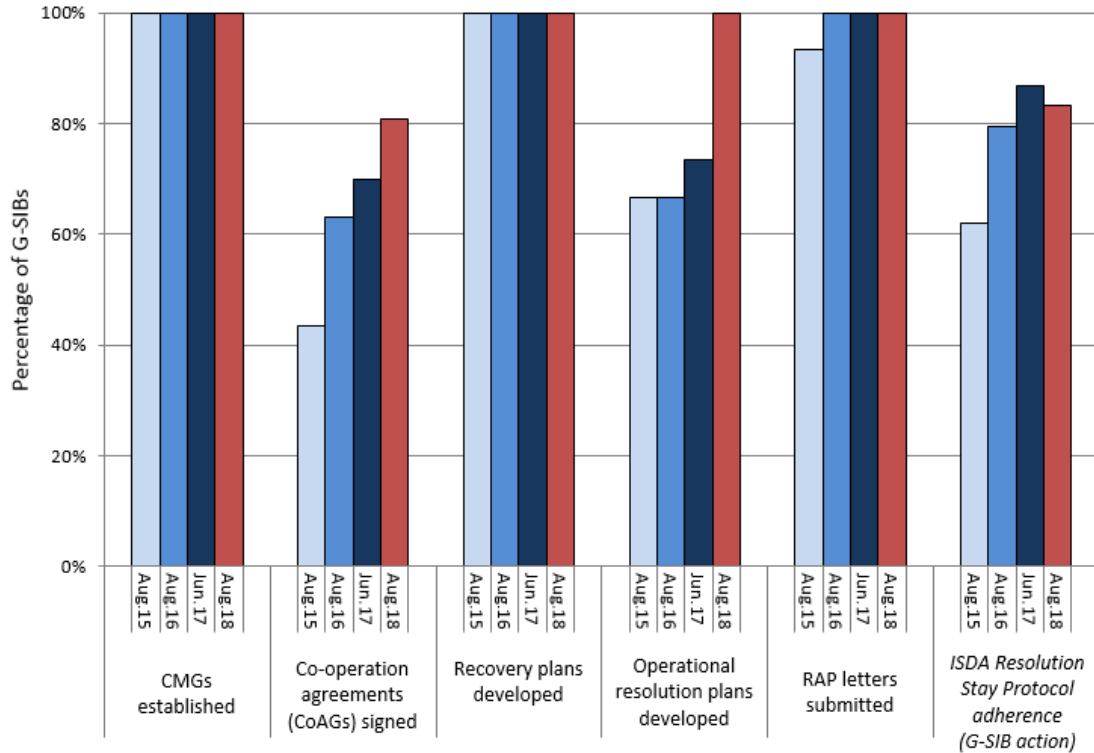
¹⁴ “The Bank of England’s policy on valuation capabilities to support resolvability,” Bank of England.

¹⁵ “Total Loss-Absorbing Capacity, Long-Term Debt, and Clean Holding Company Requirements for Systemically Important U.S. Bank Holding Companies and Intermediate Holding Companies of Systemically Important Foreign Banking Organizations,” 12 CFR 252. Regulation YY, Board of Governors of the Federal Reserve System.

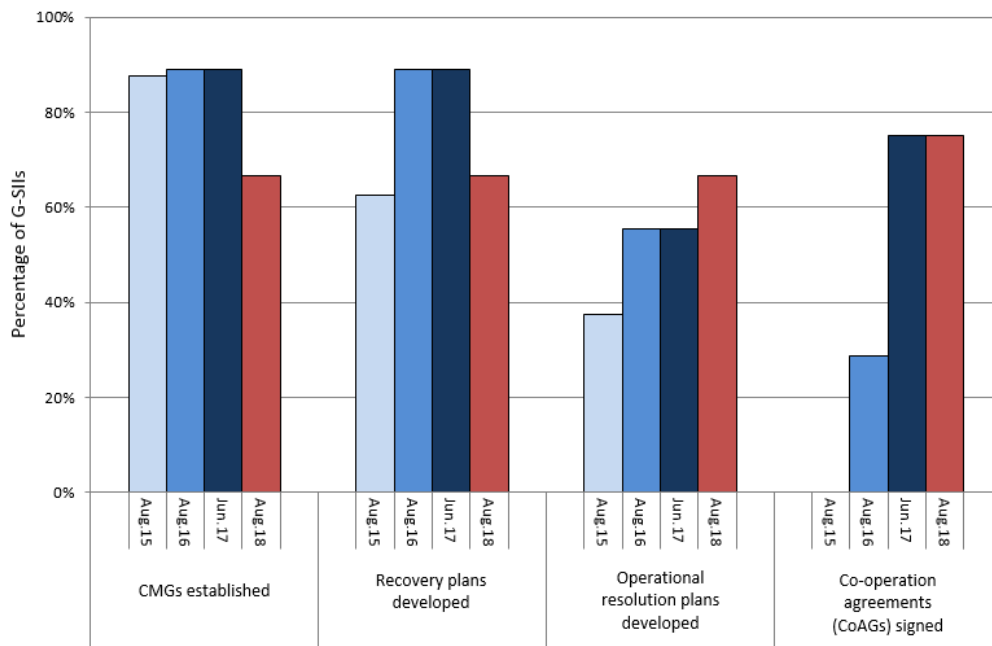
¹⁶ “Resolution Planning Guidance for Eight Large, Complex U.S. Banking Organizations,” Board of Governors of the Federal Reserve System and Federal Deposit Insurance Corporation (FDIC).

¹⁷ “Restrictions on Qualified Financial Contracts of Systemically Important U.S. Banking Organizations and the U.S. Operations of Systemically Important Foreign Banking Organizations; Revisions to the Definition of Qualifying Master Netting Agreement and Related Definitions,” 12 CFR Parts 217, 249, and 252, Board of Governors of the Federal Reserve System.

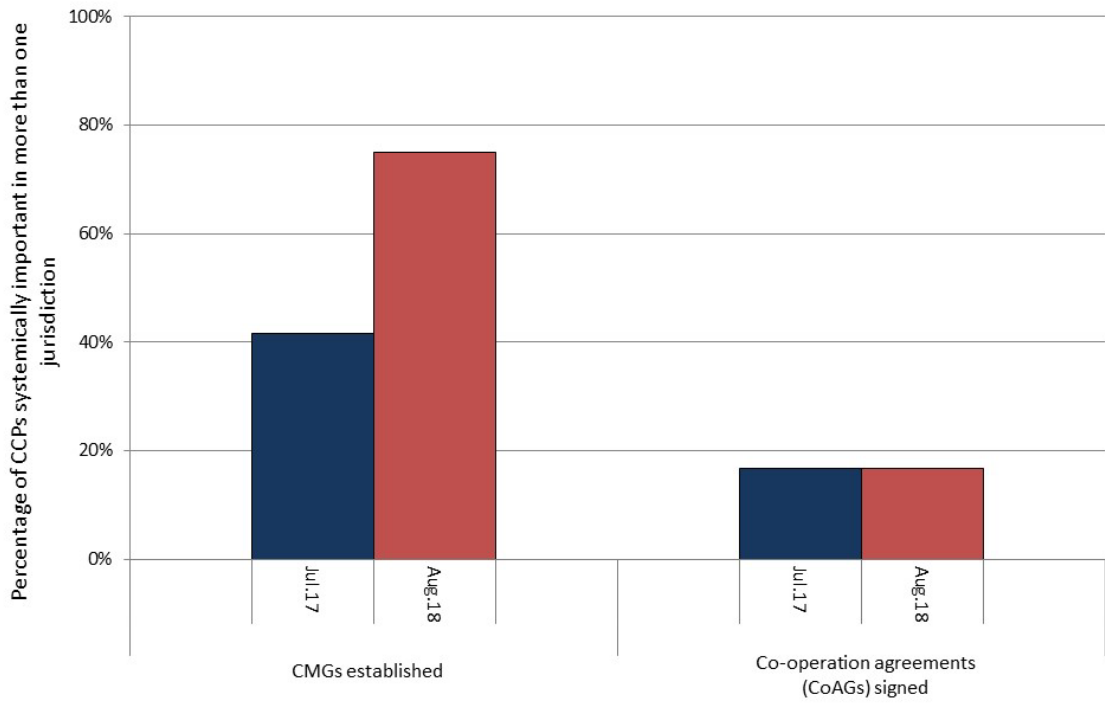
Annex 3: Resolution planning status for G-SIBs, G-SIIs and CCPs that are systemically important in more than one jurisdiction



Authorities’ resolution planning status for G-SIBs (August 2015 - August 2018)



Authorities’ resolution planning status for G-SIIs (August 2015 - August 2018)



Authorities' resolution planning status for CCPs systemically important in more than one jurisdiction (July 2017 - August 2018)

Annex 4: Key findings from the survey of FSB members on implementation of the guidance on continuity of access to FMIs

On 6 July 2017, the FSB published final guidance on [*Continuity of Access to Financial Market Infrastructures \(“FMIs”\) for a Firm in Resolution*](#) (hereafter referred to as ‘the guidance’). The guidance sets out arrangements and safeguards to facilitate continuity of access to FMIs for a firm in resolution that apply at the level of the providers of FMI services, at the level of FMI service users¹ and at the level of the relevant resolution and FMI authorities. The FSB carried out a survey of its members to take stock of authorities’ current approaches and plans to implement the guidance. This Annex sets out the findings of that survey. The FSB will consider whether any further work is necessary to help promote implementation and address challenges.

- Two jurisdictions have published resolution planning guidance that specifically addresses continuity of access to FMIs (Japan and the US²). In a number of other jurisdictions, work on continuity of access to FMIs continues as part of general resolution planning. This work is generally at an early stage. In some of these jurisdictions firms have been asked to complete surveys, templates and self-assessments on certain aspects of the FSB guidance as a starting point to help inform resolution authorities’ work.

Arrangements at the level of critical FMI service providers

- In at least six jurisdictions certain FMIs have implemented, or are implementing, changes to their rulebooks to i) reflect provisions in the resolution regime that restrict the ability of FMIs to terminate or suspend access; and/or ii) set out the terms and conditions under which access to those FMIs could be maintained for an FMI service user in resolution. This work has generally focused on domestic payment and securities settlement systems, and in some cases, CCPs.
- Authorities in at least three jurisdictions have also engaged with FMIs to develop agreed-upon procedures and communication protocols to facilitate cooperation. In one case this has led to the adoption of changes to FMI procedures to require FMIs to consult with the relevant authorities prior to taking any action to suspend or terminate access. In other jurisdictions, authorities have engaged with FMIs to gather centrally information on FMIs access criteria, risk management and experience in past crises in order to support resolution planning and execution.
- Certain FMI intermediaries are also making changes to their contractual arrangements to address continuity of access in resolution for their members, but not on a systematic basis. Some responses noted that FMI intermediaries have taken a passive approach, with changes to arrangements reflecting bilateral discussions initiated by individual FMI service users.

Arrangements at the level of FMI service users

- Certain firms in at least seven jurisdictions have engaged, or plan to engage, with FMIs to discuss risk management actions that the FMIs may impose on a firm in resolution.

¹ FMI service users are also referred to interchangeably as “firms” and “G-SIBs”.

² The Board of Governors of the Federal Reserve System and Federal Deposit Insurance Corporation recently published new proposed guidance. The public comment period for this proposed guidance is expected to close on 14 September 2018. See 83 Fed. Reg. 32856 (July 16, 2018), <https://www.gpo.gov/fdsys/pkg/FR-2018-07-16/pdf/2018-15066.pdf>.

- Many jurisdictions report that firms have made significant progress in providing information to the authorities concerning their reliance on critical FMI services, including a mapping of service providers to legal entities, businesses and critical functions.
- Work by firms to develop contingency plans and playbooks is generally at an early stage, except in one jurisdiction, where G-SIBs have developed playbooks for their key FMIs.
- The main strategy identified by firms to maintain access to FMIs is to plan for, and meet, additional requirements imposed by FMIs and FMI intermediaries. This strategy has been identified by firms in at least five jurisdictions. To this end, a number of firms are progressing work to estimate the quantum and timing of expected financial and non-financial requirements or conditions for continued FMI access. This has proven challenging where it is not clear how FMIs would respond to a firm entering resolution. Some firms also considered switching providers, but several responses noted that this presented significant operational challenges.

Arrangements at the level of the authorities

- Authorities in some jurisdictions indicated an intention to develop internal procedures or protocols to facilitate cooperation and information sharing between the resolution authority for banks and the supervisory and resolution authorities for FMIs.

Annex 5: Status of implementation of aspects of insurance resolution regimes by FSB jurisdictions as of October 2018

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	1	1	1	1	1	
Germany					2	2	
Hong Kong							
India							

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
Indonesia							
Italy							
Japan							
Korea							
Mexico							
Netherlands				(B)	(B)	(B)	
Russia							
Saudi Arabia	(B)	(B)	(B)	(B)	(B)	(B)	(B)
Singapore						(B)	
South Africa	(B)	(B)	(B)	(B)	(B)	(B)	
Spain							
Switzerland		³	⁴ (B)		⁴ (B)	⁴ (B)	
Turkey					(B)		
UK		⁵		⁵		⁵	
US							

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 2017 report.	

Status of any pending reforms	
A	Reforms agreed (final legislation or rule approved) but not yet in force
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)

- ¹ A recovery and resolution framework was promulgated in November 2017. Ordinance n°2017-1608 designated the ACPR as the resolution authority for insurers. This framework does not implement the power to write down equity or the power to convert unsecured creditor claims into equity. This new regime will be reviewed by the IMF in the 2018 FSAP for France and will serve as a pilot exercise for testing the *Key Attributes Assessment Methodology for the Insurance Sector*.
- ² 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.
- ³ 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 is set to be published by end of 2018. An entry into force can be expected in 2020 at the earliest.
- ⁴ 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 is set to be published by end of 2018. An entry into force can be expected in 2020 at the earliest.
- ⁵ The authorities of the UK report that non-administrative resolution authorities (the Prudential Regulation Authority and the court) have these powers.

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

Annex 6: Summary of findings from FSB peer reviews conducted since July 2017

This Annex sets out the key findings and recommendations of FSB peer reviews on resolution regimes conducted since July 2017.

Argentina (August 2017)

1

The peer review examined the framework for crisis management and resolution in Argentina and found that progress has been made, with recovery planning underway for some D-SIBs and a draft bill that would provide powers to temporarily stay early termination rights. However, the peer review concluded that there is more work to:

- incorporate additional elements of the *Key Attributes*;
- strengthen the operational independence of the resolution function within the BCRA and establishing mechanisms for cooperation and information sharing with domestic and foreign authorities on resolution;
- enhance resolution funding arrangements; and
- further develop recovery and resolution planning for all D-SIBs.

Korea (December 2017)²

The peer review examined the framework for crisis management and resolution in Korea and found that good progress has been made. The resolution framework already includes a number of the resolution powers set out in the Key Attributes and has been tested in previous crises, while reforms are underway to strengthen it further. Nevertheless, the peer review concluded that there is additional work to be done to:

- implement, on a timely basis, planned resolution reforms to close the gaps vis-à-vis the Key Attributes;
- develop triggers that facilitate early entry into resolution and permit the use of the full range of resolution tools under the framework; and
- further strengthen crisis preparedness arrangements.

Singapore (February 2018)³

The peer review examined the framework for the resolution of financial institutions and found that good progress has been made, reflecting Singapore's strong adherence to international standards and focus on financial stability. The resolution regime has a broad scope covering all financial institutions and

¹ See "Peer Review of Argentina" (<http://www.fsb.org/wp-content/uploads/P310817.pdf>), 31 August 2017.

² See "Peer Review of Korea" (<http://www.fsb.org/wp-content/uploads/P061217.pdf>), 6 December 2017.

³ See "Peer Review of Singapore" (<http://www.fsb.org/wp-content/uploads/P260218.pdf>), 26 February 2018.

their holding companies, while recent amendments to the regime incorporated additional elements of the *Key Attributes*. Notwithstanding this progress, there is additional work to be done to:

- extend the scope of liabilities subject to bail-in to senior debt and promulgate regulations on ex post recovery from the industry of any temporary funding;
- balance supervision and resolution perspectives through appropriate organisational arrangements within MAS; and
- continue work to refine, expand and operationalise resolution planning.

Hong Kong (February 2018)⁴

The peer review examined the framework for the resolution of financial institutions and found that good progress has been made, reflecting Hong Kong's strong commitment to implementing international standards, driven by its status as an international financial centre. A comprehensive cross-sectoral resolution regime with a broad range of powers and a statutory framework for the recognition of cross-border resolution actions was introduced in 2017. Notwithstanding this progress, the review concludes that there is additional work to be done to:

- complete the remaining elements of the framework by adopting necessary rules as well as by enhancing internal governance and cross-sectoral coordination arrangements for crisis management and resolution;
- advance resolution strategies and planning, and develop approaches to resolvability assessments; and operationalise resolution funding mechanisms.

⁴ See "Peer Review of Hong Kong" (<http://www.fsb.org/wp-content/uploads/P280218-1.pdf>), 28 February 2018.

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
FMI	Financial market infrastructures
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 Attribute
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
TLAC	Total Loss-absorbing Capacity