

FSB work on cross-border resolution

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Panel “Insolvency of large and complex financial institution”

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Outline

What has been achieved so far?

- The FSB Policy framework to address “too big to fail”
- Resolution vs. bankruptcy
- The Key Attributes of Effective Resolution Regimes for Financial Institutions

Making cross-border resolution work?

- Cooperation and information sharing
- Crisis management groups and institution-specific cooperation agreements
- Resolution planning
- Resolvable structures
- Recognition (contractual and statutory approaches)

FSB Policy Framework to end “too big to fail”

**2010 G20
Seoul Summit**
“FSB
Recommendations to reduce
moral hazard
risk of SIFIs”

**2011 G20 Cannes
Summit**
“FSB Policy measures
to address
systemically important
financial institutions”
“FSB Key Attributes of
Effective Resolution
Regimes”
Initial list of G-SIFIs

**2012 G20
Los Cabos
Summit**
Commitment
to implement
policies
Updated list of
G-SIFIs

**2013 St
Petersburg
Summit** FSB
Report on
“Ending
TBTF”

**2014
Brisbane**
“Completing
the job”

The FSB Key Attributes

Scope – all types of financial firms that could be systemic

Designated resolution authority with financial stability objective

Resolution powers including transfer powers, “bail-in”, bridge bank...

Enforceable, set-off netting, collateralisation, segregation

Safeguards (“no creditor worse off”, respect of creditor hierarchy...)

Funding and protection schemes

Capacity to cooperate and share information across borders

Crisis Management groups (CMGs)

Institution-specific cooperation agreements (COAGs)

Resolvability assessments

Recovery and Resolution Planning

Access to Information and Information sharing

Resolution powers and objectives

“protect vital economic functions through mechanisms which make it possible for shareholders and unsecured and uninsured creditors to absorb losses in a manner that respects the hierarchy of claims in liquidation” (Key Attributes Preamble)

Bridge institution

- To take over and continue operating certain critical functions and viable operations of a failed firm

Bail-in within resolution

- To achieve a creditor-funded recapitalisation of critical functions by way of a debt to equity conversion

Temporarily suspend early termination and cross-default rights

- To avoid that large volumes of financial contracts frustrate create systemic instability

Temporary liquidity

- To help stabilize the firm in resolution and avoid fire sales

Making cross-border resolution work

