

## FSB Key Attributes – Executive Summary

The Key Attributes of Effective Resolution Regimes for Financial Institutions issued by the Financial Stability Board (FSB) are a core element of the policy measures adopted by the G20 in the wake of the Great Financial Crisis to address the problem of financial institutions (FIs) that are “too big to fail.” Those measures represent a two-pronged strategy to reduce both the probability and the impact of failure of systemically important FIs (SIFIs). Measures to reduce the probability of failure include requirements for additional loss absorption capacity for global SIFIs (G-SIFIs)<sup>1</sup> and more intensive and effective supervision of FIs. The Key Attributes set out the essential features that resolution regimes should incorporate to enable authorities to resolve failing FIs in an orderly manner that limits the overall impact on economic activity, without exposing public funds to loss.

### Scope of the Key Attributes

The Key Attributes are the international standard for resolution regimes for any type of FI. The standard consists of 12 “key attributes” (KAs). Two KAs, relating to cross-border Crisis Management Groups (CMGs), apply only in relation to G-SIFIs. The other KAs apply to resolution regimes for all FIs that could be systemic in the event of failure. However, some KAs require adaptation and sector-specific interpretation. The “umbrella” standard is therefore supplemented with Annexes providing implementation guidance for insurers, financial market infrastructure and firms that hold client assets. The FSB has also developed guidance on resolution strategies and planning for different types of FI.

### Main provisions of the Key Attributes

The 12 KAs outline the powers and associated legal safeguards, funding arrangements, and requirements for planning and cross-border cooperation that are necessary to facilitate effective resolution.

#### Legal framework and institutional arrangements

Resolution of FIs should be carried out by administrative resolution authorities with clear statutory objectives that include the pursuit of financial stability and continuity of the FI’s critical functions. The resolution regime should enable the authority to intervene when it is (or likely to be) no longer viable, with no reasonable prospect of return to viability. This means before it is balance sheet insolvent.

#### Resolution powers and tools

Resolution authorities should have a broad range of tools and powers to manage the failure of an FI in a way that ensures continuity of its critical functions. These include the ability to:

- transfer ownership or assets, rights and liabilities, without the consent of shareholders or creditors, to achieve the sale of all or part of the failing FI, transfer of the FI’s critical functions to a temporary bridge institution or transfer of non-performing assets to a management vehicle

<sup>1</sup> The Basel Committee on Banking Supervision increased the going-concern loss absorbency of global systemically important banks (G-SIBs) through an assessment methodology to identify and classify G-SIBs and higher loss absorbency requirements ranging between 1.0% and 3.5% of risk-weighted assets (see FSI Executive Summary). Global systemically important insurers are identified in accordance with an assessment methodology developed by the International Association of Insurance Supervisors (IAIS) and are expected to comply with the IAIS standard on Higher Loss Absorbency.

- write down unsecured liabilities or convert them to equity with the purpose of absorbing losses or providing capital (“bail-in”)<sup>2</sup>
- impose a temporary stay on early termination rights under financial contracts
- liquidate all or part of the FI, with timely payout or transfer of insured deposits and prompt access to client funds and assets

## Legal safeguards

Since resolution actions may interfere with contractual, statutory or constitutional rights, the Key Attributes specify a number of legal safeguards. In particular, the “no creditor worse off” safeguard protects creditors and shareholders of an FI in resolution by ensuring, through compensation if necessary, that their losses are no greater than they would have been if the FI had been liquidated.

## Funding

A primary motivation for the Key Attributes is that resolution regimes should provide options so that authorities are not constrained to rely on public ownership or bailout. Privately financed sources of resolution funding should therefore be available. If public funds are used in resolution, there should be mechanisms to recover those funds from the firm in resolution, its creditors or the broader financial sector. Arrangements should also be in place to ensure access to temporary liquidity for firms in resolution.

## Recovery and resolution planning and resolvability

Recognising that preparation is fundamental for effective resolution, the Key Attributes require recovery and resolution plans to be maintained, and updated regularly, for all FIs that could be systemic in failure.

- Recovery plans, prepared by the FI, should set out credible options for restoring financial or operational soundness in a range of idiosyncratic and market-wide stress scenarios.
- Resolution plans, developed by authorities using information provided by the FI, set out the resolution strategy and tools and a detailed operational plan for implementing that strategy. Resolvability assessments to assess the feasibility of the resolution strategy are an intrinsic part of the resolution planning process. Authorities should have powers to require FIs to adopt measures to address impediments to their resolvability.

## Cross-border cooperation and information-sharing

Since many FIs within the scope of this standard operate in multiple jurisdictions, the Key Attributes contain a number of provisions that support cross-border cooperation and information-sharing.

- There should be no obstacles to cross-border information-sharing for the purposes of planning or carrying out resolution, provided adequate confidentiality arrangements are in place.
- CMGs involving home and key host authorities should be maintained for all G-SIFIs, as a forum for coordination and information-sharing. Since not all G-SIFI host authorities are included in CMGs, home authorities should also put in place cooperative arrangements with the authorities of jurisdictions where the G-SIFI has locally systemic operations (“non-CMG hosts”).
- National legal frameworks should provide clear and timely processes for giving legal effect to foreign resolution measures directed at local assets or liabilities of a foreign FI in resolution.

This Executive Summary and related tutorials are also available in [FSI Connect](#), the online learning tool of the Bank for International Settlements.

<sup>2</sup> Bail-in powers are supported by the FSB [TLAC framework](#) requiring G-SIBs to hold bail-in-able liabilities.