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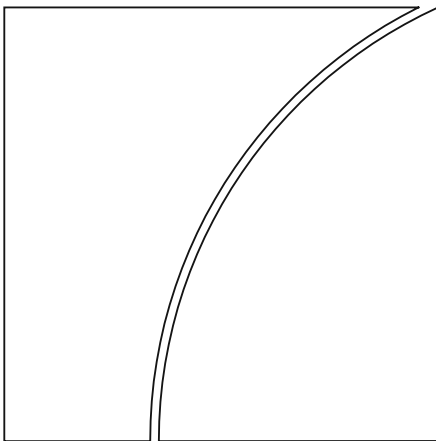
Cross-border resolution cooperation and information- sharing: an overview of home and host authority experience

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Cross-border resolution cooperation and information-sharing: an overview of home and host authority experience¹

Executive summary

Cooperation and information-sharing between home and host authorities are critical in supporting effective cross-border resolution planning and execution. Cross-border cooperative arrangements provide a means for discussing and agreeing resolution strategies and the planning and coordination of resolvability assessments.

While crisis management groups (CMGs) are a core forum for cooperation between home and key host authorities for global systemically important banks (G-SIBs), additional arrangements may also be required, especially for host authorities that do not participate in CMGs. The *Key Attributes of Effective Resolution Regimes for Financial Institutions* (FSB (2014))² acknowledge that, for reasons of operational efficiency, CMG membership may not include all host jurisdictions where a G-SIB has locally systemic operations if the operations are not material for the group as a whole. Moreover, CMGs are required only for G-SIBs, but cross-border cooperation may be required for effective resolution of other banks that operate in multiple jurisdictions. Accordingly, the FSB *Key Attributes* also provide that firm-specific information exchange and cooperation should take place with host authorities from jurisdictions not represented in CMGs but where the bank's operations are locally systemic (non-CMG host authorities). Appropriate and proportionate arrangements for cross-border cooperation and information-sharing are also needed to support the development and maintenance of recovery and resolution plans for banks other than G-SIBs that have material cross-border operations.

This paper examines cross-border cooperation and information-sharing arrangements for G-SIBs and other foreign-owned locally systemic banks, with a particular focus on arrangements other than CMGs. The paper is based on a survey of authorities from 16 jurisdictions that are home or host to G-SIBs and/or domestic systemically important banks (D-SIBs), including non-CMG host jurisdictions. It presents their experiences as they relate to both firm-specific and non-firm-specific cooperation arrangements. Firm-specific arrangements include those maintained by some G-SIB home authorities with non-CMG hosts for resolution-focused purposes, extended resolution colleges and supervisory colleges with an extended mandate to cover resolution issues.

Most of the progress on cooperation and information-sharing arrangements is evident where a bank's operations are material for both home and host authorities, while less progress is evident where bank is locally systemic only for the host jurisdiction. Host authority membership of CMGs is generally based on the materiality of the locally hosted operations for the group resolution strategy. However, some home authorities are establishing or adapting multilateral arrangements with non-CMG host authorities of entities that are relevant for the group to supplement the CMG and communicate the resolution strategy to a broader membership. Non-CMG host authorities that are

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² The *Key Attributes* were first published in 2011, and republished in 2014 with additional Annexes containing implementation guidance.

members of regional subgroups or extended resolution colleges report greater engagement and understanding of steps required to support effective crisis preparedness in a cross-border context, including support for the home authority's preferred resolution strategy.

Across the survey sample, host authorities that do not participate in such regional or extended multilateral arrangements have access to limited firm-specific information.³ Similarly, they report that they do not receive requests for information about the firm's local operations from the home resolution authority. However, such information exchange is likely to depend on appropriate information-sharing agreements being in place, and these in turn are frequently conditional on some form of equivalence assessment of the confidentiality standards of the recipient authority. Some home authorities noted that this process, together with the process of drafting and negotiation of such agreements, is time-consuming and resource-intensive. This has led some home authorities to adopt a phased approach to implementing their planned outreach to host authorities, with prioritisation based on materiality.

Both home and host authorities use multilateral non-firm-specific arrangements for a range of activities to support or supplement cross-border cooperation and information-sharing. For home authorities, this included running workshops or training programmes to share their approaches to resolution and resolution planning with host authorities. Since these arrangements do not entail the exchange of confidential information, they may be less onerous to put in place while still giving host authorities adequate scope for engaging on cross-border resolution issues. Non-firm-specific arrangements such as regional groups or workshops can also provide a useful source of general information about resolution regimes and approaches. The arrangements may nevertheless fall short of providing the firm-specific detail that non-CMG host authorities sometimes require to understand the impact of the preferred group resolution strategy on the firm's operations in their own jurisdictions.

Host authorities that do not participate in cooperation arrangements, or have no access to group resolution information, reported that they would be less likely to support a group resolution strategy and more likely to take unilateral measures in relation to the local operations of a cross-border group. Effective group resolution may rely on supporting actions by host authorities to give full effect to home resolution actions, or forbearance from initiating local resolution or insolvency proceedings. However, such support typically relies on adequate access to information on the group resolution strategy. Most of the non-CMG host authorities in the survey sample indicated that they would not rely on the group resolution strategy, and several emphasised that they would operate on the assumption that there would be no support from the group in the event of the failure of the bank in their jurisdiction.

The findings of this study therefore show progress, but there are also instances where the information needs of host authorities on resolution planning continue to be unmet. Authorities generally recognise that cooperation and information-sharing are necessary for cross-border resolution, and this is driving the establishment of varying types of arrangement, with their differences in part reflecting the structure and resolution strategy of individual banks. The dissemination of effective practices may help to refine existing arrangements and develop new ones to address remaining gaps. That is the motivation of this paper.

³ See Annex 1 for a list of surveyed authorities.

Section 1 – Introduction

1. **Following the Great Financial Crisis (GFC), policymakers recognised that robust cooperation and information-sharing frameworks between authorities are vital for supporting the cross-border resolution of global systemically important financial institutions (G-SIFIs).** Efficient cross-border coordination and communication between home and host authorities were identified as necessary to support effective cross-border resolution (IMF (2009)). In 2009, the Financial Stability Forum – the predecessor to the Financial Stability Board (FSB) – published its high-level *Principles for Cross-border Cooperation on Crisis Management*, which set out the expectation that “all countries in which the firm has systemic importance are kept informed of the arrangements for crisis management”. In March 2010, the Basel Committee on Banking Supervision (BCBS) published the report and recommendations of its Cross-border Bank Resolution Group. This included a recommendation that key home and host authorities should “agree on arrangements that ensure the timely production and sharing of the needed information” during both normal times and times of stress (BCBS (2010)). Such principles formed the foundation for the development of the FSB *Key Attributes* (FSB (2014)).

2. **The Key Attributes include a number of provisions aimed at fostering effective cooperation, communication and information-sharing.** First, they specify that the statutory mandate of resolution authorities and the legal framework should facilitate and encourage cross-border cooperation.⁴ Second, the *Key Attributes* contain provisions and guidance aimed at supporting information-sharing, subject to the appropriate protection of confidentiality (FSB (2014)). Third, to help foster greater levels of trust and constructive dialogue between home and host authorities in planning and executing resolution, they require Crisis Management Groups (CMGs) to be set up and maintained for all G-SIFIs. The CMGs must be supported by institution-specific cross-border cooperation arrangements (CoAGs) which set out the processes for cooperation and information-sharing between CMG members. Finally, CMGs are only required for G-SIFIs. However, cross-border cooperation is also required for effective resolution planning for banks other than G-SIBs that operate in multiple jurisdictions. Accordingly, the *Key Attributes Assessment Methodology for the Banking Sector* (FSB (2016b)) also specify that home authorities of other banks with material cross-border operations that are subject to resolution planning should have a process in place that includes appropriate and proportionate arrangements for cross-border cooperation and information-sharing with host authorities, to support the development and maintenance of recovery and resolution plans. A related explanatory note suggests that home authorities should meet this requirement by maintaining a cross-border coordinating forum, such as an extended supervisory college, with a mandate to cover cross-border recovery and resolution planning for the bank.

3. **For reasons of operational efficiency and effective decision-making, CMG membership is likely to be limited, and may need to be supplemented by additional arrangements with certain non-participating host authorities.** The *Key Attributes* specify that CMG membership should focus on those authorities from jurisdictions that are home or host to entities that are material to the resolution of the group. However, they also provide that CMGs should cooperate closely with host authorities in other jurisdictions where the firm has a systemic presence. In this regard, Key Attribute 11.8 states that authorities in jurisdictions where a G-SIFI has a systemic presence, but that do not participate in the CMG of that G-SIFI (non-CMG host jurisdictions), should be given access to recovery and resolution plans and information on measures that could have an impact on their jurisdiction.

4. **The FSB consequently issued further guidance in relation to cooperation and information-sharing between home and non-CMG host authorities.** The FSB Non-CMG Host Guidance (FSB (2015a)) sets out the process for identifying non-CMG host jurisdictions; criteria for assessing the systemic nature of a G-SIFI’s presence in a non-CMG host jurisdiction; cooperation and information-sharing arrangements with a non-CMG host jurisdiction; and classes of information to be shared between home authorities and

⁴ See Key Attribute 7 for further information.

non-CMG host jurisdictions. Both the home authority and the non-CMG host authority have roles to play in identifying whether G-SIB operations are locally systemic in the host jurisdiction and in establishing cooperation and information-sharing arrangements.

5. **For banks other than G-SIBs, college arrangements may also provide a forum for cooperation for the resolution-related purposes.** The BCBS *Principles for effective supervisory colleges* (BCBS (2014)) discuss the role of supervisory colleges in crisis preparedness.⁵ The implementation guidance for Principle 7 notes that where CMGs or other resolution-specific arrangements are not in place, supervisory colleges should provide a framework for the planning and coordination of supervisory activities in preparation for and during emergency situations. It also refers to the role of the supervisory college as a forum where non-CMG supervisors may be kept informed about the resolution planning activities of the CMG, where that is in place.

6. **This paper presents an overview of cross-border cooperation and coordination arrangements involving home and host authorities, with particular focus on non-CMG host authorities.** The information is based on a survey of authorities from 17 jurisdictions that are home or host to global and/or domestic systemically important banks (G-SIBs and D-SIBs), with a concentration of non-CMG host jurisdictions.⁶ The survey sought information on the forms of resolution-related cooperative arrangements that are in place between home and host authorities; the kind of information that is shared under those arrangements; the experience of the participating authorities, from both home and host perspectives; and the extent to which non-CMG host authorities are able to support group resolution strategies. The survey focused on relevant arrangements relating to banks. Arrangements for other types of financial institution are outside the scope of this study. The paper is organised as follows. Section 2 provides an overview of the forms of cooperative arrangements described in the FSB Non-CMG Host Guidance and illustrative examples of how such arrangements may be adapted to different resolution strategies. Section 3 summarises recent developments relevant to cross-border cooperation in this area and Section 4 provides a high-level overview of the FSI survey results. Sections 5 and 6 describe, respectively, the firm-specific and non-firm-specific cooperative arrangements that the authorities surveyed have established or participate in. Section 7 provides some concluding remarks. A glossary of terms used in this paper is set out in the Annex.

⁵ Principle 7 provides that “Supervisory colleges are distinct from but complementary to crisis management and resolution structures. The work at a banking group’s supervisory college should contribute to effective crisis management planning.”

⁶ See Annex 1 for list of surveyed authorities. Resolution authorities that took part in the FSI survey for this paper (“FSI survey”) were categorised as a home authority if they were home to a G-SIB (FSB (2019c)), or as host if they were not home to a G-SIB, but a G-SIB or locally systemic foreign-owned bank operated in their jurisdiction. It is recognised that all of the surveyed authorities classified as “home” for the purposes of this study are also host authorities to G-SIBs or other significant cross-border banks. However, these authorities are generally included in CMGs or have networks to obtain information and, as such, may have different experiences as relates to cross-border cooperation and information-sharing to those of the authorities surveyed as “hosts”. Non-CMG host jurisdictions by definition do not have access to CMGs or may not have access to the same or similar networks as CMG home and host jurisdictions. The Hong Kong Monetary Authority (HKMA) was categorised as both a home and host authority, given that it is the home authority for an MPE resolution entity of a G-SIB that has its Asia-Pacific headquarters in Hong Kong SAR and is also a host jurisdiction to multiple G-SIBs and other foreign-owned banks.

Section 2 – Forms of cooperation arrangements with non-CMG host authorities

FSB Guidance on cooperation with non-CMG host authorities

7. **The FSB Guidance describes a range of cooperation arrangements that might meet the needs of home and non-CMG host authorities.** It specifies that, after determining that a G-SIFI has a systemic presence in a non-CMG host jurisdiction, the home and the non-CMG host authorities should agree on the arrangements that will address the information needs of non-CMG host authorities, the home authority and the CMG for mutual cooperation and information-sharing (FSB (2015a)). The types of firm-specific arrangement described in the Guidance are as follows.

- *An “extended” group of authorities:* Such a group would comprise authorities with crisis management responsibilities in relation to the firm, including host authorities that are not members of the firm’s CMG. The extended group could be based on college model and, depending on the operations of the bank, its complexity, nature and scale, and the information needs of the authorities within the group, a variable composition or multiple arrangements may be appropriate (BCBS (2010)).
- *A regional subgroup:* This type of group would include authorities with crisis management responsibilities for the firm within a particular region, in order to facilitate information-sharing and discussion relevant to resolution planning for that region. This arrangement may be suited to a group structure that reflects the geographical distribution of the critical functions and operations of the firm (FSB (2015a)).
- *Bilateral cooperation and information-sharing arrangements:* This approach may be appropriate where there are specific information needs between the home authority and individual non-CMG host authorities, and direct engagement is needed (FSB (2015a)).

The Guidance anticipates that arrangements may be combined or adapted over time to meet the needs of participating authorities. For example, different models may be combined to support the specific resolution strategy for a firm.

8. **Irrespective of the form of cooperative arrangement adopted, arrangements should enable the information needs of non-CMG hosts to be met.** The FSB Guidance specifies that non-CMG host authorities should have access to the information they need to assess the potential systemic impact on the local operations of the G-SIFI of the preferred resolution strategy and the measures set out in the resolution plan. The specific nature of the information needed by an individual host authority will vary depending on the nature of the local G-SIFI operations, the scope of the host authority’s mandate and functions, and the preferred resolution strategy.

9. **The Guidance outlines classes of information that may need to be shared to enable the host authority to understand the resolution strategy and its local impact.** Core information relates to the resolution regimes in home and host jurisdictions; the structure of the firm, its critical functions and relevant financial and operational interdependencies; the firm’s group recovery plan; the resolution strategy and plan, and how barriers to resolvability are being addressed; and contact details of key staff in home and host authorities. This core information is likely to be required by most or all non-CMG host authorities. However, individual host authorities may need additional information on the specific impact of the proposed resolution plan and measures taken under it or to improve resolution on the firm’s operations in their own jurisdiction. The Guidance suggests that such information may be provided on request, which suggests that different arrangements may be used to share core and tailored information. It also notes that the type, extent and granularity of information needed by individual non-CMG host

jurisdictions and the speed and frequency with which it is required may vary according to the conditions of the firm and of the wider market.

10. **The Guidance also makes it clear that information needs to flow in both directions.** The Guidance outlines the classes of information that home authorities are likely to need from non-CMG host authorities for resolution-related purposes. All information-sharing anticipated by the Guidance is conditional on recipients meeting adequate standards of confidentiality.

Impact of group-wide resolution strategies on types of cooperation arrangement

11. **The form of non-CMG host cooperative arrangements may depend on the group resolution strategy.** To date, two schematic approaches to resolution of G-SIBs have been developed. These are the single point of entry (SPE) and multiple point of entry (MPE) (FSB (2013)), referring to the level in the group structure at which resolution powers are applied. The following descriptions of the two approaches are generic. In practice, a preferred resolution strategy based predominantly on one approach may combine elements of the other.

12. **Under an SPE strategy, resolution powers are applied to one legal entity, usually a holding company, while operating subsidiaries continue as a going concern.** Losses are absorbed and capital is replenished through writedown and/or mandatory conversion into equity (“bail-in”) of unsecured debt issued by the top company, and resources are downstreamed to recapitalise the operating subsidiaries. The home authority will lead the SPE resolution, and host authorities may not need to take direct resolution actions in relation to the entities in their own jurisdiction.⁷ This strategy requires a high level of communication and planning to ensure that host authorities understand how the strategy will operate and have sufficient confidence that it will preserve financial stability in their local market (IMF (2018)).

13. **To support this process, host authorities that are material to the execution of the SPE strategy need to be involved in resolution planning.** For example, those host authorities may need to coordinate local loss absorbency requirements so as to support the strategy or to provide expedited regulatory approvals as necessitated by the resolution action (such as a change of control). The home authority needs to make an assessment of those host jurisdictions where the G-SIB’s operations are material to its resolution and cooperate closely with them. However, there may also be non-CMG host authorities that need to be included in the resolution planning process because effective implementation of the resolution strategy may rely on those authorities taking or not taking certain actions. For example, resolution may be facilitated if host jurisdictions refrain from taking independent resolution or insolvency action, or if public communications regarding the bank’s resolution are coordinated with the home authority. Bilateral or multilateral cooperative arrangements may support such coordination. Figure 1 shows how cooperative arrangements might be established with host authorities to support a SPE resolution strategy.

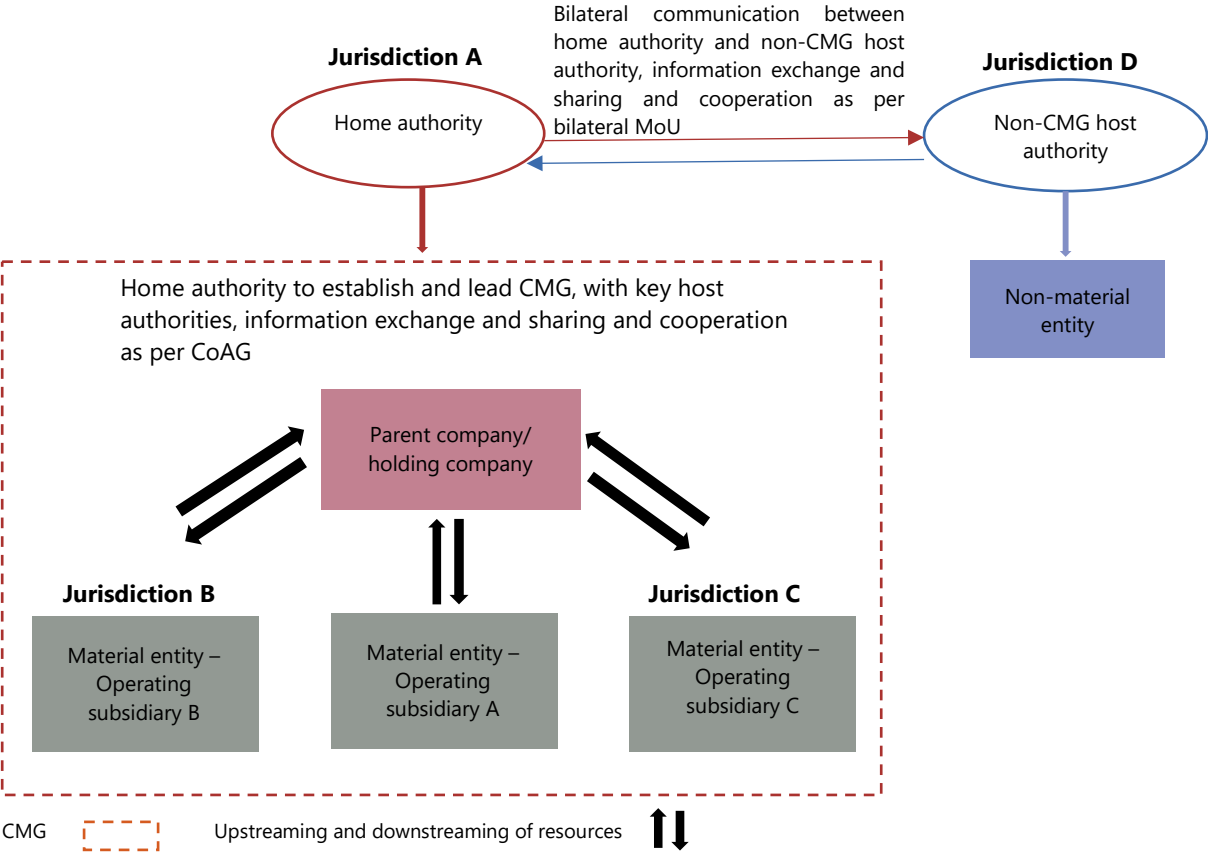
14. **Under an MPE strategy, resolution powers are applied by two or more resolution authorities to different parts of the group.**⁸ This is likely to result in the group’s break-up into two or more separate parts. The banking group could be split along national, regional or business lines (or a combination of each). The lead resolution authority for each of the resolution subgroups under the MPE strategy will lead the resolution planning and, if necessary, its execution under the relevant resolution regimes. This approach requires a high degree of coordination between home and host authorities within each subgroup, and between the authorities leading the resolution subgroups, to avoid inconsistent actions that undermine the effectiveness of the individual resolution interventions and the success of the entire strategy. For example, to avoid problems arising from “first-mover” actions, it may be necessary to

⁷ While an SPE strategy aims to avoid the need for group entities in host jurisdictions to be put into resolution, it does not prevent host authorities from taking action under national frameworks where necessary.

⁸ Only two of the firms identified as G-SIBs by the FSB have a preferred MPE strategy.

coordinate the entry into resolution of the group entities with the lead resolution authority’s announcement that the conditions for resolution are met. Authorities may also work together to improve resolvability under an MPE strategy, such as ensuring adequate arrangements for operational continuity for each subgroup following separation. Finally, as with SPE strategies, it may support resolution if host jurisdictions coordinate public communications or refrain from independent insolvency action

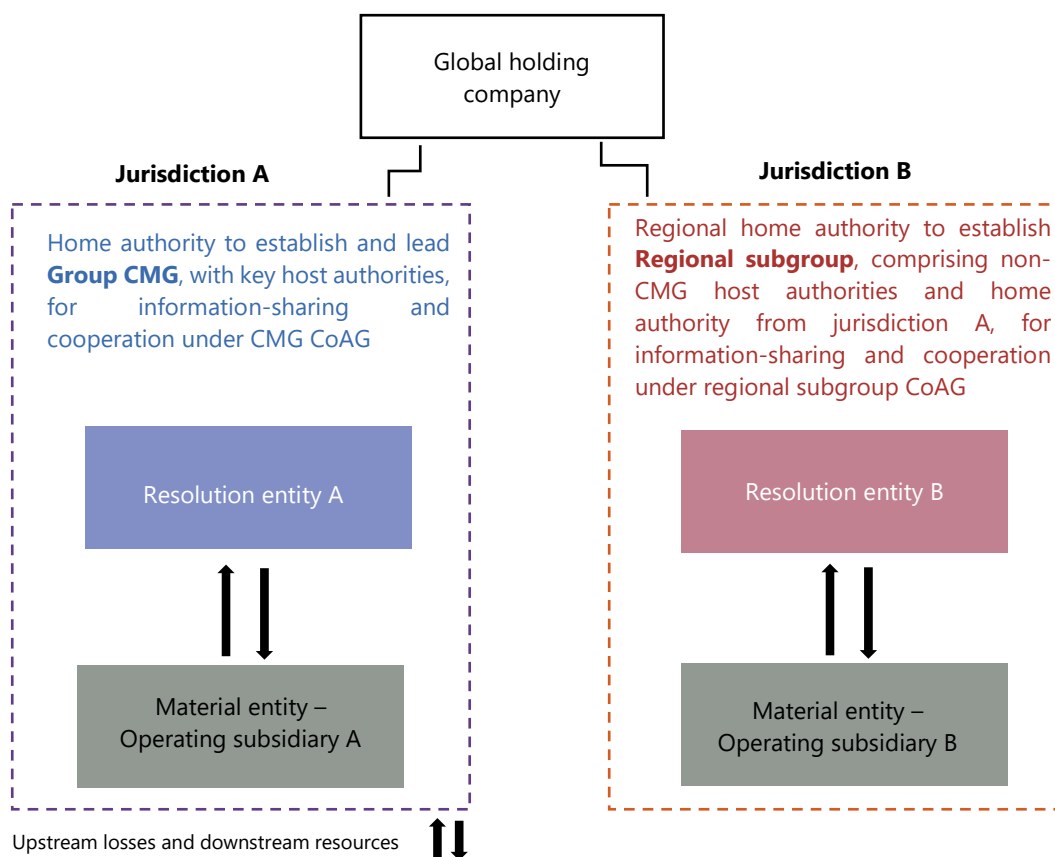
Figure 1: Illustrative example of cooperative arrangements under an SPE resolution strategy



Source: FSI survey.

15. **An MPE resolution strategy may be supported by several cooperative arrangements based on the entry points for resolution.** This may be particularly appropriate where several jurisdictions are material for the execution of an MPE strategy in a particular region. For example, the home authority of the consolidated group could maintain a group CMG with the host authorities or the responsible resolution authorities for each of the MPE resolution subgroups. In turn, the regional home authorities may establish regional CMGs or cooperation arrangements with other host authorities that do not participate in the main CMG but are relevant for the resolution of the specific MPE subgroup. To ensure effective coordination, the regional subgroup could include the group home authority. Figure 2 provides a stylised example of how cooperative arrangements may support an MPE resolution strategy.

Figure 2: Illustrative example of cooperative arrangements under an MPE resolution strategy



Source: FSI survey.

Obstacles to effective cross-border resolution

16. **Some of the potential obstacles to effective cross-border resolution arise through home or host action or inaction.** This may happen for a range of reasons, including the systemic relevance of the firm and related externalities stemming from its failure in particular jurisdictions (Claessens et al (2010)). For example, the subsidiaries of a cross-border banking group may have operations that are systemic in a host jurisdiction, but those subsidiaries may not be material to the parent bank and accordingly may not be of material importance to the home authority (Ahmad et al (2019)). This asymmetry could lead to certain actions or inaction by either home or host authority which, in a crisis, could jeopardise or undermine effective cross-border resolution. Examples include lack of information-sharing, ring-fencing and uncoordinated actions.

- *Information-sharing:* Lack of communication between home and non-CMG host authorities may be due to confidentiality concerns in relation to a particular authority or to legal constraints on sharing information (D’Hulster (2011), Alford (2013)). During normal operations, this may result in unmet information needs or information gaps. If a bank is failing, information-sharing could suffer as home and host authorities may prioritise dealing with domestic issues to the detriment of communicating problems to the other authority (D’Hulster (2011)). This could be further exacerbated by the nature of the operations. If the problem arose in an entity in the home jurisdiction, a home authority might delay disclosure or not share information at all, particularly if the subsidiary operations are not material to the resolution of the parent bank (Ahmad et al (2019)).
- *Ring-fencing:* Ring-fencing can arise where an authority considers it in its interest to protect the firm’s assets within its jurisdiction and therefore requires the local entity to hold capital or

liquidity. Incentives to ring-fence are likely to increase in the run-up to or during a bank failure. For example, where a subsidiary's operations are systemic (eg because of the size or complexity of local operations, or lack of alternative service providers), the host authority could prevent local assets from being used to offset losses in other parts of the group (Ahmad et al (2019)).

- *Uncoordinated and unilateral actions*: In business as usual, uncoordinated actions could lead to duplication of authorities' efforts such as in resolution planning, or divergent or conflicting resolution requirements from the home and host authorities. In the event of a bank failure, uncoordinated actions might arise from lack of communication, poor resolution planning or the legal inability to either recognise or support a foreign resolution action. For example, if a host authority does not give effect to the home authority's resolution action as far as necessary within its own jurisdiction, there may be a rapid decline in the local operations and an increased threat of contagion. This may result in local resolution or insolvency proceedings for the bank's operations in the host jurisdiction, independent of those for the rest of the group. At the extreme, uncoordinated actions could lead to the disorderly break-up of the group and related value destruction (IMF (2009)).

Section 3 – Recent evaluative work

17. **In recent years, there has been evaluative work on home-host cooperation and information-sharing.** This work has been conducted at a regional level through the FSB Regional Consultative Groups (RCGs) and at the international level through FSB peer reviews and other related reviews (IMF (2014)). Evidence suggests that, while progress has been made, continuing efforts are required if authorities are to put in place cross-border arrangements that facilitate information-sharing for resolution-related purposes.

18. **That evaluation has found evidence of good regional cooperation, but this is driven largely by the progress in resolution regimes and the robustness of existing crisis coordination frameworks.** The report by the RCG for Europe Working Group Report (FSB (2016a)) examined the Nordic experience and challenges faced by authorities, including information-sharing and cooperative arrangements during the GFC. The report observed that, during the GFC in 2008, information-sharing used different channels to those previously envisaged, noting that informal, bilateral information-sharing worked well, as compared with multilateral frameworks (FSB (2016a)). Regulatory cooperation between Nordic authorities took place through supervisory colleges supported by written cooperative agreements, facilitated by existing close cooperation, but the Nordic MoUs on crisis resolution were "less successful" (FSB (2016a)). The RCG for Sub-Saharan Africa conducted a review to identify the status of, and the challenges associated with, information-sharing and home-host cooperation in the region. The report observed that there was a "lack" of responses or detail in relation to the questions on crisis management or crisis management groups (FSB (2018a)). This suggested that CMGs as a cooperative arrangement had yet to "fully evolve as a mechanism for supervisory cooperation and information-sharing in the region".

19. **A common observation is that continued efforts are needed to support crisis preparedness between authorities within regional arrangements.** In July 2018, the European Banking Authority (EBA) published a report examining the functioning of resolution colleges within the EU (EBA (2018)). The EBA found that the quality of discussion varied, but noted that this largely reflects the complexity of the task as relates to information-sharing and cooperation in a cross-border context. It noted that, to be fully operational, a resolution college "requires the continued efforts to increase preparedness of college members" (EBA (2018)). Similarly, the RCG for Sub-Saharan Africa noted that "jurisdictions should work towards removing the shortcomings with regard to the process of sharing information between supervisors" to manage risks arising from banks' cross-border activities (FSB (2018a)).

20. **Membership of CMGs or equivalent arrangements for other systemic banks are useful for host authorities, but membership is generally restricted.** According to the FSB Thematic Peer Review on Bank Resolution Planning (FSB (2019a)),⁹ while CMGs are maintained for all G-SIBs designated in 2017, the number of host jurisdictions represented in CMGs ranges from zero (where the CMG only includes authorities from the home jurisdiction) to eight (including observers). In all cases, the membership of CMGs is limited and does not include authorities from every jurisdiction where a G-SIB operates. This reflects the balance between operational efficiency and inclusiveness that, as the FSB Non-CMG Hosts Guidance acknowledges, needs to be struck in the composition of CMGs. FSB jurisdictions generally reported that participation in CMGs or cooperation arrangements for a systemic bank not designated as a G-SIB helped advanced resolution planning for the relevant banks at a local level. Hosts noted that there were some outstanding issues relating to planning and coordination that CMGs and non-G-SIB coordinating arrangements could consider in greater detail.¹⁰

21. **A variety of cooperative arrangements other than CMGs are in place for both G-SIBs and other systemically important banks.** As well as focusing on CMGs, the 2019 Peer Review examined cooperative arrangements for non-G-SIBs and cooperative arrangements with non-CMG host authorities. It found that three home authorities of systemically important banks other than G-SIBs maintain some form of multilateral cross-border cooperative arrangements with host authorities; three home authorities use bilateral contacts; and three introduce discussion and information-sharing on resolution-related topics in predominantly supervisory cooperative arrangements (FSB (2019a)). The experience of FSB-member host authorities that participate in such arrangements was broadly positive. In particular, only five FSB host jurisdictions reported that they needed additional information to understand the likely impact of a locally hosted G-SIB's resolution strategy in their jurisdiction. The Peer Review report observed that this may be due to the fact that FSB jurisdictions are more likely to be included in CMGs, or have networks for obtaining information than are non-CMG host authorities outside the FSB membership. It may not, therefore, be safe to extrapolate this finding more widely to authorities outside the scope of the Peer Review.¹¹

Section 4 – Survey results – CMG membership and identification of non-CMG host jurisdictions

Composition of CMGs

22. **The home authorities surveyed for this paper have used broadly similar criteria in selecting CMG membership.** One G-SIB home jurisdiction bases CMG composition on the jurisdictions where the G-SIB has significant operations (see Graph 1). Three draw specifically on the concept of materiality as defined in the FSB TLAC Term Sheet for the purpose of applying the requirement for internal TLAC to “material” entities or subgroups.¹² This refers to the proportion of risk-weighted assets, operating income

⁹ The Peer Review included an examination of current arrangements for cross-border cooperation and information-sharing on resolution planning for G-SIBs and other cross-border banks and banking groups, including non-G-SIBs.

¹⁰ These included interaction between local and group resolution plans, home expectations about host actions in a resolution and allocation of responsibilities in resolution, matters relating to cross-border effectiveness and enforceability of resolution decisions, and a clearer mapping of progress in removing barriers to resolvability (FSB (2019a)).

¹¹ Thematic peer review pp 41–2.

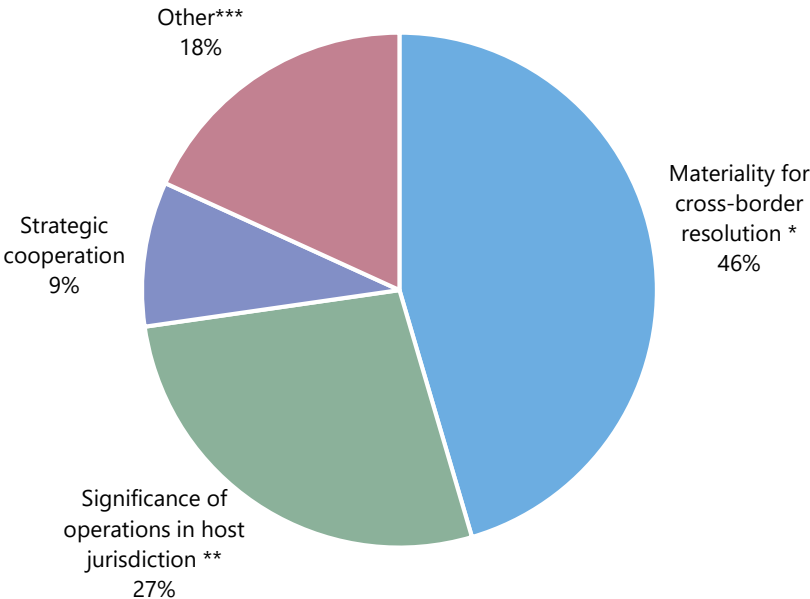
¹² Paragraph 17 of the FSB TLAC Term Sheet (2015c) specifies that a subgroup of a resolution entity is considered “material” for the purposes of applying the Internal TLAC requirement if the subsidiary alone or the subsidiaries forming the subgroup on a subconsolidated basis at the level of the subgroup meet at least one of the following criteria: (a) have more than 5% of the

generated or total leverage exposure measure (in each case, greater than 5%) relative to the consolidated or total measurement of the group as a whole, or to the presence of critical functions. These criteria are used indicatively rather than prescriptively. Indeed, one G-SIB home jurisdiction noted that the fact that operations within a host jurisdiction met this technical definition of materiality did not automatically qualify the jurisdiction for CMG membership. Another may include authorities from jurisdictions of strategic importance, irrespective of whether they meet the materiality assessment, and some may also invite authorities as observers. Overall, CMG composition appears relatively flexible, reflecting a range of considerations that home authorities apply in seeking the balance referred to in the FSB Guidance.

Home authorities' principles or criteria for determining the composition of crisis management groups

In per cent

Graph 1



This graph summarises responses on criteria used as a percentage of surveyed home authorities' responses.

* Includes drawing on guidance from the Key Attribute 8.1.

** Includes criteria such as provision of critical functions or support services, or drawing on the FSB TLAC term sheet such as having more than 5% consolidated assets of the group generate more than 5% of the consolidated revenues for the group.

*** Includes additional criteria such as circumstances warranting the reciprocal commitments or existing links to relevant cooperative arrangements, such as membership of related cooperative arrangements, or provision of critical functions.

Source: FSI survey and research.

consolidated risk-weighted assets of the G-SIB group; or (b) generate more than 5% of the total operating income of the G-SIB group; or (c) have a total leverage exposure measure larger than 5% of the G-SIB group's consolidated leverage exposure measure; or (d) have been identified by the firm's CMG as material to the exercise of the firm's critical functions (irrespective of whether any other criteria of this section are met).

Identification of non-CMG host jurisdictions

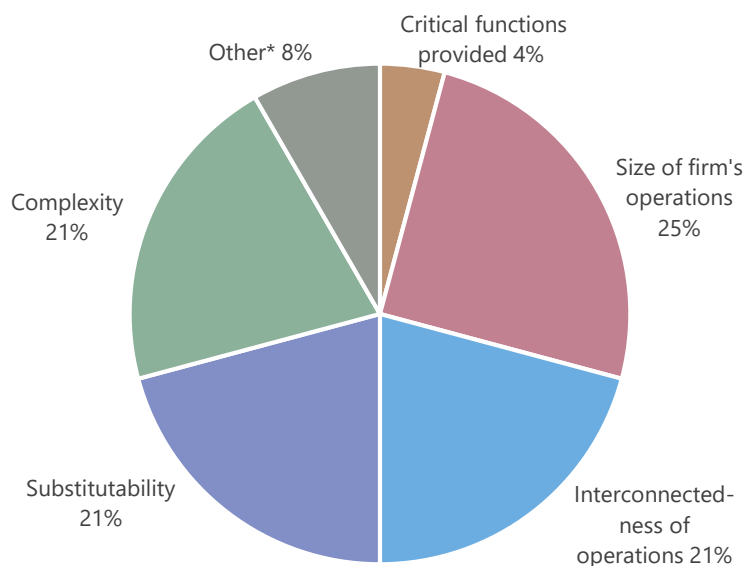
23. **The first step in supporting cooperation and information-sharing beyond the CMG is to identify where the G-SIB's operations are locally systemic.** The FSB Non-CMG Host Guidance (2015a) notes that, in the first instance, non-CMG host authorities should be best placed to assess the importance of a G-SIB's local operations in their own jurisdiction, although home authorities also need to identify the non-CMG host jurisdictions where the G-SIB has a systemic presence. The survey sample included both non-CMG host authorities and G-SIB home authorities. The discussion of the survey results therefore presents the findings from surveyed home authorities ("home authorities") and surveyed host authorities ("host authorities"), some of which are non-CMG host authorities.

24. **Home authorities do not have a uniform approach to identifying host jurisdictions where a G-SIB has locally systemic operations.** Two home authorities have relied on a broad assessment of the footprint of the banks in question in a particular region, one noting that the location of systemic operations was more or less evident, without requiring a formal assessment process. Both have in place cooperative arrangements that involve the host jurisdictions identified. One home authority also notes that it typically becomes aware that a bank's operations are systemic in a particular host jurisdiction through the bank itself, as part of resolution planning. Another G-SIB home authority has yet to take steps to identify such host jurisdictions, but it plans to embark on that analysis as its work on resolution planning proceeds and deepens. Two of the home authorities report that they have been notified by host jurisdictions of their own assessment that local operations are systemic. They also noted that home authorities were not involved in that assessment process.

Host authorities' criteria for identifying locally systemic operations

In per cent

Graph 2



This graph summarises responses on criteria used as a percentage of surveyed host authorities' responses.

* Other criteria include local specificities.

Source: FSI survey.

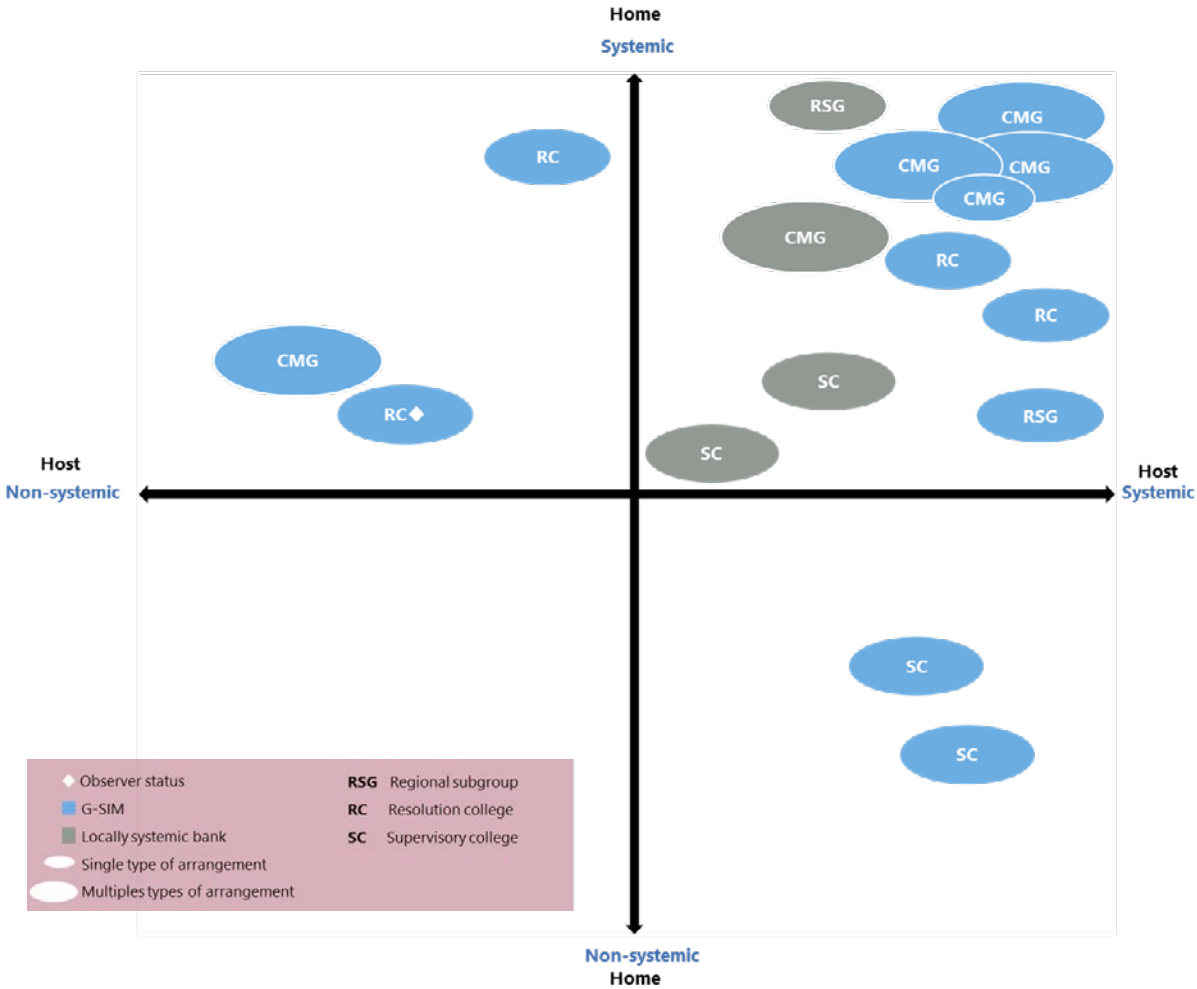
25. **Most host authorities have criteria for identifying locally systemic operations.** Graph 2 summarises the range of criteria that host authorities use, with the most commonly used criteria being the

size of the firm’s operations, its interconnectedness and substitutability of its local services. These criteria are used to measure potential systemic impact on domestic financial stability, and negative externalities associated with the failure of a locally systemic bank. Over half of the host authorities have identified and notified the home authority that the operations of the G-SIB were locally systemic. Host authorities also monitor non-G-SIBs that are considered as D-SIBs in the host jurisdiction and are therefore relevant from a resolution perspective. Several host authorities have developed methodologies for assessing whether a bank is a D-SIB, broadly based on the BCBS methodology for assessing the degree to which banks are systemically important in a domestic context (BCBS (2012)), but with variations in some cases.

Mapping of arrangements to systemic importance

26. **The survey reveals a range of multilateral arrangements that support cross-border cooperation for resolution-related purposes.** Figure 3 shows the range of cooperation arrangements reported for G-SIB and D-SIBs, and is based on the degree to which a firm’s operations are systemic to the host or home jurisdiction. It summarises arrangements that align with both home and host authorities’ assessment of systemic operations, but may also capture other types of arrangement, where home and host assessments of importance of the bank’s operations may not align. Figure 3 also provides a high-level summary of whether there are either multiple arrangements or only one reported type of arrangement in place, as respectively indicated by a large or small oval.

Figure 3: Multilateral cooperation arrangements – G-SIB and non-G-SIBs



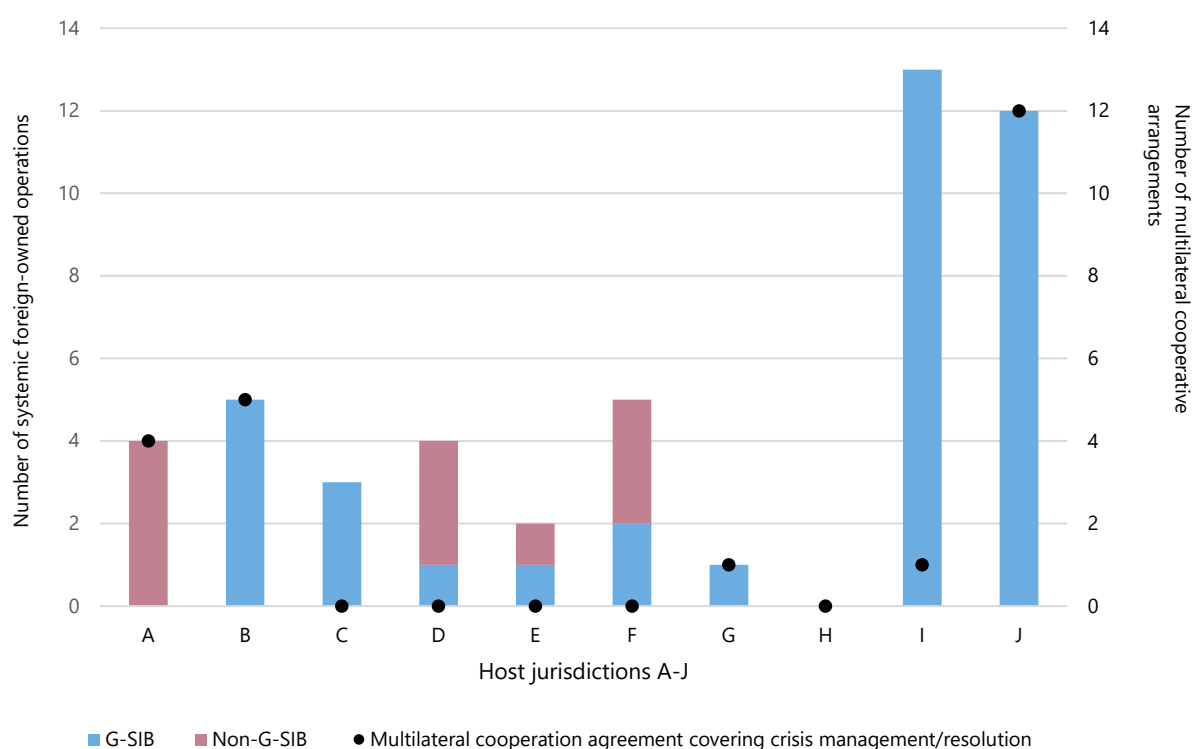
Source: FSI survey.

27. **Most of the multilateral arrangements are associated with cases where the bank's cross-border operations are systemic to both the host and the home jurisdiction.** These are shown in the upper right-hand quadrant of the diagram. Within that quadrant, the form of cooperative arrangements for G-SIBs varies between CMGs, regional subgroups, resolution colleges, extended groups and supervisory-focused cooperative arrangements such as supervisory colleges. The upper right-hand quadrant also includes cross-border cooperative arrangements for D-SIBs. However, most of these activities are conducted through supervisory-focused cross-border cooperative arrangements, with only one jurisdiction establishing a dedicated crisis management cross-border cooperative arrangement.

28. **There are fewer cross-border arrangements where the bank's activities in a host jurisdiction are not considered systemic by the home authority.** The lower right-hand quadrant indicates cross-border cooperative arrangements for banks with operations that are systemic for host jurisdictions but not for the home. The two cooperative arrangements in this quadrant are supervisory colleges, and in one of these the host authority is an observer rather than a full participant. This survey finding is consistent with the literature (D'Hulster (2011) and Herring (2007)), which suggests that the significance of host jurisdiction operations to the home authority is a key determinant for information-sharing between authorities.

29. **Some home authorities engage in cross-border arrangements with host authorities for which the bank's operations are not locally systemic.** The upper left-hand quadrant indicates cross-border arrangements for banks with operations that are systemic in the home jurisdiction but not in the host. This quadrant shows a range of resolution-specific, cross-border activities, including CMGs, resolution colleges and regional subgroups. One host authority featured in this quadrant is a member of multiple CMGs for G-SIBs, despite an assessment that the operations are not locally systemic. This would suggest that either the home authority regards the host authority's operations as material for the resolution of the group, or that there is a strategic reason for including the host authority in the CMG. Resolution colleges and regional subgroups – both also feature in this quadrant – may be established where there is a need for a broader membership than CMGs.

30. **However, there is a "gap" in the range of cooperative arrangements in place for G-SIB and D-SIB operations that are locally systemic only for the host jurisdictions.** Graph 3 is based on host authorities' responses to questions about whether foreign-owned G-SIB and D-SIB operations within their jurisdiction are locally systemic and whether they participate in a multilateral cooperative. Although most host authorities reported the presence of such locally systemic operations, only host authorities A, B, G, and I participate in multilateral cooperation arrangements, mostly in the form of a regional group combined with a resolution-specific multilateral cooperation arrangement. Host authorities C, D, E, F and H did not report resolution-specific multilateral arrangements for systemic operations.



This graph summarises responses per surveyed host authority and includes multilateral cooperation agreements under development.

Source: FSI survey.

Section 5 – Survey results – firm-specific cooperative arrangements

31. **This section focuses on firm-specific arrangements.** It first covers arrangements established by the home authorities, followed by the experience of the host authorities.¹³ Some home authorities also use non-firm-specific multilateral arrangements to communicate their approaches to resolution and resolvability to host authorities. These are presented in Section 6.

Home authorities' responses

32. **Home authorities supplement CMGs with a variety of multilateral and bilateral arrangements to support cross-border cooperation.** These arrangements broadly reflect the options identified in the FSB Non-CMG Hosts Guidance, namely, subgroups for specific geographical regions; an extended group of authorities with crisis management responsibilities, based on the model used by supervisory colleges; and bilateral arrangements (see Table 1). As anticipated by the FSB Guidance, home authorities combine and adapt those options as appropriate.

¹³ Because the survey responses did not disclose the firms to which specific arrangements relate, there may be overlaps in the arrangements described by home and host authorities.

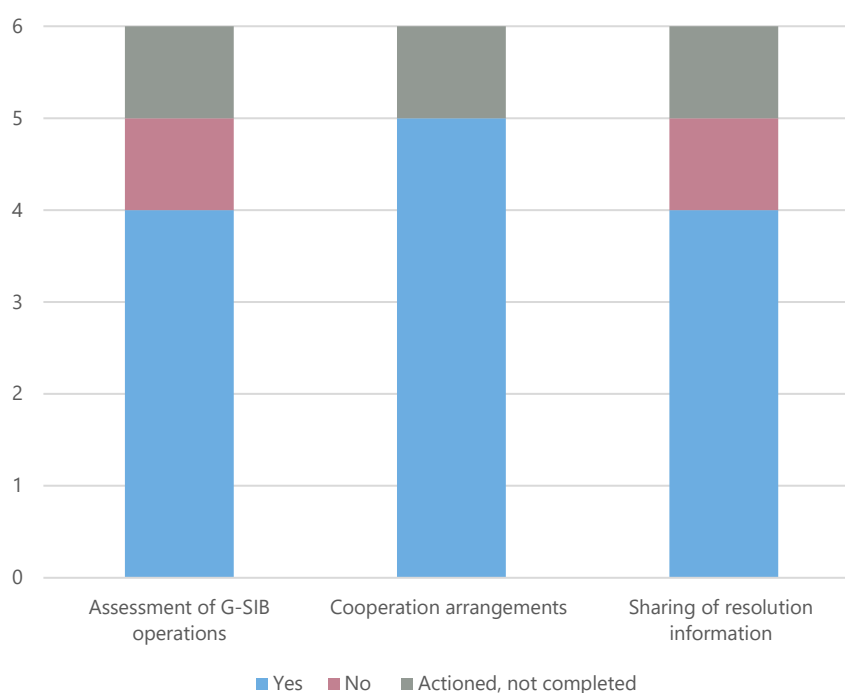
Cooperation and information-sharing arrangements – home authorities								Table 1
Authority	CMG arrangement			Firm-specific non-CMG arrangement			Other arrangement	
	CMG	Extended group*	Regional subgroup**	Other	MoU***	Bilateral (separate to MoU)	Public disclosure	Multilateral non-firm-specific
BoE	■			■	▲ & ▲▲	■		■
CDIC	■				▲	■		■
FDIC	■				▲ & ▲▲	■	■	■
FINMA	■		■		▲▲	■		■
HKMA			■		▲ & ▲▲	■		■
SRB	■				▲	■		■

Firm-specific ■ Non-firm-specific ■ Firm and non-firm-specific ■
 Supervisory ▨ Bilateral ▲ Multilateral ▲▲

* Based on supervisory college model.
 ** Crisis management for a defined geographical area.
 *** Information-sharing arrangements and includes some MoUs that are currently under development.
 Source: FSI survey.

33. **Most home authorities reported more progress in cooperation arrangements for G-SIBs.** Three home authorities for non-GIBs have established cooperation arrangements and share resolution-related information with host jurisdictions, and one home authority noted that it was in the process of establishing such arrangements for non-G-SIBs (see Graph 4).¹⁴

¹⁴ As two of the G-SIB home authorities surveyed are not home to internationally active banks that are not G-SIBs, such arrangements are not relevant in these cases.



This graph summarises responses in absolute numbers of surveyed home authorities.

Source: FSI survey.

Firm-specific cooperative arrangements other than CMGs

Regional CMGs or subgroups

34. **Two authorities have established firm-specific regional subgroups for G-SIBs that supplement the CMGs for particular regions.** These are the Asia-Pacific (APAC) regional college maintained by the Swiss Financial Market Supervisory Authority (FINMA), and the regional CMG maintained by the Hong Kong Monetary Authority (HKMA) for one G-SIB that adopts an MPE preferred resolution strategy and has its regional headquarters in Hong Kong SAR.

35. **The APAC regional college provides a forum for non-CMG hosts to discuss topics related to the recovery and resolution of each of the Swiss G-SIBs.** The same countries have been identified as non-CMG host jurisdictions for the two G-SIBs, and both banks are covered by the arrangement. The college meets annually over several days, and the agenda covers both supervisory and resolution topics. The operation of the APAC regional college is supported by a multilateral cooperation agreement based on the FSB guidance regarding CoAGs. The resolution-related topics discussed with the non-CMG host authorities in the APAC regional college are similar to those discussed within the firms' CMGs, and includes topics on resolution strategies and plans. However, the discussions generally focus more on regional issues. FINMA also uses the APAC regional college to keep the non-CMG members informed of developments in the group CMG, and discussions of the same topics or aspects of resolvability may be carried out in both forums. See Box 1 for further information on FINMA's approach to SPE resolution strategy and the home authority's role in coordination and cooperation.

Single point of entry (SPE) resolution strategy and home authority's role in coordination and cooperation – FINMA

FINMA has developed a preferred resolution strategy based on SPE bail-in for Switzerland's G-SIBs, noting that the work has "greatly benefited from the open and constructive consultation between all authorities that together form the Crisis Management College (CMC)".^①

Under an SPE resolution strategy, the home authority leads the resolution process, while host authorities may not be required to take direct resolution actions in relation to the entities in their own jurisdiction (which are not put into resolution under the local framework). A high level of trust is therefore required from both the home and host authorities. FINMA highlights that a critical factor in the success of an SPE strategy is "close cooperation with national and international stakeholders".^② An SPE bail-in strategy also requires the development of reporting and valuation processes, access to key financial market infrastructure, and sufficient liquidity during preparations for and in the phase immediately after conversion^③ to ensure continued access to critical functions.^④ This all requires cross-border coordination, and FINMA suggests that information-sharing and cooperation agreements are an important step in establishing "sufficient assurance that an SPE bail-in will be recognised in both home and host jurisdictions".^⑤

In addition to the two CMCs, FINMA has also established cooperation agreements for its two G-SIBs with authorities in the Asia-Pacific region and an APAC regional college. The G-SIBs' operations in the host jurisdictions represented at the APAC regional college are not considered locally systemic.^⑥ Rather, the host jurisdictions represent "core markets" for the two G-SIBs.^⑦ An objective of the dedicated cooperation arrangements with APAC non-CMG host authorities is to help develop and support a coordinated SPE bail-in strategy for the two G-SIBs, which have "strong international ties, necessitating well-established cooperation with foreign supervisory authorities".^⑧

^① FINMA (2013). ^② FINMA (2013). ^③ For an SPE bail-in to be credible and feasible, a sufficient amount of liabilities must be available. Bail-in achieves creditor-financed recapitalisation through the writedown and conversion of liabilities and conversion of liabilities into equity to mitigate the effects on financial stability, avoid exposing taxpayers to loss and ensure the continuity of critical functions. See Key Attribute 3.5 for further information. ^④ FINMA (2013). ^⑤ FINMA (2013). ^⑥ IMF (2019). ^⑦ IMF (2019). ^⑧ FINMA (2017).

36. **The regional CMG for another G-SIB provides a forum for host jurisdictions in the Asia-Pacific region that do not participate in the principal CMG ("regional CMG host members").** The HKMA organises the regional CMG as the regional home resolution authority under the preferred MPE strategy for that G-SIB. The key non-CMG host jurisdictions are represented in a regional CMG by relevant authorities, which include supervisory and resolution authorities and deposit insurers. The group home resolution authority (Bank of England (BoE)) also participates. The objectives of the regional CMG align with the objectives of CMGs set out in the FSB *Key Attributes*, aiming mainly to enhance preparedness for, and facilitate, management of a cross-border financial crisis affecting the firm. The regional CMG meets on an annual cycle. Both group and regional representatives of the G-SIB attend the meetings and present on relevant issues, including progress made in response to feedback from resolvability assessments. In a closed-door session, the HKMA (as the regional home authority) and the BoE (as the group home resolution authority) provide updates on their work with the bank and resolvability assessments at the level of the Asia resolution group and the consolidated group, respectively.

37. **The regional CMG meetings provide an opportunity for the members to review progress made by the firm, share regional developments and concerns, and agree priorities.** Through these arrangements, regional CMG host members receive information on the firm's resolution strategy and plan. This typically includes a description of the preferred resolution strategy; information on the G-SIB's progress in addressing barriers to resolvability; a summary of the resolvability assessment of the regional resolution authority and the feedback communicated to the G-SIB in this regard. The regional CMG host members also have an opportunity to share general updates on resolution policy development in their jurisdictions. The regional CMG is supplemented by bilateral communication with regional CMG host members throughout the year as needed to facilitate cooperation in resolution planning.

38. **Both the APAC regional college and the regional CMG provide a forum for the discussion of host authority actions in addressing impediments to the effective implementation of the strategy.** One of the aims of such discussions is to provide the participating host authorities with sufficiently detailed information on the home authority's resolution strategy to foster trust. This involves a multifaceted discussion of a range of issues that will take time and evolve as it proceeds.

Extended groups or supervisory colleges

39. **The college concept also provides a model for resolution-focused cross-border cooperative arrangements.** In some cases, home resolution authorities adapt existing supervisory colleges to encompass information-sharing and discussions on recovery and resolution planning. The EU resolution framework establishes bank-specific resolution colleges, which function alongside supervisory colleges and, for EU G-SIBs, the CMGs.

40. **Supervisory colleges generally have a wider membership than CMGs and can provide a forum for engaging with some non-CMG host authorities on resolution-related topics.** For example, the BoE – which is both the UK prudential supervisor and bank resolution authority – uses the global supervisory colleges of some UK G-SIBs to engage with non-CMG host jurisdictions on the resolution strategy. In these cases, college meetings may include open discussion of the firm's resolution strategy and mechanisms for achieving it, arrangements to support continuity of operations in those host jurisdictions and progress on addressing other barriers to resolvability. Non-CMG hosts can ask the home authorities how the resolution strategy would affect local operations.

41. **Another home jurisdiction to regional cross-border banks also uses supervisory colleges as a forum for presenting its resolution-related work.** The national prudential supervisor in South Africa has established supervisory colleges for each locally headquartered regional banking group and extended college membership to all jurisdictions where those banks operate. Within those colleges, each host jurisdiction has the opportunity to present on the firm's local risk profile, issues faced in the domestic financial sector and any specific concerns relating to the local subsidiary of the banking group in question. The home resolution authority attends those colleges and may present the latest development in the resolution framework (which is currently undergoing reform). The resolution authority regards this as an opportunity to lay the necessary foundation for the CMGs (or equivalent arrangements), which will be required for resolution planning once the new resolution regime is in force.

42. **The EU bank resolution framework requires home authorities to maintain resolution colleges for cross-border EU banking groups.** The scope of the requirement therefore applies beyond G-SIBs, for which CMGs are required under the FSB *Key Attributes*.¹⁵ Membership of resolution colleges comprises relevant authorities in all EU member states where the group has subsidiaries that are included in consolidated supervision or has significant branches.¹⁶ This results in a wider membership than CMGs within the EU. Non-EU resolution authorities may be included as (non-voting) observers, provided that

¹⁵ The EU Bank Recovery and Resolution Directive (BRRD) (Article 88(6)) permits both requirements to be met by a single group of college provided that certain conditions are met. The conditions are that the single group of college performs the same functions, carries out the same tasks and complies with all the conditions and procedures, including those relating to membership and participation, that the BRRD specifies for resolution colleges.

¹⁶ The BRRD (Article 88(2)) specifies that resolution colleges should be maintained by the group-level resolution authority of the bank in question (as defined by the BRRD), and include in the core membership the resolution authority of each Member State (MS) in which a subsidiary covered by consolidated supervision is established; the resolution authorities of the MS in which significant branches are established; the consolidating supervisor and competent authorities of the MS where the resolution authority is a member of the resolution college; and the finance ministries and deposit insurers of the MS whose resolution authorities are members of the college (where the Ministry of Finance and/or the deposit insurer is different from the resolution authority). The European Banking Authority (EBA) is also a member of every resolution college, but it does not have voting rights.

they are subject to confidentiality requirements that are equivalent to those of EU authorities.¹⁷ Participation as an observer enables the non-EU authority to receive and share information for resolution-related purposes. The Single Resolution Board (SRB) maintains and chairs resolution colleges for the eight G-SIBs within their responsibility and 19 other banks with the Single Resolution Mechanism, while the BoE leads resolution colleges for the two UK G-SIBs and three other banks.

43. **The resolution colleges provide a forum for information-sharing and decision-making about group resolution planning.** The tasks of colleges are wide-ranging and, in addition to the development of group resolution plans, include assessing resolvability and measures needed to remove impediments to resolvability; setting the minimum requirement for own funds and eligible liabilities (MREL); reaching agreement on a group resolution scheme in the event of the bank's entry into resolution; coordinating public communication about the group resolution strategy and scheme; and coordinating the use of arrangements maintained under the Bank Recovery and Resolution Directive (BRRD) for funding the resolution. Decisions on these issues are taken jointly by college members, and the statutory procedures governing the operation of resolution colleges also include binding and non-binding mediation procedures to resolve disagreements.

Bilateral arrangements

44. **Some home resolution authorities that use multilateral firm-specific arrangements can also have bilateral arrangements with individual host authorities.** For example, the only D-SIB in Hong Kong that is not a subsidiary of a G-SIB is systemic in just one host jurisdiction, and bilateral cooperation between the HKMA and host authorities covers resolution planning. The BoE supplements its multilateral arrangements by using bilateral contacts to discuss specific issues with, or address questions from, non-CMG host authorities.

45. **The SRB has bilateral agreements with a number of non-EU authorities that are designed to facilitate cooperation in planning and, if necessary, executing resolution.**¹⁸ To date, the SRB has prioritised cooperation arrangements with jurisdictions in which banking union institutions have a significant presence, but will also consider requests from authorities in other jurisdictions. Because these bilateral cooperation arrangements provide the basis for information-sharing, they require an assessment of whether the confidentiality framework that applies to the non-EU authority is equivalent to that under the EU regime.¹⁹ The bilateral cooperation arrangements provide a framework for the exchange of information in relation to any institution for resolution-related purposes. These bilateral cooperation arrangements exist alongside the resolution colleges, which comprise predominantly EU authorities, and the firm-specific CoAGs supporting the CMGs that the SRB maintains for each G-SIB headquartered within the euro area.

46. **Similarly, bilateral arrangements are used in conjunction with non-firm-specific multilateral arrangements.** For example, the Canada Deposit Insurance Corporation (CDIC), in addition to participating in the non-firm-specific Recovery and Resolution Outreach Panel discussed in Section 6, has a phased strategy for bilateral engagement with non-CMG host authorities for the Canadian G-SIBs

¹⁷ Participation as an observer is possible when the entity in the non-EU country is a subsidiary or a branch that would be classified as significant if it were located in the EU.

¹⁸ Cooperation agreements are currently in place with seven authorities: Bank of Albania, Central Bank of Brazil, CDIC (Canada), Japan Financial Services Agency (JFSA), National Bank of Serbia, IPAB (Mexico), FDIC (United States).

¹⁹ Equivalence in standards of confidentiality is a formal requirement under the EU framework for the SRB for the sharing of confidential information with a non-EU authority.

and D-SIBs.²⁰ In order to manage substantial demand from host authorities for information-sharing and cooperation, the CDIC prioritises its coordination with the host authorities where the Canadian D-SIBs, including two G-SIBs, have a material presence. MoUs and information-sharing arrangements are conditional on alignment of confidentiality regimes. The CDIC estimates that a comprehensive MoU that supports firm-specific information-sharing may take between 12 and 18 months to agree. The CDIC has MoUs in place with a number of jurisdictions,²¹ with a strategy for increasing this total in the coming years.

47. **Some home resolution authorities of systemic banks rely exclusively on bilateral arrangements for cooperation and information-sharing with host authorities outside of CMGs.** For example, the US Federal Deposit Insurance Corporation (FDIC)²² has taken steps to identify non-CMG host jurisdictions for these institutions and engages bilaterally with specific non-CMG host authorities. Bilateral engagements include meetings, telephone and video teleconferencing and information-sharing by email. These exchanges are supported by MoUs or similar arrangements, which may be broad in scope and tailored to the specific circumstances and jurisdictions involved. In addition to providing information on resolution plans, the FDIC also engages on request in high-level discussions with non-CMG hosts on resolution strategies, challenges and opportunities for cooperation. The FDIC uses similar bilateral arrangements for cooperation with host authorities of internationally active US banks other than G-SIBs.

48. **Home authorities also provide public disclosure of information about resolution plans.** In the United States, the FDIC's bilateral cooperative arrangements are complemented by publication of information about firm-specific resolution plans. The firm-prepared public sections of Title I resolution plans²³ for the eight domestic G-SIBs and for a number of foreign G-SIBs with operations in the United States are published on the websites of the FDIC and the Federal Reserve. Those public sections include information on the firm's resolution strategy, assets and liabilities, and capital and funding sources. Following their assessment of a Title I resolution plan, the Federal Reserve Board of Governors (FRB) and the FDIC also publish a joint press release that notes any determination on the plan, including whether it is not credible or would not facilitate an orderly resolution under the US Bankruptcy Code. In addition, the FRB publishes on its website copies of the joint agency's feedback letters to firm on Title I resolution plans.

Host authorities' responses

49. **Most host authorities surveyed participate in both multilateral and bilateral firm-specific non-CMG arrangements.** The survey findings indicate that multilateral firm-specific cross-border arrangements are generally regionally focused (see Table 2, the "Extended Group" column and "regional subgroup" column).²⁴ Several authorities report that bilateral engagement is used to support firm-specific resolution activities,²⁵ with all host authorities having information-sharing arrangements in place, mainly in the form of MoUs, which can take the form of either multilateral or bilateral MoUs.

²⁰ The CDIC maintains CMGs or functionally analogous arrangements for the six Canadian D-SIBs, which include two G-SIBs. See FSB (2019a).

²¹ In order to strengthen cross-border cooperation in the areas of bank resolution and deposit insurance, the CDIC, for example, has cross-border MoUs in place with a number of institutions. These are the UK Prudential Regulation Authority (PRA) and the US Federal Deposit Insurance Corporation (FDIC), the Single Resolution Board (SRB), the Autorité des Marchés Financiers (AMF) in Québec, the Deposit Insurance Corporation of Japan (DICJ), the Instituto para la Protección al Ahorro Bancario (IPAB, Mexico), and Chinese Taipei's Central Deposit Insurance Corporation (CDIC).

²² FDIC, as a home resolution authority Co-Chair with the Federal Reserve, maintains CMGs for the eight US G-SIBs.

²³ That is, the resolution plans prepared by firms pursuant to Title I of the Dodd-Frank Wall Street Reform and the Consumer Protection Act, detailing how they can be resolved under the US Bankruptcy Code.


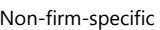
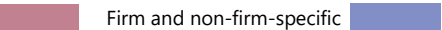

²⁴ BMA, BNM, BSP, CBB, DFSA, HKMA, PIDM, PDIC, RBNZ, SARB and SFC.

²⁵ CBB, HKMA, PIDM, RBNZ and SFC.

Cooperation and information-sharing arrangements – host authorities

Table 2

Authority	CMG arrangement			Firm-specific non-CMG arrangement			
	CMG	Extended group*	Regional subgroup**	MoU***	Bilateral (separate to MoU)	Public disclosure	Multilateral non-firm-specific^
BMA		Supervisory		Multilateral ▲▲			Multilateral non-firm-specific^
BNM/PDIM		Supervisory	Firm-specific	Multilateral ▲	Firm and non-firm-specific	Public disclosure	Multilateral non-firm-specific^
BSP/PDIC		Supervisory		Multilateral ▲			Multilateral non-firm-specific^
CBB				Multilateral ▲▲	Firm-specific		Multilateral non-firm-specific^
COPAB				Multilateral ▲		Public disclosure	
DFSA	Firm-specific			Multilateral ▲			
HKMA	Firm-specific	Supervisory	Firm-specific	Multilateral ▲	Firm and non-firm-specific		Multilateral non-firm-specific^
SARB		Non-firm-specific		Multilateral ▲			Multilateral non-firm-specific^
SFC		Supervisory	Firm and non-firm-specific	Multilateral ▲▲	Firm and non-firm-specific		Multilateral non-firm-specific^
RBNZ			Firm and non-firm-specific	Multilateral ▲▲	Firm and non-firm-specific		Multilateral non-firm-specific^

Firm-specific  Non-firm-specific  Firm and non-firm-specific 
 Supervisory  Bilateral ▲ Multilateral ▲▲

* Based on supervisory college model.

** Crisis management for a defined geographical area.

*** Information-sharing arrangements and includes some MoUs that are currently under development.

^ Note that for BMA ad CBB, engagement in multilateral non-firm-specific arrangements also supports cooperation for firm-specific issues.

Source: FSI survey.

50. **This subsection on the experience of host authorities (including both CMG and non-CMG host authorities) is divided into four parts.** The first part discusses the types of cooperative institutional arrangement across surveyed jurisdictions.²⁶ The second part discusses frameworks for information-sharing (eg MoUs). The third part discusses types of information shared with host authorities and the fourth discusses host authority support for group resolution strategies.

²⁶ The arrangements cover multilateral or bilateral engagement, and excludes arrangements that are designed specifically for information-sharing.

Forms of cooperation arrangements

Multilateral cooperation arrangements

51. **Two G-SIB host authorities participate in CMGs, and both are members of multiple CMGs.** In one case, not all the G-SIBs' operations are considered to be locally systemic and the host authority also participates as an observer in an extended resolution group that includes a limited number of additional resolution authorities that are not members of the CMG (see Table 9, "CMG" column).

52. **Other non-CMG host authorities participate in a range of multilateral forums, which are primarily extended groups or regional subgroups.** Most are established primarily for resolution-related activities. Two non-CMG host authorities, BNM and PIDM, are members of the regional subgroup organised by the HKMA for one G-SIB that adopts an MPE preferred resolution strategy and has its regional headquarters in Hong Kong. The subgroup comprises members of the main CMG (including the home authority) and key host authorities that are not members of the group CMG. See Box 2 for further information on the HKMA's approach to resolution planning.

Box 2

Single point of entry (SPE) resolution strategy and host authority's role in coordination and cooperation – HKMA

Hong Kong SAR is host jurisdiction to a significant number of foreign financial institutions, including G-SIBs with a preferred SPE resolution strategy. The HKMA is designated as lead resolution authority for 26 cross-sectoral G-SIB groups in Hong Kong.^① To facilitate effective cooperation and information-sharing, the HKMA engages in a range of cooperative arrangements with home authorities of certain G-SIBs and locally systemic non-Hong Kong banks. The HKMA engages in cross-border resolution planning through participation in 12 CMGs for G-SIBs and in regional cooperative arrangements in the form of regional CMGs and regional colleges for three G-SIBs.^② The HKMA organises one of the regional CMGs for a G-SIB which has its Asia-Pacific headquarters in Hong Kong.^③ Information-sharing arrangements reflect the guidance set out in the *Key Attributes*, and this includes memoranda of understanding (MoUs), cross-border cooperation agreements (CoAGs) and bilateral engagement.

For a bank that is part of a cross-border group, the HKMA intends to develop a preferred resolution strategy that has been devised on a group-wide basis in consultation with the home resolution authority, with "close consultation and cooperation" between home and host authorities as important elements for effective cross-border resolution planning.^④ The HKMA would need to be satisfied that the group resolution strategy would be consistent with the resolution objectives under the Financial Institutions (Resolution) Ordinance (FIRO).^⑤ Through its membership of the CMGs for the 12 G-SIBs, the HKMA is able to work with the home authorities and has the opportunity to assess the G-SIBs' progress in addressing impediments to resolvability.^⑥ During 2018, one area of focus, amongst others, on cooperation and coordination was in relation to the scaling of pre-positioning requirements for internal loss-absorbing capacity (LAC), with the aim of promoting robust home-host cooperation to support effective orderly resolution of cross-border banking groups.^⑦

^① See www.hkma.gov.hk/eng/key-functions/banking/bank-resolution-regime/bank-resolution-framework/lead-resolution-authority/. Under the FIRO, cross-sectoral financial groups which include more than one entity subject to the FIRO may be designated by the Financial Secretary to lead the resolution planning for, and execution of, a resolution in relation to a cross-sectoral group, which means a group of companies that includes within scope financial institutions from more than one sector (banking sector, insurance sector or securities and futures sector), Sections 2 and 7 of the FIRO. ^② FSB (2018b) ^③ FSB (2018b) ^④ HKMA (2017) ^⑤ See paragraph 7.3 of HKMA (2017) and Part 13 of the FIRO. ^⑥ FSB (2018b). ^⑦ HKMA (2018).

53. **There is some evidence that host authorities are adapting existing supervisory cooperation arrangements to help support cross-border resolution activities and information exchange.** The SFC as the host authority to a foreign-owned bank designated as D-SIB and home to a bank with significant regional operations in South America, is a member of a multilateral regional group that is primarily focused on supervision. The regional supervisory group deals with both firm-specific and non-firm-specific issues,

and firm-specific crisis management issues are discussed. The SFC noted that one of the benefits of adapting an existing supervisory regional forum is that it allows authorities to exploit the existing supervisory cooperative arrangements and adapt them for crisis management purposes. The HKMA attends a supervisory college for three foreign-owned banks (non-G-SIBs) in the capacity of host authority. The supervisory college involves meetings held in alternate years, which are supplemented, as needed, with bilateral calls or meetings to support discussions related to resolution planning. Membership includes both resolution authorities and supervisors, and focuses primarily on discussion of firm-specific resolution related topics to facilitate and coordinate cross-border resolution planning.

Bilateral cooperation arrangements

54. **Most host authorities participate in bilateral cooperative arrangements, which support firm-specific resolution activities.** Activities under such arrangements range from bilateral information-sharing, regular and ad hoc meetings, and conference calls, supported by formal information-sharing arrangements such as MoUs. Resolution-specific bilateral engagement supports discussion and cooperation on resolution planning between the host and home authority (see Graph 5).

55. **The choice of bilateral engagement appears to be driven mostly by the significance of the bank's operations to the home or host authority.** Several non-CMG host authorities²⁷ that are not members of a firm-specific multilateral cooperation arrangement reported bilateral contact to be the most effective and efficient form of engagement, as the bank's operations were not regarded by the home authority as material for the bank's resolution or systemic to the group's operations. However, the RBNZ noted that bilateral engagement with the home authority was prioritised because the bank's operations in the host authority jurisdiction were significant both domestically and for the home authority. Managing the engagement with the home authority was generally a priority for host authorities and assisted their local resolution-related activities. The Philippine Deposit Insurance Corporation (PIDM) noted specifically that bilateral engagement and understanding the home authorities' approaches to resolution planning are useful for its benchmarking and own policy considerations when developing resolution planning requirements or guidelines that suit the local context and framework.

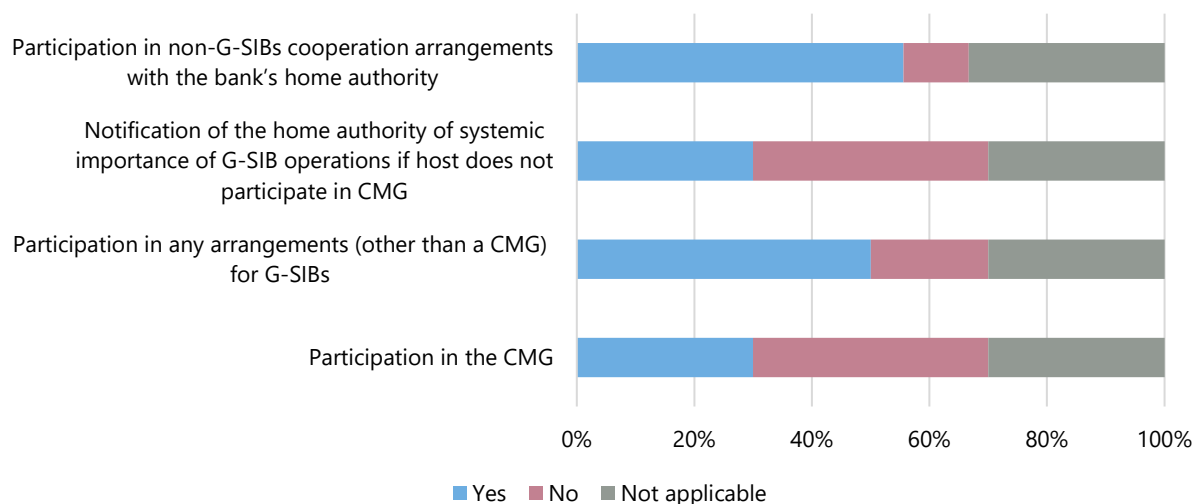
56. **There are some instances where bilateral engagement has facilitated inclusion in multilateral cooperation arrangements.** For example, the SFC noted that its bilateral engagement with the home authority, coupled with the domestic significance of the foreign-owned bank's operations, has led to an invitation to the main supervisory college. As a result of such access to a multilateral forum, bilateral engagement is now used by the SFC only for specific ad hoc information requests or exchanges.

²⁷ Central Bank of the Bahamas (CBB), Bermuda Monetary Authority (BMA), Bankgo Sentral ng Pilipinas (BSP), Reserve Bank of New Zealand (RBNZ).

Host authority participation in cooperation arrangements for G-SIBs or locally systemic banks

In per cent

Graph 5



This graph summarises responses as a percentage of surveyed host authorities.

Source: FSI survey.

Frameworks for information-sharing

Multilateral information-sharing frameworks

57. **Some hosts authorities participate in multilateral arrangements that support information-sharing.** The HKMA receives information as a CMG host authority in accordance with CoAGs that support the CMGs. This channel of engagement is supplemented with bilateral engagement as needed. Similarly, the Dubai Financial Services Authority (DFSA) receives resolution-specific information – including information on recovery and resolution plans on an annual basis – almost exclusively through its engagement as a CMG host authority through CoAGs. Although the DFSA has entered into bilateral information-sharing arrangements with the G-SIB's home authority, it noted that these bilateral frameworks cover only information related to crisis management. Some non-CMG host authorities reported participation in multilateral information-sharing arrangements as part of regional subgroups or extended colleges. Other non-CMG host authorities, the Bermuda Monetary Authority (BMA) and the Central Bank of the Bahamas (CBB), are seeking to develop multilateral information-sharing frameworks through multilateral cooperation arrangements but these frameworks focus on sharing information in a range of crisis situations and are not necessarily resolution-specific (eg severe weather events).

58. **In some cases, these multilateral arrangements are primarily supervisory arrangements.** In the absence of a firm-specific multilateral arrangement such as a CMG or regional subgroup, several host authorities use information-sharing arrangements that are supervisory-focused but include some discussion of crisis management or resolution-related issues, with provision for supporting information exchange in that context (see Table 2, "extended groups", "regional subgroup" and "MoUs" columns).²⁸

59. **Information-sharing and coordination in a multilateral context help host authorities to deal with cross-border resolution issues.** The HKMA noted that, in the CMG it attends, discussions have taken

²⁸ BMA, BSP, CBB, COPAB, PDIC and SARB.

place on progress in improving the G-SIBs' resolvability. The PIDM, as a non-CMG host authority, noted that, although the national resolution regime would be developed with local specificities in mind, it would also consider any relevant information or practices gathered from other authorities.

Bilateral information-sharing frameworks

60. **The majority of information-sharing arrangements and activities reported in the survey responses are bilateral.** Most host authorities indicated that bilateral information-sharing arrangements are the primary means of cross-border engagement, generally supported by bilateral MoUs. This is particularly the case for non-CMG host authorities that request firm-specific information from home authorities in respect of a G-SIB or other systemic foreign-owned bank. The majority of host authorities surveyed consider MoUs to be the most important means of formalising the understanding and the mechanism for information-sharing and cooperation. However, the type of information obtained under MoUs ranges from general supervisory information to resolution-specific information through the inclusion of crisis management protocols.

61. **Bilateral cross-border cooperation arrangements also support local resolution activities for some non-CMG host authorities.** The RBNZ is a member of the Trans-Tasman Council on Banking Supervision (TTBC), which is a working group that supports the coordination of bank regulation and supervision for trans-Tasman banks.²⁹ The mandate for the TTBC working group covers issues related to financial stability, efficiency and integration of the wider financial sector, including crisis preparedness for trans-Tasman banks. The arrangement includes discussion of policies related to resolution and some limited exchange of firm-specific resolution information or discussion of policies related to resolution (FSB (2019a)). The RBNZ discusses the development of local resolution policy with the home authority and its implications for the local subsidiaries. Engagement has included crisis simulation exercises between the home and host authorities of closely linked banking sectors. For further information, see Section 6 on non-firm-specific arrangements.

62. **However, the ability of bilateral and multilateral MoUs to support information exchange in the run-up to or during a resolution remains untested.** Several host authorities indicated that MoUs or other information-sharing arrangements, as referred to in the survey responses, have not yet been used to exchange information in a resolution scenario or a crisis. For example, the PIDM notes that the MoU with the home authority of several G-SIBs enables it to share information with the home authority on crisis management, recovery and resolution planning and implementation of such planning with respect to the respective G-SIBs in an emergency situation. To date, only technical knowledge has been shared but no information on a particular crisis situation has been exchanged. However, surveyed host authorities indicated that there is commitment on the part of the host and home authority to share information in a timely manner, although none of the MoUs is legally binding. It was also emphasised that the quality of the bilateral relationship and degree of trust between the home and host authority was an important factor underpinning the MoU.

Information shared with host authorities

63. **The type, extent, frequency and granularity of information shared with host authorities appears to be determined by the nature of the cooperative arrangements in which the authorities participate.** Some of the host authorities surveyed receive information on applicable resolution regimes,³⁰

²⁹ See <https://treasury.govt.nz/about-treasury/our-work/key-relationships/trans-tasman-banking-council> for further information.

³⁰ This includes information related to resolution powers, conditions for entry into resolution and use of those powers, information about actions that might be required in host jurisdictions.

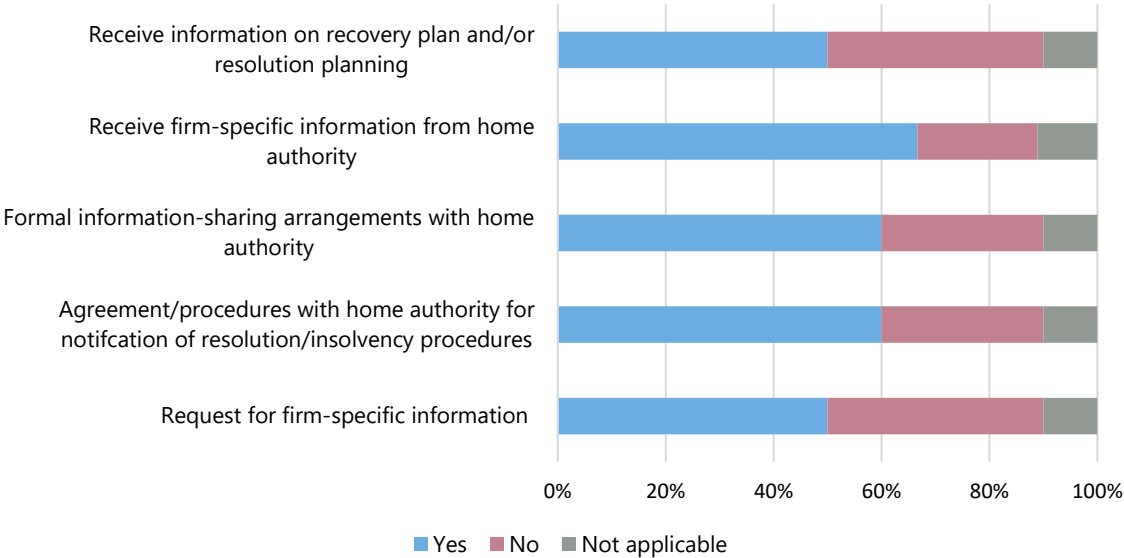
the recovery plan and resolution strategy³¹ and supporting resolution plans (see Graph 6). However, this information was received through CMG membership (HKMA and DFSA) and for one CMG host jurisdiction (Malaysia) through the membership of PIDM and BNM of a regional subgroup. PIDM and BNM noted that through the subgroup they receive information related to implementation of the group resolution strategy (including progress made by the G-SIB in removing barriers to resolvability) and a summary of the home authority’s resolvability assessment and relevant communications with the G-SIB.

64. **A significant number of non-CMG host authorities receive less granular information or limited firm-specific information, and some only receive information that is publicly disclosed.** The nature of information shared with non-CMG host authorities varies across the survey sample. Some reported receiving balance sheet information, recovery plans and group consolidated results for the G-SIB.³² BSP requires the local branch of a foreign G-SIB to submit a copy of the group recovery plan as part of its Internal Capital Adequacy Assessment Process document rather than obtaining the plan from the home authority. Two non-CMG host authorities, RBNZ and SFC, reported that, although the cross-border cooperation arrangements in which they participate potentially support sharing of more granular information, the information shared is limited (RBNZ) at present, or no such information has as yet been shared (SFC). Uruguay is host to five foreign-owned banks that have locally systemic operations, including a subsidiary and a branch of two G-SIBs. The resolution authority, Corporación de Protección del Ahorro Bancario (COPAB) does not receive information about the resolution plan or recovery plan from the home authority and the information that it does receive is publicly disclosed.

Information-sharing on resolution and crisis management – host authorities

In per cent

Graph 6



This graph summarises responses as a percentage of surveyed host authorities.

Source: FSI survey.

³¹ This includes information related to the preferred resolution strategy; a high-level summary of the strategy and an operational resolution plan; information that the firm is taking to address barriers to resolvability; and the home authority’s assessment of material impacts of the resolution strategy. For further information see FSB (2015).

³² BMA, BSP and CBB.

65. **Similarly, certain host authorities do not receive requests for relevant information from home authorities.**³³ PIDM noted that requests for information from the home authority are subject to crisis management escalation process and procedures. While BSP and CBB have received such requests, these are primarily through supervisory colleges and are related to supervisory information. Other host authorities surveyed confirmed that the home authority had not requested information on the bank's structure and operations in their jurisdictions. HKMA reported receiving requests either annually through the CMGs in which it participates and related reporting (eg the resolvability assessment process) or on an ongoing basis as part of its bilateral engagement and cooperation.

Host authority support for group resolution strategies

66. **Host authorities reported varying degrees of expected reliance on the home resolution strategy in the event of the bank's failure.** Most host authorities confirmed that they have the requisite powers under their resolution legislation to manage the failure of a local entity unilaterally and that recognition or support of the foreign resolution action was discretionary under their national framework. RBNZ reported that there are reciprocal provisions in the relevant legislation of the authorities participating in the TTBC that formalise a commitment for mutual support to enable each authority to meet its statutory responsibilities in relation to prudential regulation and financial system stability. The reciprocal commitment also includes, to the extent practicable, to avoid actions that may have a detrimental effect on the stability of the other authority's financial system.³⁴

67. **Only a small number of host authorities reported that they would consider supporting the group resolution strategy as a means of protecting domestic financial stability.** The host authorities that expressed support for the group-wide resolution plan were all members of a CMG or a relevant subgroup. Several CMG and non-CMG host authorities recognised the importance of close consultation and cooperation with a bank's home authority and confirmed that they would generally expect to work with the home authority to develop a group-wide resolution strategy.³⁵ This would be supported through close cooperation and consultation with the bank's home authority. Each of those host authorities noted that discussions had taken place with the home resolution authority on the actions that they may be asked to take, or refrain from taking, in order to support the resolution strategy.

68. **A significant number of host authorities confirmed that they would not rely on the home resolution strategy.** None of the host authorities that expressed this view participate in CMGs, regional subgroups or extended groups. In some of these cases, the host operations are not systemic to the group, and the host authorities in question (CBB, BMA) report no reliance on or assumption of support from the group in the event of the failure of the bank in their jurisdiction. BSP reported that it would consider whether to support the home resolution strategy on a case-by-case basis depending on the circumstances specific to the bank.

69. **A common theme among such host authorities was the relatively low engagement between the host and home authority on cross-border resolution.** In all cases, the host authorities had not discussed with the home resolution authority the actions that they might be asked to take, or refrain from taking, in order to support the group resolution strategy. In some cases, non-CMG host authorities have received meaningful resolution information directly from representatives of the local operations of the G-SIBs. One non-CMG host authority noted that it was considering how bail-in would apply in the local context, but most of the discussion was taking place directly with the G-SIB and not with the home authority. Similarly another non-CMG host authority that is not a member of any other extended or regional group for a certain G-SIB, noted that it received work-in-progress and updated information

³³ BMA, SFC, DFSA, COPAB.

³⁴ Reserve Bank of New Zealand Act 1989, Section 68A.

³⁵ HKMA, RBNZ, DFSA and PIDM/BNM.

related to the G-SIB's progress in recovery and resolution planning from the G-SIB directly on a voluntary basis.

Section 6 – Survey results – non-firm-specific resolution arrangements

70. **Several authorities complement firm-specific arrangements with more general cooperative arrangements that do not relate to an individual firm.** These take several forms, including regional groups, which may be particularly appropriate where a number of foreign banks have a geographical footprint within the same region, and international forums that focus on resolution-related topics. To the extent that firm-specific information is not shared, non-firm-specific cooperation arrangements are generally not subject to the same confidentiality concerns that affect firm-specific arrangements. Nevertheless, depending on the nature of the information provided, such arrangements can provide host authorities with a better understanding of the resolution regime in the home jurisdiction and the home authority's general approach to resolution. This could improve communication channels that may be used at times of stress or in the event of a bank failure.

Supervisory non-firm-specific arrangements

71. **Some non-firm-specific information-sharing is organised in the context of regional supervisory groups.** For example, the Caribbean Group of Banking Supervisors (CGBS) brings together local authorities that are host to at least some of the same international banks. Its main purpose is information-sharing and cooperation, which is supported by a multilateral MoU. Its activities cover topics generally relating to current issues of interest to banking supervisors and regulators but at times also covers resolution-related topics. Similarly, the Central American College of Banking Supervisors (CCSBSO) covers primarily supervisory topics, with quarterly calls to exchange information about banks in the region. Information exchange within this group is also based on a multilateral MoU. Other regional groups connect authorities that are home and host to international banks, although their focus remains on supervisory issues. For example, the Community of African Banking Supervisors (CABS) is a working group of the Association of African Central Banks (AACB). Its main objective is to contribute to ongoing efforts to strengthen banking regulatory and supervisory frameworks in Africa. Topics of competence are primarily related to bank supervisors.

72. **Extending the activities of supervisory groups to cover resolution issues is not without challenges.** Where the remit of regional groups originally established for supervisory purposes has been extended to include resolution issues, either on an occasional or more regular basis, information-sharing within the group could be subject to specific confidentiality constraints. Moreover, authorities have needed to develop procedures for information exchange between supervisors and resolution authorities by, for example, developing templates for information-sharing.

Non-firm-specific bilateral arrangements

73. **Bilateral and ad hoc agreements are fairly common, but they do not always include resolution issues.** For example, the Prudential Authority of South Africa signed MoUs with each foreign jurisdiction where South African banks operate. The BMA shares information with regulators from other jurisdictions on a best practice basis. Under the relevant domestic legislation,³⁶ the BMA can disclose information for the purpose of supervision, regulation or inspection and such arrangements are typically ad hoc and reciprocal. However, established arrangements may have been put in place before resolution

³⁶ The Bermuda Monetary Authority Act 1969 and the Banks and Deposit Companies Act 1999.

issues were a prominent consideration for the regulatory community and may therefore be framed for supervisory purposes. Nevertheless, some authorities reported bilateral arrangements that are specifically framed for resolution-related purposes. The CDIC has MoUs with a number of CMG host authorities to support cross-border cooperation, and periodic or ad hoc meetings with several host authorities. The SRB has signed cooperation arrangements that refer exclusively to crisis management and resolution issues. Seven such cooperation arrangements have been signed so far, and they typically cover the mechanism and scope of resolution consultation, cooperation and exchange of information, permissible uses and confidentiality of information and the execution of requests for assistance.

74. **In one case, broad bilateral arrangements explicitly cover resolution issues.** The TTBC was established by relevant authorities in Australia and New Zealand in 2005 with a wide mandate that covers financial stability, financial sector efficiency and integration, and crisis preparedness for the four significant trans-Tasman banks. The members of the TTBC are the RBNZ, New Zealand Treasury, New Zealand Financial Markets Authority, Australian Prudential Regulation Authority (APRA), Australian Treasury, Reserve Bank of Australia, and the Australian Securities and Investments Commission. The participating authorities meet regularly, and meetings cover such topics as cross-border resolution, domestic resolution options and the coordination and cooperation of regulatory action. Cooperation and coordination in relation to resolution policy for banks with a trans-Tasman presence is carried out in part through the TTBC, based on its Terms of Reference, and in part through bilateral interactions with APRA.

Resolution-focused non-firm-specific arrangements

75. **Workshops provide a forum where home authorities can share information about their resolution frameworks with host authorities.** The Canadian supervisory authority, the Office of the Superintendent of Financial Institutions (OSFI), established an outreach programme in 2014. The first outreach event took place in 2017, and since then has been held annually as a half-day workshop. The programme typically covers both resolution-related and supervisory topics, which may vary from year to year, and both the CDIC and OSFI make presentations. Non-CMG members are invited and around 20 central banks and supervisors attended the most recent rounds. The event does not have a formal terms of reference – rather, it is designed as an educational opportunity to raise awareness about the Canadian resolution framework and supervisory approaches.

76. **A few regional groups have subgroups specifically devoted to cross-border cooperation for resolution purposes.** For example, in 2018 the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) established the Focused Meeting on Resolution (FMR), a regional forum in the Asia-Pacific region with the aim of affording a greater strategic regional focus to resolution work, recognising the importance of information exchange and cooperation in this area. The FMR aims to support cross-border cooperation and collaboration between resolution and supervisory functions, knowledge-sharing and capacity-building and to support EMEAP work on bank resolution. In the Caribbean, the CGBS is currently establishing a Regional Crisis Management Framework and in 2019 the CCSBSO established a Committee for Crisis Management and Crisis Resolution. The latter comprises supervisory and resolution authorities in Colombia and Central America, and has developed a dedicated crisis protocol. To test the resilience of the protocol, which is so far untested, and communication arrangements in a crisis, the Committee is considering running a crisis simulation exercise.

Examples of multilateral non-firm-specific cooperation arrangements

Executives' Meeting of the East Asia-Pacific Central Banks – resolution forum

The Executives' Meeting of the East Asia-Pacific Central Banks (EMEAP) multilateral resolution forum, the Focused Meeting on Resolution (FMR), was established in 2018. Its members, which include authorities with crisis management responsibilities such as central banks, supervisors, resolution authorities and deposit insurers, are drawn from the 11 EMEAP member jurisdictions – ie the Reserve Bank of Australia, People's Bank of China, Hong Kong Monetary Authority, Bank Indonesia, Bank of Japan, Bank of Korea, Central Bank of Malaysia, Reserve Bank of New Zealand, Bangko Sentral ng Pilipinas, Monetary Authority of Singapore and Bank of Thailand.^① The FMR has a Chair and is supported through a secretariat appointed by FMR members from the FMR members.

Given the complexity of cross-border resolution, the FMR was established with a view to supporting the ongoing work on resolution within EMEAP and to improve bank resolution cooperation and coordination between EMEAP members.^② Establishment of the FMR reflects an agreement by EMEAP that a dedicated forum for bank resolution would bring the appropriate strategic focus to bank resolution in the Asia-Pacific region. ^③ The FMR focuses on knowledge-sharing, capacity-building, cooperation and coordination as they relate to the challenges of cross-border resolution issues, including the enforceability of cross-border resolution issues in the Asia-Pacific region.^④ To that end, some authorities have noted that the FMR provides a useful forum to support development of their own resolution execution capabilities.

The Office of the Superintendent of Financial Institutions-Canada Deposit Insurance Corporation "Recovery and Resolution Outreach Panel"

The Canadian authorities, the Office of the Superintendent of Financial Institutions (OSFI) and the Canadian Deposit Insurance Corporation (CDIC) use the "Recovery and Resolution Outreach Panel" to support their engagement with international stakeholders. The Outreach Panel is designed to engage with host jurisdictions where a Canadian D-SIB has operations that are potentially systemic to the host jurisdiction. Given that the operations in those jurisdictions are not material to the Canadian D-SIB, they are not members of the CMGs for the six Canadian D-SIBs, two of which are G-SIBs. The Outreach Panels usually take place every 12 to 18 months, following the first Panel in 2017.^⑤ The CDIC notes that the Outreach Panel provides an opportunity to learn more about its role in resolution, as the resolution authority for federally regulated member institutions in Canada.^⑥ The Outreach Panel also provides an opportunity for participants to discuss crisis management related topics of relevance or interest.^⑦

① See www.emeap.org. ② PIDM (2018) and HKMA (2018). ③ HKMA (2018). ④ PIDM (2018). ⑤ OSFI (2016). ⑥ CDIC (2019). ⑦ FSI survey.

Engagement in international forums

77. **Some host authorities also rely on discussions in international forums for general information on resolution regimes and approaches.** Survey respondents that are members of the International Association of Deposit Insurers (IADI) referred in this regard to its conferences, training programmes and meetings, which provide a forum for IADI members to discuss matters related to resolution and also facilitate cross-border cooperation and coordination. The CDIC led a research project on recovery and resolution planning in North America, which analysed the practices of each jurisdiction and discussed how to further strengthen cross-border cooperation among participating organisations. Participation in the FSB RCGs also allows host authorities to better understand resolution frameworks in their region, and topics relevant for resolution may be discussed in meetings.

78. **Home authorities also rely on international forums to provide non-firm-specific information.** Participation in FSB committees and working groups allows home authorities to engage in periodic exchanges with regulators and supervisors of other jurisdictions, covering various resolution topics that are not necessarily firm-specific.

79. **Other regional groups have a less direct relation with practical resolution issues, but are nevertheless considered valuable to members to keep track of relevant developments in bank regulation and supervision.** Some of the authorities surveyed are members of the Association of Supervisors of Banks in the Americas (ASBA) or the Group of International Finance Centre Supervisors (GIFCS). ASBA is more focused on policy issues and GIFS focuses mainly on regulatory issues that are less closely related to supervisory practices and even less so to resolution. Nevertheless, some of the authorities surveyed indicated they can occasionally use the meetings of these groups to better understand resolution approaches in other member jurisdictions.

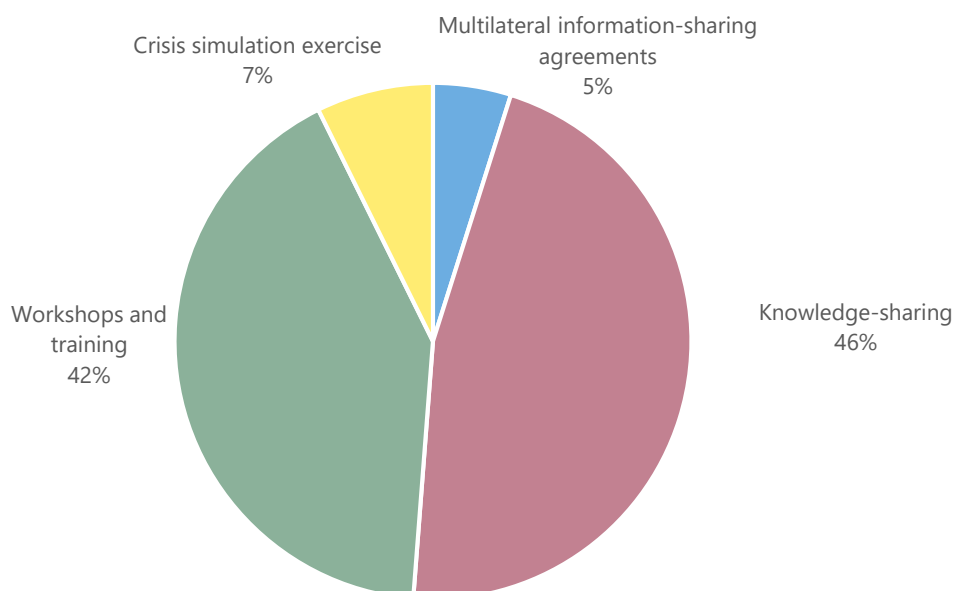
Other activities

80. **Finally, some home and host authorities engage in simulations to test cross-border cooperation in executing a resolution strategy and to build capacity in that regard.** Other non-firm-specific activities focus on testing cross-border cooperation through crisis simulation exercises. These exercises are typically undertaken by home and major host authorities of G-SIBs (where the participating authorities are generally both home and host to significant cross-border banking groups) or by authorities from jurisdictions with closely linked banking sectors. For example, the FDIC works with key jurisdictions by participating in exercises that seek to strengthen coordination on cross-border resolution. The exercises started in 2014 and focus on cross-border aspects of G-SIB resolution. The latest round of the exercise took place in 2019, involving authorities from the European Banking Union, the United Kingdom and the United States (FDIC (2019)). As noted by the Single Resolution Board, the exercises are “expected to continue with graduated technical work” (SRB (2019)). Graph 7 summarises the range of activities reported by survey home and host authorities that take place in a non-firm-specific multilateral setting.

Non-firm-specific multilateral cooperation arrangements

In per cent

Graph 7



This graph summarises responses as a percentage of surveyed home and host authorities report activities.

Source: FSI survey.

Section 7 – Concluding remarks

81. **The authorities surveyed for this paper generally recognise that cooperation and information-sharing between home and host authorities would lead to better outcomes in cross-border resolution.** Cross-border cooperation and information-sharing play an important role in supporting effective resolution planning and resolution execution capability by providing a means for the discussion and agreement of resolution strategies and planning and coordination of resolvability assessments. However, the type and granularity of the information required are likely to vary depending on the resolution strategy for the firm and the nature of the firm's operations in the relevant jurisdictions.

82. **In spite of the progress to date, the access of host authorities to information varies and gaps still exist.** While supervisory colleges and other channels established for supervisory purposes may provide host authorities with a certain amount of information about recovery plans and resolution strategies, this may not be adequate as resolution planning develops. Similarly, non-firm-specific arrangements can be a useful source of information about frameworks and general resolution approaches, yet they may not provide host authorities with all the information they need to understand the impact of the resolution strategy on the local operations of a specific firm.

83. **Whether or not host authorities can access adequate information about resolution strategies seems to influence how far they are likely to rely on or cooperate with the group resolution strategy.** Non-CMG host authorities that participate in cross-border cooperative arrangements and receive information on resolution plans are generally more likely to cooperate with the home resolution authority in supporting a group-wide resolution strategy or by taking it into account when considering their actions in the event of the bank's failure. Non-CMG host authorities that are not members of some form of cooperative arrangement, or that do not have access to resolution information, indicated that they are less likely to rely on the home authority's preferred resolution strategy and more likely to take independent resolution or insolvency action in relation to the firm's local operations. In this respect, home authorities recognised the benefits in taking steps to communicate with non-CMG host authorities.

84. **Nevertheless, the commitment of time and resources entailed by the establishment and maintenance of firm-specific cooperative arrangements should not be underestimated.** For example, the agreement of MoUs for information-sharing often involves legal and procedural hurdles arising from confidentiality frameworks. If non-public firm-specific information is shared, home authorities are generally required to ensure that all authorities that receive that information are subject to adequate confidentiality standards. This process can be resource-intensive and time-consuming. This has led some home authorities to adopt a phased approach to implementing their planned outreach to host authorities, with prioritisation based on materiality. Reliance on existing arrangements such as supervisory colleges, where information-sharing frameworks are already in place, may in part be a pragmatic, interim response to this challenge.

85. **Cross-border cooperation is not new for home and host authorities, but doing so in a resolution-specific context is new ground and requires new or modified arrangements.** Establishment of the appropriate information-sharing frameworks takes time and effort on the part of home authorities, who may have to deal with multiple demands. Non-CMG host authorities, for their part, would benefit from taking the initiative to notify the home authority where a firm's operations are locally systemic. They may also wish to consider the type and granularity of information needed to allow them to understand the resolution strategy and, where appropriate, support cross-border resolution. Home resolution authorities may also be more able under their own legal frameworks to share information with overseas authorities that have analogous mandates and functions. Finally, many of the reported cooperation and information-sharing arrangements remain untested in a crisis. In this regard, simulation exercises may provide a useful means for building certainty and enhancing coordination between home and host authorities in relation to their actions in the event of a cross-border resolution. Continued

progress with adopting resolution regimes based on the FSB *Key Attributes* may therefore be a facilitating condition for cross-border cooperation. Since cooperative arrangements between the home and host authorities are still evolving, it would be helpful to revisit progress made in this area in due course.

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Glossary³⁷

Crisis management group (CMG): firm-specific arrangement maintained in accordance with Key Attribute 8, comprising home and key host authorities a G-SIFI with the objective of enhancing preparedness for, and facilitating the management and resolution of, a cross-border financial crisis affecting that firm.

Cross-border cooperation agreement (CoAG): institution-specific cooperation agreement put in place between member of a CMG in accordance with Key Attribute 9 that establishes the objectives and processes for cooperation and information-sharing through the CMG, defines the roles and responsibilities of the authorities before and during a crisis, and establishes the processes for coordination in the development of recovery and resolution plans.

CMG host authority: a host authority that is a member of a CMG.

Cooperation arrangement: agreement between relevant authorities, which can either be firm-specific (or non-firm-specific).

Domestic systemically important bank (D-SIB): a bank designated by a national authority as domestically systemically important.

Firm-specific: refers to cooperation and information-sharing that cover a single financial institution or banking group.

Global systemically important bank (G-SIB): a bank designated by the FSB as globally systemically important.

Global systemically important financial institution (G-SIFI): financial institutions determined to be systemically important.

Home authority: an authority that supervises the operations of a bank on a consolidated basis, and in the context of cross-border cooperation and information-sharing would generally lead the coordination of the resolution planning and resolution planning of for the group.

Information-sharing arrangements: procedures for sharing information, which can either be firm-specific or non-firm-specific

Non-CMG host: authorities in jurisdictions where a G-SIB has a locally systemic presence, but does not participate in the main CMG for a particular institution. A non-CMG host authority may, however, be a member of an alternative cooperative arrangement for a G-SIB, such as an extended group or a subgroup.

Non-firm-specific: refers to cooperation arrangements that do not focus on an individual firm or involve the exchange of confidential information about a specific firm or firms.

Memorandum of understanding (MoU): generally a bilateral or multilateral agreement that expresses intention by parties to facilitate cooperation and the exchange of information on matters of mutual interest to the signatories.

Multiple point of entry (MPE): a resolution strategy involving the application of resolution powers to different parts of the group by two or more resolution authorities acting in a coordinated way.

Single point of entry (SPE): a resolution strategy based on the application of resolution powers to the top of a group by a single resolution authority.

³⁷ The glossary terms are based largely on the 2014 FSB *Key Attributes for Effective Resolution Regimes for Financial Institutions* and the 2019 Thematic Peer Review on Bank Resolution Planning.

Resolution plan: a plan to facilitate the effective use of resolution powers to protect systemically important functions, with the aim of making the resolution any firm feasible without severe disruption, and without exposing taxpayers to loss.

Resolvability assessment: an assessment undertaken by the resolution authorities that evaluates the feasibility of resolution strategies and their credibility in light of the likely impact of the firm's failure on the financial system and the overall economy.

Annex 1 – List of authorities that participated in the survey

1. Bank of England (BoE), United Kingdom
2. Central Bank of Malaysia (BNM), Malaysia
3. Bangko Sentral ng Pilipinas (BSP), Philippines
4. Bermuda Monetary Authority (BMA), Bermuda
5. Canada Deposit Insurance Corporation (CDIC), Canada
6. Central Bank of the Bahamas (CBB), the Bahamas
7. Corporación de Protección del Ahorro Bancario (COPAB), Uruguay
8. Dubai Financial Services Authority (DFSA), United Arab Emirates
9. Federal Deposit Insurance Corporation (FDIC), United States
10. Hong Kong Monetary Authority (HKMA), Hong Kong SAR
11. Perbadanan Insurans Deposit Malaysia (PIDM), Malaysia
12. Philippine Deposit Insurance Corporation (PDIC), Philippines
13. Single Resolution Board (SRB), European Union
14. South African Reserve Bank (SARB), South Africa
15. Superintendencia Financiera de Colombia (SFC), Colombia
16. Swiss Financial Market Supervisory Authority (FINMA), Switzerland
17. Reserve Bank of New Zealand (RBNZ), New Zealand