

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-specific² 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.