The Financial Stability Board (FSB) plays an important role in promoting international cooperation to strengthen the resilience of the financial system. This task is extremely challenging when it comes to ensuring strong cooperation in cross-border resolution. Cross-border resolution is a process to prevent the failure of a multinational financial institution or containing its spillover impacts. The plans to “resolve” the financial institution crisis will involve its entities and operations in jurisdictions worldwide, big and small. To enhance the preparedness and management of potential and actual cross-border financial crises, the FSB encourages home and key host authorities of Global Systemically Important Financial institutions (G-SIFIs) to maintain Crisis Management Groups (CMGs). “Home” authorities oversee the institution’s headquarters and “host” authorities oversee any related entities in their country. However, host authorities in smaller jurisdictions are often excluded from CMGs – and this can leave them in the dark about resolution plans that impact their financial system. Therefore, the FSB has published “Guidance on Cooperation and Information Sharing with Host Authorities of Jurisdictions where a G-SIFI has a Systemic Presence that are Not Represented on its CMG.”

In practice, CMGs are mostly composed by home jurisdictions’ authorities. While this may facilitate the decision-making process, concerns of inclusiveness emerge. Jurisdictions that host subsidiaries or entities that are not “material” in the group-wide context do not participate in the CMG. As a result, entities (e.g. bank branches) in excluded jurisdictions may not be protected, even if the entity is systemically important to the local economy. Thus, entities in smaller jurisdictions may be considered “collateral damage” in the resolution process.

In such context, the FSB encourages cooperation and information sharing between the jurisdictions and authorities represented in the CMGs and those locally systemic jurisdictions not represented in those groups (non-CMG host jurisdictions). For this cooperation to take place, it is important to (i) identify non-CMG locally systemic jurisdictions, (ii) establish appropriate criteria to assess a systemic G-SIFI presence, (iii) find appropriate information sharing arrangements, and (iv) establish the classes of information to be shared between home and host jurisdictions.

To help home and host authorities of G-SIFIs go through this process, the FSB has prepared guidance on cooperation and information sharing. The guidance was released as a consultative paper in October 2014\(^2\). After receiving responses\(^3\), the FSB released revised guidance in November 2015. The following brief analysis will go through key points of the latter document.

**Process for identifying non-CMG host jurisdictions**

As established in the FSB guidance, the process of identifying non-CMG host jurisdictions should begin as soon as possible after the CMG is established. Non-CMG host authorities should submit their assessment of systemic importance to home authorities and provide them with all relevant information for analyzing the assessment. In possession of all relevant information, home authorities are then able to analyze the assessment provided by host authorities and, when needed, prepare independent assessments. Both home and host jurisdictions’ authorities should then engage to solve possible divergences in their criteria and results. In cases where disagreements persist, the FSB recommends that the home authority accepts the host authorities’ assessment provided it meets the criteria described later in the document. This process should be done regularly as the systemic importance of host jurisdictions evolves over time.

This process is perceived as overall appropriate, as reflected in the public responses to the 2014 document. Still, some aspects deserve attention. As advocated by New Rules for Global Finance, this identification process should be done in conjunction with establishing the CMG – not only *after* it is established. This would avoid – from the beginning – that systemically important jurisdictions are left out the CMG.

With regard to dealing with divergences, the British Bankers’ Association (BBA) opposes the premise of favoring the host authorities’ assessments. The association believes that it would lead to a “plethora of non-CMG hosts seeking information from firms” as they tend to overweight the significance of their operations. BBA argues that the view of the firm and its CMG members should be favored and the firm should be given the role of reviewing and validating the host authorities’ assessment.

In this regard, New Rules for Global Finance, accompanied by the Polish Supervision Authority, agrees with favoring the host authorities’ assessment over a possible diverging opinion of the home authority. Host authorities are in the most appropriate position to evaluate the impact and importance of entities in their jurisdiction. To strengthen assessments, and cooperation, host jurisdictions should consult with home authorities and the relevant G-SIFI, as well as with local think-tanks or academics.

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Criteria for assessing a systemic G-SIFI presence

Many aspects should be taken into consideration while assessing a systemic G-SIFI presence and the potential impacts of a failure of the G-SIFI on the host economy. Those aspects include, but are not limited to, the size of the firm’s operations in the host jurisdiction, and the interconnectedness, substitutability and complexity of those operations in the context of the host economy.

Assessments according to such criteria can, however, lead to inconsistency problems across jurisdictions if a standardized framework for measuring and weighting those aspects is not established. To address this, the Basel Committee on Bank Supervision framework and the FSB’s framework proposed in “Guidance on Identification of Critical Functions and Critical Shared Services” could be a good starting point. Nevertheless, there is a need to develop stronger and alternative criteria for providing high-quality and consistent assessments across jurisdictions.

Cooperation and information sharing arrangements

After determining that a non-CMG host jurisdiction is systemically important, it is necessary to find an optimal cooperation and information sharing arrangement to be established between CMGs and non-CMGs host authorities. The arrangement can take the form of “an extended group of authorities with crisis management responsibilities including all or some host authorities that are not members of the CMG”, “one or more regional sub-groups of authorities with crisis management responsibilities, for specific geographical areas”, a “bilateral cooperation and information sharing arrangement”, or a combination of those arrangements.

New Rules for Global Finance and the Polish Bank Association both encourage a multilateral cooperation and information sharing arrangement that brings together non-CMG and CMG members, and home and host authorities. Additionally, there is no reason to keep a non-CMG jurisdiction out of the Crisis Management Group once its systemic importance is assessed. Incorporating non-CMG host countries in the CMG will not only enhance the group’s crisis management ability, but also promote transparency and information symmetry among jurisdictions.

Non-CMGs and CMG members must agree on how they should support each other in a resolution and on the prerequisites for cooperation and information sharing between them. An important aspect of any information sharing agreement is that the involved parts understand each other’s confidentiality frameworks. If a non-CMG host jurisdiction does not meet the standards on information sharing and if confidentiality aspects protect the information trying to be accessed, the home authority may deny access or limit the scope of the information disclosed to non-CMG jurisdictions. It is important to respect confidentiality of sensitive information, but when it comes to crisis management symmetry of information and transparency are essential. CMGs should avoid over-protective confidentiality policies that undermine non-CMG host jurisdictions’ power and discretion over local activities.

4 [http://www.financialstabilityboard.org/2013/07/r_130716a/](http://www.financialstabilityboard.org/2013/07/r_130716a/)
**Classes of information to be shared**

The FSB’s guidance recommends that, once the non-CMG authorities have met all requirements for information sharing, access to the information necessary to understand the impact of the resolution strategy and plan in their jurisdiction should be granted. The classes of information to be shared for this purpose is likely to vary case-by-case, depending for example on the type of strategy and plan adopted. A single-point-of-entry strategy, for instance, is likely to require smaller information sharing efforts compared to a multiple-point-of-entry strategy.

For the success of a resolution plan, it is necessary that non-CMG authorities also share some classes of information with CMG home authorities. Information about the non-CMG economy might help on the formulation of the global resolution plan, as well as on the identification of situations where local plans are needed and where host authorities must be given discretionary power inside their jurisdictions.

The FSB emphasizes the need for strong compliance to information sharing policies by non-CMG authorities. The British Bankers’ Association agrees with this view, and advocates for strong discretion from home authorities when it comes to information sharing. Critical information, BBA argues, should be disclosed only to the extent necessary for the non-CMG host to assess the potential systematic impact of a resolution plan in its jurisdiction, and only when the non-CMG host complies with the confidentiality and information sharing policies.

The flaw in this view is that it can bar non-CMG hosts from accessing crucial information for crisis management in their jurisdictions. In this regard, the Polish Financial Supervision Authority (KNF) highlights the need for a stronger obligation for home authorities to share critical information with non-CMG hosts. Even in cases where the non-CMG host authorities fail to meet the information sharing requirements, there is a need for information sharing agreements. Given the potential systemic impact of the resolution on the host economy (and its citizens), the FSB should encourage its member countries to strengthen information sharing between home and host authorities. For example, if a multinational financial institution plans to dissolve a local branch, the host jurisdiction – whose economy and citizens may rely on financial services of this institution – should have a right to this information and have an opportunity to determine ultimate resolution plans. Without this information, excluded jurisdictions (likely smaller developing economies with limited capacity to meet strict criteria for exchanging information) will be unable to prepare for the impacts of a G-SIFI resolution.