



International Centre for  
Financial Regulation

# Annual International Regulatory Summit

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**Regulation Without Borders – G20 Ideals and National  
Interests**

[www.icffr.org](http://www.icffr.org)



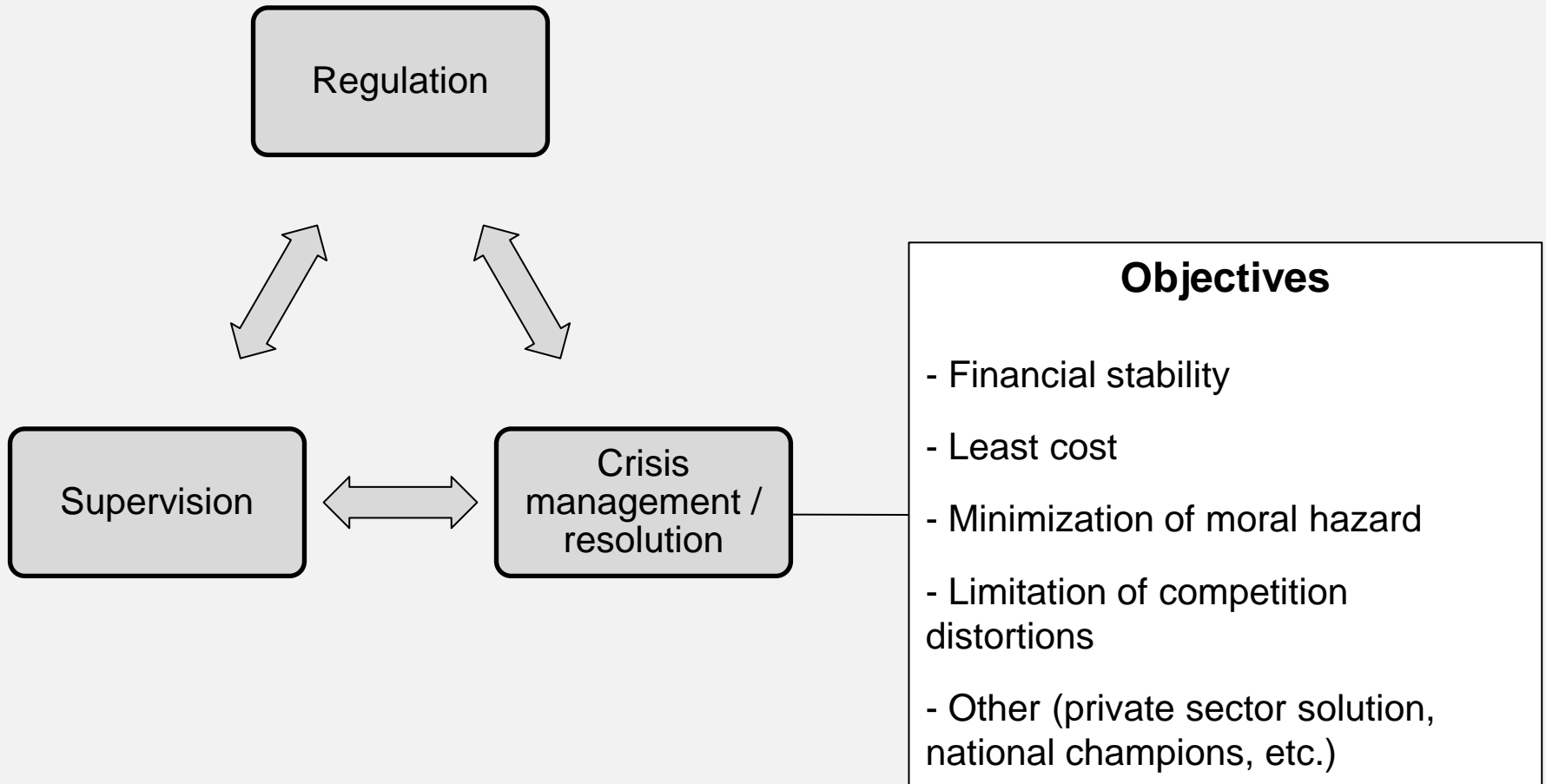
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# Bank regulation

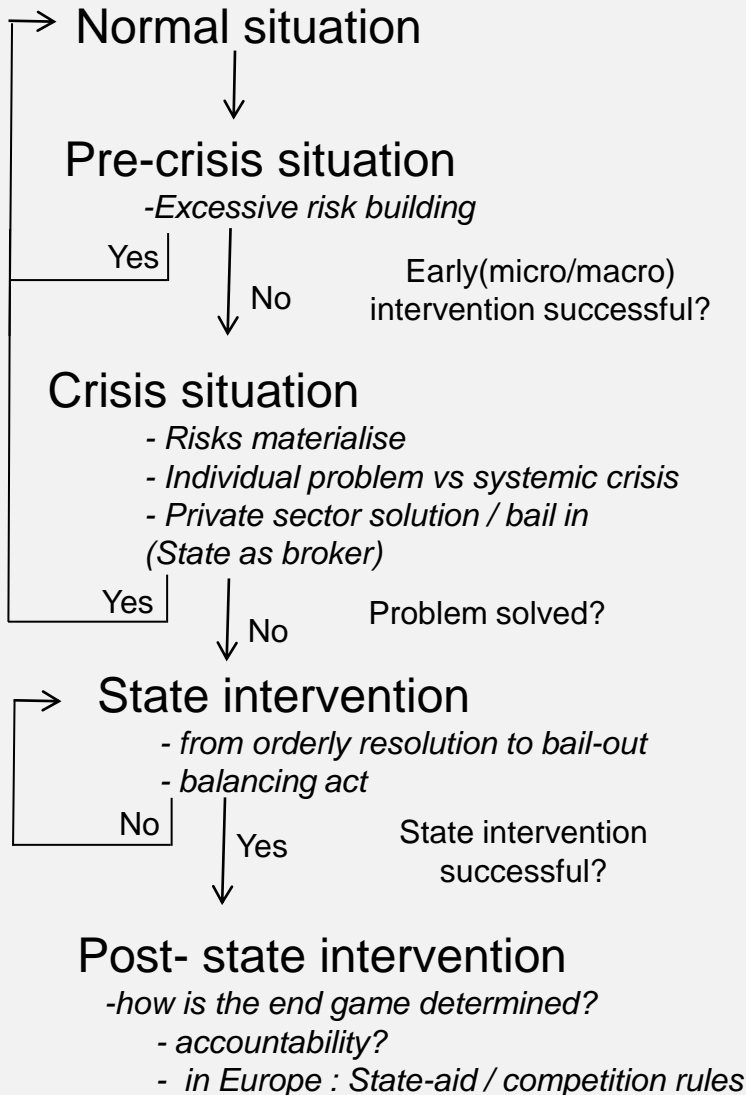
**Deloitte.**

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# Strengthening the crisis management / resolution framework



# Strengthening the crisis management / resolution framework



- **Rules of the game** determine how the different players (should) behave in each of these different sequences

A. agree on **common objectives** of crisis management and structure the end game so as to provide the right incentives to achieve the common objective

B. define **co-operation structures** and clarify how to achieve the balancing act between different interests/objectives

C. determine **minimum harmonization** requirements of processes, practices and laws



# The reform agenda

Pre-crisis situation	Crisis situation	State Intervention	Post-state Intervention
<p><b>Challenges</b></p> <ul style="list-style-type: none"> <li>- Reinforce <b>resilience</b> of financial institutions:               <ul style="list-style-type: none"> <li>- Improvements in capital and liquidity requirements / CRD</li> </ul> </li> <li>- Address incentives to excessive risk building               <ul style="list-style-type: none"> <li>- ensure sound governance, limits to structure of remuneration packages, etc.</li> </ul> </li> <li>- Improve <b>co-ordination</b> between national supervisors :               <ul style="list-style-type: none"> <li>- Joint assessment framework</li> <li>- Better delineation of home and host roles</li> <li>- Coordination structures : colleges, ESA.</li> </ul> </li> </ul>	<p><b>Challenges</b></p> <ul style="list-style-type: none"> <li>- Facilitate <b>early intervention</b> <ul style="list-style-type: none"> <li>→ e.g. early warning indicators, early detection of systemic risk (ESRB) and early intervention framework</li> </ul> </li> <li>- Facilitate <b>private sector solutions</b>:               <ul style="list-style-type: none"> <li>→ <i>automatic funding</i> through e.g. contingent capital</li> <li>→ use <i>group as a source of strength</i> through intragroup transfers</li> <li>→ Improve <i>private sector crisis preparation</i> through e.g. recovery plans</li> </ul> </li> </ul>	<p><b>Challenges</b></p> <ul style="list-style-type: none"> <li>- Improve <b>authorities' preparation</b> through e.g. resolution plans</li> <li>- Facilitate <b>cross-border coordination</b> <ul style="list-style-type: none"> <li>→ <i>Coordination structures</i> from cross-border stability groups to single resolution authority</li> <li>→ <i>Incentives</i> to co-operate / how to finance crisis resolution?               <ul style="list-style-type: none"> <li>- Innovative financing / bank levy</li> <li>- Burden sharing</li> <li>- European resolution fund</li> </ul> </li> <li>→ <i>Legal obstacles</i> <ul style="list-style-type: none"> <li>- Definition of a common toolkit</li> </ul> </li> </ul> </li> <li>- Facilitate <b>orderly resolution</b> <ul style="list-style-type: none"> <li>- DGS, winding up, insolvency laws</li> </ul> </li> </ul> <p>EC Communication setting out an EU crisis management framework by Oct. 2010 and legislative proposal expected spring 2011</p>	<p><b>Challenges</b></p> <ul style="list-style-type: none"> <li>- Address <b>accountability</b> of national authorities</li> <li>- Reinforce <b>influence of ex-post assesment</b> by DG Comp on national resolution authorities               <ul style="list-style-type: none"> <li>→ <i>Temporary framework</i> for the assessment of state aid granted on and before 31 December 2010</li> <li>→ Ex-post assessment of <i>degree of co-operation?</i></li> </ul> </li> </ul>