International Forum of Insurance Guarantee Schemes

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Financial Institutions in Distress Recovery, Resolution, Recognition

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IFIGS conference

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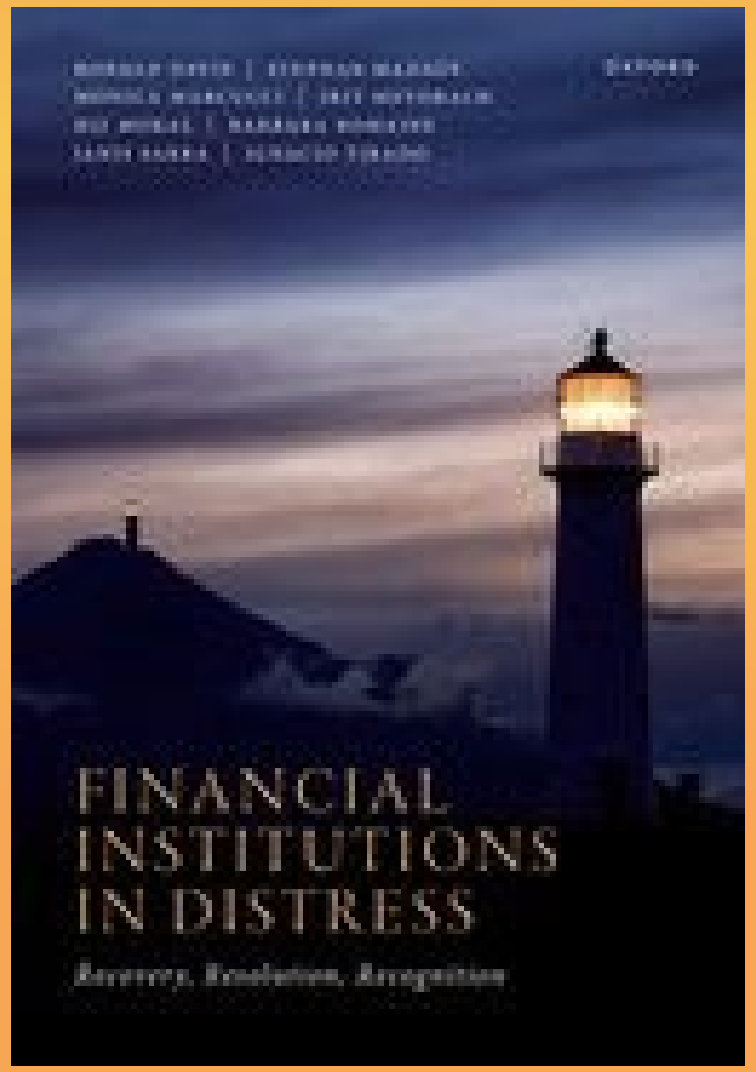

The Issue - Cross-Border Resolution of Insurance Companies

Special nature of financial institutions

Intermediation

Insurance
- Policyholder protection
- Financial stability

Macroprudential supervision

What is relationship between regulatory development and the cross-border issues ?

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Current Cross-border Arrangements - Insurance Companies

Key Attributes – insurance annex

Insurance Core Principles

Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame)

IAIS Multilateral Memorandum of Understanding

IAIS Holistic Framework and Global Monitoring Exercise

Proposed EU IRRD

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Emerging Vulnerabilities and Gaps

- Growth of conglomerates – insurance and other financial services
- Digital assets
- Close-out netting
- Asset uploading and parent dividend
- National ring-fencing of assets
- Asset uploading and parent dividend
- Shared infrastructure and cyber risk
- Climate Change

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Adequacy of the Regime

- Differing models of insurance guarantee/resolution/ prudential regulation
- FSB: protection scheme mandates may be broadly classified into one of four categories:
- How interact across borders during crisis

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Model Law?

OPTIONS
Total harmonization of regulation – unlikely

Multilateral Memorandum of Understanding (MMoU)

Model Law - benefits and safeguards

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Principles Should Inform Cross-border Financial Institution Resolution

- Fairness as a guiding principle
- Protection of insurance policyholders (and depositors)
- Transparency
- Certainty and predictability
- *Ex ante* cooperation well before insolvency
- Timeliness
- Respect for the hierarchy of claims
- Preservation of financial stability
- Harmonized resolution tools for cross-border resolution.

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Model Law framework

Model law would address the full range of financial institutions:

- enable relevant authorities to cooperate with counterparts in advance of the onset of distress and
- to give appropriate effect in their jurisdiction to measures taken by counterpart authorities in other jurisdictions in which the distressed institution also operates.
- Outlines how actions in one country can be recognized and implemented in another country

Duties

Duty to consider cross-border effects

Duty to consider the impact of measures on financial stability

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Safeguards

- Refusal based on financial stability grounds
- Manifest discrimination against stakeholders collectively
- Sham supervision structure

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Thank you

Questions?

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