# Elaboration of Vienna 2.0

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# Structure of presentation

- ✓ Mandate from January 16 meeting
- ✓ Process of consultation
- ✓ Proposed principles
- ✓ Recommendations for implementation
- ✓ Implementation
- ✓ Next steps

# Mandate from January 16 meeting

- ✓ Building on the Vienna 1.0 brand
  - ▪ Home-host, public-private structure and forum
- ✓ Agreement
  - ▪ Cooperate to avoid uncoordinated and competing policy responses
  - ▪ Home authorities to internalize cross-border impact of measures
  - ▪ Host authorities to promote local funding
  - ▪ Better home-host information exchange
  - ▪ IFI involvement and assistance
  - ▪ Elaboration of principles building on existing EU frameworks

# Process of consultation

- ✓ Visits since January 16 meeting
- ✓ Host countries (Bulgaria, Croatia, Czech Republic, Hungary, Poland)
- ✓ Home countries (Austria, Belgium, France, Italy, Sweden)
- ✓ International Organizations (EC, EBA, BIS/FSB)
- ✓ Bank Groups in home and host countries

# Proposed Principles

1. Free allocation of capital and liquidity consistent with safeguarding financial stability
2. Matching the supervisory framework with the integration of financial markets
3. Fiscal authority cooperation
4. Taking account of systemic concerns
5. Central role of European institutions
6. Private sector contribution
7. IFI involvement
8. Focus on implementation

# How should these principles be implemented?

✓ Grouping of possible recommendations:

- Functioning of supervisory colleges

- Cooperation around resolution issues

- Host-country cross-border stability groups

- Support by international institutions

# Functioning of supervisory colleges

- ✓ Under EBA, with mediating role
- ✓ Better meeting preparation and continuous information sharing
- ✓ Advance notification of proposed actions
- ✓ Mutual support of actions for systemic stability in home or host
- ✓ Agreement on restructuring and recapitalization plans or changes in conditions of establishment
- ✓ Non-discrimination between domestic and foreign banks (no promotion of home bias)

# Cooperation around resolution issues

- ✓ Resolution colleges to be established for cross-border banking groups in Emerging Europe
- ✓ Requirement to draw up living wills
- ✓ Joint discussion of resolution plans
- ✓ Joint crisis management exercises and elaboration of crisis procedures
- ✓ Building structures for tackling burden-sharing

# Host cross-border stability groups

- ✓ Forum to bring together host supervisory, central bank and fiscal authorities with home supervisors, bank groups and IFIs
- ✓ Focus on financial stability and development needs of host country
- ✓ Explain and discuss macro-prudential considerations and solicit cross-border support
- ✓ May be nucleus for Vienna 1.0 type exposure agreements

# Support by international institutions

- ✓ Central roles of European Supervisory Authorities and ESRB
- ✓ Elaboration of MoUs with non-EU members with preponderance of cross-border banks
- ✓ IFI participation on thematic issues, as well as surveillance and financial support when needed
- ✓ Hone procedures for public-private cooperation in stressed conditions
- ✓ BIS, IMF, Eurostat and national authorities to improve timeliness of data

# Implementation – a key Principle

- ✓ Possible Implementation Groups (IGs) around the four groups of recommendations
- ✓ Each to be anchored with a key agency
  - ▪ Supervisory colleges: EBA
  - ▪ Fiscal authority coordination: EFC
  - ▪ Host-country Cross Border Stability Groups: IMF and EC
  - ▪ "Flash" estimates on capital flows: BIS/one central bank
- ✓ Formalizing a de facto Steering Committee of the IMF, EBRD, EC, World Bank and EIB

# Next Steps

- ✓ Steering Committee to report on proposed approach to implementation during the IMF –World Bank Spring Meetings April 20-22

- ✓ Implementation report (possibly by IGs) to be completed by September 15 for discussion at the IMF-WB Annual Meetings in Tokyo

- ✓ Decision on link to the G20 process – discussion also at the Spring Meetings (including the Basel 3 Report)

# Thank you!