

# Client Update

## Financial Stability Board Publishes Updated List of Global Systemically Important Insurers and Global Systemically Important Banks

### NEW YORK

Eric R. Dinallo  
edinallo@debevoise.com

John M. Vasily  
jmvasily@debevoise.com

Nicholas F. Potter  
nfpotter@debevoise.com

Ethan T. James  
etjames@debevoise.com

Gregory J. Lyons  
gjlyons@debevoise.com

Thomas M. Kelly  
tmkelly@debevoise.com

Samuel E. Proctor  
seproctor@debevoise.com

### LONDON

Jeremy G. Hill  
jhill@debevoise.com

James C. Scoville  
jcscoville@debevoise.com

Benjamin J. Lyon  
blyon@debevoise.com

Edite Ligere  
eligere@debevoise.com

### FRANKFURT

Dr. Peter Wand  
pwand@debevoise.com

### HONG KONG

E. Drew Dutton  
eddutton@debevoise.com

Stuart J. Valentine  
sjvalentine@debevoise.com

### INTRODUCTION

On November 3, 2015 the Financial Stability Board (“FSB”) published an updated list of Global Systemically Important Insurers (“G-SIIs”) and Global Systemically Important Banks (“G-SIBs”). G-SIIs and G-SIBs are subject to heightened group supervision and group-wide resolution planning and assessments, as well as greater capital requirements, as a result of their perceived systemic importance to the global economy.

The International Association of Insurance Supervisors (“IAIS”) also announced that it expected to publish two consultations in November 2015: the first, an update on G-SII methodology, which will consider methodological revisions to ensure appropriate treatment of all types of primary insurance, reinsurance and other financial activities of global insurers; and the second, on the definition and characteristics of activities considered to be “non-traditional non-insurance” (“NTNI”) activities. The latter is particularly important, as it drives the amount of capital a G-SII is required to hold, with much greater capital required for NTNI activities than for traditional insurance lines.

The FSB’s next update on G-SIIs and G-SIBs will be published in November 2016.

### GLOBAL SYSTEMICALLY IMPORTANT INSURERS—NOVEMBER 2015

The updated list of G-SIIs comprises a total of nine insurers. Aegon has been added to the list, while Generali has been removed. The current G-SIIs are: Aegon N.V., Allianz SE, American International Group, Inc., Aviva plc., AXA S.A., Metlife, Inc., Ping An Insurance (Group) Company of China Ltd., Prudential

Financial, Inc. and Prudential plc. G-SIIs are subject to: (i) enhanced group supervision, including the ability of the group-wide supervisor to have direct powers over holding companies and oversight of the development and implementation of a systemic risk management and liquidity management plan; (ii) group-wide resolution planning and assessments; and (iii) greater capital requirements, including the higher loss absorbency (“HLA”) requirement recently published by the IAIS.<sup>1</sup> Large insurers that do not fall within the G-SII designation but which are considered in the larger group of “Internationally Active Insurance Groups” (“IAIGs”) will not be subject to these standards, but will become subject to other global standards, including a risk-based, group-wide global insurance capital standard, currently expected to be adopted by the end of 2019.

### TIMETABLE FOR IMPLEMENTATION OF RESOLUTION, SYSTEMIC RISK AND LIQUIDITY PLANNING REQUIREMENTS FOR NEWLY DESIGNATED G-SIIS

<b>G-SII Requirement</b>	<b>Timeframe Following G-SII Designation</b>
Establishment of Crisis Management Group (CMG)	6 months
Development of recovery plan	12 months
Development of resolution plan based on a resolution strategy and review within CMG	18 months
Agreement of institution-specific cross-border cooperation agreement	18 months
Conduct of resolvability assessment within the CMG	24 months
Systemic Risk Management Plan	12 months
Liquidity Management and Planning	12 months

### GLOBAL SYSTEMICALLY IMPORTANT BANKS—NOVEMBER 2015

The updated list consists of 30 banks. BBVA has been removed from the list of designated G-SIBs and China Construction Bank added to the list of G-SIBs.

The currently designated G-SIBs are: HSBC, China Construction Bank, JPMorgan Chase, Barclays, BNP Paribas, Citigroup, Deutsche Bank, Bank of America, Credit Suisse, Goldman Sachs, Mitsubishi UFJ FG, Morgan Stanley, Royal Bank of Scotland, Agricultural Bank of China, Bank of China, Bank of New York Mellon, Groupe BCPE, Group Crédit Agricole, Industrial and Commercial Bank of China Limited, ING Bank, Mizuho FG, Nordea, Santander, Société Générale, Standard Chartered, State Street, Sumitomo Mitsui FG, UBS, Unitcredit Group and Wells Fargo.

<sup>1</sup> See our client update of October 9, 2015: <http://www.debevoise.com/insights/publications/2015/10/significant-new-international-capital-requirements>.

G-SIBs are subject to group-wide resolution planning and regular resolvability assessments and higher supervisory expectations for risk management functions, data aggregation capabilities, risk governance and internal controls.

G-SIBs are assigned to buckets depending on their HLA requirements, which will apply from January 2017. G-SIBs will also be subject to a global standard for total loss absorbing capacity (“TLAC”) to ensure that a G-SIB can be resolved in an orderly manner without putting public funds at risk. The TLAC standard was released for consultation in November 2014. The final standard is expected to be announced on November 9, 2015.

\* \* \*

Please do not hesitate to contact us with any questions.