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Ending Too Big To Fail: Different Journeys, Different Destinations

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Key Takeaways

- Across the G20 and beyond, regulators and policymakers united following the global financial crisis in their desire to address "too big to fail" banks.
- While we see a broad, though not uniform, implementation of toughened capital, funding, and liquidity requirements, when it comes to dealing with a failed systemic bank, we see stark variation in progress.
- We expect that Europe and the U.S. will complete the transition from bail-out to bail-in and so, in time, will deliver substantially resolvable systemic banks.
- While other G20 jurisdictions are making legislative progress that will enhance their regulatory toolkits, we see their policymakers as cautious about eliminating the possibility of extraordinary government support and mindful of the cost of increasing regulatory requirements on banks.

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The G20's commitment to fundamental reform of the global financial system at its Washington Summit in 2008 sparked a major overhaul of the regulatory landscape. Regulation has tightened considerably through numerous reforms across jurisdictions. S&P Global Ratings believes these have led to significant strengthening of many banking systems, which are now much better capitalized than before the financial crisis, with enhanced funding and liquidity profiles.

While many banks are now better resourced and so less likely to fail, a second body of reforms has attempted to improve the tools and options available to regulators if banks, particularly systemic ones, fail. We agree that comprehensive resolution regimes will likely prove to be a useful alternative or additional toolkit to address such banking crises. However, these tools have been rarely used so far, and whether they prove effective will depend on many factors. These include the extent to which the failed bank had already built its subordinated bail-in buffer and made other preparations to enhance its resolvability, the strength of the bank's liquidity position, the ability of resolution authorities to act swiftly and decisively in a coordinated manner, and the quality and timeliness of communication with the market during the resolution action.

In practice, we see stark variation across the G20 in the policy intent behind the creation of these resolution regimes. We see U.S. policymakers at one end of this spectrum, having made quite rapid legislative and practical progress to prevent future bail-outs. At the other, we see rather incremental intent and less assertive action from policymakers across much of the Asia-Pacific region and beyond, in jurisdictions where bail-outs do not carry the same political baggage as in the U.S. and much of Western Europe.

To aid the credibility of their policy intent and to strengthen market discipline, U.S. and, to a lesser extent, European policymakers reduced their central banks' and governments' flexibility to support systemic banks in times of crisis and opened the door legally to the bail-in of senior creditors. This decision could, however, also hinder the monetary authorities' and regulators' ability to preserve financial stability in a crisis. We currently see this jeopardy as heightened in those European jurisdictions where the banks so far made limited progress in building substantial bail-in buffers of subordinated debt. As the Venetian bank cases in 2017 proved, these authorities face a tortuous process to act within the new legal constraints, maintain financial stability, and yet avoid the bail-in of senior creditors.

In a world prone to confidence crises--and where the shape, magnitude, and timing of the next crisis is unknown--a decision to not keep all crisis management options open can carry unintended consequences. As we observed in 2015 (see "The Completion Of The Regulatory Jigsaw Puzzle For Banks--Are We There Yet?" published on July 1, 2015), policymakers outside Europe and the U.S. appeared likely to keep their options open. While some have since enhanced their resolution frameworks, we continue to see widespread reluctance to embrace alternative forms of resolution, and in particular to threaten senior creditors with bail-in. In short, across the globe, authorities are acting with the same broad objective in mind, but are leading banks on different journeys to different destinations.

A decision to not keep all crisis management options open can carry unintended consequences

We have adapted our rating methodologies in parallel with the changed regulatory frameworks: introducing additional loss-absorbing capacity (ALAC) as an alternative form of gone-concern support in 2015, and creating resolution counterparty ratings (RCRs) in 2018 to recognize that updated legal frameworks would likely better protect some senior creditors than others in a resolution scenario. We were already cautious about the prospects that external solvency support would benefit holders of subordinated debt, but have reappraised. We now see such support as only benefiting nondeferrable subordinated debt and some legacy instruments in very few jurisdictions globally. The variability in the regulatory response has led to a pronounced variation in the support assumptions underlying our issuer credit ratings (ICRs) on systemic banks. Some now rely on ALAC support, many continue to assume government support, and some have no support uplift at all. As further jurisdictions build out their resolution regimes, we will continue to assess the rating implications and, where necessary, adjust them.

Whatever the intended destination in a jurisdiction, for investors to be able to perform their role in funding banks and the wider economy, we believe that they need, as far as possible, stability and predictability in the regulatory framework, as well as greater visibility on the risks they face as a result of evolving regulations. Particularly in this transitional phase, we see strong public disclosures by regulators and banks as an effective tool to strengthen market participants' understanding of the policy intent, the legal framework, each bank's positioning, and the associated investment risks (see "Increasing Disclosure Is Set To Shine More Light On Bank Resolvability," published March 18, 2019.

Observations On The Early Adopters

Stung by their taxpayer-funded bail-outs in the global financial crisis, U.S. and some European policymakers were key actors behind the Financial Stability Board (FSB)-led efforts to address the concept that banks are "too big to fail". They have similarly been at the forefront of global efforts to establish comprehensive resolution frameworks, enacting the cornerstone legislation--the US

Dodd-Frank (Wall Street Reform and Consumer Protection) Act (DFA) and the EU Bank Recovery & Resolution Directive (BRRD) in 2010 and 2014, respectively--and a body of related, detailed rules in subsequent years. New Zealand was also an early adopter, introducing the Open Bank Resolution framework in 2014. However, this offers a rather different resolution approach to the U.S. and Europe that would not seek to ensure that payments on senior liabilities are made in full and without interruption. We see it as unlikely that other jurisdictions will follow this route.

Explaining The Government Support Assessment

By "government support," we mean the propensity of a government to provide extraordinary support (typically a capital injection) to systemically important, private-sector banks. It is similar to, but differs from, our assessment of support for government-related entities (GRE), which concerns itself with policy institutions that tend to be partly or wholly-owned by the public authorities over the long-term. We have not revised GRE support in any country following the creation of resolution regimes.

Our government support assessment considers the policy intent, legal framework, and observed behaviour of the authorities, as well as the fiscal capacity of the government to provide support. As such, it is a fact-based but ultimately subjective assessment. While some of the tests look at authorities' track records, these carry less relevance where we observe that policymakers intend to significantly modify their approach. The assessment has three possible outcomes: highly supportive, supportive, and support uncertain.

Among the jurisdictions that made decisive moves to implement resolution frameworks, to date we have lowered the support assessment for the U.S., many European countries, and New Zealand to uncertain from supportive. Hong Kong is so far the only jurisdiction that we lowered from highly supportive (to supportive). We are currently awaiting clarity on future changes to the Australian resolution framework to evaluate whether these should lead to a similar reassessment of government support.

In response to these developments, we first removed government support uplift for U.S. and European bank nonoperating holding companies (NOHC) in early 2015, then later that year we revised our government support assessment for U.S. and many European jurisdictions to uncertain from supportive. At the same time, we categorized their resolution frameworks as being sufficiently effective--a forward-looking assessment since some of the fine policy implementation detail remained a work in progress. Taking into account also the already substantial bail-in buffers of some banks, the concurrent balance sheet strengthening and improving environment in some markets, and existing sovereign rating constraints, the end-result for our ratings was that we downgraded a handful of banks in Europe.

Explaining The ALAC Effectiveness Assessment

Regarding government support, the initial jurisdictional assessment determines whether we could raise our ratings on any domestic bank to reflect the potential benefit to senior creditors of gone-concern support.

Our assessment centers on whether the resolution framework appears sufficiently effective to ensure a failed systemic bank can return to viability without defaulting on operating company senior liabilities. As such, it is an outcome-focused assessment of a resolution framework rather than a prescriptive set of requirements, and it can be somewhat forward-looking.

The assessment is centered on the key features of the resolution frameworks. Among those frameworks that we already see as effective, we observe that they all have a solid legal basis, all contain measures to force systemic banks to build large buffers of subordinated loss absorption and recapitalization capacity that can be used at the point of nonviability, and ensure sufficient liquidity buffers (which may or may not be bolstered by some central funding mechanism). They also tend to acknowledge the other important aspects of resolvability listed in the FSB Key Attributes and try to address them. In short, they will all likely offer a credible alternative to bail-out.

The assessment also contains a use test that requires that we think the authorities intend to use the framework to deal with failed systemic banks. If we doubted that the framework--for example, bail-in or other measures--would be used, then we would not adopt it as a potential base case for our bank ratings in that jurisdiction.

Whether for the U.S. or Europe, our uncertain assessment of government support acknowledged the policy intent to move conclusively away from bail-outs. For the U.S. and EU jurisdictions it importantly also took account of the legal constraints imposed on the authorities. Switzerland is different because it has not legally constrained government support. However, from a policy perspective, we see the authorities as fully committed to avoiding future bail-outs, and the regulators have been pushing the banks hard to make themselves resolvable.

We see the U.S. and European authorities as fully committed to avoiding future bail-outs.

While we divide countries into three categories of government supportiveness, in practice we see a spectrum of behaviors (see graphic below). In the EU, we do not totally rule out that government support could be provided in some circumstances; it has proven to be a feature of the response to address some failing banks in Italy, and, subject to certain tests, remains available to EU authorities as a pre-emptive response to looming systemic crises. While the ramp-up of bail-in buffers (arguably the most critical element) remains a work in progress, we could continue to see similar supportive actions in some countries. But these are tortuous to deliver within the new legal constraints, and not really possible for fast-moving situations. Even now, we can acknowledge extraordinary short-term government support in our bank ratings if we see it being provided at the last minute. However, the increased uncertainty means that we no longer assume government support within the base case built into our bank ratings.

Government Propensity To Support: A Spectrum Of Possible Behavior

Uncertain		Supportive	Highly Supportive	
New Zealand	**EU Countries**	**Canada**	**Australia***	**Singapore**
U.S.	**Liechtenstein**	**Hong Kong**	**Japan**	China
	Norway	Brazil		India
	Switzerland	Mexico		Indonesia
		Russia		Korea
				Saudi Arabia

Notes: We assess other jurisdictions (such as Argentina, Iceland, South Africa, and Turkey) to be uncertain, largely due to our view of their inability to support, rather than just our view of their intentions.
Countries in bold already made substantial changes to their resolution framework.
This diagram is impressionistic only: there are no sub-categories within our three support classifications.
*We are currently evaluating whether future changes to the Australian resolution framework could lead to a reassessment.

To some observers, it may still feel like a leap of faith to view these nascent resolution frameworks as a likely effective alternative to bail-outs: across Europe and the U.S., the systemic banks continue their journey toward resolvability, and so far Europe is the only region where the frameworks have been even slightly tested. The truest test--and maybe the best guide to future resolutions--was Banco Popular in 2017, and, while the resolution authorities had an element of luck, the framework was successful (see "Eurozone Bank Resolution Framework Passes The Banco Popular Test, To A Point," published June 19, 2017). However, each bank resolution will be different depending on the underlying circumstances. Banco Popular's was an idiosyncratic (not systemic) stress, and the capital deficiency was not so large that it risked a bail-in of the senior preferred/unsecured debt. We see the credibility of these frameworks as substantially enhanced by the significant, thoughtful progress that we observe, and by the restriction or absence of alternative courses of action.

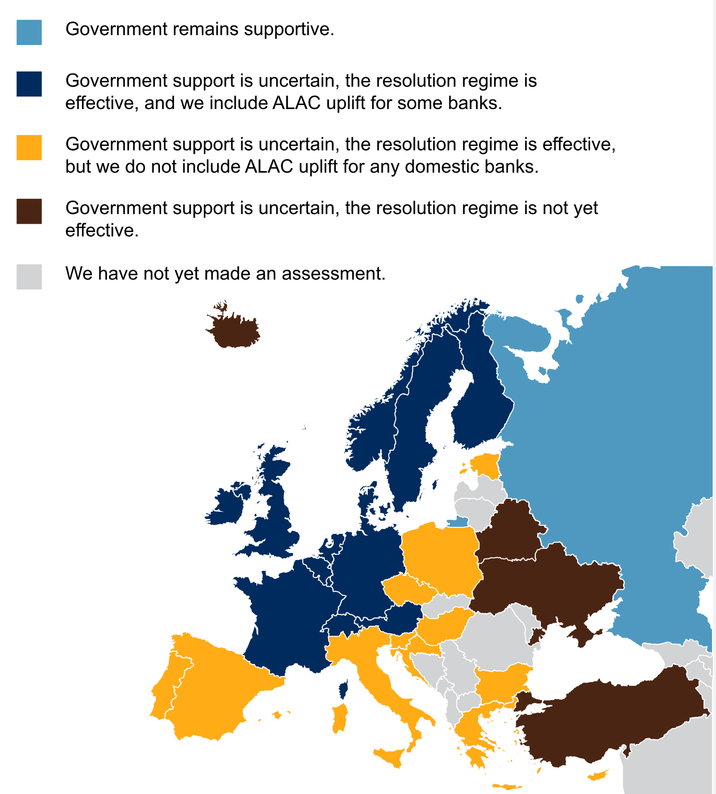
The Awkward Transition In The EU

We see already, and continue to expect, progress at varying speeds across Europe, with Switzerland, the U.K., and (in some respects) Germany leading the way, and others following. The slower progress in the Banking Union in particular is not a surprise: the Single Resolution Board (the principal resolution authority) didn't even exist until January 2015, let alone have staff ready to execute its mission. Furthermore, the EU framework casts its net wider than those of other jurisdictions as all banks are subject to strict bail-in buffer (MREL) requirements, which vary widely depending on the resolution strategy. The EU also has many midsize banks and the authorities are aware that in a systemic crisis, the default of even smallish banks could have ripple effects on investor sentiment and market confidence. The resultant quite wide scope of institutions targeted for bail-in led resolution (as opposed to liquidation or modified bankruptcy) reduces the cliff-edge effect that could result from focusing on the largest banks only, but adds to the workload.

The inescapable fact remains, however, that governments' ability to bail out banks has been heavily constrained in the EU since 2015 and progress in creating resolvable banks has been slower than we expected. Until the banks have substantial subordinated bail-in buffers, the authorities will continue to lack capacity to recapitalize failing banks and maintain financial stability without finding innovative ways to inject solvency support or undertake a selective bail-in of senior debt and incur a huge volume of litigation from creditors under the "no creditor worse off" protections.

The German authorities recognized this legal jeopardy in their decision to create those bail-in buffers at a stroke through the retroactive subordination of plain vanilla term bonds in 2016. This was a pragmatic measure, though unpopular among investors and one that we do not expect others to follow. Elsewhere in the Banking Union, some banks might be permitted to count meaningful unsubordinated debt in their bail-in buffers, and even then many might not complete their buffers until 2024. We reflect this patchy progress in our ratings: so far we include ALAC uplift in our ratings on only about 30 systemic European banks across 13 European countries.

Ramp-Up Of Bail-In Buffers Remains A Work In Progress



Source: S&P Global Ratings.

Finally, the Banking Union continues to make slow progress to establish robust arrangements to allow the authorities to provide funding in resolution, something that we regard as a potentially critical resource to ensure a successful resolution. We might yet reverse the effective assessment if this is not addressed.

In summary, while we take a forward-looking view on the development of resolution frameworks, if we have significant concerns that reforms have stalled or are not being implemented as comprehensively as we had originally envisaged, we may revise our assessment to not effective. This would make all firms in that jurisdiction ineligible for ALAC rating uplift.

Cautious Steps Forward By The Fast Followers

In our view, policymakers outside the U.S. and Europe are proceeding with caution as they deliver on their G20 commitments. Notably, none has been ready to introduce legal constraints on bail-outs that would hinder the monetary authorities' and regulators' ability to preserve financial stability in a crisis, and only Hong Kong has made pre-existing senior operating company liabilities bail-inable. In many cases, we retain our view that these governments are likely to provide some extraordinary support to private-sector commercial banks in event of need, rather than bail-in.

Some jurisdictions have already made very substantial progress to deliver enhanced resolution regimes and now fulfil most or all of the FSB key attributes for effective resolution regimes (see graphic below). Within these jurisdictions, we see two distinct groupings:

- Canada and Hong Kong, whose authorities are trying to create genuine optionality about whether to bail-in, bail-out or both, resulting in some ambiguity about which route would be taken; and
- Japan and Singapore, where we continue to strongly assume pre-emptive bail-outs.

Over the past two years, we reduced our government support assessment for Hong Kong to supportive from highly supportive, and determined the resolution frameworks of Canada and Hong Kong to be sufficiently effective. This contrasts with Japan and Singapore, whose assessments we have not revised.

Status Of Implementation By Financial Stability Board Jurisdictions, October 2018

FSB Jurisdiction	Powers to transfer or sell assets and liabilities	Powers to establish a temporary bridge institution	Powers to write down and convert liabilities (bail in)	Power to impose temporary stay on early termination rights	Resolution powers in relation to holding companies	Recovery planning for systemic firms	Resolution planning for systemic firms	Powers to require changes to firms' structure and operations to improve resolvability
Argentina	Green	Red	Red	Green	Red	Green	Red	Orange
Australia	Green	Green	Red	Green	Green	Green	Red	Green
Brazil	Green	Red	Red	Red	Green	Green	Green	Orange
Canada	Green	Green	Green	Green		Green	Green	Red
China	Green	Red	Red	Red	Red	Green	Orange	Orange
France	Green	Green	Green	Green	Green	Green	Green	Green
Germany	Green	Green	Green	Green	Green	Green	Green	Green
Hong Kong	Green	Green	Green	Green	Green	Green	Green	Green
India	Orange	Red	Red	Red	Red	Red	Red	Red
Indonesia	Green	Green	Red	Red	Red	Green	Red	Orange
Italy	Green	Green	Green	Green	Green	Green	Green	Green
Japan	Green	Green	Red	Green	Green	Green	Green	Green
Korea	Green	Green	Red	Red	Green	Red	Red	Orange
Mexico	Green	Green	Red	Green	Red	Green	Green	Orange
Netherlands	Green	Green	Green	Green	Green	Green	Green	Green
Russia	Green	Red	Red	Red	Red	Green	Green	Red
Saudi Arabia	Red	Red	Red	Red		Red	Red	Orange
Singapore	Green	Green	Red	Green	Green	Green	Green	Green
South Africa	Green	Red	Red	Red	Red	Green	Red	Red
Spain	Green	Green	Green	Green	Green	Green	Green	Green
Switzerland	Green	Green	Green	Green	Green	Green	Green	Green
Turkey	Green	Red	Red	Red	Green	Red	Red	Red
U.K.	Green	Green	Green	Green	Green	Green	Green	Green
U.S.	Green	Green	Green	Green	Green	Green	Green	Green

Highlighted countries have resolution frameworks that we classify as sufficiently effective, as defined in our criteria. Blanks for Canada and Saudi Arabia reflect that nonoperating holding companies are not a feature of these markets. Many jurisdictions are addressing some or all of their so far unfulfilled resolution regime key attributes. Green--Implemented. Orange--Partly implemented. Red--Not implemented. For further details, see original Financial Stability Board report, "Keeping The Pressure Up".
Source: Financial Stability Board Report: "Keeping The Pressure Up," published Nov. 15, 2018.

Canada And Hong Kong: The Best Of Both Worlds?

The key features that led us to revise the support assessment in Hong Kong included the change to make senior unsecured debt legally bail-inable (though we doubt this ever happens in practice). We also took into account the creation of the Financial Institutions Resolution Ordinance as being intended to provide a credible alternative to bail-outs, not least aided by the bail-in of a substantial buffer of subordinated liabilities and equity that could be sufficient to absorb losses and deliver the necessary recapitalization. Based on the existence of this framework and public statements by the authorities, we think they could use a bail-in resolution, indicating a decreased probability that the government would bail-out first. Still, with the supportive assessment for

Hong Kong and Canada, we assume that the government might yet intervene, for example in a systemic crisis and possibly in an idiosyncratic one. Certainly there are no legal constraints to this, and bail-outs do not carry the same politically toxic connotations as in the U.S. and Europe. If intervention comes, it could be before a bank becomes non-viable, or after the bail-in of subordinated instruments.

In both cases, the effective assessments are a bit forward- looking, but we see the key elements as already in place: a solid body of law/rule-making, an identified/mandated resolution authority, a clear intent for substantial subordinated buffers that can be triggered at the point-of-non-viability, and a central bank apparently able to provide emergency funding in resolution. Canada has followed the EU in creating legal capacity for banks to issue senior subordinated (also known as senior nonpreferred) debt to fill their bail-in buffers, whereas Hong Kong relies so far only on capital instruments.

Canada has followed the EU in creating legal capacity for banks to issue senior subordinated debt.

For now, our ratings on Canadian and Hong Kong banks remain driven by government support uplift. This is partly because the banks will only gradually build up their bail-in buffers over the coming few years, and our methodology takes an either/or, not additive, approach when there are multiple sources of potential external support. Specifically, we choose the support option that leads to the highest ICR outcome. Throughout this ramp-up period, we will continue to monitor not only their progress, but also whether policy intent changes as resolution becomes a more established and credible stabilization option.

Japan And Singapore: Significantly Expanded Toolkits, But Remain Reluctant To Bail-In

On the face of it, these resolution frameworks appear quite comprehensive as they fulfil almost all of the FSB's key attributes. In our view, the Japanese and Singaporean governments have substantially enhanced the tools available to regulators to deal with failing systemic banks. Indeed, when it comes to loss-absorbing capacity, we see Japan as having gone further than Singapore. Systemic Japanese banks will have NOHC-issued bail-in buffers of 18%-25% of risk-weighted assets, and resources at the upper end of this range could well be sufficient to cover loss absorption as well as full recapitalization. By contrast, the Monetary Authority of Singapore has publicly announced that it does not intend to implement total loss-absorbing capacity (TLAC) requirements. The minimum regulatory total capital adequacy ratio is 12.5%, which seems clearly insufficient to absorb losses and also recapitalize. In addition, the Singapore regime does not include the bail-in tool.

We therefore see the effectiveness of the Japanese regime as a more marginal question than for Singapore. However, our decision to continue to regard it as non-effective reflects a number of reservations:

- In terms of construct, the power to bail-in is only contractual (not statutory), and possible only in combination with the bridge bank /sale of business tool.
- The Japan Financial Services Agency appears to have significant discretion to decide which NOHC liabilities should default.
- We doubt that bail-in would be used in practice.

The final point is also reflected in our unchanged government support assessment, and the fact that our ratings on Japanese bank NOHCs continue to assume that government support would benefit their TLAC-eligible senior debt (see "Credit FAQ: Rating Japanese Banks' TLAC-Eligible Senior Debt," published Feb. 25, 2016). We note the existence of the Japanese government's capital injection scheme and the lack of legal constraint on using it, the track record of bail-outs, and lack of publicly stated desire to stop bail-outs. We still expect pre-emptive bail-outs to be the norm, even in an idiosyncratic crisis. As such, while the authorities have created substantial bail-in capacity that could be used in some circumstances, we see more limited intent to use this than for Canada and Hong Kong (see chart 4).

Creating Resolution Regimes Is A Journey With Different Underlying Objectives

Prevent future bailouts	Make bailouts unnecessary, but retain some legal flexibility to act	Create substantial flexibility/ optionality to bail in, instead of government solvency support	Create an additional source of capacity to recapitalize banks	Improve the regulatory toolkit, to better deal with failing banks
New Zealand	EU Countries	Canada	Australia*	Singapore
U.S.	Liechtenstein	Hong Kong	Japan	
	Norway			
	Switzerland			

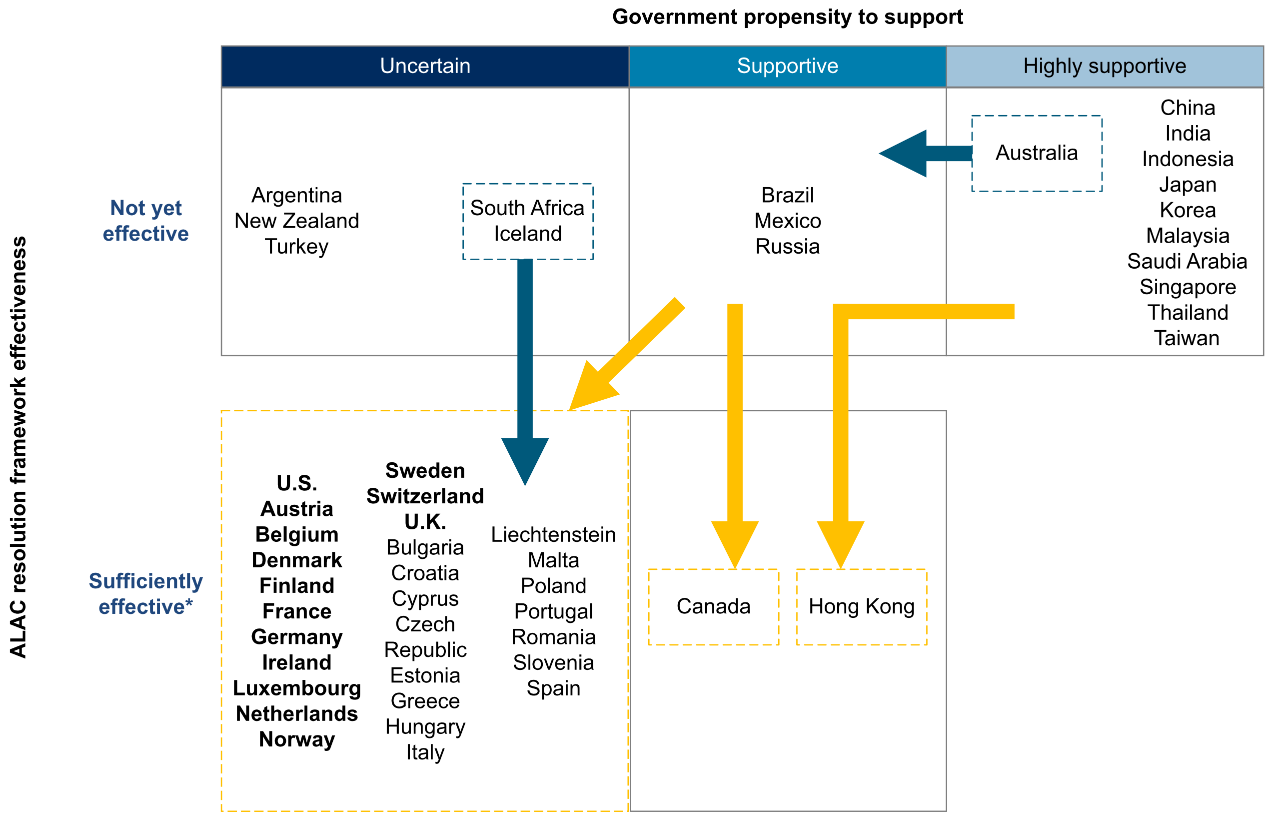
Notes: Graphic only includes banking systems that have already made some substantive progress in creating or expanding their resolution frameworks.
*We are currently evaluating the underlying objectives and likely construct of the future Australian resolution framework.

Possible Future Developments

We see many jurisdictions making tentative moves to create or enhance their resolution frameworks, but they have achieved limited tangible progress and show no discernible intent to avoid bail-outs. Indeed, the Brazilian government is proposing legislation to make direct solvency intervention easier; currently it has to act via policy institutions.

We are not surprised by jurisdictions' slow pace in implementing their FSB commitments given the lack of domestic political pressure to act quickly, the lack of consequence aside from peer pressure and, for China, the 2025 deadline for the initial ramp-up of TLAC by its global systemically important banks. Furthermore, in these jurisdictions, the domestic market for subordinated bank debt tends to be less deep, and regulators remain mindful of the cost of increasing requirements on domestic banks. In short, among these other FSB member jurisdictions, we see Australia and, to a lesser extent, South Africa as the only countries that may implement significant changes in the next one-to-two years.

State Of Play And Possible Future Developments In The Evolution Of Government Support And Resolution Regime Effectiveness



ALAC--Additional loss-absorbing capacity.
Countries in bold are those where we currently give ALAC uplift to at least one bank.
Blue arrows indicate possible future developments. Gold arrows indicate previous actions.
*For factors that would lead us to conclude that a resolution framework is sufficiently effective, see paragraph 17 of "Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity," published April 27, 2015.

Australia: Ultimate policy intent remains ambiguous

Whereas Japan and Singapore have likely reached their end-point, the Australian resolution framework remains a work in progress. Following consultation in late 2018, the authorities are considering how to proceed, not least on whether bail-in buffers should comprise only capital instruments or--as in Europe and Canada--contractually subordinated senior debt, which tends to be cheaper to issue and has a broader investor base.

In our view, the Australian authorities have signaled that the policy approach does not seek to completely avoid bail-outs. Rather, the objective appears to be to reduce the likelihood of financial crises as well as the resulting cost to taxpayers. However, as our negative outlooks on the large Australian banks indicate, we currently see a degree of uncertainty regarding the future Australian framework and underlying policy intent, in particular, whether there would be a marked reduction in the likelihood that the government would provide solvency support to its systemic banks. In other words, whether bail-in and bail-out would both exist as genuine alternatives (like Canada and Hong Kong), or whether there is a continued reticence to rely on bail-in (as we perceive in Japan and Singapore).

The question of intent is heightened because we expect that Australia will create a resolution framework that substantially delivers against the FSB key attributes. Aside from whether senior subordinated debt should play a role, we also look for confirmation on the likely size of bail-in buffers to assess whether they would likely be sufficient to address loss absorption and a full recapitalization.

South Africa: Further developments due in 2019

We already regard government support in South Africa as uncertain due, in part, to the government's track record regarding the 2014 resolution of African Bank, and associated bail-in of its subordinated note holders and the haircut of senior creditors' claims. The enhanced resolution regime proposed by the South African Reserve Bank and national treasury in 2018 appears to be broadly in line with the FSB key attributes. As the proposal moves toward final rules during 2019, we look in particular for clarification of: the relative positon of operating company and NOHC creditor liabilities in a bail-in scenario, the nature of the loss-absorbing instruments envisaged, and the likely size of the required bail-in buffers. We will also bear in mind South African banks' capacity to meet those requirements: South Africa has a deep capital market by emerging market standards, but not when compared with major European economies.

Related Criteria

- Methodology For Assigning Financial Institution Resolution Counterparty Ratings, April 19, 2018
- Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011

Related Research

- Asia-Pacific Banking: Despite Different Strokes, Government Lifeline Is Still Likely, April 4, 2019
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- Increasing Disclosure Is Set To Shine More Light On Bank Resolvability, March 18, 2019
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- Credit FAQ: Rating Japanese Banks' TLAC-Eligible Senior Debt, Feb. 25, 2016
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This report does not constitute a rating action.

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