

FSB Publishes 2017 G-SIB List

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On November 21, 2017, the Financial Stability Board (“FSB”) has published its 2017 list of global systemically important banking organizations (“G-SIBs”) as determined by its annual identification process using an assessment methodology designed by the Basel Committee on Banking Supervision (“BCBS”). The Royal Bank of Canada was added to the list and Groupe BPCE was removed, leaving the list at 30 banking organizations.

The [2017 list](#) also reflects changes to the G-SIB surcharge buckets, which correspond to increasing levels of Common Equity Tier 1 capital buffers under the Basel III framework.

- Two banking organizations, Bank of China and China Construction Bank moved from Bucket 1 (1.0% surcharge) to Bucket 2 (1.5% surcharge).
- Three banking organizations moved to a lower bucket:
 - Citigroup moved from Bucket 4 (2.5% surcharge) to Bucket 3 (2.0% surcharge),
 - BNP Paribas moved from Bucket 3 to Bucket 2, and
 - Credit Suisse moved from Bucket 2 to Bucket 1.

The FSB noted that “these changes reflect changes in underlying activity and the use of supervisory judgement.” In connection with the FSB’s publication of the G-SIB list, the BCBS [released the information](#) that it used in its assessment methodology.

Neither the FSB list nor the related surcharge buckets has the force of law. Member jurisdictions that have implemented the G-SIB surcharge component of the Basel III framework, however, generally follow the BCBS methodology or a more stringent methodology for determining the level of the surcharge. U.S. G-SIBs, for example, are subject to the Federal Reserve’s method 2 surcharge methodology, which differs from the BCBS methodology and which generally results in a higher, and therefore binding, surcharge level. As a result, the change in Citigroup’s 2017 FSB surcharge bucket would not directly affect its U.S. G-SIB surcharge, unless its method 2 calculation resulted in a different surcharge bucket.

Moreover, even in Basel-compliant jurisdictions, these requirements are not yet fully phased in; the full amount of the G-SIB surcharge will come into effect for G-SIBs in Basel-compliant jurisdictions starting January 1, 2019, consistent with the implementation schedule for the Basel III capital conservation buffer.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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