MINISTRY OF FINANCE

MINISTRY OF SOCIAL AFFAIRS AND HEALTH
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Response by the Finnish Ministry of Finance and the Ministry of Social Affairs and Health to the Public Consultation on a Possible Recovery and Resolution Framework for Financial Institutions other than Banks

General Remarks

This memorandum contains the answers of the Finnish Ministry of Finance and Ministry of Social Affairs and Health to the public consultation of the Commission on a possible recovery and resolution framework for financial institutions other than banks. Ministry of Finance has responded to questions presented in the consultations document's sections 3 and 5, and Ministry of Social Affairs and Health to questions in section 4 respectively.

Both the aforementioned authorities support the general objectives of the consultation document. It can be assumed that most, if not all, Member States share the public interest to develop the capacity to recover and, if need be, resolve systemically significant entities other than credit institutions and investment firms in times of severe distress. Whichever the chosen way forward shall be, it is clear that, alike in the banking sector, the recovery and resolution framework must be a credible and effective one. Before addressing the detailed questions of the consultation, we take the opportunity to express certain comments of a general nature.

Given the assumption that an EU-wide harmonised framework for managing financial crises may be suitable and called for when it comes to recovery and resolution outside the realm of the regular banking sector, we should also bear in mind that all new regulation comes with a cost both to the addressees of the norms, but also to the societies in general. Therefore we should carefully balance the actual need for new legislative instruments with its consequences and benefits. Impact assessment on all relevant Financial Market Infrastructures (FMIs) possibly subject to such legislation should also be analysed carefully before advancing in this field.

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Moreover it should be noted that there are already several profoundly significant legislative proposals currently on the table that require the full attention of all stakeholders. For instance, the Solvency II directive will significantly reform the governance and the supervision as well as the solvency requirements of insurance companies. Also new legislation already in force, if not yet applicable, namely the regulation on OTC Derivatives, Central Counterparties and Trade Repositories (EMIR) addresses for instance questions relating to the sound conduct of business, administration and governance of CCP's. Given the multitude of initiatives and active dossiers targeted at harnessing future crises, one should also observe the functioning of present supervisory tools and mechanisms including those of early intervention powers of competent authorities that are essential in preventing the building of systemic risks in FMIs etc.

The content of the consultation is quite ambitious in terms of scope of application. The complexity of assessing systemic risk, as a whole, is demanding, let alone in relation to the risks that Financial Market Infrastructures, Systemic Insurance Companies or other Entities may pose. A due note should be made in this connection that, given the wide scope of the consultation, one size may not be suitable for all sorts of operators in the Financial Industry. What may have proved to be successful in banking may very well be disastrous in post-trading or insurance as result of their inherently divergent business models and logic.

We find it important to analyze separately the systemic and failure risks associated with operational and financial failures. Infrastructures operating without credit risks and infrastructures carrying credit risks also need to be analyzed separately.

Modern Financial Market Infrastructures are completely electronic and thereby dependent on a large number of external service providers like TELECOM, computer hardware, computer operating systems, electronic security solutions, specific application software etc. Risks associated with these kinds of services can be mitigated with back up and duplication solutions. However, these kind of investments can only reduce the operational risks to some extent and the more investments are made, the larger the probability will become that these are never employed before they become outdated and are in need of replacement. There exist a theoretical, but in practice a difficult-to-determine optimal risk mitigation investment balance and remaining uncovered risk situation. The task of providing guidelines on optimal risk mitigation practices for payment and securities settlement infrastructures has generally been delegated to central banks' oversight functions and/or supervisors. We find that the current oversight and supervisory powers of the central banks and supervisory authorities are adequate for handling operational risks within financial infrastructures and consequently resolution mechanisms may have little or no added-value in terms of FMIs or payment systems.

Most payment, securities settlement and CSD entities operate without credit risks, that is, they are just calculating book-entries to be made on accounts held by other counter-parties. A typical ACH (Automated Clearing House) makes just bookings on its counterparties' accounts at the central bank or other settlement agent. These entities carry no credit liabilities by themselves. It is their participants, who transfer funds between each other at a common settlement agent and also carry the risks related to positions against the settlement agent. This implies that these kinds of entities can only approach an economic failure gradually due to insufficient revenues compared to operational costs. These are extremely rare occasions as these institutions are mostly in monopoly positions

and can set service charges at sufficient high levels to ensure cost coverage. In case this would happen due to strong competition among similar entities, the more efficient entities should generally be given the possibility to expand. The resolution instruments are not appropriate for solving such pricing and competition problems, in worst cases applying such instruments would result in subsidizing inefficient instruments or service providers. (Generally the problem has been the opposite, that is, authorities have to limit the possibilities of (near-)monopolies from extracting too high charges.)

Infrastructures carrying credit risks can be categorized in two main groups: those with only intraday risk and those with long-term risks. Those with intraday risks provide credits in order to facilitate intraday clearing and settlement and any position will be squared at least by the end of the trading or settlement day. Current oversight and/or supervisory requirements demand prefunding, collateral, limits, reserves and/or loss-sharing agreements of the system participants based on the intraday risks they contribute with. These credit risks can only materialize in case one or several participants fails. The FMI can only fail itself without any failing participant, due to the same kind of charging problem as described above. The oversight requirements in place demand that all possible risk scenarios should be covered, in order for the participants to know their risks associated with the employment of each infrastructure. Employment of authority-based resolution instruments on such FMIs would change the agreement-based failure-recovering solutions agreed by the market and thereby increase some participants' risks and decrease some others to the same extent. If public money would be used, it would increase taxpayers burden and reduce that of market players. Any failure will result in costs to be covered and the issue is only on how these will be distributed among the surviving entities. It is therefore important for the markets to have predefined and very firm and fair cost sharing regarding infrastructural risks, in order for all participants to mitigate associated risks. The danger is that some very general resolution guidelines which will be employed case-by-case will reduce the market players' interest to agree on suitable market conventions and invest in risk-mitigation solutions. We find it therefore important to continue in-line with the current oversight/supervisory policy to require clear ex-ante rules for failure situations and not introduce any unclear resolution instruments to replace these.

Regarding the infrastructures with long-term counterparty risks, typically derivative CCPs, we agree with the Commission analysis highlighting considerable systemic risks. The worst case scenario would be considerable amount of participants in distress together with highly volatile down-side markets with sharply decreasing asset values and surprising developments in derivate fixing. This kind of situation is probably a systemic crisis by itself, but the CCPs with long-term counterparty risks could in a worst case scenario function as contamination centers. The seriousness of the risk depends on positions at risks and internal margin requirements and those established by authorities. In case these and other financial reserves of the CCPs are underestimated compared to the real need, some kind of resolution mechanism would be needed to solve the uncovered situations. We can foresee major difficulties especially in cross-border risks, when such are resolved ex post using case-by-case solutions. Although there will be difficulties in estimating the need for risk mitigation reserves, we would therefore suggest as the main target to increase the ex-ante mitigation solutions and thereby reduce considerably the need for any resolution solutions also in the case of long-term counterparty risks.

We find it important that in all cases, where a private critical FMI wants to wind down or discontinue its current services for any reason, there should be in place the option for public authorities to take over temporarily its services at reasonable terms in order to ensure continuity without disruptions.

There is also a need to put clear limitations on financial risks and especially credit and counterparty risk exposures of financial infrastructures.

Consultation document section 3
Financial Market Infrastructures

General

1. Do you think that a framework of measures and powers for authorities to resolve CCPs and CSDs is needed at EU level or do you consider that ordinary insolvency law is sufficient?

Yes, if the supervisory powers currently in place are not deemed sufficient a harmonised EU approach seems to be in order since the business models of CCP's and to some extent CSD's contain cross border elements that present severe problems to the application of national insolvency laws in a consistent manner. However national authorities should have their say even in markets where the FMI is only offering services without physical presence. Moreover we can learn from certain historical evidence that insolvency laws seldom make it possible to continue without interruption to the critical functions that are the essence of the said post-trading infrastructures.

Because the business models and risks of CCPs and CDSs are quite different, we foresee a need to clearly separate any legislation regarding these entities

2. In your view, which scenarios/events might lead to the need to resolve respectively a CCP and a CSD? Which types of scenarios CCPs/CSDs and authorities need to be prepared for which may imply the need for recovery actions if not yet resolution?

Regarding CSDs we find the ex ante risk mitigation solutions should be such that need for resolution instruments can be avoided. As operational failures cannot be, at least economically, completely avoided, there will always remain some probability for recovery actions. However, the frequency of such actions seem to be very low, on average severe operational problems seem to occur in CSDs with several years intervals, based on current experiences. Resent increased authority attention has probably even improved the situation.

Long-term credit and counterparty risk taking CCPs might end up in severe distress in deeper financial crises. We find a need to analyze deeper such situations and for example to use simulation models to see what kind of systemic relationships in a larger financial community dependent on CCPs will show and how these will be contagious in distress situations.

3. Do you think that existing rules which may impact CCPs/CSDs resolution (such as provisions on collateral or settlement finality) should be amended to facilitate the implementation of a resolution regime for CCPs/CSDs?

Assessing further revisions of existing legislation is premature at this point without access toconcrete proposals in the subject matter.

Our understanding is that the provisions on settlement finality are adequate and working properly, and therefore one should be cautious before introducing case-by-case type of exceptional rules based on resolution instruments, which in turn might result in increased instability instead of the contrary.

4. Do you consider that a common resolution framework applicable to CCPs and CSDs is desirable or do you favour specific regimes by type of FMIs?

Common post-trading regime seems to be a plausible starting point. However the business models and ex ante risk mitigation solutions differs greatly between different types of FMIs. We would therefore favour specific regimes by type and risk-based assessment of FMIs, although there might be common elements.

5. Do you consider that it should only apply to those FMIs which attain specific thresholds in terms of size, level of interconnectedness and/or degree of substitutability, or to those FMIs that incur particular risks, such as credit and liquidity risks, or that it should apply to all? If the former, what are suitable thresholds in one or more of these respects beyond which FMIs are relevant from a resolution point of view? What would be an appropriate treatment of CSDs that do not incur credit and liquidity risks and those that incur such risks?

In regard to different type of FMI's the scope of application should be general and common to all operators of such infrastructure type, because there will otherwise be a risk of regulatory arbitrage. We find that the credit and liquidity risks of CSDs should be minimized. Instead of resolution mechanisms, we find it more important to enforce ex ante loss-sharing rules on how such losses are distributed among surviving participants.

6. Regarding FMIs (some CSDs and some CCPs) that are also credit institutions, is the proposed bank recovery and resolution framework sufficient or should something in addition be considered? If so, what should the FMI-specific framework add to the bank recovery and resolution framework? How do you see the interaction between the resolution regime for banks and a specific regime for CCPs/CSDs?

The interaction of the bank resolution framework should naturally be carefully assessed with the possible non-bank framework in order to avoid unintended consequences.

We would also want to point out the general problems in applying different licensing requirements and oversight/supervisory rulings and resolution frameworks on multi-licensed entities. The result is seldom clear. Combining up-stream infrastructures with down-stream distribution entities will in most case have a negative impact on the competition in the market. We find it therefore to be advisable to refrain using double licensing and maintain only separate CSD and CCP licenses and include in them the possibility for a limited number of banking services directly necessary for settlement purposes. The possible applicability of different regulatory regimes to a certain combined institution/FMI may prove to be even more difficult in terms of resolution mechanisms.

Objectives

7. Do you agree that the general objective for the resolution of CCPs/CSDs should be continuity of critical services?

Yes.

8. Do you agree with the above objectives for the resolution of CCPs/CSDs?

In general terms, yes. However the objectives as such merit more evaluation in the future. One item that should be considered is the possibilities of the authorities of those countries where the FMI is not located to fulfill the tasks set out to them in the national legislations. This of course refers to those host countries authorities that supervise the market to which the FMI provides services. It is also important that FMIs are required to provide open access and services on non-discriminatory basis throughout the common market.

9. Which ones are, according to you, the ones that should be prioritized?

Adequate preparation by the FMI's themselves, which require ex ante preparation measures in order to avoid or at least reduce the possibility for resolution needs to emerge. In addition, adequate early intervention powers and tools for supervisors of CSDs and CCPs as well as coordination mechanisms among different authorities should be developed.

10. What other objectives are important for the CCP/CSD resolution?

Ex ante solutions to avoid resolutions, for example loss-sharing agreements among participants.

Recovery and Resolution plans

11. What should be the respective roles of FMIs and authorities in the development and execution of recovery plans and resolution plans? Should resolution authorities have the power to request changes in the operation of FMIs in order to ensure resolvability?

We find it rather difficult to give resolution authorities the right to interfere in FMI operations under normal conditions, because it could result in conflicts with requirements by oversight and supervisory authorities. Any prior resolution requirements should be laid down in legislationand be general for all FMIs of the same type.

12. To what extent do you think that CCPs/CSDs in cooperation with their users would be able to define efficient recovery and resolution plans on the basis of amendments to their contractual laws?

According to oversight and supervisory requirements all FMIs need to have recovery plans for different kinds of business and operational risk situations. Contractual laws provide sufficient possibilities to agree on loss-sharing solutions, which can solve potential resolution situations. Some problems may appear if participants of different

CSDs/CCPs have to follow different recovery and resolution plans. More harmonised rules would benefit the market.

Resolution triggers

13. Should resolution be triggered when an FMI has reached a point of distress such that there are no realistic prospects of recovery over an appropriate timeframe, when all other intervention measures have been exhausted, and when winding up the institution under normal insolvency proceedings would risk causing financial instability?

We agree on this kind of definition.

14. Should these conditions be refined for FMIs? For example, what would be suitable indicators that could be used for triggering resolution of different FMIs? How would these differ between FMIs?

It could be worthwhile to analyze deeper different possible scenarios. The general condition seems to be that the FMI will not be able to continue to provide its daily services at an acceptable service level.

15. Should there be a framework for authorities to intervene before an FMI meets the conditions for resolution when they could for example amend contractual arrangements and impose additional steps, for example require unactivated parts of recovery plans or contractual loss sharing arrangements to be put into action?

We think that these kind of arrangements should be in place within the normal oversight and supervisory regimes in terms of early intervention supervisory measures. We think that there is a need to clearly define the point where resolution measures are triggered and when resolution authorities step in.

Resolution powers

16. Should resolution authorities of FMIs have the above powers? Should they have further powers to successfully carry out resolution in relation to FMIs? Which ones?

We find these powers to be adequate once the FMI has reached the point where resolution authorities to step in.

17. Should they be further adapted or specified to the needs of FMI resolution?

FMIs provide services to its participants and there is therefore a need to involve the participants in the resolution process.

18. Do you consider that temporary stay on the exercise of early termination rights could be a relevant tool for FMIs? Under what conditions? How should it apply between interoperated FMIs? How should it be articulated with similar powers to impose temporary stays in the bank resolution framework?

These are questions that require deeper analysis, especially from the point of view of the participants of the FMI. The situation regarding FMIs' participants differs considerably from that of banks' customers, which need to be acknowledged in the FMI processes.

19. Do you consider that moratorium on payments could be a relevant tool for all FMIs or only some of them? If so, under what conditions?

It is important regarding FMIs to distinguish between payments made on own behalf and those related to participants' settlement services. In order for settlement services to continue, these kinds of payments cannot be included in a moratorium, when these are made via the accounts of the FMI.

The situation regarding CSDs and CCPs differ on this point greatly, resulting in a need for different treatment.

Resolution tools

20. Which reorganisation tools could be appropriate for resolving different types and CSDs and CCPs? What would be their advantages and disadvantages?

FMIs differ greatly from banks and other fund rising-based financial intuitions. FMIs carry seldom large amount of external capital compared to their settlement volumes or own capital. On this point the loss-sharing and other inter-participant responsibilities are in crucial position. Enforcing reorganization tools will bypass the privately agreed loss-sharing agreements. There is therefore a need to assess to which extent a resolution-based distribution of liabilities would be preferable to the ex-ante agreed loss-sharing mechanism. All of the proposed instruments can be part of the internal scheme of the FMI.

21. Which loss allocation and recapitalisation tools could be appropriate for resolving different types of CSDs and CCPs? Would this vary according to different types of possible failures (e.g. those caused by defaulting members, or those caused by operational risks)? What would be their advantages and disadvantages?

These need to be analyzed in detail per FMI-type and be enforced on ex-ante basis as a part of the FMIs own recovery plan as much as possible.

22. What other tools would be effective in a CCP/CSD resolution?

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23. Can resolution tools based on contractual arrangements be effective and compatible with existing national insolvency laws?

As a rule contractual arrangements cannot supersede statutory insolvency laws.

Group resolution

24. Do you consider that a resolution regime for FMIs should be applicable to the whole group the FMI is a part of? What specific tools or powers for the resolution authorities should be designed?

The ownership arrangements between FMIs are important in some cases. However, in most cases much more important relationships can be found within the processing flows (operational links) between different FMIs and among failing common participants.

Cross Border Resolution

25. In your view, what are the key elements and main challenges to take into account for the smooth resolution of an FMI operating cross-border? What aspects and effects of any divergent insolvency and resolution laws applicable to FMIs and their members are relevant here? Are particular measures needed in the case of interoperable CCPs or CSDs?

Resolution interventions will, on a common market, have cross-border implications and with the foreseen market consolidation, this kind of impact will become even more probable. This will require more cross-border cooperation among authorities.

26. Do you agree that, within the EU, resolution colleges should be involved in resolution issues of cross border FMIs?

Yes, or similar mechanisms.

27. How should the decision-making process be organized to make sure that swift decisions can be taken? Alternatively, do you think that responsibility for resolving FMIs should be centralised at EU-level?

The organization model itself should be decided in the national level with regard to domestic entities under national authorities. However such institutions and FMI's that engage in cross-border operations and are systemically significant it might be well-founded to consider an EU-level solution which effectively encompasses the specificities of systemic institutions. Moreover due to the nature of the decisions that usually have to be made in relation to distressed entities in resolution, and given that public funds are to be deployed, the organization of the authority taking the decisions should be created so that association with budgetary implications can be maintained properly.

28. Do you agree that a recognition regime should be defined to enable mutual enforceability of resolution measures?

There need to be some mechanism for cross-border resolution measures.

29. Do you agree that bilateral cooperation agreements should be signed with third countries?

There is a need to align the major markets interacting with the EU-markets.

Safeguards

30. Do you agree that the resolution of FMIs should observe the hierarchy of claims in insolvency to the extent possible and respect the principle that creditors should not be worse off than in insolvency?

Yes. However it is our understanding that the bail-in tools do no have such usability in regard to FMIs due to their different balance sheet structure compared to banks.

Consultation document section 4
Insurance and reinsurance firms

General

1. Are the resolution tools applicable to traditional insurance considered above adequate? Should their articulation and application be further specified and harmonised at EU-level?

2. Do you think that a further framework of measures and powers for authorities, additional to those already applicable to insurers, to resolve systemically relevant insurance companies is needed at EU level?

3. In your view, which scenarios/events might lead to the need to resolve a systemically relevant insurance company? Even before that, which types of scenarios systemic insurers and authorities need to be prepared for which may imply the need for recovery actions if not yet resolution?

Answer to questions 1-3: We think that the resolution tools applicable to traditional insurance are adequate as presented by the Commission in the consultation paper. However, we would like to note, that the share of the systemically relevant insurance activity of all insurance activity is rather limited. Thus, we do not consider it necessary to create a specific system for the crisis resolution for the systemically relevant insurance companies. In addition, the harmonization of certain rules, for instance concerning the run-off companies, would be inconsequential with regard to the systemic risk.

Objectives

4. Do you agree with the above objectives for resolution of systemic insurance companies? What other objectives could be relevant?

We can agree with the Commission on the objectives of the resolution of systemic insurance companies.

Recovery and Resolution plans

5. Do you think that recovery plans should be developed by systemic insurers and resolution plans by resolution authorities? Do you think that resolution authorities should have the power to request changes in the operation of insurers in order to ensure resolvability?

Resolution triggers

6. Do you agree that resolution should be triggered when a systemic insurer has reached a point of distress such that there are no realistic prospects of recovery over an appropriate timeframe, when all other intervention measures have been exhausted, and

when winding up the institution under normal insolvency proceedings would risk causing financial instability?

7. Should these conditions be refined? For example, what would be suitable indicators that could be used for triggering resolution of systemic insurers?

Answer to questions 5-7: Concerning the systemic insurers we think that recovery plans could be developed as a part of the risk management of the company, despite the fact that they might not be able to tackle the possible crisis effectively. We consider that it is important that the insurance companies and supervisors identify the systematically relevant risks. They have to be taken into consideration in the risk management of the insurance company and the insurance group as well as in own risk assessment and solvency evaluation in accordance with the Solvency II directive.

Resolution plans should be carefully examined. Resolution plans that do not correspond to the causes of a systemic crisis may deepen the crisis.

Furthermore, we consider that the possible frame of the crisis resolution mechanism should be based on the Solvency II. Before the entry into force of the Solvency II there are no harmonized triggers to which the possible actions to tackle crisis could be linked at the EU level.

Resolution powers

8. Do you agree that resolution authorities of insurers could have the above powers? Should they have further powers to successfully carry out resolution in relation to systemic insurers? Which ones?

9. Should they be further adapted or specified to the specificities of insurance resolution?

Answer to questions 8 and 9: We do not find it necessary to create a specific system for the crisis resolution for systemic insurers. However, in case the preparation of new legislation would be initiated, it should only focus on the systemically relevant actors. Thus, the powers of the resolutions authorities of insurers should only cover systemically relevant actors. The authorities should have sufficient means to intervene, if necessary, already at an early stage in the situation of the company, in which case the recovery of the company would still be possible. Furthermore, in this respect we would like to remind that the notion of systemically relevant is still left unclear in the consultation paper. Thus it is also unclear which actors would be covered by the possible new legislation.

Resolution tools

10. Would the tools mentioned above be appropriate for the resolution of systemic insurers? What other tools should be considered and why?

Most of the tools mentioned could be appropriate for the resolution of systemic insurers. The choice of the tools depends on the type of crisis. However, we are questioning the appropriateness of for example the insurance guarantee schemes in this respect.

Group and cross-border resolution

11. Do you think that, within the EU, resolution colleges should be set up and involved in resolution issues of cross border insurance groups?

We can support setting up of resolution colleges for resolution issues of cross border insurance groups. One possibility could also be to examine whether the supervisory colleges of Solvency II could also act as resolution colleges.

12. How could the decision-making process be organized to make sure that swift decisions can be taken? Should this be aligned with the procedures already set out in Title III of Directive 2009/138/EC?

13. Alternatively, do you think that responsibility for resolving systemic insurers should be centralised at EU-level?

Answer to questions 12 and 13: The decision making process could be aligned with the procedures of Solvency II.

14. Do you think that a recognition regime should be defined to enable mutual enforceability of resolution measures?

This could be adequate concerning the systematically relevant actors..

15. Do you think that to this end bilateral cooperation agreements could also be signed with third countries?

Yes.

Consultation document section 5
Payment Systems and other nonbank financial institutions/entities

1. Do you agree with the above assessment regarding payment systems, payment institutions and electronic money institutions? Alternatively, do you consider that either (or both) would merit further consideration as to their ability, first, to give rise to systemic risk and, second, the need for possible recovery and resolution arrangements in response?

We find the assessment would improve by making the analysis by institution type. Regarding public payment systems, as the mentioned TARGET2, there is no need for resolution mechanism in the same way as for private systems. We think also that the issues of payment systems are quite different from that of PIs and EMIs. PIs and EMIs are comparable to banks and payment systems to CSDs and CCPs. Payment systems need to be analysed as one type of FMIs.

2. Besides those covered in previous sections of this paper, which other nonbank financial institutions can become systemically relevant and how? Depending on the type of institutions, what are the main channels through which such systemic risks are transmitted or amplified?

Alternative Investment Fund Managers are regulated in order to prevent systemic risk. However, it should be kept in mind that, in practice, this is relevant only as regards AIFM's of sizeable volumes. Therefore, principle of proportionality should be emphasized in this context.

3. In your view, what could be meaningful thresholds in relation to the factors of size, interconnectedness, leverage, economic importance or any other factor to determine the critical relevance of any other nonbank financial institution?

Privately operated payment systems need to be regarded as FMIs. The current limitations for non-bank operations are so severe that they cannot grow to become systemically critical.

4. Do you think that recovery and resolution tools and powers other than existing insolvency rules should be introduced also for other nonbank financial institutions?

Privately operated payment systems should be incorporated in the general recovery and resolution framework.

5. In your view, what could then be meaningful points of failure at which different types of other nonbank financial institution could be considered to fulfil the conditions for triggering:
a) The activation of any pre-determined recovery measures; or
b) Intervention by authorities to resolve the entity?

Regarding payment systems, the same for other FMIs.

6. With respect to possible preventive and preparatory measures:

a) Do existing regulatory frameworks applicable to other nonbank financial institutions provide for sufficient safeguards, in particular with respect to their governance structures, market/counterparty/liquidiy risk management, transparency, reporting of relevant information and other etc.?
b) Are supervisors equipped with sufficient powers to be able to collect information and monitor the various types of risks existing or building up in the particular nonbank financial sector/institution?
c) Are additional supervisory powers needed to ensure de-risking and prevent overly complex and interlinked operations?
d) Would recovery and resolution plans be necessary to be introduced for all or only some of these institutions? Why?

The oversight and supervisory authorities have actively improved the stability ensuring rules and recovery measures within the payments industry for the last 10-20 years, which have resulted in a quite adequate overall situation.

7. With respect to possible early intervention powers and measures:
a) Do existing regulatory frameworks applicable to other nonbank financial institutions provide for effective early remedial actions of supervisors aimed at correcting solvency or operational problems at an early stage?
b) What other early intervention powers could be introduced?

The situation is adequate regarding payment systems.

8. With respect to possible resolution measures and tools:
a) Should administrative, non-judicial procedures and tools for the restructuring or managed dissolution of other failing nonbank financial institutions be introduced?
b) Depending on the entity, what could be the appropriate and specific resolution tools to be used? For which institutions are certain resolution tools or techniques not relevant? Why?

There seem to be rather limited need for additional measures in the payment sector.