

STATEMENT OF

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on

**“IMPORTING GLOBAL GOVERNANCE:
EXAMINING THE DANGERS OF CEDING AUTHORITY OVER AMERICAN
FINANCIAL REGULATION”**

before the

**COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES**

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2128 Rayburn Office Building
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Chairman McHenry, Ranking Member Waters, and Members of the Committee, I am pleased to appear at today's hearing to discuss the Federal Deposit Insurance Corporation's (FDIC's) international engagement, including with regulatory and supervisory authorities, resolution authorities, central banks, and deposit insurers.

The FDIC's core mission is to maintain stability and public confidence in the U.S. financial system. The agency carries out this mission through its responsibilities for deposit insurance, banking supervision, and the orderly resolution of failed banks, including systemically important financial institutions. The FDIC's international engagement is guided by the same mission and contributes to the promotion of sound, stable banking systems in the United States and abroad. By engaging with our counterparts internationally, the FDIC both fulfills its mission of financial stability and public confidence in the U.S. financial system and supports longstanding U.S. priorities of maintaining a competitive, inclusive, and stable global financial system.

The FDIC engages with regulatory and supervisory authorities from around the world in support of effective deposit insurance, bank supervision, and resolution systems for banks and systemically important financial institutions. Many of these bodies provide a forum for regulators to share information, discuss challenges, and consider common standards. My testimony today will discuss the FDIC's engagement with these international organizations, including the Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS), the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), and the International Association of Deposit Insurers (IADI).

Financial Stability Board

The Financial Stability Board (FSB) was established in 2009 to coordinate at the international level the work of national financial authorities and international standard-setting bodies in order to develop and promote effective regulatory, supervisory and other financial sector policies. In collaboration with the other international financial organizations, the FSB has the additional objective to address vulnerabilities affecting financial systems in the interest of global financial stability.¹ The FSB's tasks include, among other things, promoting coordination and information exchange among authorities and supporting contingency planning for cross-border crisis management, particularly with respect to systemically important firms.

The FSB Plenary is the sole decision-making body of the FSB and makes decisions by consensus. FSB Plenary Members are representatives from 25 jurisdictions, four international financial institutions, and six international standard-setting, regulatory, supervisory, and central bank bodies, in line with membership criteria.² The FDIC is not an FSB Plenary Member. However, the FDIC is a member of the FSB Resolution Steering Group (ReSG).

In 2010, the FSB Plenary established the ReSG to support the development of the *Key Attributes of Effective Resolution Regimes for Financial Institutions (Key Attributes)*.³ ReSG is a working group established "to develop, issue and maintain standards and guidance, monitor resolvability and crisis preparedness, help build trust between home and host authorities, and

¹ See *Charter of the Financial Stability Board*, available at <https://www.fsb.org/wp-content/uploads/FSB-Charter-with-revised-Annex-FINAL.pdf>.

² See *Members of the FSB* (updated as of February 22, 2024), available at <https://www.fsb.org/about/organisation-and-governance/members-of-the-financial-stability-board/>.

³ See Financial Stability Board. *Effective Resolution Regimes and Policies*, available at <https://www.fsb.org/work-of-the-fsb/market-and-institutional-resilience/post-2008-financial-crisis-reforms/effective-resolution-regimes-and-policies/>.

serve as a knowledge sharing forum for resolution authorities and other authorities with a role in crisis management.”⁴

As an active member of the ReSG, the FDIC has helped to develop international standards and guidance on issues relating to the resolution of global systemically important financial institutions (G-SIFIs). Much of this work has related to the FSB *Key Attributes* and implementation of those standards. Our contributions have allowed the U.S. resolution regime to serve as a foundation for the *Key Attributes*. This work has supported our development of advance planning for crisis management preparedness in relation to a failing financial institution with a cross-border presence involving the United States either as a home or host jurisdiction.

The FSB makes available on its website information related to its activities, including annual financial reports, work programs, Plenary meeting summaries, and invitations for stakeholder engagement, such as public consultations on proposed standards. Standards developed by way of the FSB do not possess any formal supranational authority and do not have legal force. The implementation of any standard in the United States related to resolution regimes is subject to the U.S. notice and comment rulemaking process. In such circumstances, the FDIC may elect to propose different standards to reflect, for example, specific characteristics of U.S. markets, firms, and legal requirements and policy objectives, where appropriate.

The FDIC values its participation in the FSB ReSG activities, which advance cross-border cooperation in furtherance of resolution planning by firms and authorities.

⁴ See *FSB 2023 Resolution Report*, dated December 15, 2023, Page 4, available at <https://www.fsb.org/wp-content/uploads/P151223.pdf>.

Basel Committee on Banking Supervision

The Basel Committee on Banking Supervision (BCBS) is an international standard-setter for the prudential regulation of banks and provides a forum for regular cooperation on banking supervisory matters.⁵ Its 45 members comprise central banks and bank supervisors from 28 jurisdictions. It seeks to strengthen the regulation, supervision, and practices of banks worldwide with the purpose of enhancing financial stability.

The BCBS makes available on its public website information related to its activities, including its work programs, and press releases summarizing its meetings. The BCBS also engages in a public consultation process on proposed standards, which includes posting on its public website consultative documents, comments received to these consultative documents, and any final standards.⁶

The FDIC is a member of the BCBS and participates in most of its working groups. The FDIC engages at the BCBS in support of its mission to maintain stability and public confidence in the U.S. financial system. The BCBS aims to improve the consistency of prudential standards internationally. It is important to note that the BCBS does not possess any formal supranational authority; its decisions do not have legal force. Any implementation of such standards by the FDIC and other Federal banking agencies are subject to the notice and comment rulemaking process in the United States. The FDIC may elect to propose alternative standards that more appropriately reflect, among other things, the specific characteristics of U.S. markets, U.S. legal requirements, and U.S. policy objectives, where appropriate.

⁵ See Basel Committee on Banking Supervision website for additional information, available at <https://www.bis.org/bcbs/index.htm>.

⁶ See *Basel Committee on Banking Supervision Charter* available at <https://www.bis.org/bcbs/charter.htm>.

The FDIC and the other federal banking agencies have worked closely with the BCBS to strengthen the resiliency of the banking sector.

The Network of Central Banks and Supervisors for Greening the Financial System

The Network of Central Banks and Supervisors for Greening the Financial System (NGFS) is a forum for collaboration and information sharing among central banks and banking supervisors. The NGFS is not a standard-setting body. The FDIC engages with members of the NGFS to foster collaboration and share best practices in addressing climate-related financial risks. Since the FDIC joined the NGFS in 2022, it has participated in a limited number of working groups, including those related to supervision and capacity building and training. To the extent that other members of the NGFS have different mandates with respect to climate-related matters, the FDIC has remained, and will continue to remain, strictly focused on the FDIC's core mission.

International Association of Deposit Insurers

The International Association of Deposit Insurers (IADI) is a forum for deposit insurers from around the world to gather to share knowledge and expertise. It provides training and educational programs and produces research and guidance on matters related to deposit insurance. Its mission is to contribute to the enhancement of deposit insurance effectiveness by promoting guidance and international cooperation. The objectives of IADI are to strengthen deposit insurance systems worldwide and to contribute to the stability of financial systems.⁷

⁷ See International Association of Deposit Insurers. *Statutes of the International Association of Deposit Insurers, Article 1*, available at https://www.iadi.org/en/assets/File/About%20IADI/Organisation/20231114%20_IADI_STATUTES_FINAL.pdf.

The FDIC is a member of IADI and has played a key role in developing IADI into the world's leading provider of technical assistance and training for deposit insurance since the association was formed in 2002. IADI is the international standard-setter for deposit insurance systems and currently has 97 members, 11 associates, and 17 partners.⁸ As a member of IADI, the FDIC has supported the development of standards and best practices for deposit insurers around the world. The implementation of regulations and standards in the United States related to deposit insurance is subject to the U.S. notice and comment rulemaking process. In such circumstances, the FDIC may elect to propose different standards to reflect, for example, specific characteristics of U.S. markets, firms, and legal requirements and policy objectives, where appropriate. The FDIC provides leadership on the executive board and several committees of IADI. The FDIC serves on IADI's Executive Council, as the chair of the Implementation Council Committee, and as a member of the Policy Council Committee and of the Analysis Council Committee. The FDIC also chairs IADI's Capacity Building Technical Committee. Further, the FDIC provides technical assistance and conducts outreach activities through IADI.

FDIC officials and experts continue to support IADI programs, including reviewing and providing input on the *Core Principles for Effective Deposit Insurance Systems (Core Principles)*.⁹ The IADI *Core Principles* complement the FSB *Key Attributes*. For example, in June 2023, ReSG and IADI held a joint meeting to review 2023 events and areas where IADI and the FSB can collaborate on deposit insurance topics as they relate to resolution.¹⁰

⁸ See International Association of Deposit Insurers. *Overview of the Association*, available at <https://www.iadi.org/en/about-iadi/iadi-members-and-participants/>.

⁹ International Association of Deposit Insurers. *Core Principles for Effective Deposit Insurance Systems*, available at <https://www.iadi.org/en/assets/File/Core%20Principles/cprevised2014nov.pdf>.

¹⁰ See Federal Deposit Insurance Corporation. *2023 FDIC Annual Report*, p. 97, February 22, 2024, available at <https://www.fdic.gov/about/financial-reports/reports/2023annualreport/ar23section1.pdf>.

The FDIC's work at IADI contributes to the stability of the global financial system by promoting international cooperation in the field of deposit insurance. Through IADI, the FDIC builds strong bilateral and multilateral relationships with foreign deposit insurers, resolution authorities, and other international organizations.

Conclusion

The mission of the FDIC is to maintain stability and public confidence in the nation's financial system. The FDIC engages with regulatory and supervisory authorities, resolution authorities, central banks, and deposit insurers from around the world, as well as international standard-setting bodies and multilateral organizations, in support of maintaining effective deposit insurance, bank supervision, and resolution systems for banks and systemically important financial institutions. All objectives that have been advanced by the FDIC through these dialogues solely reflect the FDIC's mandate. The FDIC remains committed to engaging with the public, industry stakeholders, and members of Congress in support of its mission. Thank you and I look forward to answering your questions.