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G20 Governments All Agreed To Cyprus-Style Theft Of Bank Deposits … In 2010

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barnabyisright.com

Theme: Global Economy

Referencing official source documents from both the G20, and the internationalist 'Financial Stability Board', clearly show the entire G20 agreed to implement the FSB-mandated new approach to managing "too big to fail" banks at the Seoul 2010 meeting of the G20

To address the problem of *"systemically important"* banks, *"without exposing the taxpayer to the risk of loss,"* our puppet politicians have agreed to confiscate … the savings of taxpayers.

November 11-12, 2010. Armistice Day. *That is when all the major governments of the G20 first agreed to implement the new, Cyprus-style "bail-in" regime, at the direction of the internationalist Financial Stability Board under its new, GFC-enabled "broadened mandate" –*

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stabilize financial markets and restore the global flow of capital, we never lost sight of the need to address the root causes of the crisis. We took our first step at the Washington Summit, where we developed the Action Plan to Implement Principles for Reform. Since then, we built on the progress made in London, Pittsburgh, and Toronto, and together, took major strides toward fixing the financial system with the support from the international organizations, particularly the Financial Stability Board (FSB) and the Basel Committee on Banking Supervision (BCBS).

Transformed financial system to address the root causes of the crisis

28. Today, we have delivered core elements of the new financial regulatory framework to transform the global financial system.

29. We endorsed the landmark agreement reached by the BCBS on the new bank capital and liquidity framework, which increases the resilience of the global banking system by raising the quality, quantity and international consistency of bank capital and liquidity, constrains the build-up of leverage and maturity mismatches, and introduces capital buffers above the minimum requirements that can be drawn upon in bad times. The framework includes an internationally harmonized leverage ratio to serve as a backstop to the risk-based capital measures. With this, we have achieved far-reaching reform of the global banking system. The new standards will markedly reduce banks' incentive to take excessive risks, lower the likelihood and severity of future crises, and enable banks to withstand – without extraordinary government support – stresses of a magnitude associated with the recent financial crisis. This will result in a banking system that can better support stable economic growth. We are committed to adopt and implement fully these standards within the agreed timeframe that is consistent with economic recovery and financial stability. The new framework will be translated into our national laws and regulations, and will be implemented starting on January 1, 2013 and fully phased in by January 1, 2019.

30. We reaffirmed our view that no firm should be too big or too complicated to fail and that taxpayers should not bear the costs of resolution. We endorsed the policy framework, work processes, and timelines proposed by the FSB to reduce the moral hazard risks posed by systemically important financial institutions (SIFIs) and address the too-big-to-fail problem. This requires a multi-pronged framework combining: a resolution framework and other measures to ensure that all financial institutions can be resolved safely, quickly and without destabilizing the financial system and exposing the taxpayers to the risk of loss; a requirement that SIFIs and initially in particular financial institutions that are globally systemic (G-SIFIs) should have higher loss absorbency capacity to reflect the greater risk that the failure of these firms poses to the global financial system; more intensive supervisory oversight; robust core financial market infrastructure to reduce contagion risk from individual failures; and other supplementary prudential and other requirements as determined by the national authorities which may include, in some circumstances, liquidity surcharges, tighter large exposure restrictions, levies and structural measures. In the context of loss absorbency, we encourage further progress on the feasibility of contingent capital and other instruments. We encouraged the FSB, BCBS and other relevant bodies to complete their remaining work in accordance with the endorsed work processes and timelines in 2011 and 2012.

31. In addition, we agreed that G-SIFIs should be subject to a sustained process of mandatory

FSB FINANCIAL STABILITY BOARD

4 November 2011

Policy Measures to Address Systemically Important Financial Institutions

1. At recent Summits, G20 Leaders asked the FSB to develop a policy framework to address the systemic and moral hazard risks associated with systemically important financial institutions (SIFIs).

2. In Seoul last year, G20 Leaders endorsed this framework and the timelines and processes for its implementation. The development of the critical policy measures that form the parts of this framework has now been completed. Implementation of these measures will begin from 2012. Full implementation is targeted for 2019.

4. Addressing the "too-big-to-fail" problem requires a multipronged and integrated set of policies. Accordingly, the policy measures we have agreed comprise:

   i) A new international standard, as a point of reference for reform of our national resolution regimes, setting out the responsibilities, instruments and powers that all national resolution regimes should have to enable authorities to resolve failing financial firms in an orderly manner and without exposing the taxpayer to the risk of loss ('FSB Key Attributes of Effective Resolution Regimes');

One cannot help but laugh at the Orwellian doublespeak slogans used by the architects of this new regime.

To address the problem of *"systemically important"* banks, *"without exposing the taxpayer to the risk of loss,"* our puppet politicians have agreed to confiscate … the savings of taxpayers.

You may be thinking that this excerpt from an FSB press release does not prove that the G20 have *specifically* agreed to confiscation of bank deposits. And you would be correct.

As with all such schemes, it is not intended that the public will easily discover what has been planned. You have to wade carefully through all the verbose (and deliberately obtuse) technocrat-ese, and cross-reference the supporting documents (and their annexes), in order to discover just what our G20 attendee politicians – geniuses like "World's Greatest Treasurer" Wayne Swan – *have* actually signed up to.

And to find the smoking gun.

One with the word B A I L – I N stamped clearly on its barrel.

First, in the FSB press release of 4 Nov 2011 we are told that the G20 allegedly *"asked the FSB to develop a policy framework to address the systemic and moral hazard risks associated with systemically important financial institutions (SIFIs)."*

Next, in Seoul 2010, *"G20 leaders endorsed this framework and the timelines and processes for its implementation."*

That framework is set out in the FSB's *"Key Attributes of Effective Resolution Regimes for Financial Institutions"* (pdf).

In the preamble of that document, we learn that one of the objectives is to make it possible for *"unsecured and uninsured creditors to absorb losses."* Meaning, if your savings are *not* covered by some form of government guarantee or federal insurance (for all that is worth) – or if, as in Australia, the government bank deposits guarantee is limited to an amount significantly *less* than (ie, 1/10th) the total of actual bank deposits held by the public – then your bank account can be made to *"absorb losses"*. And as we will see shortly, this can be done entirely without your consent –

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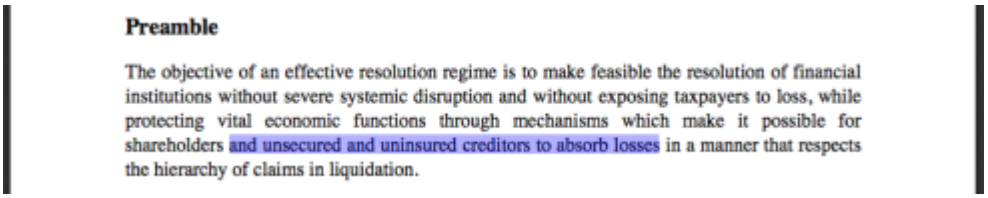
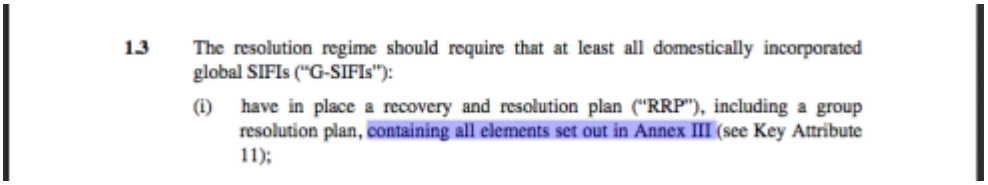


Preamble

The objective of an effective resolution regime is to make feasible the resolution of financial institutions without severe systemic disruption and without exposing taxpayers to loss, while protecting vital economic functions through mechanisms which make it possible for shareholders and unsecured and uninsured creditors to absorb losses in a manner that respects the hierarchy of claims in liquidation.

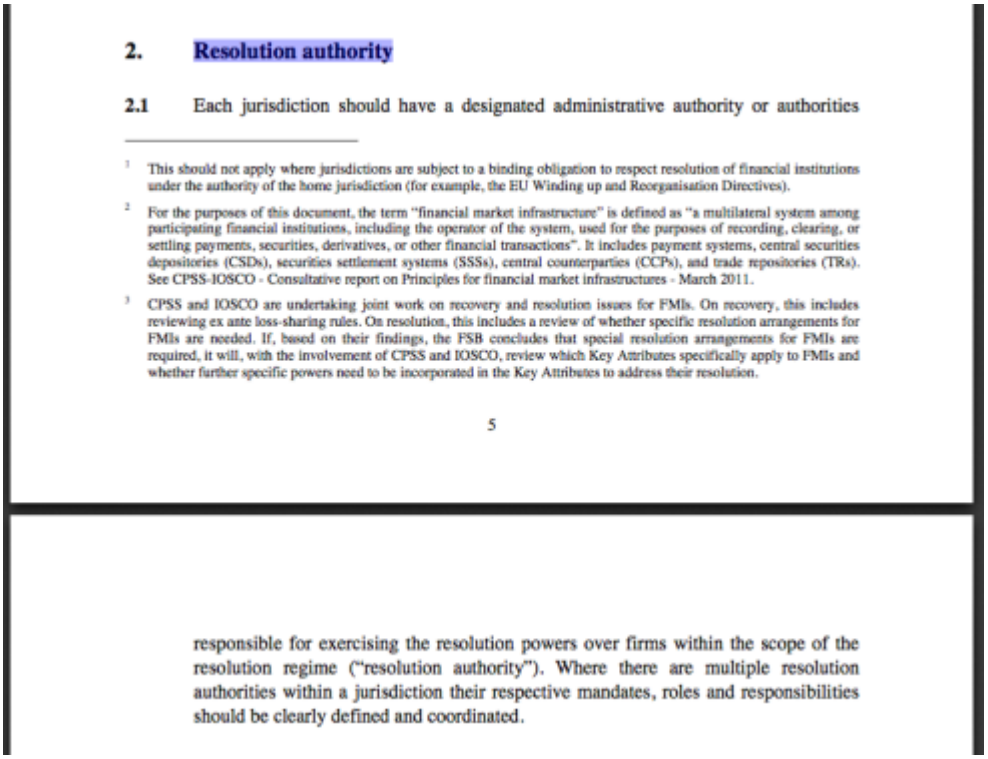
In the sub-points of the preamble, we see that G20 governments are expected to *"have in place a recovery and resolution plan ("RRP") … containing all elements set out in Annex III."* –



1.3 The resolution regime should require that at least all domestically incorporated global SIFIs ("G-SIFIs"):

(i) have in place a recovery and resolution plan ("RRP"), including a group resolution plan, containing all elements set out in Annex III (see Key Attribute 11);

Each jurisdiction is required to set up a *"Resolution authority"*, which is to be *"responsible for exercising the resolution powers over firms…"* –



2. Resolution authority

2.1 Each jurisdiction should have a designated administrative authority or authorities

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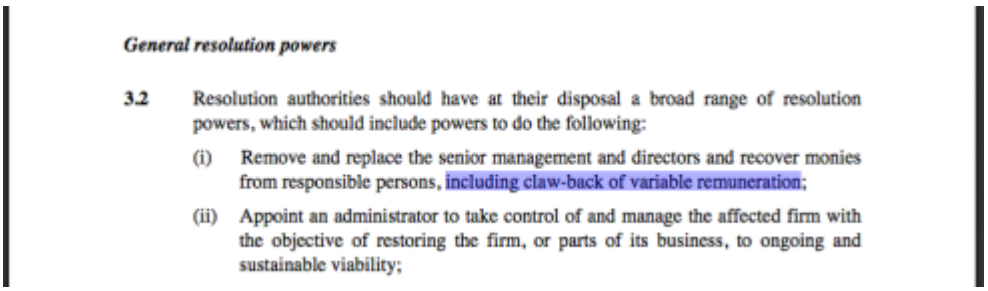
[1] This should not apply where jurisdictions are subject to a binding obligation to respect resolution of financial institutions under the authority of the home jurisdiction (for example, the EU Winding up and Reorganisation Directives).

[2] For the purposes of this document, the term "financial market infrastructure" is defined as "a multilateral system among participating financial institutions, including the operator of the system, used for the purposes of recording, clearing, or settling payments, securities, derivatives, or other financial transactions". It includes payment systems, central securities depositories (CSDs), securities settlement systems (SSSs), central counterparties (CCPs), and trade repositories (TRs). See CPSS-IOSCO - Consultative report on Principles for financial market infrastructures - March 2011.

[3] CPSS and IOSCO are undertaking joint work on recovery and resolution issues for FMIs. On recovery, this includes reviewing ex ante loss-sharing rules. On resolution, this includes a review of whether specific resolution arrangements for FMIs are needed. If, based on their findings, the FSB concludes that special resolution arrangements for FMIs are required, it will, with the involvement of CPSS and IOSCO, review which Key Attributes specifically apply to FMIs and whether further specific powers need to be incorporated in the Key Attributes to address their resolution.

responsible for exercising the resolution powers over firms within the scope of the resolution regime ("resolution authority"). Where there are multiple resolution authorities within a jurisdiction their respective mandates, roles and responsibilities should be clearly defined and coordinated.

The Resolution authority's powers are most interesting. For example, we can all applaud the idea that such an authority could (not that they actually *would*) *"claw-back"* bankers' bonuses –



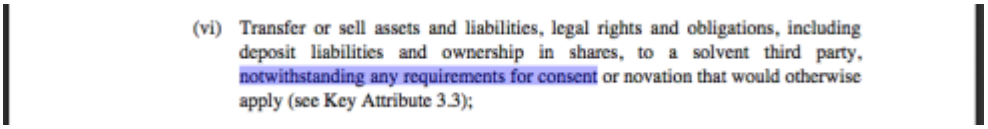
General resolution powers

3.2 Resolution authorities should have at their disposal a broad range of resolution powers, which should include powers to do the following:

(i) Remove and replace the senior management and directors and recover monies from responsible persons, including claw-back of variable remuneration;

(ii) Appoint an administrator to take control of and manage the affected firm with the objective of restoring the firm, or parts of its business, to ongoing and sustainable viability;

What is of serious concern though, is its power to *"transfer or sell assets and liabilities, legal rights and obligations, including deposit liabilities and ownership in shares, to a solvent third party,"* … <u>without consent</u> –



(vi) Transfer or sell assets and liabilities, legal rights and obligations, including deposit liabilities and ownership in shares, to a solvent third party, notwithstanding any requirements for consent or novation that would otherwise apply (see Key Attribute 3.3);

This is confirmed in Key Attribute 3.3, where it is clearly stated that any transfer of a bank's assets or liabilities (ie, deposits) by the authority *"should <u>not require the consent of any interested party or creditor</u> to be valid"*, and, that any such action will not be deemed a *"default"* of the bank's legal obligations –

Transfer of assets and liabilities

3.3 Resolution authorities should have the power to transfer selected assets and liabilities of the failed firm to a third party institution or to a newly established bridge institution. Any transfer of assets or liabilities should not:

(i) require the consent of any interested party or creditor to be valid; and

(ii) constitute a default or termination event in relation to any obligation relating to such assets or liabilities or under any contract to which the failed firm is a party (see Key Attribute 4.2).

Now if you are still sceptical that all this means the G20 have specifically agreed to a new regime that might include provisions for a Cyprus-style "bail-in" using depositors' savings, then perhaps it is because you – like me – would be looking for this exact phrase in order to be fully convinced.

Yes, it is there.

Lucky number (ix) in the "powers" (page 7-8) of the Resolution authority that each of the G20 governments agreed to establish, back in 2010 –

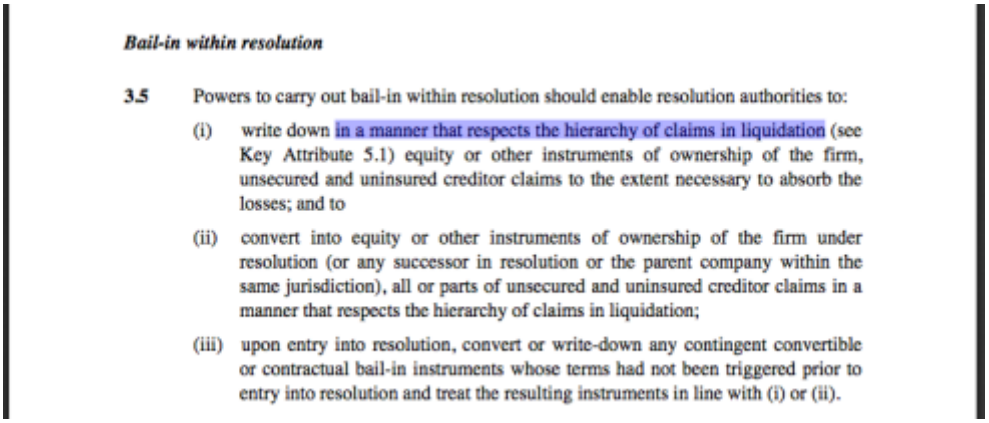
(ix) Carry out bail-in within resolution as a means to achieve or help achieve continuity of essential functions either (i) by recapitalising the entity hitherto providing these functions that is no longer viable, or, alternatively, (ii) by capitalising a newly established entity or bridge institution to which these functions have been transferred following closure of the non-viable firm (the residual business of which would then be wound up and the firm liquidated) (see Key Attribute 3.5);

Note that not only can the Resolution authority use a *"bail-in"* to support *"continuity of essential functions"* of a failing bank; it can also do so in order to finance the setting up of a new *third party* or *"bridge"* institution, into which the failed (*"non-viable"*) bank's assets or liabilities (ie, your savings) can be transferred. Not so you can get your money back, but for the purpose of *"capitalising"* the new institution.

At that other elite lucky number (xi), we see another power; to shut banks, suspend payments to customers (except for payments to *"central counterparties"*, ie, to central banks, *quelle surprise*), and impose a *"stay"* on actions by creditors (eg, deposit holders) to *"collect money"* –

(xi) Impose a moratorium with a suspension of payments to unsecured creditors and customers (except for payments and property transfers to central counterparties (CCPs) and those entered into the payment, clearing and settlements systems) and a stay on creditor actions to attach assets or otherwise collect money or property from the firm, while protecting the enforcement of eligible netting and collateral agreements; and

You may have noticed that the "bail-in" power at (ix) referenced *Key Attribute 3.5*. There, we see that the power to carry out a bail-in *"should"* (how comforting) be performed *"in a manner that respects the hierarchy of claims in liquidation."* This no doubt will reassure the more gullible reader that there is nothing nefarious in this plan; that it is clearly intended that the traditional hierarchy of claims in a bank insolvency would be respected –



Bail-in within resolution

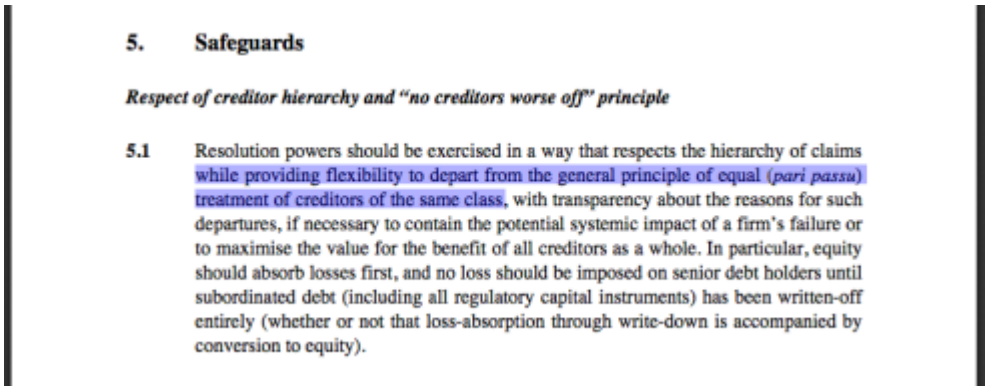
3.5 Powers to carry out bail-in within resolution should enable resolution authorities to:

(i) write down in a manner that respects the hierarchy of claims in liquidation (see Key Attribute 5.1) equity or other instruments of ownership of the firm, unsecured and uninsured creditor claims to the extent necessary to absorb the losses; and to

(ii) convert into equity or other instruments of ownership of the firm under resolution (or any successor in resolution or the parent company within the same jurisdiction), all or parts of unsecured and uninsured creditor claims in a manner that respects the hierarchy of claims in liquidation;

(iii) upon entry into resolution, convert or write-down any contingent convertible or contractual bail-in instruments whose terms had not been triggered prior to entry into resolution and treat the resulting instruments in line with (i) or (ii).

So, what exactly is the "hierarchy of claims" under this new FSB-dictated regime? Again we have to refer to another section (*Key Attribute 5.1*) to find the answer. Which does indeed appear to support the traditional hierarchy of claims. Except for this stunning caveat –



5. Safeguards

Respect of creditor hierarchy and "no creditors worse off" principle

5.1 Resolution powers should be exercised in a way that respects the hierarchy of claims while providing flexibility to depart from the general principle of equal (*pari passu*) treatment of creditors of the same class, with transparency about the reasons for such departures, if necessary to contain the potential systemic impact of a firm's failure or to maximise the value for the benefit of all creditors as a whole. In particular, equity should absorb losses first, and no loss should be imposed on senior debt holders until subordinated debt (including all regulatory capital instruments) has been written-off entirely (whether or not that loss-absorption through write-down is accompanied by conversion to equity).

It is worth repeating –

> "Resolution powers should be exercised in a way that respects the hierarchy of claims while providing flexibility to depart from the general principle of equal (pari passu) treatment of creditors of the same class…"

Moral relativism at its finest.

This is what has happened in Cyprus. While the final details are still evolving as to exactly how much Cypriot depositors holding more, or less, than €100k will have stolen from them, what is clear is that this FSB template for bail-ins in G20 nations or *"jurisdictions"* (EU), is the one being followed.

What is also clear, especially in light of recent revelations that Canada has expressly identified "bail-in" procedures in their 2013 Budget, is that all Western governments have, unbeknown to their citizens and *without their consent*, agreed to the imposition of the same new regime for managing insolvent banks.

A regime devised, and dictated by, an *unelected* central body.

Feel free to check these documents for yourself, here (pdf) and here (pdf).

Are you wondering *who* and *what* is the Financial Stability Board?

According to their website:

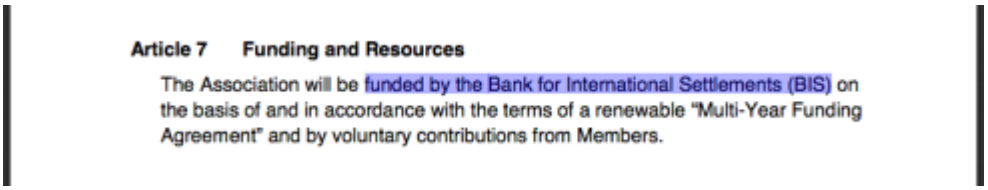
> The FSB has been established to coordinate at the international level the work of national financial authorities and international standard setting bodies and to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies. It brings together national authorities responsible for financial stability in significant international financial centres, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts.
>
> A list of institutions represented on the FSB can be found here .
>
> The FSB is chaired by Mark Carney, Governor of the Bank of Canada. Its Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

A kind of "super regulator". Chaired currently by a Goldman Sachs man. With membership comprising the central bankers, treasury department heads, and prudential regulators of 24 nations, along with the IMF, World Bank, and a cavalcade of others.

Including – and "hosted by" – the *central bank of central banks.*

The Bank for International Settlements (BIS).

According to its Articles of Association, the FSB is also funded by the BIS –



Article 7 Funding and Resources

The Association will be funded by the Bank for International Settlements (BIS) on the basis of and in accordance with the terms of a renewable "Multi-Year Funding Agreement" and by voluntary contributions from Members.

According to its updated Charter (pdf), the FSB received its original mandate from the central bankers and Finance Ministers of the G7 nations in 1999.

It then received a *"broadened mandate"* from the *"Heads of State and Government of the Group of Twenty"* at a meeting in London on April 2, 2009 –

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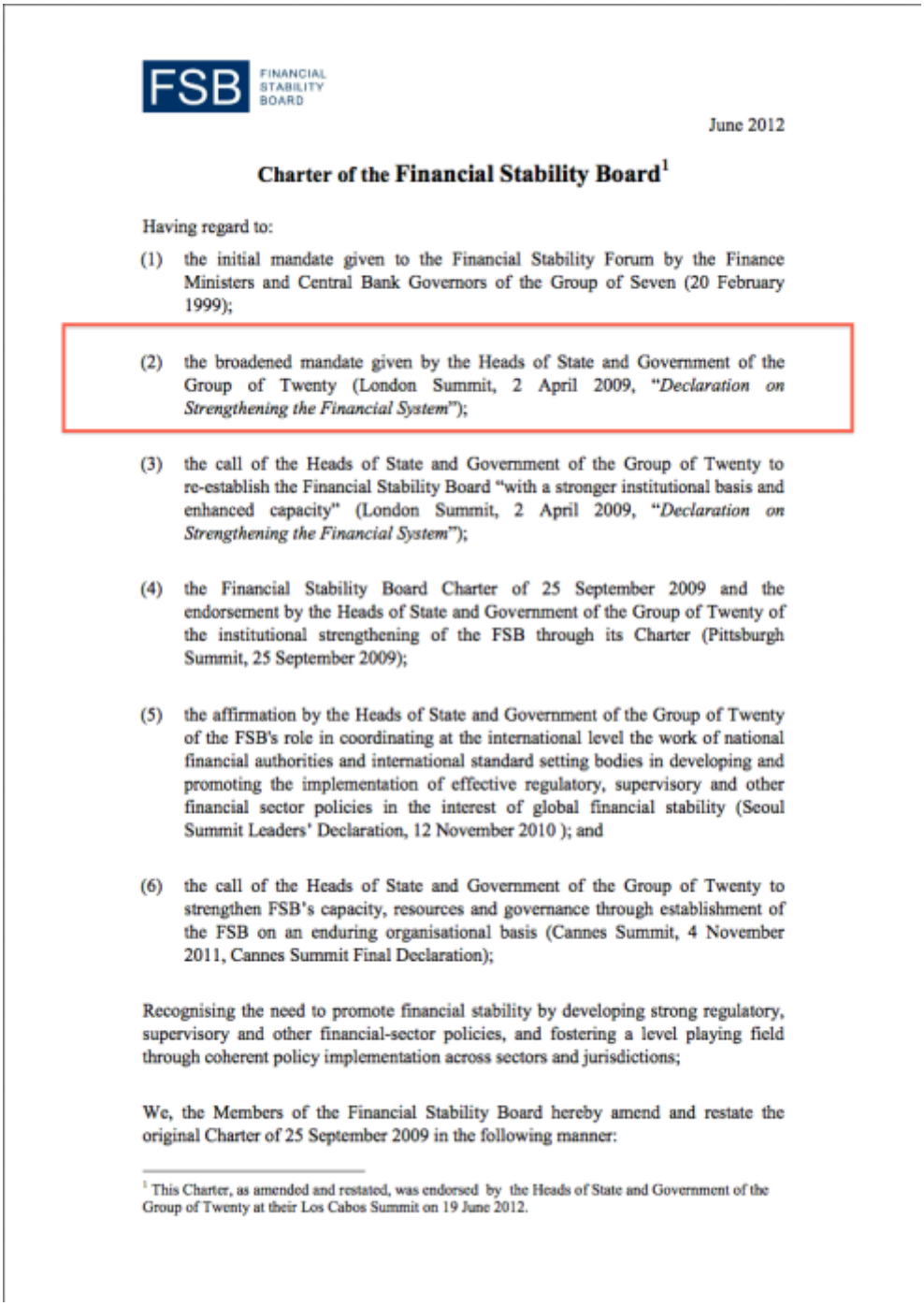


FSB FINANCIAL STABILITY BOARD

June 2012

Charter of the Financial Stability Board[1]

Having regard to:

(1) the initial mandate given to the Financial Stability Forum by the Finance Ministers and Central Bank Governors of the Group of Seven (20 February 1999);

(2) the broadened mandate given by the Heads of State and Government of the Group of Twenty (London Summit, 2 April 2009, "*Declaration on Strengthening the Financial System*");

(3) the call of the Heads of State and Government of the Group of Twenty to re-establish the Financial Stability Board "with a stronger institutional basis and enhanced capacity" (London Summit, 2 April 2009, "*Declaration on Strengthening the Financial System*");

(4) the Financial Stability Board Charter of 25 September 2009 and the endorsement by the Heads of State and Government of the Group of Twenty of the institutional strengthening of the FSB through its Charter (Pittsburgh Summit, 25 September 2009);

(5) the affirmation by the Heads of State and Government of the Group of Twenty of the FSB's role in coordinating at the international level the work of national financial authorities and international standard setting bodies in developing and promoting the implementation of effective regulatory, supervisory and other financial sector policies in the interest of global financial stability (Seoul Summit Leaders' Declaration, 12 November 2010); and

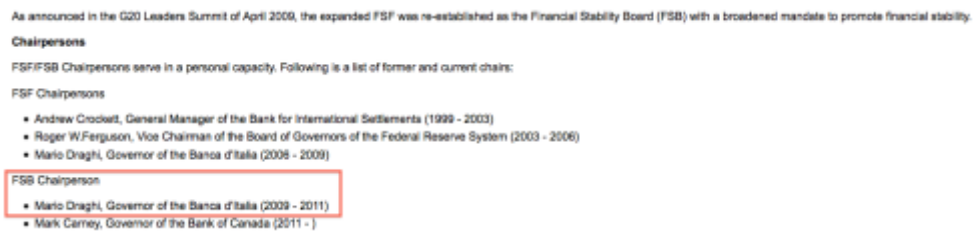
(6) the call of the Heads of State and Government of the Group of Twenty to strengthen FSB's capacity, resources and governance through establishment of the FSB on an enduring organisational basis (Cannes Summit, 4 November 2011, Cannes Summit Final Declaration);

Recognising the need to promote financial stability by developing strong regulatory, supervisory and other financial-sector policies, and fostering a level playing field through coherent policy implementation across sectors and jurisdictions;

We, the Members of the Financial Stability Board hereby amend and restate the original Charter of 25 September 2009 in the following manner:

[1] This Charter, as amended and restated, was endorsed by the Heads of State and Government of the Group of Twenty at their Los Cabos Summit on 19 June 2012.

At the same meeting, *another* now-infamous Goldman Sachs alumnus and current President of the European Central Bank, Mario Draghi, was appointed Chairman of the FSB –



As announced in the G20 Leaders Summit of April 2009, the expanded FSF was re-established as the Financial Stability Board (FSB) with a broadened mandate to promote financial stability.

Chairpersons

FSF/FSB Chairpersons serve in a personal capacity. Following is a list of former and current chairs:

FSF Chairpersons

- Andrew Crockett, General Manager of the Bank for International Settlements (1999 - 2003)
- Roger W.Ferguson, Vice Chairman of the Board of Governors of the Federal Reserve System (2003 - 2006)
- Mario Draghi, Governor of the Banca d'Italia (2006 - 2009)

FSB Chairperson

- Mario Draghi, Governor of the Banca d'Italia (2009 - 2011)
- Mark Carney, Governor of the Bank of Canada (2011 -)

So… the hapless G20 heads of government, panicking in the midst of the GFC, gave the fonts of central banking wisdom at the FSB a *"broadened mandate"*, and *"asked"* them *"to develop a policy framework to address the systemic and and moral hazard risks associated*

with systemically important financial institutions”, did they?

And under the consecutive chairmanships of Goldman Sachs men, these unelected bankers and bureaucrats – *not one of whom warned of the approaching GFC* – devised this “bail-in” policy for the whole of the G20, to solve the problem of Too-Big-To-Fail banks?

As the Machiavellian-minded so often say:

“Never let a good crisis go to waste”
