The G20/FSB Financial Regulatory Reform Agenda

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What is the FSB?

• International body established to address financial system vulnerabilities and to coordinate the development and implementation of strong regulatory, supervisory and other policies in the interest of financial stability
• FSF initiated in 1999 by G7 following the Asian crisis
• FSB re-launched by G20 in April 2009 as a successor to the FSF with expanded membership, broader mandate and enhanced operating structure
  – Recommendations to enhance capacity, resources and governance endorsed by G20 Leaders in Los Cabos Summit
• FSB Charter adopted by G20 Leaders in September 2009
  – Revisions to the Charter endorsed by in Los Cabos Summit
• Chaired by Mark Carney (Governor of the Bank of Canada), with Secretariat in Basel hosted by the BIS
FSB’s Membership

• Representation at senior level of:
  – National financial authorities (24 jurisdictions)
    • Ministries of finance
    • Central banks
    • Supervisory and regulatory authorities
  – International regulatory and supervisory groups
  – Committees of central banks (ECB, CGFS)
  – International financial institutions

• Establishment of FSB Regional Consultative Groups in 2011
Current FSB Work Program

• Building resilient financial institutions
  – Basel II/2.5/III
  – Strengthening risk management practices

• Addressing the risks arising from systemically important financial institutions (SIFIs)
  – Policy measures for (identified) global SIFIs
  – Key attributes of effective resolution regimes for financial institutions
  – Improving supervisory intensity and effectiveness
  – Extension of framework to non-bank global SIFIs and to domestic SIFIs
Current FSB Work Program (cont.)

• Over-the-counter (OTC) derivatives market reforms
  – Increasing standardisation; moving to central clearing; promoting trading on exchanges or electronic platforms; reporting to trade repositories
  – Adoption of global Legal Entity Identifier (LEI) for parties to financial transactions

• Shadow banking
  – Monitoring framework
  – Assess case for regulatory actions in different areas (including money market funds, securities lending and repos etc.)
Current FSB Work Program (cont.)

• Other reform areas
  – Enhancing sound compensation practices
  – Reducing reliance and improving oversight of CRAs
  – Promoting consumer finance protection
  – Strengthening and converging accounting standards
  – Building macro-prudential frameworks and tools
  – Enhancing market disclosures

• Monitoring of vulnerabilities and early warning exercise (with IMF)

• Implementation monitoring of above reforms
  – Periodic progress reports to G20 meetings
  – Peer reviews of FSB members
Promoting Home-Host Information Exchange and Cooperation

• Several relevant FSB work streams
  – Improving the functioning of supervisory colleges (part of policy measures for SIFIs)
  – Promoting information sharing and cross-border cooperation (part of key attributes for effective resolution regimes) and strengthening the functioning of crisis management groups
  – Initiative to promote adherence to regulatory and supervisory standards on international cooperation and information exchange
  – FSG Regional Consultative Groups
  – Reports on Emerging Market and Developing Economies (EMDEs)
FSB Regional Consultative Groups

• Outreach to around 70 additional countries beyond FSB/G20 membership
• Six Regional Consultative Groups formed
  – Americas, Asia, CIS, Europe, Middle East and North Africa, Sub-Saharan Africa
• Broad format: six-monthly meetings, with some ad hoc working groups
• Two-way dialogue with FSB
  – Opportunity for feedback on FSB policy initiatives
FSB Reports on EMDEs

• November 2011 FSB-IMF-World Bank study on financial stability issues in EMDEs
  – Five key issues and related recommendations
    • Application of international financial standards
    • Promoting cross-border supervisory cooperation
    • Expanding the regulatory and supervisory perimeter
    • Management of foreign exchange risks
    • Developing domestic capital markets

• June 2012 study, in collaboration with IMF and World Bank, on unintended consequences of regulatory reforms on EMDEs
  – Some EMDE concerns about potential adverse effects of agreed reforms, but too early to assess materiality
  – Need for continued monitoring and ongoing dialogue
Relevant FSB weblinks

FSB website:
http://www.financialstabilityboard.org/

Latest G20 overview progress report:

Implementation monitoring:
http://www.financialstabilityboard.org/activities/implementation_monitoring/index.htm

EMDEs reports:
http://www.financialstabilityboard.org/publications/r_120619e.pdf