

Press release

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Meeting of Financial Stability Board

At its meeting today, the Financial Stability Board (FSB) reviewed and approved a number of policy proposals to be submitted to the G20 Summit in November, including on a package of measures to address the “too big to fail” problem. Members also discussed the current strains in financial markets arising from sovereign debt and the steps being taken to address them.

Key financial regulatory reforms

Addressing systemically important financial institutions (SIFIs). The FSB reviewed and approved the package of policy measures to be submitted to the G20 to address the “too big to fail” problems posed by SIFIs, taking account of the results of the public consultation over the summer. The policy package will include:

- Key Attributes of Effective Resolution Regimes for Financial Institutions, which will form a new international standard for the features all national regimes should have to enable failing financial institutions to be resolved safely and without exposing the taxpayer to the risk of loss.
- A requirement that individual globally important SIFIs (G-SIFIs) have recovery and resolution plans, informed by resolvability assessments, and that home and host authorities develop institution-specific cooperation agreements and cross-border crisis management groups.
- Additional loss absorbency requirements for those banks determined to be G-SIFIs, based on the methodology developed by the Basel Committee on Banking Supervision for assessing the global systemic importance of banks.
- Measures to enhance the intensity and effectiveness of supervision, in particular of SIFIs. Recommendations will include improved data systems for risk management at SIFIs and assessments of the adequacy of supervisory resources.
- The enhancement of international standards for the robustness of core financial market infrastructures.

The meeting endorsed the findings of the working group on the macroeconomic impact of the additional loss absorbency requirements, which show that the benefits from reduced risk of systemic crises far outweigh the transitional costs in terms of GDP growth.

Shadow banking. The FSB reviewed workplans to strengthen the oversight and regulation of shadow banking. The FSB will conduct annual monitoring exercises to assess global trends and risks. Workstreams have been launched to cover regulation in five areas: i) banks' interaction with shadow banking entities; ii) money market funds; iii) other shadow banking entities; iv) securitisation; and v) securities lending and repos.

Over-the-counter (OTC) derivatives. Members approved the conclusions of the second progress report on implementation of OTC derivatives reforms, to be published shortly. They noted delays, and urged jurisdictions to achieve the end-2012 deadline for full implementation of the reforms agreed by the G20 in as many areas as possible. Members agreed to strengthen their coordination of work to address potential inconsistencies and gaps in the implementation of reforms, which cover standardisation, central clearing, exchange or electronic platform trading, and reporting to trade repositories. Members also discussed mutual recognition. The progress report clarifies that the reforms to OTC products committed to by the G20, and set out in more detail in the FSB October 2010 report, are to be fully implemented irrespective of whether those products continue to trade OTC or are moved onto organised platforms.

Commodities and securities markets. The FSB reviewed and approved two reports by IOSCO on principles for the regulation and supervision of commodity derivatives markets, and on regulatory issues raised by the impact of technological changes on market integrity and efficiency.

Implementation monitoring

Coordination framework for implementation monitoring. Financial reforms agreed within the G20 and FSB must be fully and consistently implemented. Accordingly, members agreed on an enhanced framework under which the FSB, in coordination with standard-setting bodies, will monitor and publicly report on country-by-country implementation. The framework will draw on monitoring undertaken by individual standard setters as well as by the FSB. This will include particularly detailed monitoring in priority areas for reforms.

Compensation practices. The FSB approved the report of its follow-up peer review on implementation of principles and standards for compensation practices, which will be published in the coming days. The report finds that progress has been made since last year by both national authorities and firms in implementing the FSB [Principles](#) and [Standards](#) but more work needs to be done, and sets out recommendations to address remaining gaps and impediments.

Credit rating agencies (CRAs). The FSB encouraged further progress by standard-setters and regulators in implementing the FSB principles for reducing reliance on CRA ratings. Members agreed to study the further practical steps that need to be taken to implement the principles, including to incentivise enhanced risk management capacity at market participants.

Financial stability issues in emerging market and developing economies (EMDEs)

The FSB reviewed a report, prepared jointly with the IMF and the World Bank, on financial stability issues of particular interest in EMDEs.

A common global Legal Entity Identifier

The FSB hosted a workshop of public and private sector participants at the end of September to discuss the steps to establish a single global system for uniquely identifying parties to financial transactions. The FSB will discuss in the coming weeks how best to coordinate work to take this initiative forward.

Notes to editors

The FSB report *Recommendations and Timelines for Reducing the Moral Hazard Posed by Systemically Important Financial Institutions*, issued on 20 October 2010, is available at http://www.financialstabilityboard.org/publications/r_101111a.pdf. The 19 July 2011 consultation documents setting out proposed policy measures to address SIFIs are available at http://www.financialstabilityboard.org/press/pr_110719.pdf.

The press release of the Basel Committee on Banking Supervision following their 27-28 September 2011 meeting which agreed on the revisions to the document on global systemically important banks is available at <http://www.bis.org/press/p110928.htm>.

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 in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts.

The FSB is chaired by Mario Draghi, Governor of the Bank of Italy. Its Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements. For further information on the FSB, visit the FSB website, www.financialstabilityboard.org.

List of FSB Member institutions

Argentina

- Central Bank of Argentina

Australia

- Department of the Treasury
- Reserve Bank of Australia

Brazil

- Ministry of Finance
- Central Bank of Brazil
- Securities and Exchange Commission of Brazil

Canada

- Department of Finance
- Bank of Canada
- Office of the Superintendent of Financial Institutions (OSFI)

China

- Ministry of Finance
- People's Bank of China
- China Banking Regulatory Commission

France

- Ministry of Economy, Industry and Employment
- Bank of France
- Autorité des Marchés Financiers (AMF)

Germany

- Ministry of Finance
- Deutsche Bundesbank
- Bundesanstalt für Finanzdienstleistungsaufsicht (Bafin)

Hong Kong SAR

- Hong Kong Monetary Authority

India

- Ministry of Finance
- Reserve Bank of India
- Securities and Exchange Board of India

Indonesia

- Bank Indonesia

Italy

- Ministry of the Economy and Finance
- Bank of Italy
- Commissione Nazionale per le Società e la Borsa (CONSOB)

Japan

- Ministry of Finance
- Bank of Japan
- Financial Services Agency

Korea

- Bank of Korea
- Financial Services Commission

Mexico

- Ministry of Finance and Public Credit
- Bank of México

Netherlands

- Ministry of Finance
- Netherlands Bank

Russia

- Ministry of Finance
- Central Bank of the Russian Federation
- Federal Financial Markets Service

Saudi Arabia

- Saudi Arabian Monetary Agency

Singapore

- Monetary Authority of Singapore

South Africa

- National Treasury

Spain

- Ministry of Economy and Finance
- Bank of Spain

Switzerland

- Swiss Federal Department of Finance
- Swiss National Bank

Turkey

- Central Bank of the Republic of Turkey

United Kingdom

- HM Treasury
- Bank of England
- Financial Services Authority

United States

- Department of the Treasury
- Board of Governors of the Federal Reserve System
- Securities & Exchange Commission

European Central Bank**European Commission****International Financial Institutions**

- Bank for International Settlements (BIS)
- International Monetary Fund (IMF)
- Organisation for Economic Co-operation and Development (OECD)
- World Bank

International Standard Setting, Regulatory and Supervisory Groupings

- Basel Committee on Banking Supervision (BCBS)
- Committee on Payment and Settlement Systems (CPSS)
- International Accounting Standards Board (IASB)
- International Association of Insurance Supervisors (IAIS)
- International Organization of Securities Commissions (IOSCO)

Committees of Central Bank Experts

- Committee on the Global Financial System (CGFS)