

Press release

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FSB reports to G20 Leaders on financial regulatory reforms

The Financial Stability Board (FSB) published today, ahead of the G20 Summit in Hangzhou this weekend, a letter from its Chair Mark Carney to G20 Leaders and the second annual report on the [Implementation and Effects of the G20 Financial Regulatory Reforms](#).

The letter sets out four main points:

- **The G20 financial reforms are working** – in the face of recent shocks the financial system has continued to function effectively, dampening aftershocks rather than amplifying them.
- **The financial system is changing to rely more on markets and less on banks** – this is a major positive development, but one that also raises new vulnerabilities which the FSB will address with its continued work to promote resilient market-based finance.
- **Ongoing support of the G20 Leaders is required to implement the reforms fully, consistently and promptly** – in particular support is required from G20 Leaders to implement the critical measures to end too-big-to-fail.
- **Developments in recent years raise the importance of new measures to support a more resilient, inclusive globalisation built on sustainable cross-border investment.**

The FSB's second annual report concludes that implementation progress remains steady but uneven, and that the strengthened resilience due to the reforms has stood the global financial system in good stead.

The largest internationally active banks are considerably more resilient than before the crisis, and remain on track to meet the Basel III capital and liquidity standards. Importantly, this improvement has been achieved while maintaining the overall provision of credit to the real economy.

Implementation of policies to end too-big-to-fail has advanced the most for global systemically important banks, but substantial work remains to build effective resolution regimes and to operationalise resolution plans for cross-border firms.

Progress has also been made in strengthening the resilience of financial markets, although additional efforts are needed to implement reforms to over-the-counter (OTC) derivatives markets and to transform shadow banking into resilient market-based finance. In this respect, work is ongoing to strengthen market infrastructure and address vulnerabilities in market-based finance and asset management activities.

The report includes further analysis on three areas identified in [last year's report](#) as meriting close attention: market liquidity; effects of reforms on emerging market and developing economies; and maintaining an open and integrated global financial system. On market liquidity, the report concludes that there is limited evidence of a broad deterioration in market liquidity, although there is some evidence of less depth in certain sovereign and corporate bond markets.

Speaking about the annual report, Mark Carney, the FSB Chair said: "Our second annual report highlights the achievements to date in strengthening the resilience of the global financial system. But this significant progress must not lead to complacency. Our priorities must be to implement our past agreements in a full, timely and consistent manner; to address new risks and vulnerabilities; and to continue to build an open global financial system that benefits all."

The report highlights key challenges that G20 Leaders need to address to ensure the full, timely and consistent implementation of the reforms. These include: (i) putting in place legal powers to share information across borders and to give prompt effect to foreign resolution actions; (ii) removing legal barriers to reporting OTC derivatives to trade repositories and to authorities' access to such data; and (iii) removing other legal, data and capacity constraints that could hamper implementation efforts.

The FSB, in collaboration with the standard-setting bodies, continues to enhance the analysis of the effects of reforms. Policies will be adjusted where necessary to address material unintended consequences.

The FSB also published today a paper co-authored with the International Monetary Fund (IMF) and the Bank for International Settlements on [Elements of Effective Macroprudential Policies](#).

Notes to editors

The G20 launched a comprehensive programme of international financial reforms in the aftermath of the global financial crisis to increase the resilience of the financial system, while preserving its open and integrated structure. Its core elements, whose implementation status and overall effects are presented in this report, are as follows:

- Making financial institutions more resilient through higher buffers, lower leverage, improved risk management and governance, and sound compensation practices;
- Ending too-big-to-fail by adopting requirements for higher loss-absorbency of global systemically important financial institutions, by subjecting those institutions to more

intensive supervision, and by establishing legal regimes and regulatory frameworks that allow their resolution in the event of failure without taxpayer support or wider economic disruption;

- Making derivatives markets safer through the reporting of all OTC derivatives to trade repositories, clearing of all standardised contracts through central counterparties and trading of those contracts (where appropriate) on exchanges or electronic platforms, and subjecting non-centrally cleared contracts to higher capital and minimum margining requirements; and
- Transforming shadow banking into resilient market-based finance through strengthening oversight and regulation of the shadow banking system.

This second annual report to the G20 on implementation and effects of reforms includes an implementation 'dashboard' that summarises, in a colour-coded table, the status of implementation across FSB jurisdictions for priority reform areas. The report also provides details on the FSB's forthcoming monitoring activities.

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 also conducts outreach with 65 other jurisdictions through its six regional consultative groups.

The FSB is chaired by Mark Carney, Governor of the Bank of England. 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.fsb.org.