4th Annual Report

1 April 2016 – 31 March 2017

27 December 2017

The Financial Stability Board (FSB) is established to coordinate at the international level the work of national financial authorities and international standard-setting bodies in order to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies. Its mandate is set out in the FSB Charter, which governs the policymaking and related activities of the FSB. These activities, including any decisions reached in their context, shall not be binding or give rise to any legal rights or obligations under the FSB's Articles of Association.

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Abbreviations

BIS	Bank for International Settlements
BCBS	Basel Committee on Banking Supervision
CCP	Central counterparty
CPMI	Committee on Payments and Market Infrastructures
EMDEs	Emerging Market and Developing Economies
FATF	Financial Action Task Force
FSB	Financial Stability Board
G20	Group of Twenty
GLEIF	Global Legal Entity Identifier Foundation
G-SIB	Global systemically important bank
G-SIFI	Global systemically important financial institution
G-SII	Global systemically important insurer
IAIS	International Association of Insurance Supervisors
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
LEI	Legal Entity Identifier
LEI ROC	LEI Regulatory Oversight Committee
OECD	Organisation for Economic Co-operation and Development
RAP	Resolvability Assessment Process
RCG	Regional Consultative Group
SCAV	Standing Committee on Assessment of Vulnerabilities
SCBR	Standing Committee on Budget and Resources
SCSI	Standing Committee on Standards Implementation
SRC	Standing Committee on Supervisory and Regulatory Cooperation
TCFD	Task Force on Climate-related Financial Disclosures
TLAC	Total Loss-Absorbing Capacity

FSB FINANCIAL STABILITY BOARD

Preface

The Financial Stability Board (FSB) was established in April 2009 at the request of the Heads of State and Government of the Group of Twenty (G20). Its policy-related activities are governed by the FSB Charter. The FSB became a separate legal entity in the form of an association ("Verein") under Swiss law on 28 January 2013 when its Articles of Association were adopted by the FSB Plenary. This is the fourth annual report of the FSB and contains the financial statements for the 12-month period from 1 April 2016 to 31 March 2017 as well as an overview of the FSB's ongoing work during the period (including references to subsequent reports that have been published relating to that work).

The FSB is hosted and funded by the Bank for International Settlements (BIS) under a five year agreement executed between the two in January 2013. The FSB and the BIS board agreed in November 2016 to a further five year extension of the agreement from January 2018 to 2023. The BIS bears the majority of the FSB's operating expenses, and the FSB does not have any assets, liabilities or revenue of its own.

This report provides information on the work of the FSB and the policy discussions on issues related to financial stability during the 2016-17 financial year. The FSB aims to be transparent about its processes and the decisions it makes, and therefore much of the information contained in the report reiterates information already published in more detail on the FSB website.

Detailed annual reports on the implementation and effects of the post-crisis regulatory reforms that cover this period were presented to G20 Leaders in August 2016 and July 2017.[1]

Financial Stability Board in numbers

68 member institutions, comprising ministries of finance, central banks, and supervisory and regulatory authorities from **25** jurisdictions as well as **10** international organisations and standard-setting bodies, **6** Regional Consultative Groups reaching out to **65** other jurisdictions around the world; **33** Secretariat staff; **7** public consultations on policy recommendations during 2016/17.

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[1] FSB, *Implementation and Effects of the G20 Financial Regulatory Reforms: 2nd Annual Report*, August 2016 (www.fsb.org/2016/08/implementation-and-effects-of-the-g20-financial-regulatory-reforms-2/) and *Implementation and Effects of the G20 Financial Regulatory Reforms: 3rd Annual Report*, July 2017 (www.fsb.org/2017/07/implementation-and-effects-of-the-g20-financial-regulatory-reforms-third-annual-report/).

Message from the Chair of the Financial Stability Board

As we approach the tenth anniversary of the financial crisis the FSB's work is increasingly focused on monitoring implementation and evaluating the effects of the G20 financial regulatory reforms. While the FSB remains small as an institution, working together with its members it has been able to agree and implement significant improvements in the regulation of the global financial system. As a result, the system is now safer, simpler and fairer. We assess vulnerabilities in the financial system, develop policy responses and, importantly, have started making assessments of the extent to which policy recommendations have been implemented and whether they are effective.

Given the damaging economic and social consequences of the global financial crisis, there continues to be significant political support across the G20 for the implementation of the agreed reforms. During the past year the FSB's priorities remained focused on:

i. Supporting full, timely and consistent implementation of post-crisis reforms, including via the development of a framework for post-implementation evaluation of the effects of those reforms;

ii. Transforming shadow banking into resilient market-based finance, including addressing structural vulnerabilities from asset management activities;

iii. Making derivatives markets safer by progressing the post-crisis reforms to over-the-counter (OTC) derivatives markets; and delivering coordinated guidance on central counterparty (CCP) resilience, recovery and resolution and a report on central clearing interdependencies as part of the joint CCP workplan;

iv. Addressing new and emerging vulnerabilities, those stemming from the decline in correspondent banking relationships, and from climate-related financial risks;

v. Assessing the systemic implications of financial technology innovations, and the systemic risks that may arise from cyber attacks; and

vi. Drawing lessons, working with the International Monetary Fund (IMF) and the BIS, from authorities' practical application of macroprudential policy frameworks and tools.

Our focus on building international consensus and cooperation is just as important today as they were when we started our work. Our membership recognises the need to sustain an open, integrated and resilient global financial system to support the efficient allocation of savings, the promotion of international trade and the diversification of risks across countries. International standards agreed among national authorities are a critical underpinning of such a system. Without international cooperation, if international standards are not fully or consistently implemented, we risk fragmentation of the global system with a negative impact on growth. We cannot afford to let this to happen and therefore it is important for the FSB to continue its work.

The FSB's third report to G20 Leaders on the implementation and effects of the reforms, published ahead of the Hamburg Summit in July, concluded that implementation continues but is uneven across the core areas of the reforms. It found that higher resilience is being achieved without impeding the supply of credit to the real economy, but stressed the need for authorities to remain vigilant and highlighted areas where G20 Leaders' support is needed to implement fully the agreed reforms and to reinforce global regulatory cooperation.

In particular, to realise the full benefits of the G20 regulatory reforms we have some unfinished business to finalise and implement reforms. Basel III has been completed and now must be implemented faithfully. FSB policy recommendations to address structural vulnerabilities associated with asset management activities, to build effective cross-border resolution regimes and to realise fully the benefits of trade reporting in OTC derivatives markets need to be implemented. The underlying causes of misconduct in the financial sector are being addressed by bolstering individual accountability and better aligning incentives and reward, but more needs to be done.

The financial system is evolving and the FSB will continue to scan the horizon to identify, assess and if needed address new and emerging risks to financial stability. The FSB will continue to monitor financial stability issues raised by FinTech and address the decline in correspondent banking relationships that can threaten financial inclusion, and the FSB's Task Force on Climate-related Financial Disclosures will continue to work over the next year to promote and monitor adoption of its recommendations.

In evaluating the effects of the reforms, we will analyse whether those reforms are achieving their intended outcomes and whether there are material unintended consequences that should be addressed without rolling back the reforms. That means implementation must be dynamic – that is, to learn by doing and stand ready to make adjustments, as necessary, to optimise our efforts, without compromising on the level of resilience the reforms are intended to achieve.

Mark Carney
Chair of the FSB
Governor of the Bank of England

I. FSB activities

The post-crisis policy reform agenda coordinated by the FSB focuses on four core areas: building resilient financial institutions; ending too-big-to-fail; making derivatives markets safer; and transforming shadow banking into resilient market-based finance.

1. Building resilient financial institutions

The FSB has continued to coordinate the work of standard-setting bodies in developing, and monitoring and publicly reporting on implementation of, reforms to strengthen the resilience of financial institutions. During the period, the Basel Committee on Banking Supervision (BCBS) continued to work on the final elements of the Basel III package, including to agree on the risk-weighted asset framework and on the international leverage ratio standard, without significantly increasing overall capital requirements across the banking sector. Basel III was finalised in December 2017.[2] Regulatory adoption by jurisdictions of the core Basel III elements generally has been timely to date. The International Association of Insurance Supervisors (IAIS) is developing a global risk-based Insurance Capital Standard (ICS) for internationally active insurance groups and strengthening supervisory effectiveness, through its ComFrame project.

2. Ending too-big-to-fail

2.1. G-SIFI identification and higher loss absorbency

In 2010, G20 Leaders endorsed the FSB policy framework for reducing the moral hazard posed by systemically important financial institutions (SIFIs), whose disorderly failure, because of their size, complexity and systemic interconnectedness, would cause significant disruption to the wider financial system and economic activity. The report includes policy recommendations applying to those SIFIs that are clearly systemic in a global context (global SIFIs, or G-SIFIs). Each year the FSB publishes lists of G-SIFIs based upon the most recent data and using methodologies developed by the BCBS and IAIS. Updates of the lists of global systemically important banks (G-SIBs) and global systemically important insurers (G-SIIs) were published in November 2016.[3] There were 30 banks and nine insurers on these lists.

An integrated set of policy recommendations apply to G-SIBs, which include higher loss absorbency to reduce the probability of failure, higher supervisory expectations, and requirements by home jurisdictions for resolvability assessments and recovery and resolution planning.

The IAIS published in February 2017 a workplan to further advance its work on systemic risk in the insurance sector and policy measures for G-SIIs. The workplan includes developing an activities-based approach at the insurance sector level. The FSB welcomed the workplan, acknowledged the postponement of the implementation of the IAIS Higher Loss Absorbency

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[2] BCBS, *Governors and Heads of Supervision finalise Basel III reforms*, December 2017 (www.bis.org/press/p171207.htm).

[3] FSB, *2016 list of global systemically important banks (G-SIBs)*, November 2016 (www.fsb.org/2016/11/2016-list-of-global-systemically-important-banks-g-sibs/) and *2016 list of global systemically important insurers (G-SIIs),* November 2016 (www.fsb.org/2016/11/2016-list-of-global-systemically-important-insurers-g-siis/).

standard so that it can be based on the ICS and underscored the importance of evaluating the benefits of an activities-based approach while continuing to develop the ICS.

2.2. Recovery and resolution

The FSB's *Key Attributes of Effective Resolution Regimes for Financial Institutions* set out the core elements for an effective resolution regime that should allow authorities to resolve financial institutions in an orderly manner without taxpayer exposure to loss from solvency support, while maintaining continuity of their vital economic functions. Over the past year, the FSB developed further guidance to support implementation of the Key Attributes:

- The FSB published in August 2016 guidance on temporary funding and on the operational continuity of banks in resolution.[4] This document is intended to provide guidance to the authorities that participate in Crisis Management Groups for G-SIBs as they work towards implementing the resolution planning guidance provided by the Key Attributes, thereby supporting effective resolution of G-SIBs without bail-out by the public sector. The guiding principles focus on ways to encourage and maintain as much private sector funding as possible to the firm in resolution; the roles and types of public sector backstop mechanisms for providing temporary liquidity to support the orderly resolution of a G-SIB; and elements of public sector backstop mechanisms that support the reduction of moral hazard risks.
- The FSB publicly consulted in December 2016 on guidance to implement the internal total loss-absorbing capacity (TLAC) requirements set out in the TLAC standard[5] of November 2015. A key objective of the FSB's TLAC standard is to provide home and host authorities with confidence that G-SIBs can be resolved in an orderly manner and thereby to minimise incentives to ring-fence assets domestically. This guidance assists home and host authorities in the implementation of internal TLAC mechanisms, consistent with the TLAC standard, that should be put in place to down-stream resources to material subsidiaries or sub-groups, where those subsidiaries are not themselves resolution entities. The final guidance was published in July 2017.[6]
- The FSB publicly consulted in December 2016 on guidance on the continued access to financial market infrastructures (FMIs) by firms in resolution.[7] Maintaining a firm's continued access in resolution to clearing, payment, securities settlement and custody services – whether through direct participation or indirectly through an intermediary – is essential to ensuring that the firm's critical functions can be maintained without disruption. The guidance applies at the level of the providers of critical FMI services, at

[4] FSB, *Guiding principles on the temporary funding needed to support the orderly resolution of a global systemically important bank ("G-SIB")*, August 2016 (www.fsb.org/2016/08/guiding-principles-on-the-temporary-funding-needed-to-support-the-orderly-resolution-of-a-global-systemically-important-bank-g-sib/).

[5] FSB, *Guiding Principles on the Internal Total Loss-absorbing Capacity of G-SIBs ('Internal TLAC')*, December 2016 (www.fsb.org/2016/12/guiding-principles-on-the-internal-total-loss-absorbing-capacity-of-g-sibs-internal-tlac/).

[6] FSB, *Guiding Principles on the Internal Total Loss-Absorbing Capacity of G-SIBs ('Internal TLAC')*, July 2017 (www.fsb.org/2017/07/guiding-principles-on-the-internal-total-loss-absorbing-capacity-of-g-sibs-internal-tlac-2/)

[7] FSB, *Guidance on Continuity of Access to Financial Market Infrastructures ("FMIs") for a Firm in Resolution*, December *2016* (www.fsb.org/2016/12/guidance-on-continuity-of-access-to-financial-market-infrastructures-fmis-for-a-firm-in-resolution/).

the level of users of critical FMI services, and at the level of resolution and FMI authorities. The final guidance was published in July 2017.[8]

- The FSB published in June 2016 guidance on resolution planning for systemically important insurers.[9] The guidance sets out considerations for determining a preferred resolution strategy for insurers based on a strategic analysis of their business models, the criticality of insurers' functions and policy holder protection arrangements. The guidance should assist authorities in applying the resolution planning requirement under the Key Attributes to insurers and support Crisis Management Groups of G-SIIs in their resolution planning work.

The FSB regularly reports on members' progress in implementation of the Key Attributes:

- The FSB published in August 2016 the 5th report[10] on the status of implementation of the Key Attributes across FSB jurisdictions and includes findings from the second round of the Resolvability Assessment Process (RAP) for G-SIBs and from the first RAP for G-SIIs. The purpose of the RAP is to gauge progress in the development of resolution strategies and plans that make resolution both feasible and credible.
- The FSB published in October 2016 the methodology to assess the implementation of the Key Attributes in the banking sector.[11] The methodology was developed in close collaboration with experts from FSB jurisdictions, relevant standard-setting bodies, the IMF and the World Bank. It is designed to promote consistent assessments across jurisdictions and also to provide guidance to jurisdictions when adopting or amending their bank resolution regimes to implement the Key Attributes. The FSB is continuing work on the development of an assessment methodology for the insurance sector.

3. Resilient market-based financing

The FSB's shadow banking framework is designed to transform shadow banking[12] into resilient market-based finance. The FSB has sought to achieve this by developing policies to strengthen oversight and regulation of shadow banking to address bank-like risks to financial stability emerging outside the regular banking system, while not inhibiting sustainable non-bank financing models.

The FSB's work on shadow banking has a two-pronged strategy:

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[8] FSB, *Guidance on Continuity of Access to Financial Market Infrastructures (FMIs) for a Firm in Resolution*, July 2017 (www.fsb.org/2017/07/guidance-on-continuity-of-access-to-financial-market-infrastructures-fmis-for-a-firm-in-resolution-2/)

[9] FSB, *Developing Effective Resolution Strategies and Plans for Systemically Important Insurers*, June 2016 (www.fsb.org/2016/06/developing-effective-resolution-strategies-and-plans-for-systemically-important-insurers/).

[10] FSB, *Resilience through resolvability – moving from policy design to implementation*, August 2016 (www.fsb.org/2016/08/resilience-through-resolvability-moving-from-policy-design-to-implementation/).

[11] FSB, *Key Attributes Assessment Methodology for the Banking Sector,* October 2016 (www.fsb.org/2016/10/key-attributes-assessment-methodology-for-the-banking-sector/).

[12] Shadow banking is defined as "credit intermediation involving entities and activities (fully or partly) outside the regular banking system." Some authorities or market participants prefer to use other terms such as "market-based finance" instead of "shadow banking". The use of the term "shadow banking" is not intended to cast a pejorative tone on this system of credit intermediation. However, the FSB uses the term "shadow banking" as this is the most commonly employed and, in particular, has been used in earlier G20 communications.

- *Conducting system-wide oversight* – an annual monitoring exercise to track developments in the shadow banking system, and detect and assess the sources of financial stability risks from shadow banking.
- *Developing policies* – the FSB developed and is now monitoring implementation of a range of policy recommendations to address the identified financial stability risks from shadow banking.

3.1. Conducting system-wide oversight

In November 2016, the FSB announced it would assess progress in transforming shadow banking into resilient market-based finance since the global financial crisis, and whether the policies and monitoring put in place by FSB members since then are adequate to address these risks, and would deliver the report to the G20 Leaders' Summit in Hamburg. The assessment was published in July 2017.[13]

3.2. Addressing structural vulnerabilities from asset management activities

Asset management activities have increased significantly over the past decade, including through open-ended funds that offer daily redemptions to their investors. The trend towards greater market-based intermediation through asset management entities should enhance the efficiency, and contribute to the overall resilience, of the financial system. Although historical evidence suggests that non-money market open-ended funds have not generally created financial stability concerns in periods of stress and heightened volatility, developments in the sector and the increasing holding of fixed-income assets by investment funds suggest that risks may have increased in recent years.

In January 2017, the FSB published policy recommendations to address potential structural vulnerabilities from asset management activities that could present financial stability risks,[14] following a public consultation in June-September 2016.[15] The policy recommendations address the following structural vulnerabilities:

i. liquidity mismatch between fund investments and redemption terms and conditions for open-ended fund units;
ii. leverage within investment funds;
iii. operational risk and challenges at asset managers in stressed conditions; and
iv. securities lending activities of asset managers and funds.

Some of the recommendations will be operationalised by the International Organization of Securities Commissions (IOSCO). IOSCO published consultation papers on open-ended funds'

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[13] FSB, *Assessment of shadow banking activities: risks and the adequacy of post-crisis policy tools to address financial stability concerns*, July 2017 (www.fsb.org/2017/07/assessment-of-shadow-banking-activities-risks-and-the-adequacy-of-post-crisis-policy-tools-to-address-financial-stability-concerns/).

[14] FSB, *Policy Recommendations to Address Structural Vulnerabilities from Asset Management Activities*, January 2017 (www.fsb.org/2017/01/policy-recommendations-to-address-structural-vulnerabilities-from-asset-management-activities/).

[15] FSB, *Proposed Policy Recommendations to Address Structural Vulnerabilities from Asset Management Activities,* June 2016 (www.fsb.org/2016/06/proposed-policy-recommendations-to-address-structural-vulnerabilities-from-asset-management-activities/).

liquidity and risk management in July 2017[16]. It will also develop consistent leverage measures by the end of 2018.

3.3. Re-hypothecation of client assets and collateral re-use

The FSB published a report in January 2017[17] that described potential financial stability issues and explained the evolution of market practices and current regulatory approaches to the re-hypothecation of client assets and collateral re-use. The report noted that the collection of data on re-use of collateral would support authorities' monitoring of financial stability risks arising from collateral re-use activities and inform any policy response to address these risks, if warranted.

To this end, in January 2017 the FSB published a report on the measure and metrics of non-cash collateral re-use in securities financing transactions that authorities will monitor for financial stability purposes.[18] From January 2020 the FSB will collect from members national aggregated data as part of its implementation of the global securities financing data standards published in November 2015.[19]

4. Making derivatives markets safer

In the lead up to the global financial crisis, weaknesses in OTC derivatives markets contributed to the increase in systemic risk and the damage caused by the crisis. Improvements to OTC derivatives markets are therefore a key pillar of the G20 financial regulatory reforms. The reforms call for trade reporting, central clearing of all standardised contracts, exchange or platform trading of standardised contracts where appropriate; margining standards and higher capital requirements for non-centrally cleared contracts. They aim to mitigate systemic risk, increase transparency and reduce market abuse.

4.1. Implementation of OTC derivatives market reforms

In August 2016[20] and June 2017,[21] the FSB published further progress reports on implementation of OTC derivatives reforms, noting that progress continues to be made by FSB members across the reform agenda. Trade reporting requirements and higher capital requirements for non-centrally cleared derivatives are mostly in force; central clearing frameworks and, to a lesser degree, margining requirements for non-centrally cleared OTC

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[16] IOSCO, *Consultation on CIS Liquidity Risk Management Recommendations,* July 2017 (www.iosco.org/library/pubdocs/pdf/IOSCOPD573.pdf) and *Open-ended Fund Liquidity and Risk Management – Good Practices and Issues for Consideration,* July 2017 (www.iosco.org/library/pubdocs/pdf/IOSCOPD574.pdf).

[17] FSB, *Re-hypothecation and collateral re-use: Potential financial stability issues, market evolution and regulatory approaches*, January 2017 (www.fsb.org/2017/01/re-hypothecation-and-collateral-re-use-potential-financial-stability-issues-market-evolution-and-regulatory-approaches/).

[18] FSB, *Non-cash Collateral Re-Use: Measure and Metrics*, January 2017 (www.fsb.org/2017/01/non-cash-collateral-re-use-measure-and-metrics/).

[19] FSB, *Standards and Processes for Global Securities Financing Data Collection and Aggregation,* November 2015 (www.fsb.org/2015/11/standards-and-processes-for-global-securities-financing-data-collection-and-aggregation-3/).

[20] FSB, *OTC Derivatives Market Reforms: Eleventh Progress Report on Implementation*, August 2016 (www.fsb.org/2016/08/otc-derivatives-market-reforms-eleventh-progress-report-on-implementation/).

[21] FSB, *OTC Derivatives Market Reforms: Twelfth Progress Report on Implementation,* June 2017 (www.fsb.org/2017/06/otc-derivatives-market-reforms-twelfth-progress-report-on-implementation/)

derivatives have been, or are being, implemented; while platform trading frameworks are relatively undeveloped in most jurisdictions. Authorities continued to note a range of implementation challenges, though international workstreams that aim to address many of these challenges are underway.

Also, the FSB published a report in August 2016 on member jurisdictions' plans to address legal barriers to reporting and accessing OTC derivatives transaction data.[22] The report set out FSB member jurisdictions' planned actions to meet their commitments to remove such barriers by June 2018, given the importance to authorities of full trade reporting in carrying out their regulatory mandates, including monitoring and analysing systemic risk and market activity. The report concluded that while some work was in process to remove barriers to both the reporting of, and authorities' access to, complete OTC derivatives transaction information, significant work remained across FSB member jurisdictions to achieve this and that concrete plans to address the barriers had yet to be formulated in a number of cases. A progress report on member jurisdictions' actions was published in June 2017.[23]

The FSB continues to support work to harmonise key data elements for reporting OTC derivatives transactions, through a working group to develop proposals for the governance arrangements for a global unique transaction identifier (UTI) and unique product identifier (UPI). This work is taking place in close cooperation with CPMI and IOSCO, which are developing the technical guidance on the UTI and the UPI.

In March 2017 the FSB published for public consultation proposals for the governance arrangements for the UTI, as a key harmonised identifier designed to facilitate effective aggregation of transaction reports about OTC derivatives markets.[24] This followed the February 2017 publication by CPMI and IOSCO of the technical guidance for the harmonisation of the UTI.[25]

During 2016-17, the FSB began a review of the implementation of the OTC derivatives markets reforms, their effectiveness in meeting the original objectives set by G20 Leaders and the broader effects of the reforms, to be reported to the July 2017 G20 Summit in Hamburg. The report was published in June 2017.[26]

4.2. Central counterparties (CCPs)

Increasing central clearing is an important component of the reforms to mitigate systemic risk and thereby help end too-big-to-fail for banks; at the same time authorities need to ensure that CCPs do not themselves become a new, concentrated source of too-big-to-fail risk. To coordinate international policy work on CCP resilience, recovery planning and resolvability,

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[23] FSB, *FSB members' plans to address legal barriers to reporting and accessing OTC derivatives trade data: Progress report*, June 2017 (www.fsb.org/2017/06/fsb-members-plans-to-address-legal-barriers-to-reporting-and-accessing-otc-derivatives-trade-data-progress-report/).

[24] FSB, *Proposed governance arrangements for the unique transaction identifier (UTI): Consultation document*, March 2017 (www.fsb.org/2017/03/proposed-governance-arrangements-for-the-unique-transaction-identifier-uti/).

[25] CPMI-IOSCO (2017), *Harmonisation of the Unique Transaction Identifier: Technical Guidance*, February 2017 (www.bis.org/cpmi/publ/d158.pdf).

[26] FSB, *Review of OTC derivatives market reforms: Effectiveness and broader effects of the reforms,* June 2017 (www.fsb.org/2017/06/review-of-otc-derivatives-market-reform-effectiveness-and-broader-effects-of-the-reforms/).

the BCBS, CPMI, FSB and IOSCO adopted a joint workplan in 2015.[27] Implementation of the workplan is now largely complete; the most recent progress report was published in July 2017.[28]

As part of this workplan, the FSB issued for public consultation in August 2016 a discussion note on essential aspects of CCP resolution planning,[29] and in February 2017 issued draft guidance on CCP resolution and resolution planning that authorities should consider when developing frameworks for resolving failing CCPs.[30] The final guidance[31] was issued in July 2017, at the same time as finalised guidance on CCP resilience and recovery planning from CPMI and IOSCO.[32]

The joint workplan also identified the need to better understand the interdependencies of CCPs within the financial system and established a study group to undertake analyses and mapping of the interconnections between CCPs and their major clearing members and resulting systemic implications. The key findings of the group were published alongside the other CCP reports under the joint workplan in July 2017.[33]

5. Implementation monitoring

In order to promote accountability, the FSB regularly reports on the implementation by FSB members of the internationally agreed financial reforms and on the effects of those reforms.

5.1. Annual reports on implementation and effects of reforms

The FSB published its second annual report to G20 Leaders on the implementation and effects of the G20 financial regulatory reforms in August 2016.[34] The report concluded that implementation progress remains steady but uneven across the four core reform areas, and that the strengthening of resilience due to the reforms has stood the global financial system in good stead. It also noted that the improved resilience has been achieved while maintaining the overall provision of credit to the real economy. The report included further analysis on three areas identified in the first such report, in 2015, as meriting close attention: market liquidity; effects of reforms on emerging market and developing economies; and maintaining an open and integrated global financial system.

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[27] BCBS, CPMI, FSB, IOSCO, *2015 CCP Workplan*, September 2015 (www.fsb.org/2015/09/2015-ccp-workplan/).

[28] BCBS, CPMI, FSB, IOSCO, *Progress Report on the CCP Workplan*, July 2017 (www.fsb.org/wp-content/uploads/P050717-3.pdf).

[29] FSB, *Essential Aspects of CCP Resolution Planning*, August 2016 (www.fsb.org/2016/08/essential-aspects-of-ccp-resolution-planning/).

[30] FSB, *Guidance on Central Counterparty Resolution and Resolution Planning*, February 2017 (www.fsb.org/2017/02/guidance-on-central-counterparty-resolution-and-resolution-planning/).

[31] FSB, *Guidance on Central Counterparty Resolution and Resolution Planning*, July 2017 (www.fsb.org/2017/07/guidance-on-central-counterparty-resolution-and-resolution-planning-2/).

[32] CPMI, IOSCO *Resilience of central counterparties (CCPs): Further guidance on the PFMI - Final report* (http://www.bis.org/cpmi/publ/d163.htm, http://www.iosco.org/library/pubdocs/pdf/IOSCOPD568.pdf) and *Recovery of financial market infrastructures - Revised report* (http://www.bis.org/cpmi/publ/d162.htm, http://www.iosco.org/library/pubdocs/pdf/IOSCOPD569.pdf), July 2017.

[33] FSB, *Analysis of Central Clearing Interdependencies*, July 2017 (www.fsb.org/2017/07/analysis-of-central-clearing-interdependencies/)

[34] FSB, *Implementation and Effects of the G20 Financial Regulatory Reforms: 2nd Annual Report*, August 2016 (www.fsb.org/2016/08/implementation-and-effects-of-the-g20-financial-regulatory-reforms-2/).

5.2. Ongoing implementation monitoring

In addition to periodic progress reports, the FSB monitors the implementation and effectiveness of international financial standards and policies via its peer review programme. The FSB undertook a number of thematic and country peer reviews over this period.

In May 2016, the FSB published a peer review evaluating the progress made by FSB member jurisdictions in implementing the FSB's *Policy Framework for Strengthening Oversight and Regulation of Shadow Banking Entities*.[35] The report found that implementation is at a relatively early stage and that more work is needed to enable jurisdictions to comprehensively assess and respond to potential shadow banking risks posed by non-bank financial entities, and to support FSB risk assessments and policy discussions.

In May 2016, the FSB launched a peer review on corporate governance to take stock of how FSB member jurisdictions have implemented the G20/Organisation for Economic Co-operation and Development (OECD) *Principles of Corporate Governance* for publicly listed, regulated financial institutions. The report was published in April 2017.[36] The report's recommendations included the following areas: ensuring the basis for an effective corporate governance framework, disclosure and transparency, responsibilities of company boards, rights and equitable treatment of shareholders and key ownership functions, and the role of stakeholders in corporate governance.

The FSB published country peer reviews of India[37] in August 2016 and Japan[38] in December 2016 and launched during the year the country reviews of Argentina[39], Brazil (completed in April 2017),[40] France (completed in July 2017),[41] Hong Kong, Korea (completed in December 2017)[42] and Singapore.[43]

5.3. Post-implementation evaluation

With the main elements of the post-crisis reforms agreed and implementation of many core reforms underway, initial analysis of their effects is now becoming feasible. In order to enhance this analysis, the FSB in 2016 began work to develop a structured framework for the post-implementation evaluation of the effects of the G20 financial regulatory reforms. The framework[44] which was delivered to the G20 Leaders' Summit in July 2017. , following a public consultation in April 2017, aims to guide analyses of whether the G20 financial regulatory reforms are achieving their intended outcomes, and help identify any material unintended

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[35] FSB, *Thematic Review on the Implementation of the FSB Policy Framework for Shadow Banking Entities*, May 2016 (www.fsb.org/2016/05/thematic-review-on-the-implementation-of-the-fsb-policy-framework-for-shadow-banking-entities/).

[36] FSB, *Thematic Review on Corporate Governance*, April 2017 (www.fsb.org/2017/04/thematic-review-on-corporate-governance/).

[37] FSB, *Peer Review of India*, August 2016 (www.fsb.org/2016/08/peer-review-of-india/).

[38] FSB, *Peer Review of Japan*, December 2016 (www.fsb.org/2016/12/peer-review-of-japan/).

[39] FSB, *Peer Review of Argentina*, August 2017 (http://www.fsb.org/2017/08/peer-review-of-argentina/).

[40] FSB, *Peer Review of Brazil*, April 2017 (www.fsb.org/2017/04/peer-review-of-brazil/).

[41] FSB, *Peer Review of France*, July 2017 (www.fsb.org/2017/07/peer-review-of-france/).

[42] FSB, *Peer Review of Korea*, December 2017 (http://www.fsb.org/2017/12/peer-review-of-korea/).

[43] www.fsb.org/about/leading-by-example/schedule/.

[44] FSB, *Framework for Post-Implementation Evaluation of the Effects of the G20 Financial Regulatory Reforms*, July 2017 (www.fsb.org/2017/07/framework-for-post-implementation-evaluation-of-the-effects-of-the-g20-financial-regulatory-reforms/).

consequences that may have to be addressed, without compromising on the objectives of the reforms. Its roll-out will take place progressively in the coming years.

5.4. Emerging markets and developing economies (EMDEs)

The FSB held its third EMDEs Forum, as part of its Plenary meeting February 2017 in Cape Town, to discuss regulatory reform and financial stability issues of particular relevance to the EMDE members of the FSB and its six Regional Consultative Groups. The Forum discussed actions being taken in response to the 2015 EMDEs Forum, including aspects of Basel III and the reforms to OTC derivatives markets. It also considered other developments affecting EMDE financial systems, including international work to address the pullback from correspondent banking and the potential of FinTech in expanding financial inclusion.

The Forum provided input to the FSB's monitoring of the implementation and effects of G20 reforms. The issues discussed will also be taken up by the FSB and standard-setting bodies for review in their ongoing work.

6. Addressing evolving risks and vulnerabilities

The FSB's Charter[45] calls on it to assess vulnerabilities affecting the global financial system and identify and review, on a timely and ongoing basis within a macroprudential perspective, the regulatory, supervisory and related actions needed to address them, and their outcomes. The Standing Committee on Assessment of Vulnerabilities (SCAV) is the FSB's main monitoring mechanism for this purpose.

The vulnerabilities discussed by SCAV during the year included:

- High and rising levels of domestic and foreign currency debt in many countries, including potential increases in long-term interest rates and exchange-rate developments, leading to tightened financial conditions for some sovereign and corporate borrowers.
- Elevated commercial and residential real estate valuations in some jurisdictions, raising concerns over real estate asset quality in a rising rate or slowing growth environment.
- Uncertainty over the path of future interest rates, which could pose risks to banks and could raise concerns about shifts by insurers and pension funds into higher-risk assets leading to losses and portfolio rebalancing when the credit cycle turns.
- Asset quality and profitability issues and vulnerabilities from incomplete bank balance sheet repair in some parts of the financial system.

In February 2017 the Plenary reviewed the outcomes of a pilot systemic stress simulation exercise, examining fixed-income market liquidity resilience across a number of markets, and of a workshop on systemic stress, investor behaviour and market liquidity.

[45] FSB, *Charter of the Financial Stability Board*, June 2012 (www.fsb.org/wp-content/uploads/FSB-Charter-with-revised-Annex-FINAL.pdf).

The FSB continued to co-operate with the IMF to conduct and present early warning exercises to the semi-annual meetings of the IMF's International Monetary and Financial Committee.

6.1. Measures to reduce misconduct risk

The patterns of severe misconduct observed in the financial sector in the recent past have impaired the safety and soundness of some institutions and damaged confidence in the financial system and markets. The implications of misconduct can be far-reaching, limiting the potential of finance to serve real economies and foster global economic growth. In May 2015 the FSB launched a workplan to address this issue through a combination of measures: (i) examining whether reforms to incentives, for instance to governance and compensation structures, are having a sufficient effect on reducing misconduct; (ii) examining whether steps are needed to improve global standards of conduct in the fixed income, commodities and currency markets; and (iii) coordinating reforms to major financial benchmarks.

In September 2016, the FSB published a progress report on its misconduct workplan,[46] providing an update on work to date and future actions. The progress report included key findings on the effectiveness of compensation tools in addressing misconduct risks and announced that the FSB would develop and consult on supplementary guidance on the application of the FSB Compensation Principles and Standards to misconduct risk; and recommendations for consistent national reporting and collection of data on the use of compensation tools to address misconduct risk in significant institutions.

The FSB established in May 2016 a Working Group on Governance Frameworks to take stock of efforts underway by international bodies, national authorities, firms and industry associations to strengthen governance frameworks to mitigate misconduct risk. The stocktake report was published in May 2017.[47]

Work on conduct in the fixed income, commodities and currency markets was taken forward during the year by IOSCO (developing a regulatory toolkit for wholesale market conduct regulation), and by a Foreign Exchange Working Group under the auspices of the Bank for International Settlements' Markets Committee (developing an FX Global Code and proposals to ensure greater adherence).

The FSB published a detailed progress report on the implementation of its recommendations to reform major interest rate benchmarks in July 2016.[48] The report explains the steps that administrators of key interbank offered rates (IBORs) have continued to take to strengthen the existing benchmarks and that most progress has been made by the three major benchmarks – EURIBOR, LIBOR and TIBOR. Reflecting the systemic importance of the reference rates, authorities in all three jurisdictions have taken steps to regulate the administrators of the IBORs. Member authorities, benchmark administrators and market participants in other jurisdictions

[46] FSB, *Measures to reduce misconduct risk: second progress report*, September 2016 (www.fsb.org/2016/09/measures-to-reduce-misconduct-risk-second-progress-report/).

[47] FSB, *Stocktake of efforts to strengthen governance frameworks to mitigate misconduct risks*, May 2017 (www.fsb.org/2017/05/stocktake-of-efforts-to-strengthen-governance-frameworks-to-mitigate-misconduct-risks/).

[48] FSB, *Reforming Major Interest Rate Benchmarks*, July 2016 (www.fsb.org/2016/07/reforming-major-interest-rate-benchmarks-3/).

also continue to take steps to improve the existing interbank rates. A further progress report was published in October 2017.[49]

6.2. Addressing the decline in correspondent banking relationships

A decline in the number of correspondent banking relationships remains a source of concern for the international community because, in affected jurisdictions it may affect the ability to send and receive international payments, or drive some payment flows underground, with potential adverse consequences for international trade, growth, financial inclusion and the stability and integrity of the financial system. The FSB launched in November 2015 a four-point action plan to assess and address the causes of this decline by:

- Further examining the dimensions of the problem, and its causes and effects;
- Clarifying regulatory expectations, as a matter of priority, including through guidance by the Financial Action Task Force (FATF) and the BCBS;
- Domestic capacity-building in jurisdictions that are home to affected respondent banks; and
- Strengthening tools for due diligence by correspondent banks.

As part of this work and collaborating closely with other international organisations, in September 2016 the FSB launched a survey covering over 300 banks in some 50 jurisdictions to collect additional information on trends in correspondent banking, its causes and effects. The FSB also agreed with SWIFT an arrangement under which SWIFT will provide six-monthly data updates until at least end-2018. A comprehensive correspondent banking data report was published by the FSB in July 2017.[50]

Other steps taken under the action plan during the year included: the publication by the FATF in October 2016 of guidance on correspondent banking,[51] which includes a clarification that the FATF Recommendations do not require financial institutions to conduct customer due diligence on the customers of their respondent bank clients (so-called “know your customer’s customer”), and publication by BCBS in November 2016 of a consultation on a revised version of its own guidance;[52] coordination among FSB members and other official sector bodies of their capacity-building work supervisory and regulatory frameworks in jurisdictions affected by the exit of correspondent banks; and a BCBS/CPMI/FSB March 2017 workshop to discuss efforts to improve the use of know-your-customer utilities, the standardisation of information and the quality of payment messages.

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[49] FSB, *Reforming major interest rate benchmarks - Progress report on implementation of July 2014 FSB recommendations*, October 2017 (www.fsb.org/2017/10/reforming-major-interest-rate-benchmarks-4/).

[50] FSB, *FSB Correspondent Banking Data Report*, July 2017 (www.fsb.org/2017/07/fsb-correspondent-banking-data-report/).

[51] FATF, *Guidance on Correspondent Banking*, October 2016, (www.fatf-gafi.org/publications/fatfrecommendations/documents/correspondent-banking-services.html).

[52] BCBS, *Consultative Document - Guidelines: Revised annex on correspondent banking*, November 2016 (www.bis.org/bcbs/publ/d389.htm).

In March 2017, at the request of the G20, the FSB, together with FATF and GPFI, held meetings with representatives from the banking sector and remittance firms, to discuss issues relating to remittance providers' access to banking services.

The FSB published progress reports on the action plan in August[53] and December[54] 2016 and in July 2017.[55]

6.3. Task Force on Climate-related Financial Disclosure (TCFD)

In December 2015 the FSB established the industry-led TCFD to develop a set of voluntary, consistent disclosure recommendations for use by companies in providing information to investors, lenders, and insurers about climate-related financial risks. In April 2016, the TCFD published its phase 1 report[56] setting out its initial work, and published draft recommendations for public consultation in December 2016.[57]. Following its December consultation process the TCFD in June 2017 published the final versions of its recommendations.[58]

6.4. Financial stability implications of FinTech

The FSB continued to monitor technology-enabled innovations in financial services (FinTech). In October 2016 the FSB held an industry workshop on distributed ledger technology (DLT), and jointly with the BCBS conducted a stocktake of current and planned innovation facilitators (i.e. regulatory sandboxes, innovation hubs and accelerators). In May 2017 the FSB published a report on the FinTech credit market.[59]

To build on this monitoring, in November 2016 the FSB launched work to identify supervisory and regulatory issues from FinTech that merit authorities' attention from a financial stability perspective. To draw out these supervisory and regulatory issues, the FSB developed a framework that defines the scope of FinTech activities, classified by their primary economic functions, and identifies the potential benefits and risks to financial stability. The report was published in June 2017.[60]

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[53] FSB, *Progress report to G20 on the FSB action plan to assess and address the decline in correspondent banking*, August 2016 (www.fsb.org/2016/08/progress-report-to-g20-on-the-fsb-action-plan-to-assess-and-address-the-decline-in-correspondent-banking/).

[54] FSB, *FSB action plan to assess and address the decline in correspondent banking - End-2016 progress report and next steps*, December 2016 (www.fsb.org/2016/12/fsb-action-plan-to-assess-and-address-the-decline-in-correspondent-banking/).

[55] FSB, *FSB action plan to assess and address the decline in correspondent banking - Progress report to G20 Summit of July 2017*, July 2017 (www.fsb.org/2017/07/fsb-action-plan-to-assess-and-address-the-decline-in-correspondent-banking-progress-report-to-g20-summit-of-july-2017/).

[56] TCFD, *Phase 1 Report of the Task Force on Climate-related Financial Disclosures*, April 2016 (www.fsb.org/2016/05/phase-1-report-of-the-task-force-on-climate-related-financial-disclosures/).

[57] TCFD, *Recommendations of the Task Force on Climate-related Financial Disclosures*, December 2016 (www.fsb.org/2016/12/recommendations-of-the-task-force-on-climate-related-financial-disclosures/).

[58] TCFD, *Recommendations of the Task Force on Climate-related Financial Disclosures*, June 2017 (www.fsb.org/2017/06/recommendations-of-the-task-force-on-climate-related-financial-disclosures-2/).

[59] FSB, *FinTech Credit: Market Structure, Business Models and Financial Stability Implications*, May 2017 (www.fsb.org/2017/05/fintech-credit-market-structure-business-models-and-financial-stability-implications/).

[60] FSB, *Financial Stability Implications from FinTech - Supervisory and Regulatory Issues that Merit Authorities' Attention*, June 2017 (www.fsb.org/2017/06/financial-stability-implications-from-fintech/).

7. Other activities

7.1. Elements of effective macroprudential policies

The IMF, FSB and BIS published in August 2016 a stocktake of the lessons learned from national and international experience on the development and implementation of macroprudential policies.[61] The paper noted that experience with macroprudential policy is growing. A large number of countries have put in place dedicated institutional arrangements. Progress is being made also with the design and implementation of macroprudential tools, and an increasing body of empirical research is available that evaluates the effectiveness of macroprudential policy. While the evidence remains tentative since experience with macroprudential tools gained in many countries does not yet span a full financial cycle, the stocktake sets out a number of elements that have been found useful for macroprudential policy making, which are reflected in the report.

7.2. Addressing data gaps

In September 2016 the IMF and FSB published the first progress report prepared by the IMF Staff and the FSB Secretariat on the second phase of the Data Gaps Initiative (DGI-2),[62] launched one year earlier to build on the work of the first phase to close information gaps identified during the global financial crisis by implementing the regular collection and dissemination of reliable and timely statistics for policy use. The FSB is leading the work on data gaps within the shadow banking and OTC derivatives workstreams mentioned earlier in this annual report, as well data on G-SIFIs. The FSB and the IAIS organised a thematic workshop in March 2017 on insurance data gaps to take stock of existing and planned data work and gather preliminary views on possible data gaps. A second progress report by the IMF Staff and FSB Secretariat on DGI-2 was published in September 2017.[63]

7.3. Advancing transparency through the Legal Entity Identifier

The objective of the global Legal Entity Identifier (LEI) system is to provide unique identification of parties to financial transactions across the globe. The FSB continues to provide secretariat support to the LEI Regulatory Oversight Committee. The global LEI system expanded its coverage, with over half a million LEIs issued since its establishment.[64] [65]The FSB will continue to promote LEI uses to support regulatory actions and data quality.

7.4. Strengthening audit quality and accounting standards

High-quality accounting and audit standards are essential for maintaining financial stability. In June 2016, the FSB held a roundtable with members of the International Forum of Independent

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[61] IMF, FSB and BIS, *Elements of Effective Macroprudential Policies*, August 2016 (www.fsb.org/2016/08/elements-of-effective-macroprudential-policies/).

[62] IMF Staff and FSB Secretariat, *Second Phase of the G20 Data Gaps Initiative (DGI-2): First Progress Report,* September 2016 (www.fsb.org/2016/09/second-phase-of-the-g20-data-gaps-initiative-dgi-2-first-progress-report/).

[63] IMF Staff and FSB Secretariat, *Second Phase of the G-20 Data Gaps Initiative (DGI-2): Second Progress Report*, September 2017 (www.fsb.org/2017/09/second-phase-of-the-g20-data-gaps-initiative-dgi-2-second-progress-report/).

[64] Statistics on LEI issuance, including by country, are available on the Global LEI Foundation website (www.gleif.org/en/lei-data/global-lei-index/lei-statistics#).

[65] FSB, *FSB Report Global Legal Entity Identifier for Financial Markets,* June 2012 (www.fsb.org/2012/06/fsb-report-global-legal-entity-identifier-for-financial-markets/).

Audit Regulators (IFIAR) and the audit firms' Global Public Policy Committee to enhance the quality of the audits of SIFIs. The FSB also received updates during the year on progress by accounting standard-setters in finalising the accounting standards on expected loan loss provisions.

II. FSB governance

The FSB was set up to coordinate, at the international level, the work of national financial authorities and international standard-setting bodies in order to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies. In collaboration with the international financial institutions, the FSB also addresses vulnerabilities affecting financial systems in the interest of global financial stability.

The FSB was established by the G20 Heads of State and Government in April 2009, as the successor to the Financial Stability Forum (FSF). At their Pittsburgh Summit in 2009, the G20 Heads of State and Government endorsed the FSB's original Charter of 25 September 2009 which set out the FSB's objectives and mandate and organisational structure. At the Cannes Summit in November 2011, the G20 called for a strengthening of the FSB's capacity, resources and governance, and the establishment of the FSB on an enduring organisational basis. At the Los Cabos Summit in June 2012, the G20 Heads of State and Government endorsed the FSB's restated and amended Charter which reinforces certain elements of its mandate, including its role in standard-setting and in promoting members' implementation of international standards and agreed G20 and FSB commitments and policy recommendations. Thereafter, on 28 January 2013, the FSB established itself as a not-for-profit association under Swiss law with its seat in Basel, Switzerland. The current versions of the FSB's Charter and Articles of Association are available on the FSB website.[66]

1. Membership and functioning

The FSB's membership[67] comprises authorities that are responsible for maintaining financial stability, such as ministries of finance, central banks, supervisory and regulatory authorities including market regulators; international financial institutions; and international standard-setting, regulatory, supervisory and central bank bodies. As a result the FSB Plenary members have regulatory and supervisory experience across all financial sectors.

The Plenary is the FSB's sole decision-making body and makes decisions by consensus. The Plenary appoints the Chair of the FSB. The Plenary: adopts reports, principles, standards, recommendations and guidance developed by the FSB; establishes Standing Committees and working groups; decides on membership of the FSB, assigns seats to members in the Plenary, agrees the composition of the Committees; and approves the work programme and budget of the FSB. The Plenary also appoints the Chairs of the Standing Committees, the Secretary

[66] See www.fsb.org/about/organisation-and-governance/.
[67] See FSB, *FSB Members* (www.fsb.org/about/fsb-members/).

General and the external auditor of the FSB. Plenary meetings were held in July[68] and November[69] 2016 and February[70] 2017. The FSB Steering Committee, which is chaired by the Chair of the FSB, provides operational guidance between the Plenary meetings to carry forward the directions of the Plenary. The Steering Committee met in May and October 2016 and in January 2017.

The FSB periodically reports the progress of its work to the G20 Finance Ministers and Central Bank Governors, and to the G20 Heads of State and Government. The FSB Chair sent letters to the G20 describing priorities and progress in July[71] and August[72] 2016 and March[73] 2017.

2. Chair and committees

The current FSB Chair, Mark Carney (Governor of the Bank of England), was appointed as Chair in November 2011. He was reappointed for a second three-year term in November 2014, and in October 2017 this term was extended until 1 December 2018. The Chair of the FSB is the principal spokesperson for the FSB and represents the FSB externally. He convenes and chairs the meetings of the Plenary and of the Steering Committee and acts in accordance with the directions given by the Plenary.

The FSB has four Standing Committees[74] which support the Plenary:

- The Standing Committee on Assessment of Vulnerabilities (SCAV) monitors and assesses vulnerabilities in the global financial system and proposes to the Plenary the actions needed to address them. SCAV is chaired by Klaas Knot, President of the De Nederlandsche Bank; his current term runs from 1 September 2016 until 31 August 2018.[75] Glenn Stevens stepped down as SCAV's chair on 31 August 2016 as a result of his retirement as Governor of the Reserve Bank of Australia.
- The Standing Committee on Supervisory and Regulatory Cooperation (SRC) addresses key financial stability risks related to the development of supervisory and regulatory policy and coordinates issues that arise among supervisors and regulators to ensure effective consideration of cross-sector implications. SRC is chaired by Norman Chan, Chief Executive, Hong Kong Monetary Authority, whose current term as SRC Chair

[68] FSB, *Meeting of the Financial Stability Board in Chengdu on 21 July*, July 2016 (www.fsb.org/2016/07/meeting-of-the-financial-stability-board-in-chengdu-on-21-july/).
[69] FSB, *Financial Stability Board agrees 2017 workplan*, November 2016 (www.fsb.org/2016/11/financial-stability-board-agrees-2017-workplan/)
[70] FSB, *FSB assesses implementation progress and effects of reforms*, February 2017 (www.fsb.org/2017/02/fsb-assesses-implementation-progress-and-effects-of-reforms/).
[71] FSB, *FSB Chair's letter to G20 Finance Ministers and Central Bank Governors ahead of their Chengdu meeting*, July 2017 (http://www.fsb.org/2016/07/chairs-letter-to-the-g20-finance-ministers-and-central-bank-governors-2/).
[72] FSB, *FSB Chair's letter to G20 Leaders - Building a resilient and open global financial system to support sustainable cross-border investment*, August 2016 (www.fsb.org/2016/08/fsb-chairs-letter-to-g20-leaders-building-a-resilient-and-open-global-financial-system-to-support-sustainable-cross-border-investment/).
[73] FSB, *Chair's letter to G20 Baden-Baden meeting*, March 2017 (www.fsb.org/2017/03/chairs-letter-to-g20-finance-ministers-and-central-bank-governors-ahead-of-their-baden-baden-meeting/).
[74] FSB, *Organisational Structure and Governance* (www.fsb.org/about/organisation-and-governance/).
[75] FSB, *Meeting of the Financial Stability Board in Chengdu on 21 July*, July 2016 (www.fsb.org/2016/07/meeting-of-the-financial-stability-board-in-chengdu-on-21-july/).

runs from 1 April 2017 until 31 March 2019.[76] The term of Daniel Tarullo, at the time a member of the Board of Governors of the US Federal Reserve System, as SRC Chair expired on 31 March 2017.

- The Standing Committee on Standards Implementation (SCSI) undertakes FSB peer reviews of its members (which FSB members have committed to undergo), encourages global adherence to international financial standards and reports on members' progress in implementing these standards and other agreed G20 and FSB commitments. SCSI is chaired by Lesetja Kganyago, Governor, South African Reserve Bank, whose current term as SCSI Chair runs from 1 April 2017 until 31 March 2019.[77] The term of Ravi Menon, Managing Director of the Monetary Authority of Singapore, as SCSI Chair expired on 31 March 2017.
- The Standing Committee on Budget and Resources (SCBR) assesses the resource needs of the FSB Secretariat and reviews the annual and medium-term budget of the FSB. SCBR is chaired by Ignazio Visco, Governor of the Banca d'Italia, whose current term runs from 1 September 2016 until 31 August 2018.[78] Mr. Visco succeeded Alexandre Tombini, who stepped down as SCBR's chair on 9 June 2016, as a result of his departure from the Governorship of Banco Central do Brasil.

3. Regional Consultative Groups (RCGs)

The six RCGs (for the Americas, Asia, the Commonwealth of Independent States, Europe, the Middle East and North Africa, and Sub-Saharan Africa) broaden the circle of countries engaged in the FSB's work to promote international financial stability. The RCGs bring together financial authorities from FSB members and approximately 65 non-member jurisdictions to exchange views on vulnerabilities affecting financial systems and on initiatives to promote financial stability. Those groups also provide an institutional mechanism for: (i) discussing FSB initiatives underway and planned; (ii) promoting implementation of internationally agreed reforms; and (iii) enabling members of RCGs to share their views amongst themselves and with the FSB, both on FSB initiatives and on other measures that could be taken to promote financial stability. The RCGs held 12 meetings and organised several workshops on topics of particular interest to the members, such as correspondent banking, market-based finance and potential effects and spillovers from the implementation of global financial reforms. The RCGs also established working groups on topics of regional interest, whose reports were published, subject to FSB procedures.[79]

4. Transparency and accountability

Article 4 of the FSB Charter requires that "The FSB will discharge its accountability, beyond its members, through publication of reports and, in particular, through periodical reporting of

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[76] FSB, *FSB assesses implementation progress and effects of reforms*, February 2017 (www.fsb.org/2017/02/fsb-assesses-implementation-progress-and-effects-of-reforms/).

[77] FSB, *FSB assesses implementation progress and effects of reforms*, February 2017 (www.fsb.org/2017/02/fsb-assesses-implementation-progress-and-effects-of-reforms/).

[78] FSB, *Meeting of the Financial Stability Board in Chengdu on 21 July*, July 2016 (www.fsb.org/2016/07/meeting-of-the-financial-stability-board-in-chengdu-on-21-july/).

[79] The published reports are available at www.fsb.org/publications/?source%5B%5D=10.

progress in its work to the Finance Ministers and Central Bank Governors of the Group of Twenty, and to Heads of State and Governments of the Group of Twenty." The FSB is committed to clear and timely communication.

The prime mode for communication is the FSB website. While the FSB's audience is generally a specialist audience with deep knowledge of the issues on which the FSB works, the FSB seeks to ensure that its publications, which include reports and press releases and other website information, are accessible to all. During the course of the year the FSB website had more than one million unique views. Traffic to the FSB website is driven to a large extent by an e-mail alert system[80] that has been developed to alert users to new content on the FSB website. At the end of the period there were approximately 5,800 subscribers to the e-mail alert service. The FSB also has a Twitter account (@FinStbBoard) and saw its followers increase throughout the year.

In advance of the G20 Leaders' Summit in Hamburg the FSB launched a video[81] for the public explaining how G20 reforms, coordinated by the FSB, have made the financial system safer, simpler and fairer.

As well as providing updates to the media via press releases the FSB also holds press conferences and background media briefings to provide details on FSB work. During the course of the year the FSB held media briefings in August 2016 and February 2017 and responded to a large number of media queries.

FSB members undertake a wide range of public engagements in which they discuss the work of the FSB and the positions of their institutions. Members of the FSB Secretariat also take part in and speak regularly at a wide range of public events. During the course of the year the Secretariat participated in more than 50 events. Participation in these events helps to provide an effective dialogue with the FSB's stakeholders. During the course of the year members of the FSB Secretariat engaged with a number of legislatures to update them on the FSB's work.

In addition the FSB hosted 21 roundtables and workshops, in which the FSB's membership interacted with more than 360 industry participants and academics.

[80] See FSB, *E-mail alert* (www.fsb.org/emailalert).

[81] See FSB, www.fsb.org/safersimplerfairer.

III. Financial Statements

As at 31 March 2017

The audited financial statements on pages 26-34 for the financial year ended 31 March 2017 were presented to the Plenary on 20 October 2017 (under written procedure) for their approval pursuant to Article 4 of the Articles of Association, and were approved on 27 December 2017.

Mark Carney Chairman	Svein Andresen Secretary General

Statement of activities

For the year ended 31 March

CHF thousands	Notes	**2017**	2016
Contributions from the BIS and Members	**2.6**		
Contributions received		**13,403**	13,055
Operating expenses			
Management and staff expenses	**2.5.2**		
Basic salary and allowances		(8,714)	(8,534)
Charges under pension scheme		(2,202)	(2,076)
Health and accident insurance		(490)	(494)
Other personnel expenses		(558)	(513)
		(11,964)	(11,617)
Administrative expenses			
Staff travel		(1,032)	(1,046)
Other administration expenses		(384)	(370)
Audit fee		(23)	(22)
		(1,439)	(1,438)

1. Notes to the financial statements

1.1. Nature of organisation

The FSB was established in April 2009 as the successor to the Financial Stability Forum (FSF). In January 2013, the FSB established itself as an association ("Verein") under Swiss law with its office at the BIS, Centralbahnplatz 2, Basel - 4002, Switzerland.

The FSB's membership comprises authorities from jurisdictions that are responsible for maintaining financial stability, such as ministries of finance, central banks, supervisory and regulatory authorities; international financial institutions; and international standard-setting, regulatory, supervisory and central bank bodies. The list of member institutions of the FSB is set out in the annex.

The FSB's activities are set out in Section I and its Governance in Section II of this report.

As detailed in note 2.2, at present the FSB receives the majority of its funding and services support on the basis of an agreement executed on 28 January 2013 between the FSB and the BIS ("the Agreement").

2. Administration of the FSB

2.1. Secretariat of the FSB

The FSB functions under the overall direction of a part-time Chair, who is appointed by and reports to the Plenary and supported by a Secretariat located in Basel. The Chair is not compensated for his services to the FSB. The Secretariat is headed by a full-time Secretary General, who is also appointed by the Plenary and reports to the Chair. The Secretariat is supported by employees most of whom are seconded from national authorities and institutions that are members of the FSB. For administrative reasons, the employment contracts of most Secretariat staff and the Secretary General are concluded with the BIS and are based on BIS employment terms and salary structure. The FSB therefore has no direct employment relationship with any Secretariat personnel.

2.2. Funding of the FSB

At present, the FSB receives the majority of its funding and services support from the BIS under the Agreement between the FSB and the BIS. The Agreement, signed on 28 January 2013, is for an initial term of five years and is subject to an automatic renewal for further successive five-year fixed terms unless either party gives the other not less-than-one-year termination notice prior to expiry of the term. On 15 November 2016, the BIS Board agreed to extend the Agreement for another five-year period. The overall provision of funding and services by the BIS to the FSB under the Agreement is subject to a five-year budget framework, with the FSB providing an annual budget proposal for its operations to the BIS for each financial year.

The majority of the financial support the BIS provides to the FSB comes in the form of contributions to cover staff compensation and other expenditure, such as travel and subscriptions, which are directly attributable to FSB activities. This support, along with any other similar directly attributable services provided by other members, is recognised in the statement of activities as contributions from members and as operating expenses.

In addition, the FSB is hosted at the BIS premises and benefits from administration, accounting, human resources, meeting facilities, office space, equipment, information technology and other services, which are provided free of charge and not included as an expense in the statement of activities.

2.3. Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). They cover the year ended 31 March 2017, and present the comparative figures for the prior period. They were approved for publication by written procedure by the FSB's Plenary on 27 December 2017.

2.4. Functional and presentation currency

These financial statements are presented in Swiss Francs, which is the FSB's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.5. Accounting policies

The FSB has consistently applied the following accounting policies throughout the period.

2.5.1. Basis of measurement

The financial statements have been prepared on the historical-cost basis.

2.5.2. Presentation of financial information

Due to the nature of the organisation and its current governance under the Agreement, the FSB has no assets or liabilities nor generates any revenue. The FSB has no shares or capital, and receives all funding for its operations in the form of contributed services (both direct and indirect expenses) from the BIS and certain other members.

Accordingly these financial statements contain a statement of activities but do not include a statement of financial position, a statement of cash flows or a statement of changes in net assets, as these are not meaningful under the current setting.

A minor reclassification (CHF 11,405) affects the comparative amounts for the period ended 31 March 2016. This responds to a change in the treatment of some BIS salary allowances, previously included within *Other personnel expenses*, and as from this period considered part of the *Basic salary and allowances*.

2.5.3. Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the effective exchange rates on the dates of the transactions.

2.5.4. New standards and interpretations not yet adopted

A number of new IFRS standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 April 2017. These have not been early-applied in preparing these financial statements. The FSB evaluated the potential effect of these standards and concluded that they will not have a material impact on its financial statements.

2.6. Contribution from the BIS and other Members

During the reporting period, the BIS and three other members (the IMF, the World Bank and one national regulator) contributed to the operations of the FSB Secretariat. These contributions included funding of staff, travel and other directly incurred expenses. The following table outlines the value of the contributions received by the FSB during the reporting period and the headcount at year-end by the classification of the contributor.

For the financial year ended 31 March

	2017		2016	
	Contribution (in '000 CHF)	Average headcount	Contribution (in '000 CHF)	Average headcount
1. BIS	12,481	30.7	12,054	29.4
2. Others	922	3.0	1,001	3.4
Total	**13,403**	**33.7**	**13,055**	**32.8**

As at 31 March	**2017**	**2016**
	Headcount	Headcount
1 BIS	30	29
2 Others	3	3
Total	**33**	**32**

2.7. Operating expenses

The FSB recognises the value of directly attributable expenses in its statement of activities. The majority of these directly attributable expenses are for personnel costs and where available, the FSB uses the actual costs incurred by the provider of the resources. These include salary and allowances; health and accident insurance; post-employment benefits and various other personnel-related costs.

In order to provide consistency in reporting, where actual personnel cost incurred by the provider of personnel is not available, the FSB has used estimates based on averages of similarly situated professionals (usually based on the professional's grade).

Other directly attributable expenditures include travel, meeting costs and subscriptions.

The BIS's provision of premises and administrative support are free of charge and not included as an expense in the statement of activities.

2.8. Related parties

Among other circumstances, IAS 24 defines a *person* as a related party if that person is a member of the key management personnel of the reporting entity. It also defines an *entity* as a related party if the entity provides key management personnel services to the reporting entity. In turn, the concept of *key management personnel* is defined as those persons having authority and responsibility for planning, directing, and controlling the activities of the entity.

Based on the provisions in IAS 24, and considering that the Plenary is the FSB's sole decision-making body (according to Article 4 of the Articles of Association), the FSB considers the following to be its related parties:

- Institutions that are members of the FSB Plenary.
- The FSB Chair, as well as the Chair's close family members and institutions controlled by the Chair.

During the reporting period, no remuneration was paid by the FSB for the services provided by the Chair or by any of the FSB members, including their representatives in the Plenary. The FSB has not included any estimate of the value of services provided by the Chair.

The specific relationship between the FSB and the BIS, as well as the value of the BIS's direct services and the nature of the indirect services contributed are described in Note 2.2 and Note 2.6, respectively. The contributions by other members in the form of seconded staff are disclosed in note 2.6.

Additionally, the FSB considers the Global Legal Entity Identifier Foundation (GLEIF, a Swiss based not-for-profit foundation that promotes the use of a global legal identifier in financial transactions) as a related party.

As its founder, the FSB had the right to appoint the initial Board and the Chair of the GLEIF. At its meeting in October 2016, the GLEIF's Board approved that all eight Directors with a term of three years, including the Chair, were allowed to serve an additional term of two years from June 2017 to June 2019. The subsequent appointment and removal of Board members are subject to a nomination procedure coordinated by the Board's Chair, but the FSB holds the right to appoint or remove a Board member at any time.

While the FSB does not intend to exercise such approval and kick-off right in the normal course of business, its mere existence, together with the current composition of the GLEIF's Board, justify the consideration of the GLEIF as a related party.

2.9. Contingent liabilities

As an association under Swiss law, the FSB may be subject to legal claims, and the Agreement contemplates such possibility in limiting the liability of the BIS to "reasonable efforts to support the FSB in the event of a legal challenge arising from the normal course of its business".

As explained in note 2.5.2, due to the nature of the organisation and its current setting under the Agreement the FSB has no control over assets. Should it be subject to a legal claim, an eventual outflow of resources would therefore be unlikely.

In any case, there were no significant contingent liabilities at 31 March 2017.

IV. Auditor's report

V. Annex

Members of the Financial Stability Board

(as of 31 March 2017)[82]

Chairman	**Mark Carney** (Governor, Bank of England)
Argentina	**Pablo Quirno** Chief of Cabinet Ministry of Finance
	Federico Sturzenegger Governor Central Bank of Argentina
Australia	**John Lonsdale** Deputy Secretary, Markets Group Department of the Treasury
	Philip Lowe Governor Reserve Bank of Australia
Brazil	**Marcello de Moura Estevao Filho** Secretary for International Affairs Ministry of Finance
	Ilan Goldfajn Governor Banco Central do Brasil
	Leonardo P Gomes Pereira Chairperson Securities and Exchange Commission of Brazil
Canada	**Rob Stewart** Associate Deputy Minister Department of Finance
	Carolyn Wilkins Senior Deputy Governor Bank of Canada

[82] The latest version of the Plenary membership can be found on the FSB website (http://www.fsb.org/organisation-and-governance/members-of-the-financial-stability-board/).

	Jeremy Rudin Superintendent Office of the Superintendent of Financial Institutions (OSFI)
China	**Shi Yaobin** Vice Minister Ministry of Finance
	Zhou Xiaochuan Governor People's Bank of China
	Shang Fulin Chairman China Banking Regulatory Commission
France	**Odile Renaud-Basso** Director General, Treasury and Economic Policy Directorate Ministry of Economy and Finance
	François Villeroy de Galhau Governor Banque de France
	Gérard Rameix Chairman Autorité des Marchés Financiers (AMF)
Germany	**Thomas Steffen** State Secretary Ministry of Finance
	Jens Weidmann President Deutsche Bundesbank
	Felix Hufeld President Bundesanstalt für Finanzdienstleistungsaufsicht (Bafin)
Hong Kong	**Norman Chan** Chief Executive Hong Kong Monetary Authority
India	**Shaktikanta Das** Secretary, Economic Affairs Ministry of Finance
	S S Mundra Deputy Governor Reserve Bank of India

	Upendra Kumar Sinha Chairman Securities and Exchange Board of India
Indonesia	**Isa Rachmatarwata** Assistant of Minister for Financial Services and Capital Market Policy and Regulation Ministry of Finance
	Agus Martowardojo Governor Bank Indonesia
Italy	**Vincenzo La Via** Director General Ministry of the Economy and Finance
	Ignazio Visco Governor Banca d'Italia
	Giuseppe Vegas Chairman Commissione Nazionale per le Società e la Borsa (CONSOB)
Japan	**Masatsugu Asakawa** Vice Minister of Finance for International Affairs Ministry of Finance
	Eiji Maeda Assistant Governor Bank of Japan
	Ryozo Himino Vice Minister for International Affairs Financial Services Agency
Korea	**Juyeol Lee** Governor Bank of Korea
	Hakkyun Kim Deputy Chairman, International Affairs Financial Services Commission
Mexico	**Vanessa Rubio Marquez** Undersecretary of Finance and Public Credit Ministry of Finance and Public Credit
	Agustín Carstens Carstens Governor Banco de México

Netherlands	**Hans Vijlbrief** Treasurer General Ministry of Finance
	Klaas Knot President De Nederlandsche Bank
Russia	**Sergey Storchak** Deputy Minister of Finance Ministry of Finance
	Ksenia Yudaeva First Deputy Governor Central Bank of the Russian Federation
	Sergey Shvetsov First Deputy Governor Central Bank of the Russian Federation
Saudi Arabia	**Ahmed AlKholifey** Governor Saudi Arabian Monetary Agency
	Sulaiman Al-Turki Deputy Minister for International Financial Affairs Ministry of Finance
Singapore	**Ravi Menon** Managing Director Monetary Authority of Singapore
South Africa	**Lesetja Kganyago** Governor South African Reserve Bank
	Ismail Momoniat Deputy Director-General National Treasury
Spain	**Emma Navarro** Secretary General, Treasury and Financial Policy Ministry of Economy and Competitiveness
	Luis M Linde Governor Bank of Spain
Switzerland	**Alexander Karrer** Deputy State Secretary State Secretariat for International Finance Swiss Federal Department of Finance

	Thomas Jordan Chairman of the Governing Board Swiss National Bank
Turkey	**Murat Cetinkaya** Governor Central Bank of the Republic of Turkey
	Osman Celik Undersecretary of Treasury Undersecretariat of Treasury
UK	**Katharine Braddick** Director General, Financial Services HM Treasury
	Jon Cunliffe Deputy Governor, Financial Stability Bank of England
	John Griffith-Jones Chairman Financial Conduct Authority
US	**Daniel K Tarullo** Governor Board of Governors of the Federal Reserve System
	Fabio Natalucci (Acting) Deputy Assistant Secretary International Financial Stability and Regulation Department of the Treasury
	Michael Piwowar Acting Chairman Securities and Exchange Commission
IMF	**Tobias Adrian** Financial Counsellor and Director Monetary and Capital Markets Department
World Bank	**Joaquim Levy** Managing Director and World Bank Group CFO
Bank for International Settlements (BIS)	**Jaime Caruana** General Manager
Organisation for Economic Cooperation and Development (OECD)	**Rintaro Tamaki** Deputy Secretary General

European Central Bank (ECB)	**Vitor Constâncio** Vice President
ECB Banking Supervision	**Sabine Lautenschlaeger** Vice-Chair, Supervisory Board, Single Supervisory Mechanism
European Commission	**Olivier Guersent** Director General, Financial Stability, Financial Services and Capital Markets Union
Basel Committee on Banking Supervision (BCBS)	**Stefan Ingves** Chairman (Governor, Sveriges Riksbank)
International Association of Insurance Supervisors (IAIS)	**Victoria Saporta** Chairman, IAIS Executive Committee (Executive Director, Prudential Policy, Bank of England)
International Organization of Securities Commissions (IOSCO)	**Ashley Alder** Chairman of the Board (CEO, Hong Kong Securities and Futures Commission)
International Accounting Standards Board (IASB)	**Hans Hoogervorst** Chairman
Committee on the Global Financial System (CGFS)	**William C Dudley** Chairman (President, Federal Reserve Bank of New York)
Committee on Payments and Market Infrastructures (CPMI)	**Benoît Cœuré** Chairman (Member of the Executive Board, European Central Bank)