

Press release

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FSB welcomes US proposals for reducing moral hazard risks

The proposals announced by the US yesterday are amongst the range of options and approaches under consideration by the Financial Stability Board (FSB) in its work to address the moral hazard risks posed by too-big-to-fail (TBTF) institutions.

This work, which began last fall, will result in recommendations to G20 Leaders in October 2010. The FSB will publish an interim report on this work shortly after the June G20 Summit.

Several other options for addressing the TBTF problem are being considered by the FSB. These include: targeted capital, leverage, and liquidity requirements; improved supervisory approaches; simplification of firm structures; strengthened national and cross-border resolution frameworks; and changes to financial infrastructure that reduce contagion risks.

A mix of approaches will be necessary to address the TBTF problem, given the different types of institutions and national and cross-border contexts involved. At the same time, these approaches must preserve an integrated financial services market and not create regulatory arbitrage through an uneven playing field.

Work on the individual options is being carried out by the FSB's Standing Committee on Supervisory and Regulatory Cooperation and by its Working Group on Cross-border Crisis Management, the Basel Committee on Banking Supervision, the Committee on Payment and Settlement Systems, and by IOSCO.

Notes to editors

The FSB has been established to coordinate at the international level the work of national financial authorities and international standard setting bodies (SSBs) and to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies. It brings together national authorities responsible for financial stability in significant international financial centres, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts.

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 <http://www.financialstabilityboard.org/>.