FSB FINANCIAL STABILITY BOARD

Press release

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FSB report finds that effects of G20 financial reforms on infrastructure finance are of a second order relative to other factors

The Financial Stability Board (FSB) published today its final report on the *Evaluation of the effects of financial regulatory reforms on infrastructure finance*, following public consultation earlier this year.

The evaluation is among the first under the FSB framework for the post-implementation evaluation of the effects of the G20 financial regulatory reforms, and forms part of a broader FSB examination of the effects of reforms on financial intermediation. It focuses on infrastructure finance that is provided in the form of corporate and project debt financing (loans and bonds), for which the financial regulatory reforms are of most immediate relevance.

The report concludes that the effect of the G20 reforms on infrastructure finance has been of a second order relative to factors such as the macro-financial environment, government policy and institutional factors. In particular, for the reforms that have been largely implemented and are most relevant for this evaluation – namely, the initial Basel III capital and liquidity requirements (agreed in 2010) and over-the-counter derivatives reforms – the analysis does not identify material negative effects on the provision and cost of infrastructure finance to date.

The evaluation further finds that:

- The overall amount of infrastructure finance has grown in recent years after a temporary drop during the financial crisis. Market-based finance – mainly project and particularly corporate bond issuance as well as non-bank financing – has accounted for most of the growth in advanced economies in recent years.
- Lending spreads for infrastructure finance have returned to lower levels in recent years following a spike during the crisis, but remain above pre-crisis levels.
- There are some key differences in the provision of infrastructure finance in emerging market and developing economies (EMDEs) compared to advanced economies. EMDEs tend to rely more on bank loans, have a higher proportion of cross-border financing, and use local currency less for financing purposes.
- The reforms have contributed to shorter average maturities of infrastructure loans by global systemically important banks. This effect is not necessarily unintended, given that reducing banks' maturity mismatch was one of the objectives of the reforms.
- While not analysing the ex post effects of reforms on financial resilience, the evaluation has found no results to suggest that the wider benefits to the financial system from

enhanced resilience – as estimated at an aggregate level in ex ante impact assessment studies – do not apply in the narrower context of infrastructure finance.

- The analysis points to some substitution in recent years of bank financing by market-based financing in advanced economies, and the G20 banking reforms may have been one of the drivers for this rebalancing.

The FSB also published today an overview of responses to the public consultation, which summarises the issues raised in the public consultation and sets out the main changes that have been made in the evaluation report to address them.

Notes to editors

The FSB published in July 2017 a *Framework for Post-Implementation Evaluation of the Effects of the G20 Financial Regulatory Reforms* that guides analysis of whether the reforms are achieving their intended outcomes, and help identify material unintended consequences that may have to be addressed, without compromising on the objectives of the reforms. The framework provides the basis for dynamic implementation, and ensures that reforms remain fit for purpose amidst changing circumstances.

The report published today forms part of the evaluation of the G20 financial regulatory reforms on financial intermediation. The second part of the evaluation examines the effects of reforms on the financing of small and medium-sized enterprises and will be delivered to the G20 during the Japanese G20 Presidency in 2019. The FSB will also undertake an evaluation on the effects to date of reforms to end too-big-to-fail; that evaluation will be launched in early 2019 and completed in 2020.

The FSB coordinates at the international level the work of national financial authorities and international standard-setting bodies and develops and promotes 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.