

Meeting of the FSB Taskforce on Regulatory, Legal and Supervisory Matters (LRS)

Monday, 22 April 2024 (9:00 – 18:00 CEST)

Bank for International Settlements
Centralbahnplatz 2, CH-4002 Basel

Please arrive 15 minutes prior to the start of the meeting to clear through BIS security, which requires a government-issued identification card with photo.

Introduction

As set out in the LRS' Terms of Reference, the taskforce is to provide feedback on potential measures put forward by the FSB under the Roadmap for mitigating identified frictions.

The 22 April LRS meeting in Basel provides an opportunity for the FSB's working groups on Bank and Non-Bank Supervision (BNBS) and Cross-border Payments Data and Identifiers (CPDI) to get feedback in advance of publishing their respective public consultation reports in early July 2024.

- The BNBS is developing recommendations to strengthen alignment in regulation and supervision, including implementation, relevant to banks' and non-banks' provision of cross-border payment services in a way that is proportional to their respective risks.
- The CPDI is developing recommendations to address unnecessary frictions from data frameworks that pose significant challenges to improving the cost, speed, transparency and access of cross-border payments.

Having the LRS meeting in Basel also offers the opportunity to hear about some of the projects underway at the BIS Innovation Hub (BISIH). The BISIH develops public goods in the technology space to support central banks and improve the functioning of the financial system.

Annotated agenda

Opening remarks (9:00 – 9:05)

The LRS Chair will set out the objectives for the meeting.

1. Bank and non-bank supervision (9:05 – 11:00)

This session is with BNBS members.

Objective: The BNBS will discuss its draft recommendations with the FSB's LRS taskforce. The goal of the meeting is to get preliminary private-sector feedback from LRS members on the BNBS' draft recommendations in advance of finalising the draft for review and publishing the report in mid-July. Possible issues for discussion on each recommendation are set out in the presentation slides.

Additional issues for discussion:

- Do the recommendations leave unaddressed any relevant issues within the scope of this report that are related to promoting a level playing field between banks and non-banks in their provision of cross-border payments services?
- Are the recommendations sufficiently actionable to promote the objective of consistency while being sufficiently flexible to accommodate different implementation approaches?
- Recognising that there is no international standard setting body of for the supervision and regulation of non-bank PSPs providing cross-border payments, other than the FATF for AML/CFT, is there a need for such international standards that the FSB recommendations should put forward?
- The BNBS was tasked with developing recommendations to help address inconsistencies in supervisory and regulatory frameworks between banks and non-bank PSPs providing cross border payments as a source of friction. Are inconsistencies in enforcement related to these regulatory frameworks (e.g. penalties imposed for regulatory compliance failures) also an issue that the FSB recommendations should consider, and if so, should those be a separate recommendation, or could they be sufficiently addressed under Recommendation 2?

Documents:

- Presentation slides of draft BNBS recommendations (LRS/2024/06)

Coffee break (11:00 – 11:15)

2. Data frameworks (11:15 – 13:15)

This session is with CPDI members.

Objective: The CPDI will discuss its draft recommendations with the FSB's LRS taskforce. The goal of the meeting is to get preliminary feedback from LRS members on the CPDI's recommendations in advance of publication of the consultative report in early July. Possible issues for discussion on each recommendation are set out in the presentation slides.

Additional issues for discussion:

- Do LRS Task Force members agree with the need to establish a joint forum for collaboration on data frameworks related to cross-border payments? What are members' views on the best ways for the Forum to engage the private sector? (Recommendation 1)
- Are there additional recommendations that should be considered to help address industry uncertainty in balancing regulatory and supervisory obligations? (Recommendation 8)
- Are there challenges arising from the implementation of ISO 20022, FATF Recommendation 16, and adoption of standardised legal entity identifiers that should be addressed in the FSB recommendations? Are there additional steps that national authorities should take to encourage implementation in these areas? (Recommendation 2, 3, 5)
- Do LRS Task Force members agree that increased standardisation in the way sanctions lists are shared and updated could represent meaningful improvement in cross-border payments? What is the best way to accomplish this standardisation? (Recommendation 4)
- Are there best practices or use cases in cross-border data transfer mechanisms that should be considered or highlighted (Recommendation 6 and 7)?
- Are there additional aspects of data restrictive policies (e.g. data localisation and data mirroring) that are important for cross-border payments and should be considered? (Recommendations 9 and 10)
- What is the best way to ensure that authorities assess the impacts of data-restrictive policies in cross-border payments before they put them in place? (Recommendation 11)
- What are the best examples of successful policies that have been implemented to support innovation in cross-border payments? (Recommendation 12)
- Are there additional data-related challenges or issues affecting cross-border payments that should be addressed in the FSB recommendations?

Documents:

- Presentation slides of draft data frameworks recommendations (LRS/2024/07)

Lunch (13:15 – 14:15)

3. BIS Innovation Hub (14:15 – 15:45)

This session includes BNBS and CPDI members.

Objective: To receive an overview of projects underway at the BIS Innovation Hub that aim to address frictions in cross-border payments, including Project Nexus, Project Mandala and Project Aurora. Possible issues for discussion on each recommendation are set out in the presentation slides.

Additional issues for discussion:

- How could these innovative projects contribute to meet the G20 Roadmap's ambitions for achieving cheaper, faster, more transparent and more accessible cross-border payments?
- How can public and private sector participants best support these initiatives?
- What are your views on the approach that these projects have taken in handling jurisdictional differences (e.g. legal, regulatory, and operational requirements)?
- How can differences in relevant data frameworks across jurisdictions be best managed to reduce frictions in cross-border payments?
- Are there other compliance bottlenecks and frictions that BISIH projects should focus on?
- What experiments would be of high value for the BISIH to conduct, in addition to the BISIH's planned work on privacy and privacy enhancing technologies, and data standards including application of the LEI.

Documents:

- Presentation slides on BISIH projects (LRS/2024/08)
- For background: Project Nexus: Enabling instant cross-border payments (published March 2023)
- For background: Project Mandala: Shaping the future of cross-border payments compliance (updated November 2023)
- For background: Project Aurora: The power of data, technology and collaboration to combat money laundering across institutions and borders (published May 2023)

Coffee break (15:45 – 16:00)

4. Next steps (16:00 – 17:00)

This session is for LRS members only.

The LRS Chair would like to discuss with LRS members the path forward for the group.

Apero (17:00 – 18:00)