

Press release

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FSF concludes third Latin American Regional Meeting

The Financial Stability Forum (FSF) has just concluded its third regional meeting in Latin America, held over the past two days at the Central Bank of Chile in Santiago de Chile. Senior representatives from finance ministries, central banks, and supervisory and regulatory authorities from four FSF member countries and ten regional non-member countries attended the meeting. Senior officials from international institutions represented on the FSF also took part in the meeting.

Participants exchanged views on strengths and vulnerabilities in international and regional financial systems. They shared the view that the economies in the Latin American region were generally showing signs of a recovery of growth, reflecting policy improvements, among other factors, but that the region continues to face vulnerabilities.

They discussed the sustainability of current and expected levels of public debt, pointing to the need to manage the debt in such a way as to reduce the impact of market shocks. In that regard, they noted that some countries in the region have taken advantage of the favourable external financing environment to consolidate their debt position. A continuation of favourable financial and economic conditions should be used to improve fiscal positions. They also pointed to reforms already implemented and reforms still needed to enhance domestic securities markets, in order to facilitate public sector debt management and to provide alternative sources of funding and risk management for the private sector. They discussed the risks posed by currency mismatches and partial dollarization and considered ways to reduce those risks, including the maintenance of good macroeconomic policies, a floating exchange rate regime and adequate prudential framework. They also noted the value of foreign direct investment in the financial sectors and agreed that a sound and predictable regulatory and legal environment is needed to address the concerns of both parent institutions and host authorities.

Participants exchanged views on international crisis prevention and resolution, pointing in particular to the successful incorporation of collective action clauses in recent bond issues by countries in the region.

They also shared views on the New Basel Capital Accord, the framework of which is expected to be completed by mid-year 2004. They agreed that national supervisors will need to review carefully whether the preconditions for implementation of the new Accord are satisfied and, if not, what steps they should be taking to enhance their regulatory, supervisory, and risk management capacity.

Participants reviewed initiatives currently underway to strengthen corporate governance. A number of measures have been taken and laws enacted, but enforcement of the rules is a key problem. In that regard, enhancement of judicial and legal systems is warranted. They pointed to the implementation of a number of national and international auditor oversight mechanisms, as well as efforts to reach an international consensus on accounting standards, to strengthen financial reporting frameworks. Participants also considered the issues of conflicts of interest affecting financial analysts and the integrity of the credit rating process. In all of these areas, participants underscored that further headway is desirable -- in Latin America as in other regions -- to strengthen efficiency, transparency, and investor confidence.

Participants thanked the Central Bank of Chile for its hospitality in hosting the meeting.

FINANCIAL STABILITY FORUM

Note for editors. The FSF was established in February 1999 to promote international financial stability through enhanced information exchange and international cooperation in financial market supervision and surveillance. It brings together on a regular basis 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. Mr Roger W. Ferguson, Jr., Vice Chairman of the Board of Governors of the Federal Reserve System, chairs the FSF, supported by a small secretariat based in Basel, Switzerland.

The objective of bringing together Forum members and regional authorities is to allow an exchange of views on potential vulnerabilities from a regional perspective, brief regional authorities on the Forum's discussions and enable them to inject their views and perspectives on the Forum's work. A list of the institutions represented at the meeting is attached.

For further information on the FSF, its membership, the activities of its working groups and previous FSF meetings, please visit the FSF website at www.fsforum.org.

FINANCIAL STABILITY FORUM

**The Third FSF Latin American Regional Meeting
17-18 November 2003, Santiago de Chile**

- List of Institutions Represented-

**Chairman
Mr Roger W. Ferguson, Jr.**

Argentina	Ministry of Economy Central Bank of Argentine Republic
Brazil	Central Bank of Brazil
Canada	Department of Finance
Chile	Ministry of Finance Central Bank of Chile Banking & Financial Institutions Supervisory Agency Securities & Insurance Supervisory Agency
Colombia	Bank of the Republic
Germany	Deutsche Bundesbank
Mexico	Ministry of Finance and Public Credit Bank of Mexico National Banking & Securities Commission
Peru	Central Bank of Peru Banking & Insurance Supervision Agency
Singapore	Monetary Authority of Singapore
South Africa	South African Reserve Bank and Financial Services Board
Spain	Ministry of Economy Bank of Spain
United States	Department of the Treasury Securities & Exchange Commission
Uruguay	Central Bank of Uruguay
Venezuela	Central Bank of Venezuela
European Central Bank	
Bank for International Settlements	
International Monetary Fund	
Organization for Economic Cooperation and Development	
The World Bank	
Basel Committee on Banking Supervision	
International Association of Insurance Supervisors	
International Organization of Securities Commissions	