FSB FINANCIAL STABILITY BOARD

Press release

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Meeting of the Financial Stability Board in Basel on 10 January

At its meeting today in Basel, the Financial Stability Board (FSB) discussed vulnerabilities currently affecting the global financial system and its work plan for 2012 to strengthen global financial regulation.

The sovereign debt crisis in the euro area continues to weigh on the global financial system. High risk aversion and weak economic growth are compounding the refinancing challenges facing sovereigns and financial institutions. Although market conditions have improved in recent weeks, downside risks remain substantial.

We welcome the significant policy measures taken to address the crisis in recent months. We look forward to European and national authorities fully and promptly implementing a comprehensive set of measures to support confidence and lower market tensions. All FSB members are committed to strong cooperation to support market functioning and to act as needed to contain the risks of spillovers in the global financial system.

Financial regulatory reform programme

Addressing systemically important financial institutions (SIFIs). The FSB discussed the work ahead to further develop and implement the SIFI framework, including extending it to domestic systemically important banks, and global systemically important insurance companies and other types of financial institution. The FSB also approved workplans to implement the Key Attributes of Effective Resolution Regimes, including the preparation of resolvability assessments, recovery and resolution plans, and cross-border cooperation agreements between home and host authorities for each global SIFI by end-2012 and the development of an assessment methodology for the Key Attributes. The first of an iterative series of peer reviews of the implementation of the Key Attributes will be launched in the second half of this year.

Shadow banking. The FSB reviewed the status of workstreams to strengthen the regulation and oversight of shadow banking. The FSB will review in more detail the progress made by all workstreams in March.

Over-the-counter (OTC) derivatives. The FSB has set up an OTC Derivatives Coordination Group, comprising the chairs of relevant standard-setting bodies, to ensure close coordination of the different international workstreams, as an important element in achieving

the G20's OTC derivatives market reforms as agreed by end-2012. An initial focus of the group will be on establishing adequate safeguards for a global framework for central counterparties (CCPs) so that, by June 2012, authorities can make informed decisions on the appropriate form of CCPs to meet their commitment that all standardised OTC derivatives be centrally cleared by end-2012. Alongside the work to coordinate international standard-setting, members agreed on the importance of continued close coordination in the development of national reforms consistent with international standards.

Legal entity identifier (LEI). The FSB is supporting the development of an LEI - a unique global identifier for parties to financial transactions - by coordinating work among the global regulatory community to prepare recommendations for the appropriate governance framework, as requested at the G20 Cannes Summit. The FSB has set up an expert group from the official sector, to be supported by a private-sector advisory panel, to deliver concrete proposals by April on the implementation of a global LEI system for review by the FSB and delivery to the G20 at the June 2012 Summit.

Financial reporting. Members discussed the conclusions of the December FSB roundtable on enhancing risk disclosures by financial institutions, and agreed next steps to encourage the development of principles and identification of leading practices for risk disclosures.

The FSB also agreed to study how to improve the role that external audits play in providing early warnings to prudential supervisors and regulators of financial institutions, and to encourage work to improve the intensity and effectiveness of regulation of external audits, particularly those of financial institutions.

Implementation monitoring

Coordination Framework for Implementation Monitoring (CFIM). The FSB discussed next steps for the CFIM, arrangements for which were published in October 2011 (http://www.financialstabilityboard.org/publications/r_111017.pdf). The FSB's Standing Committee on Standards Implementation will coordinate implementation monitoring within the FSB and with relevant standard-setting bodies. The FSB will review implementation progress reports in priority areas for delivery to the June 2012 Summit.

Compensation practices. The FSB agreed next steps in the ongoing monitoring and public reporting of the implementation of the FSB Principles and Standards for Sound Compensation Practices, following up on the October 2010 peer review report. As part of the monitoring, a bilateral complaint handling process will be established by which national supervisors work together to verify and, as needed, address specific level playing field concerns involving their respective firms with regard to the implementation of the Principles and Standards.

Peer reviews. The FSB reviewed a report on the experience to date with FSB peer reviews since the programme of peer reviews began two years ago, and agreed on ways to further strengthen the functioning of the peer review programme. It also discussed the latest peer reviews: country reviews of Canada and Switzerland and a thematic review on deposit insurance systems. The reports for these three reviews will be published shortly. In 2012, the FSB will undertake a country peer review of South Africa and thematic peer reviews on risk governance of financial institutions and on resolution regimes.

Regional consultative groups

The FSB established in late 2011 six regional consultative groups (RCGs), covering the following regions: the Americas, Asia, the Commonwealth of Independent States, Europe, the Middle East & North Africa, and Sub-Saharan Africa. Members heard reports from the co-chairs of the RCGs for the Americas, Asia and Europe, which held their inaugural meetings in late 2011. The first meetings of the other three RCGs will be held in early 2012.

Strengthening FSB capacity, governance and resources

The FSB has expanded its Steering Committee, to achieve a better-balanced geographical and institutional representation. Members are creating a High-Level Group on FSB Governance and Resources, to examine various options for meeting G20 Leaders' call for placing the FSB on an enduring organisational footing with a corresponding institutional standing, legal personality and greater financial autonomy, while maintaining the strong and well-functioning links with the Bank for International Settlements.

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 and to develop and promote 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 is chaired by Mark Carney, Governor of the Bank of Canada. 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.financialstabilityboard.org.