FSB FINANCIAL STABILITY BOARD

Press release

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Financial Stability Board reports to G20 Leaders on global financial reforms

The Chairman of the Financial Stability Board (FSB) reported to the G20 Leaders today at the Seoul Summit on progress and next steps in the implementation of the G20 recommendations for strengthening financial stability.

The FSB is publishing today:

- a letter from the FSB Chairman to the G20 Leaders;
- the policy framework for reducing the moral hazard posed by systemically important financial institutions (SIFIs) - FSB Recommendations and Time Lines (see separate press release); and
- a report on progress in the implementation of the G20 recommendations for strengthening financial stability.

At the Summit, the G20 Leaders endorsed the Basel Committee's new bank capital and liquidity framework and committed to adopt and fully implement the framework within the agreed time frame. They also endorsed the FSB's agreed policy framework for reducing the moral hazard posed by SIFIs, and asked that remaining work be completed in accordance with the endorsed work processes and timelines in 2011 and 2012. The key elements of the policy framework are covered in a separate press release.

The G20 Leaders also endorsed:

- the FSB's policy recommendations, prepared in consultation with the IMF, on increasing supervisory intensity and effectiveness;
- the FSB's recommendations for implementing OTC derivatives markets reforms, and
- the FSB's principles for reducing reliance on external credit ratings.

They asked the FSB to monitor the progress in implementing the FSB's standards for sound compensation.

In addition, G20 Leaders asked the FSB to carry out further work, in conjunction as appropriate with other international bodies, on: macroprudential policy frameworks (jointly with the IMF and BIS); strengthening regulation and oversight of shadow banking (in collaboration with standard setters); addressing financial stability relating to emerging market

and developing economies (with the IMF and World Bank); considering the need for additional steps to regulate and supervise commodity derivatives markets, and on market integrity and efficiency (based on reports from IOSCO); and options for enhancing consumer protection (in collaboration with the OECD).

The G20 Leaders also endorsed the FSB's plan to establish regional consultative groups in 2011 to engage a broader range of countries in its work.

To keep pace with growing demands, the G20 Leaders asked the FSB to bring forward for review by Finance Ministers and Central Bank Governors well before the 2011 Summit proposals to strengthen the FSB's capacity, resources and governance.

Since the Washington Summit in November 2008, the FSB and its members have advanced a major programme of financial reforms to build a more resilient and less procyclical financial system that better serves the needs of our economies. This has included:

- new bank capital and liquidity standards (Basel III);
- a policy framework to address the moral hazard risk posed by SIFIs;
- system-wide oversight arrangements at national, regional and international levels;
- measures to improve core market infrastructures;
- expansion of the regulatory perimeter to include the OTC derivatives markets, hedge funds and credit rating agencies; and
- supervisory tools to raise standards of governance, risk management and capital conservation at financial institutions.

The FSB will continue to monitor progress on consistent international implementation of these reforms, including through its peer reviews, and regularly report to the G20.

Notes to editors

The reports are available on the FSB's website, www.financialstabilityboard.org.

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 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 the FSB website, www.financialstabilityboard.org.