FSB FINANCIAL STABILITY BOARD

Press release

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Financial Stability Board reports to G20 Leaders on financial regulatory reform progress

At the Los Cabos Summit today, G20 Leaders endorsed recommendations to put the Financial Stability Board (FSB) on an enduring organisational footing, with legal personality and greater financial autonomy. They also endorsed the FSB's amended Charter, which strengthens the FSB's role in coordinating international standard setting and in monitoring implementation of agreed policies and international standards at the national level. Leaders called for full implementation of the recommendations by the next G20 Summit in September 2013.

The Chairman of the FSB, Mark Carney, welcomed the Leaders' endorsement, noting that "These steps will enable the FSB to play a more continuous and visible role in crisis prevention, coordination of international standard setting, review of regulatory policies, and comprehensive monitoring of members' implementation of agreed policies. As it institutionalises, the FSB intends to maintain its lean structure, its member-driven character, and its tight connection to the G20".

In his remarks to the Summit, Mr Carney reported on the progress made by the FSB and its members in developing and implementing the broad programme of financial reforms mandated by the G20. He stressed the importance of timely, full and consistent implementation of agreed reforms in order to restore confidence and trust in the financial system and preserve the advantages of an open and globally integrated financial system. "Recent experience demonstrates that when market participants and authorities lose confidence in the strength of financial institutions and markets in other countries, the retreat from an open and integrated system can occur rapidly."

In a letter to the G20 Leaders prior to the meeting the Chair set out the key elements of recent progress on the reform programme and next steps.

The FSB is publishing today the following reports delivered to G20 Leaders:

- an overview report on progress in the implementation of the G20 recommendations for strengthening financial stability;
- a "scoreboard" status report prepared by the FSB Secretariat, in consultation with FSB members, that assesses the current state of progress made in global policy development and implementation of financial regulatory reforms;

- recommendations for strengthening the FSB's capacity, governance and resources, including a revised Charter for the FSB;
- a report, identifying the effects of regulatory reforms on emerging market and developing economies and reviewing potential unintended consequences, prepared in coordination with the staff of the International Monetary Fund and the World Bank (on which a separate press release has been issued today).

In their Los Cabos communiqué, the G20 Leaders welcomed the FSB's progress report, including enhanced monitoring of implementation of reforms at the national level. They committed to implement financial reform to agreed timelines and expressed support for the ongoing policy work of the FSB and its members:

- to strengthen national resolution regimes and recovery and resolution planning for global systemically important financial institutions (global SIFIs);
- to strengthen the oversight and regulation of the shadow banking system;
- to extend the framework for SIFIs to domestic systemically important banks, and to global systemically important insurers and other non-bank financial entities;
- to implement over-the-counter (OTC) derivatives reforms (report published on 15 June);
- to implement the FSB Principles and Standards for Sound Compensation Practices (report published on 13 June);
- to identify potential unintended consequences of agreed financial regulatory reforms for emerging market and developing economies (report published today). Leaders encouraged continued monitoring, analysis and reporting on the subject;
- to end mechanical reliance on credit rating agency ratings. Leaders called for accelerated progress by national authorities in this respect;
- to improve adherence to supervisory and regulatory cooperation and information exchange standards.

G20 Leaders also endorsed the FSB recommendations regarding the development of a global legal entity identifier (LEI) for parties to financial transactions, with a global governance framework representing the public interest. The FSB report to the G20 with recommendations on the LEI was published on 8 June.

They pledged to take all necessary actions to make progress in the areas where difficulties in policy development or implementation have been identified. The FSB overview progress report on implementation of reforms provides more detail on these and other financial regulatory reform initiatives.

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 Mark Carney, Governor of the Bank of Canada. The FSB 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.