

Press release

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FSB Regional Consultative Group for Sub-Saharan Africa discusses financial stability issues and regulatory reforms

On 25-26 October, the South African Reserve Bank hosted the tenth meeting of the Financial Stability Board (FSB) Regional Consultative Group (RCG) for Sub-Saharan Africa in Cape Town, South Africa.

At the meeting, members of the FSB RCG for Sub-Saharan Africa began by discussing the FSB's workplan and the progress made in achieving the 2016 priorities, namely: promoting full, timely and consistent implementation of the international financial reforms; and addressing new risks and vulnerabilities. The members were also provided with an update on the Basel Committee on Banking Supervision's Basel III reforms.

The RCG discussed vulnerabilities in the global financial system, regional financial stability issues and policy responses. In particular, the Group discussed the challenges arising from the slowdown in some of the largest economies in Sub-Saharan Africa, deterioration in terms of trade especially for commodity exporting countries, and consequent increasing inflationary pressures. Slower economic growth, combined with tightening global financing conditions, are leading to lower credit growth and increases in non-performing loans (NPLs) across the region as a whole. Members agreed on the importance of maintaining bank buffers in the face of higher NPLs or lower profitability. Members also discussed the availability of long-term finance in the region and discussed measures and initiatives to address any constraints or challenges.

Members reviewed the progress being made under the FSB's four-point action plan to assess and address the decline in correspondent banking services, including work being done internationally to identify further the extent of the decline, its causes and effects, and the steps being taken to address the issue. Members discussed the *Report on Correspondent Banking* published by the Committee on Payment and Market Infrastructure in July 2016 and the Financial Action Task Force guidance issued last week on the application of its standards to correspondent banking.

Members agreed on the importance of monitoring the implementation and effects of internationally agreed financial sector reforms in the region. They considered areas of reform that were of highest priority for countries in the region, in particular given the stage of development of their financial systems. Members discussed key considerations in designing a framework for monitoring implementation of the reforms in the region, drawing on the experience with the FSB's Coordination Framework for Implementation Monitoring.¹

¹ See http://www.fsb.org/wp-content/uploads/r_111017.pdf.

The members received an update on the progress made by a working group set up by the RCG to study home-host cooperation and information sharing among supervisors in the Sub-Saharan African region.

The RCG meeting was preceded by a workshop on the potential effects and spillovers from the implementation of global financial reforms. The workshop involved participants from both the public and private sector. Participants in the workshop exchanged views on the potential effects of those reforms on overall financial system resilience and intermediation in the Sub-Saharan African region. They also discussed changes in the local presence and activities of global and pan-African banks in the region and the possible drivers and implications of such changes. Workshop participants considered the measures that could be taken at regional or global level to overcome challenges and address any material unintended consequences.

The FSB RCG for Sub-Saharan Africa is co-chaired by Lesetja Kganyago, Governor, South African Reserve Bank and Godwin Emefiele, Governor, Central Bank of Nigeria. Membership includes financial authorities from Angola, Botswana, Ghana, Kenya, Mauritius, Namibia, Nigeria, South Africa and Tanzania, as well as the Central Bank of West African States (BCEAO) based in Senegal and the Bank of Central African States (BEAC). Permanent observers include the Committee of Central Bank Governors of the Southern African Development Community, and the East African Community.

Notes to editors

The FSB has six Regional Consultative Groups, established under the FSB Charter, to bring together financial authorities from FSB member and non-member countries to exchange views on vulnerabilities affecting financial systems and on initiatives to promote financial stability.^{2,3} Typically, each Regional Consultative Group meets twice each year.

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. Through its six Regional Consultative Groups, the FSB conducts outreach with and receives input from an additional approximately 65 jurisdictions.

The FSB is chaired by Mark Carney, Governor of the Bank of England. 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 at: www.fsb.org.

² See http://www.fsb.org/wp-content/uploads/r_120809.pdf.

³ The FSB Regional Consultative Groups cover the following regions: Americas, Asia, Commonwealth of Independent States, Europe, Middle East and North Africa, and Sub-Saharan Africa.