FSB FINANCIAL STABILITY BOARD

First Annual Report

28 January 2013 - 31 March 2014

29 January 2015

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Preface

The Financial Stability Board (FSB) was established in April 2009, at the call of the Heads of State and Government of the Group of Twenty, as a successor to the Financial Stability Forum (FSF). The FSB became a separate legal entity in the form of an association ("Verein") under Swiss law on January 28, 2013 when its Articles of Association were adopted by the Plenary, but it continues to receive funding and services support from the Bank for International Settlements (BIS) under a January 2013 agreement executed between the FSB and the BIS.

This is the first annual report of the FSB and contains the financial statements for over 14-month period from 28 January 2013 to March 2014 as well as an overview of the FSB's ongoing work relating to global financial sector reforms up until September 2014.

Since the FSB is hosted and funded by the BIS, which bears virtually all its operating expenses, as per the agreement between the two, the FSB does not have any assets, liabilities or any revenue of its own. The *Statement of Activities* contained in this report is a reflection of this special framework in which the FSB operates.

1. Financial Stability Board - Organisation, governance and activities

The Financial Stability Board (FSB) coordinates at the international level the financial stability work of national authorities and international standard-setting bodies; and it develops and promotes financial sector policies to enhance global financial stability.[1]

Its membership consists of finance ministries, central banks[2], and financial supervisory and regulatory authorities in 24 countries and territories;[3] the European Central Bank (ECB) and the European Commission; and international financial institutions and standard-setting bodies.[4]

The FSB, chaired by Mark Carney,[5] operates through Plenary meetings of its membership; the Plenary appoints the Chair of the FSB and a Steering Committee, chaired by the FSB Chair. The FSB also has four Standing Committees:

- Assessment of Vulnerabilities – chaired by Agustín Carstens, Governor of the Bank of Mexico;
- Supervisory and Regulatory Cooperation – chaired by Daniel Tarullo, member of the Board of Governors of the Federal Reserve System;
- Standards Implementation – chaired by Ravi Menon, Managing Director of the Monetary Authority of Singapore; and
- Budget and Resources – chaired by Jens Weidmann, President of the Deutsche Bundesbank.

To facilitate its interaction with a wider group of countries, the Plenary has established six regional consultative groups (for the Americas, Asia, the Commonwealth of Independent States, Europe, the Middle East and North Africa, and Sub-Saharan Africa). These groups bring FSB members together with institutions from about 65 non-member jurisdictions to discuss vulnerabilities affecting regional and global financial systems and the current and potential financial stability initiatives of the FSB and member jurisdictions.

The Plenary has also established various working groups, which cover a number of technical areas.

Plenary meetings were held in June and November 2013 and in March and September 2014. As detailed below, the FSB was active in a wide range of areas during the year, and several policy initiatives were endorsed at the September 2013 St Petersburg Summit of the G20 Leaders.

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1 The FSB is a not–for-profit association under Swiss law and is hosted by the BIS under a five-year renewable service agreement. The BIS provides financial and other resources for the FSB Secretariat, which currently comprises 30 staff members.

2 Including a central bank group, the CGFS. The list of Plenary representatives of the FSB Members is accessible at: https://www.financialstabilityboard.org/about/plenary.pdf

3 The country members of the G20 plus Hong Kong SAR, the Netherlands, Singapore, Spain and Switzerland.

4 The international financial institutions are the BIS, IMF, OECD and World Bank; the international standard-setting bodies are the BCBS, the International Accounting Standards Board, the IAIS and the International Organization of Securities Commissions.

5 Was Governor of the Bank of Canada until 1 June 2013 and became Governor of the Bank of England on 1 July 2013.

1.1 Reducing the moral hazard posed by systemically important financial institutions (SIFIs)

Endorsed by the G20 Leaders at their 2010 Seoul Summit, the FSB's framework to address the systemic risks and moral hazard associated with SIFIs contains three key elements:

- a resolution framework to ensure that all financial institutions can be quickly resolved without destabilising the financial system and exposing the taxpayer to risk of loss;
- higher loss absorbency for SIFIs to reflect the greater risks they pose for the global financial system; and
- more intense supervisory oversight for SIFIs.

Resolution of SIFIs. In July 2013, the FSB published *Guidance on recovery triggers and stress scenarios* covering three key aspects of recovery and resolution planning: (i) developing the scenarios and triggers that should be used in recovery plans for global SIFIs (G-SIFIs); (ii) developing resolution strategies and associated operational resolution plans tailored to different group structures; and (iii) identifying the functions that should remain in operation during resolution to maintain systemic stability.

In August, the FSB published three consultative papers regarding its October 2011 document *Key attributes of effective resolution regimes for financial institutions* (hereafter in text and titles, *Key attributes*).

On August 12, it released *Application of the Key attributes to non-bank financial institutions*. When final, the guidance is intended to form additional annexes to the *Key attributes* on the following topics:

(i) the resolution of financial market infrastructure (FMI) and of systemically important FMI participants;

(ii) the resolution of insurers; and

(iii) client asset protection in resolution.

Also on August 12, the FSB released *Information sharing for resolution purposes*, which covers standards for confidentiality and statutory safeguards for information sharing within cross-border crisis management groups and for institution-specific cross-border cooperation agreements.

On August 28, the FSB published *Assessment methodology for the Key attributes*, which proposes criteria for assessing jurisdictions' compliance with the *Key attributes* and offers guidance on related legislative reforms. The FSB developed the draft methodology in conjunction with the IMF, World Bank and standard-setting bodies.

Higher loss absorbency. In November 2013, the FSB released the annual update to its list of global systemically important banks (G-SIBs) using end-2012 data; it was based on a revised methodology that was published by the BCBS in July 2013. One bank was added to the list, increasing the overall number from 28 to 29.

The list distributes the banks across the lower four of the five levels of required additional loss absorbency (additional common equity) for G-SIBs. The five levels range from 1% to 3.5% of risk-weighted assets, according to the level of systemic risk posed by the bank. The highest level (3.5%) is currently kept empty as a disincentive for G-SIBs to increase their systemic importance. Starting from 2016, the additional loss absorbency will be phased in over three years, initially for those banks in the November 2014 list.

In September 2014, the FSB launched a public consultation on a set of proposals to achieve the cross-border recognition of resolution actions and remove impediments to the cross-border resolution.

In July 2013, the FSB published an initial list of nine global systemically important insurers (G-SIIs), using the IAIS assessment methodology and end-2011 data. Starting from November 2014, the list of G-SIIs will be updated and published annually by the FSB. The 2013 report also indicated that the FSB, in consultation with the IAIS and national authorities, will determine the systemic status of, and appropriate risk mitigating measures for, major reinsurers in 2014. The IAIS also published policy measures for G-SIIs and an overall framework for macroprudential policy and surveillance in insurance, which were endorsed by the FSB.

More intense supervisory oversight. In November 2013, the FSB published *Principles for an effective risk appetite framework* and the consultation paper *Guidance on supervisory interaction with financial institutions on risk culture*. The final version of the guidance on risk culture was published in April 2014 and incorporates feedback from the public consultation. These papers form part of the FSB's initiative to increase the intensity and effectiveness of supervision, which is a key component of the policy response to the problem of firms that are "too big to fail". Supervisory expectations for firms' risk management functions and overall risk governance frameworks are increasing, as these were areas that exhibited significant weaknesses during the global financial crisis.

In April 2014, the FSB reported on efforts to enhance supervisory effectiveness and identified areas where more work is needed.

Extending the SIFI framework. The FSB and standard-setting bodies continue to extend the SIFI framework to additional types of financial institutions. In January 2014 the FSB and IOSCO published for public consultation *Assessment methodologies for identifying non-bank non-insurer global systemically important financial institutions* (NBNI G-SIFIs). The document proposes methodologies for the identification of NBNI G-SIFIs, but it does not identify specific institutions, nor does it propose any policy measures. Policies will be developed once the methodologies are finalised.

Improving the OTC and commodity derivatives markets. The G20 has made commitments to improve the functioning, transparency and oversight of the OTC derivatives market through increased standardisation, central clearing, organised platform trading and reporting of all trades to trade repositories (TRs). The FSB published progress updates on implementation of the reforms in April and September 2013, and in April 2014, and it continues to work with member jurisdictions to complete the reforms, settle remaining cross-border issues and ensure the consistency of implementation across jurisdictions.

The FSB set up a study group to consider how the data reported to TRs can be effectively used by authorities, in particular by aggregating the data. A consultative report on the subject was published in February 2014. After the consultation, a feasibility study on the global aggregation of OTC derivatives trade repository data (following) was released in September 2014. The FSB also published in September 2014 a report on FSB member jurisdictions' frameworks for deferring to other jurisdictions' OTC derivatives regulatory regimes, to assist authorities' and the market's understanding of the legal capacities and processes jurisdictions have in place, or have proposed, to defer to one another in cross-border contexts.

1.2 Strengthening the oversight and regulation of shadow banking

The shadow banking system – credit intermediation involving maturity transformation and leverage by entities and activities outside the regulated banking system – can be a source of systemic risk both directly and through its interconnections with the regular banking system. Shadow banking can also create opportunities for arbitrage that might undermine stricter bank regulation and lead to a build-up of additional leverage and risks in the financial system as a whole.

In August 2013, after a comment period, the FSB published revised policy recommendations to strengthen the oversight and regulation of the shadow banking system and mitigate its potential systemic risks. The recommendations focus on five areas:

(i) spillovers between the regular banking system and the shadow banking system;

(ii) the susceptibility of money market funds (MMFs) to "runs";

(iii) the incentives associated with securitisation;

(iv) the risks and procyclical incentives associated with securities financing transactions that may exacerbate funding strains in times of market stress; and

(v) systemic risks posed by other shadow banking entities and activities.

As of end-September 2014, the recommendations stood largely finalised with the exception of the proposals for securities financing transactions, which will be further refined.

In November 2013, the FSB released its third annual monitoring report on global trends and risks of the shadow banking system, including innovations and changes that could lead to growing systemic risks and regulatory arbitrage. The report included data from 25 jurisdictions and the euro area as a whole, which represent about 80% of global GDP and 90% of global financial system assets. For the first time, the report also incorporates estimates from a hedge fund survey by IOSCO.

1.3 Credit ratings

In May 2014, the FSB published the final peer review report that analysed planned actions to reduce reliance on credit rating agency (CRA) ratings and reported on progress with identifying alternative measures of credit risk and strengthening banks' internal credit risk assessment processes.

1.4 Financial benchmarks

In 2013, the G20 tasked the FSB with promoting consistency in the various efforts to improve the reliability and robustness of interbank benchmark interest rates. The FSB has established a high-level Official Sector Steering Group (OSSG) of regulators and central banks to coordinate reviews of existing interest rate benchmarks. The OSSG also established a Markets Participants Group to examine the feasibility of adopting additional reference rates and potential transition issues. The final report of the OSSG was published in July 2014.

In response to concerns raised in 2013 about the integrity of FX benchmarks, stemming from incentives for potential market malpractice linked to the structure of trading around the benchmark fixings, the FSB Plenary formed a working group to focus on FX benchmarks to undertake analysis of the FX market structure and incentives that may promote particular types of trading activity around the benchmark fixings. The report of the group was published on 30 September 2014, which makes a number of recommendations for reform in the FX markets and in the benchmark rates that have been identified as pre-eminent by market participants.

1.5 Addressing data gaps

The global financial crisis highlighted major gaps in information on globally active financial institutions. The FSB is developing a common data template for G-SIBs to analyse their exposures and funding dependencies by counterparty, and their concentration by country, market, currency, sector and instrument. The international data hub hosted by the BIS is collecting from 2013 harmonised firm-level data on credit exposures of G-SIBs. In March 2014, the FSB approved the Phase 2 of the initiative to collect data on G-SIBs' liabilities and funding as well as provide access to the Hub reports for both home supervisory authorities of reporting G-SIBs and central banks of participating jurisdictions with macroprudential functions. Further work also started to implement the Phase 3 (2016) with the collection of granular data on G-SIBs' assets and liabilities to different sectors and markets and extend the access to international organizations and systemic host authorities. The feasibility of the Phase 3 data collection will be assessed with a Quantitative Impact Analysis by end-2014.

As to the broader Data Gaps Initiative, which includes the FSB work on the GSIBs common data template, in October 2013 the FSB and IMF published a *Fourth progress report on the implementation of the G-20 data gaps initiative* while the *Fifth progress report* was published in September 2014.

1.6 Advancing transparency through the legal entity identifier (LEI)

The objective of the global LEI system is to provide unique identification of parties to financial transactions across the globe. The G20 endorsed the June 2012 FSB report *A global legal entity identifier for financial markets*, setting out the governance framework, operational and funding model and implementation for a global LEI. The system has since been launched. A key building block of an improved financial data infrastructure, the LEI will facilitate the achievement of many financial stability and risk management objectives as well as reduce operational risk within firms.

The Regulatory Oversight Committee (ROC) was established in January 2013 as a stand-alone body responsible for governance of the global LEI system and to ensure that it serves the public interest. The Global LEI Foundation (GLEIF) was officially established by the FSB in June 2014 as a not-for-profit Foundation under Swiss law to act as the operational arm of the LEI system. It will operate under ROC oversight to support the application, around the world, of uniform operational standards and protocols by the Local Operating Units issuing LEIs. The GLEIF will also support the maintenance of a logically centralised database of identifiers and corresponding reference data.[6]

1.7 Enhanced Disclosure Task Force (EDTF)

The EDTF brings together financial institutions, investors, analysts and audit firms and was initiated by the FSB to develop recommendations for enhancing risk disclosure practices by major banks. It issued principles and recommendations for such disclosures in October 2012. In August 2013, it published a survey on the level and quality of implementation as it appeared in the major banks' 2012 annual reports. The FSB asked the EDTF to undertake another survey in 2014 which was published on 30 September 2014.

1.8 Monitoring implementation and strengthening adherence to international standards

The FSB's Coordination Framework for Implementation Monitoring (CFIM) mandates that implementation of reforms in priority areas (those deemed by the FSB to be particularly important for global financial stability) should be subject to more intensive monitoring and detailed reporting. Current priority areas are the Basel II, Basel 2.5 and Basel III frameworks; the OTC derivatives market reforms; compensation practices; policy measures for G-SIFIs; resolution frameworks; and shadow banking. Detailed reporting of progress in implementation, conducted in cooperation with relevant standard setting bodies, has begun in several of these areas, and the FSB will extend and deepen monitoring in 2014.

The FSB's most intensive monitoring mechanism is the peer review programme. It is conducted through its Standing Committee on Standards Implementation, and it aims to evaluate member jurisdictions' adoption of international financial standards and FSB policies. In 2013 and the first half of 2014, the FSB completed the thematic review on the FSB principles for reducing reliance on CRA ratings (see above) and the country peer reviews of Germany, Indonesia, South Africa, United Kingdom and the United States. Seven other peer reviews began in 2014 and will be completed by 2015: thematic reviews on supervisory frameworks and approaches for G-SIBs, reporting of OTC derivatives transactions to trade repositories, and resolution regimes; and country reviews of the Netherlands, Russia, China, Turkey and Saudi Arabia.

In December 2013, the FSB published an update on its initiative to promote jurisdictions' adherence to standards for international supervisory and regulatory cooperation and information exchange. This annual update provides information on all jurisdictions evaluated under the initiative, including those identified as non-cooperative. On 19 June 2014, the FSB issued a notice advising financial institutions to be aware that Venezuela had been determined by the FSB to be a non-cooperative jurisdiction and therefore to exercise appropriate caution in conducting business in Venezuela or with financial institutions supervised by the Venezuelan authorities.

[6] Please see the G20-endorsed FSB report, *A Global Legal Entity Identifier for Financial Markets*, accessible at: https://www.financialstabilityboard.org/publications/r_120608.pdf.

1.9 Impact of regulatory reforms on emerging market and developing economies (EMDEs)

As requested by the G20, and in consultation with standard-setting bodies and international financial institutions, the FSB reports on significant unintended consequences of internationally agreed reforms and of measures taken to address them. In September 2013, the FSB published an update of monitoring developments, which draws in part on the findings of a workshop organised in May 2013 on experiences among EMDEs. It also draws on discussions in FSB regional consultative groups and input from FSB members. The FSB will continue to report on the effects of reforms on EMDEs as part of its overall implementation monitoring framework.

1.10 Strengthening accounting standards

The G20 and FSB support the development of a single set of high-quality global accounting standards. The FSB continues to encourage the IASB and the Financial Accounting Standards Board to complete their convergence project, and it is monitoring their progress in implementing specific G20 and FSB accounting recommendations. The two boards made further progress in 2013. Work in the key areas of accounting for the impairment of loans and for insurance contracts has been completed in 2014.

1.11 Financial regulatory factors affecting the availability of long-term finance

At the requests of the G20, the FSB is monitoring the effect of financial regulatory factors on the supply of long-term investment finance. In February 2013, the FSB provided an initial report to G20, and in August 2013 and September 2014, the FSB updated on the work. The FSB's monitoring of this issue will continue as part of a broader study of long-term finance by international organisations for the G20.

FSB website: www.financialstabilityboard.org

2. Financial statements

as at 31 March 2014

The financial statements on pages 9 - 13 for a little over 14-month financial period ended 31 March 2014 were presented to Plenary on 19 December 2014 (under written procedure) for their approval pursuant to Article 4 of the Articles of Association., and approved on 6 January 2015.

Mark Carney Chairman	Svein Andresen Secretary General

Statement of activities

For the period from 28 January 2013 (date of incorporation) to 31 March 2014

CHF thousands		**2014**
		CHF '000
Contributions from Members		
	Contributions received	**12,285**
Operating expenses		
	Management and staff expenses	
	Basic salary and allowances	(7,867)
	Charges under pension scheme	(2,159)
	Health and accident insurance	(479)
	Other personnel expenses	(277)
		(10,782)
	Administration expenses	
	Staff travel	(1,116)
	Other administration expenses	(362)
	Audit fee	(25)
		(1,503)
Changes in unrestricted net assets		**0**

2.1 Notes to the financial statements

2.1.1 Nature of organisation

The Financial Stability Board (FSB) was established in April 2009, at the call of the Heads of State and Government of the Group of Twenty (G20) at their London Summit, as a successor to the former Financial Stability Forum (FSF), and held its inaugural meeting on 26-27 June 2009 in Basel.

The FSB became a legal entity on 28 January 2013 in the form of an association ("Verein") under Swiss law and has its office at the Bank for International Settlements (BIS), Centralbahnplatz 2, Basel - 4002, Switzerland.

The objective of the FSB is to coordinate at the international level the work of national financial authorities and international standard setting bodies (SSBs) in order to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies.

At present, the FSB membership consists of the ministries of finance, central banks and supervisory and regulatory authorities from 24 jurisdictions and 12 institutional members, comprising international financial institutions, international standard-setting bodies, regulatory, supervisory and central bank bodies ("Members"). The Plenary is the sole decision-making body of the FSB and is composed of 69 representatives of its Members.

The policy-making activities of the FSB are supported by four committees: the Steering Committee, the Standing Committee on Assessment of Vulnerabilities (SCAV), the Standing Committee on Supervisory and Regulatory Cooperation (SCSRC), and the Standing Committee on Standards Implementation (SCSI). In addition to the policy-making committees, the Standing Committee on Budget and Resources (SCBR) oversees the governance of the FSB's financial and other resources.

Besides, the FSB also has six Regional Consultative Groups (RCGs) for the Americas, Asia, Commonwealth of Independent States, Europe, Middle East and North Africa, and Sub-Saharan Africa that provide the FSB a link to about 65 non-member jurisdictions.

2.1.2 Administration of the FSB

2.1.2.1 Secretariat of the FSB

The FSB functions under the overall direction of a part-time Chairman, who is appointed by and reports to the Plenary and supported by a Secretariat located in Basel. The Chairman is not compensated for his services to the FSB. The Secretariat is headed by a full-time Secretary General, who is also appointed by the Plenary and reports to the Chairman. The Secretariat is staffed by professionals most of whom are seconded from national authorities and institutions that are Members of the FSB. For administrative reasons, the employment contracts of most Secretariat staff are concluded with the BIS based on BIS employment terms and salary structure. The FSB therefore has no direct employment relationship with any Secretariat personnel.

2.1.2.2 Funding of the FSB

At present, the FSB receives the majority of its funding and services support from the BIS under an agreement executed on 28 January 2013 between the FSB and the BIS

("Agreement"). The Agreement is for an initial term of five years and is subject to an automatic renewal for further successive five-year fixed terms unless either party gives the other not less-than-one-year termination notice prior to expiry of the term. Under the Agreement, the overall provision of funding and services by the BIS to the FSB is subject to a five-year budget framework, under which the FSB provides an annual budget proposal for its operations to the BIS for each financial year.

The majority of the financial support the BIS provides to the FSB comes in the form of contributions to cover staff compensation and other expenditure, such as travel and subscriptions, which are directly attributable to FSB activities. This support, along with any other similar directly attributable services provided by other Members, is recognised in the Statement of activities as contributions from Members and as operating expenses.

In addition, the FSB is hosted at the BIS premises and benefits from administration, accounting, human resources, meeting facilities, office space, equipment, IT and other services, which are provided free of charge and not included as an expense in the Statement of activities.

2.1.3 Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). They cover a little over 14-month period from the inception of the FSB on 28 January 2013 to 31 March 2014 (reporting period). They were approved by the FSB's Plenary on 6 January 2015.

2.1.4 Functional and presentation currency

These financial statements are presented in Swiss Francs, which is the FSB's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.1.5 Accounting policies

The FSB has consistently applied the following accounting policies throughout the period.

2.1.5.1 Basis of measurement

The financial statements have been prepared on the historical-cost basis.

2.1.5.2 Presentation of financial information

During the reporting period, the FSB had no assets or liabilities nor generated any revenue. The FSB has no shares or capital, and received all funding for its operations in the form of contributed services (both direct and indirect expenses) from the BIS and certain other Members.

Due to the very limited financial operations of the FSB, these financial statements contain a statement of activities but do not include a statement of financial position, a statement of cash flows or a statement of changes in net assets, as these are not meaningful for the reporting period.

2.1.5.3 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the effective exchange rates on the dates of the transactions.

2.1.5.4 New standards and interpretations not yet adopted

A number of new IFRS standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2014. These have not been early-applied in preparing these financial statements. The FSB evaluated the potential effect of these standards and concluded that they will not have a material impact on its financial statements.

2.1.6 Contributions from Members

During the reporting period, the BIS and three other Members contributed to the operations of the FSB Secretariat. These contributions included funding of staff, travel and other directly incurred expenses. The following table outlines the value of the contributions received by the FSB during the reporting period and the headcount at year-end by the classification of the Contributor:

CHF thousands

Contribution from:	Contribution	Headcount
1. BIS	11,972	28
2. Others	313	2
Total	12,285	30

2.1.7 Operating expenses

The FSB recognises the value of directly attributable expenses in its Statement of activities. The majority of these directly attributable expenses are for personnel costs and where available, the FSB uses the actual costs incurred by the provider of the resources. These include salary and allowances; health and accident insurance; post-employment benefits and various other personnel-related costs.

In order to provide consistency in reporting, where actual personnel cost incurred by the provider of personnel is not available, the FSB has used estimates based on averages of similarly situated professionals (usually based on the professional's grade).

Other directly attributable expenditures include travel, meeting costs and subscriptions. The BIS's provision of premises and administrative support are free of charge and not included as an expense in the Statement of activities.

2.1.8 Related parties

The FSB considers the following to be its related parties:

- Institutions that are Members of the FSB Plenary;
- the FSB Chairman, including persons and institutions connected with him

In this regard, close members of family as well as institutions controlled by the Chairman are considered to be connected with him.

During the reporting period, no remuneration was paid by the FSB for the services provided by the Chairman or by any of its Members, including their representatives in the Plenary. The

FSB has not included any estimate of the value of services provided by Chairman or the Members in the Statement of activities.

The specific relationship between the FSB and the BIS, as well as the value of the BIS' direct services and the nature of the indirect services contributed are described in Note 2 and Note 6, respectively.

2.1.9 Contingent liabilities

In 2013, the G20 members requested that the FSB take the leading role in establishing a Global Legal Entity Identifier (GLEI). To support the implementation of this project, the FSB coordinated the establishment of a GLEI Foundation ("the Foundation" or "GLEIF") and as part of this activity, the FSB agreed to provide a contribution of CHF 50,000, to the Foundation. As at 31 March 2014, this agreement was in the nature of contingent liability. There were no other financial or legal liabilities to the GLEIF.

There were no other significant contingent liabilities as at 31 March 2014.

2.1.10 Subsequent events

In June 2014, the GLEIF was officially formed and legally registered in Basel-Stadt as an independent Swiss non-for-profit foundation. The Board of Directors of the GLEIF was appointed and held its first meeting on 26 June 2014 and the FSB made a contribution of CHF 50,000 in September 2014. This payment was matched by contributions received by the FSB. The oversight body of the GLEIF is the Legal Entity Identifier Regulatory Oversight Committee ("LEI ROC") – an independent public sector body composed of public sector authorities from around the world that have assented to the ROC charter. The membership and charter of the LEI ROC can be found at www.leiroc.org.

No other events occurred between 31 March 2014 and the date of approval of the financial statements by the FSB Plenary on 6 January 2015 that would require adjustments to the amounts recognised in these financial statements or would need to be disclosed under this heading.

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➢ To the Plenary of the
Financial Stability Board, Basel

Zurich, 29 January 2015

Report of the auditor on the financial statements

As auditor in accordance with article 8 of your Articles of Association, we have audited the accompanying financial statements of the Financial Stability Board (FSB), which comprise the statement of activities and notes for the period 28 January 2013 to 31 March 2014 (pages 8 to 13).

FSB Secretariat's responsibility
The FSB Secretariat is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law, the FSB's Articles of Association and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. This responsibility includes the establishment and continuous operation of an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The FSB Secretariat is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the existence and effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements (pages 8 to 13) for the period from 28 January 2013 to 31 March 2014 give a true and fair view of the financial position of the FSB, and the results of activities and cash flows for the period then ended in accordance with IFRS, and comply with Swiss law and the Articles of Association of the FSB.

Ernst & Young Ltd

John Alton
- Licensed audit expert
- (Auditor in charge)

Victor Veger
- Partner
-