

Press release

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FSB publishes report on implementation and effects of the G20 financial regulatory reforms

The Financial Stability Board (FSB) published today its first annual report to the G20 on the [*Implementation and effects of the G20 financial regulatory reforms*](#). The report describes progress by FSB member jurisdictions in implementing the financial reforms agreed in the wake of the global financial crisis; presents early analysis on the effects of those reforms; and highlights areas for closer monitoring.

The report notes that implementation progress across the breadth of reforms has been steady but uneven, with implementation of the Basel III reforms to bank capital and liquidity ahead of schedule, over-the-counter (OTC) derivatives reform well underway but behind schedule, shadow banking reforms at an early stage, and substantial work remaining to implement effective resolution regimes.

The report concludes that the most tangible effect of the reforms has been to make the global banking sector more resilient. It also notes that this improved resilience has been achieved while maintaining the overall provision of credit to the real economy. No major unintended consequences of the reforms have been identified to date; the FSB will continue to monitor this going forward.

The report identifies three areas that merit close ongoing attention:

- Spill-overs on some emerging market and developing economies from the implementation of reforms in home jurisdictions of global financial institutions;
- The maintenance of an open and integrated global financial system in the aftermath of the financial crisis; and
- The causes and financial stability consequences of recent shifts in liquidity in fixed income markets.

The FSB is working with standard-setters in all three areas to analyse and, where necessary, address these issues.

The FSB asks G20 Leaders to help overcome legal and other challenges to the implementation of parts of the reform programme, including:

- Putting in place legal powers to enable resolution authorities to share information across borders and to be able to give prompt effect to resolution actions by foreign authorities;

- Promoting cooperation to address duplicative or overlapping requirements to cross-border OTC derivatives transactions;
- Removing legal barriers to the reporting of OTC derivatives transactions to trade repositories and permitting authorities' access to trade repository data; and
- Ensuring that national authorities are adequately resourced for full and timely implementation of reforms as well as for supporting their effective monitoring.

Mark Carney, Chair of the FSB, said “This report fulfils a commitment made to G20 Leaders in Brisbane last year. Monitoring implementation of agreed reforms, analysing the effects of the measures, and making adjustments to address any identified material unintended consequences, represent good regulatory practice and are essential to accountability of the FSB. This new series of annual reports will enable the G20 to assess whether the financial reforms are achieving their intended results in an effective manner and thereby supporting financial stability and sustainable growth.”

Notes to editors

The G20 launched a comprehensive programme of international financial reforms in the aftermath of the global financial crisis to increase the resilience of the financial system, while preserving its open and integrated structure. Its core elements, whose implementation status and overall effects are presented in this report, are as follows:

- **Making financial institutions more resilient** through higher buffers, lower leverage, improved risk management and governance, and sound compensation practices;
- **Ending “too-big-to-fail”** by adopting requirements for higher loss-absorbency of global systemically important financial institutions, by subjecting those institutions to more intensive supervision, and by establishing legal regimes and regulatory frameworks that allow their resolution in the event of failure without taxpayer support or wider economic disruption;
- **Making derivatives markets safer** through the reporting of all over-the-counter derivatives to trade repositories, clearing of all standardised contracts through central counterparties and trading of those contracts (where appropriate) on exchanges or electronic platforms, and subjecting non-centrally cleared contracts to higher capital and minimum margining requirements; and
- **Transforming shadow banking** into resilient market-based finance through strengthening oversight and regulation of the shadow banking system.

This first annual report to the G20 on implementation and effects of reforms includes an implementation ‘dashboard’ that summarises, in a colour-coded table, the status of implementation across FSB jurisdictions for priority reform areas. The report also provides details on the FSB’s forthcoming monitoring activities.

This report is part of the FSB’s ongoing work to monitor and report on implementation of agreed reforms. The FSB, working with standard-setting bodies and international financial institutions, will continue its analysis of implementation and effects of reforms, and stands ready to take appropriate measures to address any identified material unintended

consequences. The initial findings described in the report will be annually updated and augmented as implementation advances.

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 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, www.fsb.org