FSB FINANCIAL STABILITY BOARD

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Monitoring the effects of agreed regulatory reforms on emerging market and developing economies (EMDEs)

1. Introduction

The FSB, in collaboration with the International Monetary Fund (IMF) and the World Bank, prepared a study in June 2012 to identify the extent to which the agreed regulatory reforms may have unintended consequences for EMDEs.[1] The G20 Leaders, in the Los Cabos Summit Declaration, welcomed the study and "*encourage[d] continued monitoring analysis and reporting by the FSB and dialogue among the FSB, standard-setters, international financial institutions and national authorities of EMDEs, to address material unintended consequences as appropriate without prejudice to our commitment to implement the agreed reforms*".[2]

In response to the G20 request, the FSB, in collaboration with standard-setting bodies (SSBs) and international financial institutions (IFIs), has embedded the monitoring, analysis and reporting in this area into existing processes and consultation channels to ensure broad and ongoing coverage. The first FSB follow-up monitoring report on the effects of financial regulatory reforms on EMDEs was published in September 2013.[3] This note provides an update of monitoring developments since then, drawing upon discussions in FSB work streams and in FSB Regional Consultative Groups (RCGs) on the effects of these reforms as well as input by SSBs and IFIs[4] from their own monitoring and assessment processes.

The starting point of this analysis is the set of reforms previously identified by EMDEs as impacting them described in the September 2013 monitoring note. The sections below provide an update on recent developments in each of these reform areas vis-à-vis EMDEs and the steps taken by SSBs and IFIs to identify material unintended consequences and to assist EMDEs in the implementation of the reforms. Box 1 (below) summarises the main conclusions of this note.

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1 See http://www.financialstabilityboard.org/publications/r_120619e.pdf.

2 See https://www.g20.org/sites/default/files/g20_resources/library/G20_Leaders_Declaration_Final_Los_Cabos.pdf.

3 See http://www.financialstabilityboard.org/publications/r_130912.pdf.

4 The relevant SSBs and IFIs comprise the IMF, World Bank, Basel Committee on Banking Supervision (BCBS), International Association of Insurance Supervisors (IAIS) and the International Organization of Securities Commissions (IOSCO).

Main Observations

1. EMDEs continue to express strong support for the G20/FSB reform agenda to enhance the resilience of the global financial system. Those EMDEs that are members of the G20/FSB are in the process of adopting the reforms in accordance with their commitments and the agreed implementation timetable, while a number of other EMDEs report that they are also implementing some of these reforms.
2. Findings on impacts continue to be predominantly of a qualitative nature, reflecting the still early stage of implementation and challenges in separating the effects of reforms from broader conjunctural macroeconomic and financial system developments. To date, EMDEs have not reported major unintended consequences in their economies from the implementation of internationally agreed reforms.
3. The implementation of reforms is bringing about changes to the business models and structures of financial market participants. In this regard, a number of EMDEs have noted that the overall effects of reforms on global financial intermediation need to be monitored carefully since they could potentially hinder the ability of EMDEs to disperse risk efficiently. Other effects, such as potentially higher costs of credit, are often an expected outcome of reforms to restore more prudent business practices and provide more sustainable finance over the economic and financial cycle. The FSB will continue to monitor for any signs that the areas of reform about which concerns have been raised are having an unduly large effect on EMDEs.
4. EMDEs express concerns about specific aspects of the G20/FSB reforms and about the impact of structural banking reform initiatives in some advanced economies (AEs). Some of these concerns have been taken up in relevant bodies and are being addressed in subsequent modifications and guidance on implementation. However, other concerns remain, notably regarding the suitability and spill-overs of OTC derivatives reforms in smaller markets, implementation challenges given capacity constraints, and the need for enhanced home-host coordination to resolve cross-border issues.
5. Given their different starting points, EMDEs will need to continue to make appropriate use of the flexibility in international policy frameworks (e.g. using observation and phase-in periods, calibrating parameters, undertaking impact assessments, and applying national discretions and proportionality) and the technical assistance by IFIs and SSBs to develop strategies that enable them to implement the reforms in a way that is appropriate to their particular circumstances.
6. Progress has been made by the FSB and the SSBs to introduce more inclusive policy development processes (particularly with non-members that may be affected by those reforms) and to expand implementation support through various means. Further steps can be taken, such as the creation of additional EMDE-specific guidance and identification of good practices to facilitate implementation, and stronger coordination among international bodies in the provision of technical assistance and capacity-building.
7. The FSB, drawing on input from its members and RCGs, will continue to monitor and report on the effects of agreed regulatory reforms on EMDEs. The results of this monitoring will be incorporated in the consolidated annual report to the G20 on the implementation of reforms and their effects, which the FSB will prepare starting in 2015. This will help to facilitate the mitigation of unintended consequences.

2. Basel III capital and liquidity framework

EMDEs continue to advance in their implementation of the Basel II/2.5/III reform package. Progress has been greatest in those EMDEs that are members of the BCBS/FSB, where implementation is generally proceeding according to the internationally agreed timeframes.[5] In addition, several other EMDEs that are not BCBS/FSB members report that they are in the process of implementing the Basel framework.[6]

To date, EMDEs report that they do not observe significant adverse effects from Basel III implementation. This finding is consistent with previous FSB reporting, and is also confirmed by national quantitative impact studies undertaken in a few EMDEs (e.g. Turkey). The latest BIS data indicate a substantial expansion in cross-border claims of BIS reporting banks on most EMDEs, while international bond issuance by firms based in EMDEs has also increased substantially in recent years.[7] Moreover, while some global banks have reportedly scaled back their operations in EMDEs, regional banks have replaced them in some regions (e.g. Asia and Latin America), helping to mitigate the impact on domestic credit. Conjunctural macroeconomic and financial system developments may be a contributing factor to these macro trends, alongside any effects from the reforms themselves.

The concerns expressed by some EMDEs are largely qualitative in nature and are the same as identified in previous FSB reports. The Basel III framework is the area mentioned most frequently by EMDEs, which is not surprising given the framework's broad reach and relatively more advanced stage of implementation. In addition to implementation challenges stemming from capacity constraints, some of the main cited concerns stem from:[8]

- On the capital side[9] – differences in the application of the framework across jurisdictions, which may result in differing risk weights (in particular for sovereigns and their central banks) applied to the same EMDE exposure between a parent bank located in an AE and its EMDE subsidiary and could penalise that exposure in terms

5 According to the October 2014 BCBS progress report on the adoption of the Basel regulatory framework (http://www.bis.org/publ/bcbs290.pdf), 9 out of the 10 FSB jurisdictions that are EMDEs have now fully implemented Basel II (Russia is in the process of implementing the IRB approach for Pillar 1 credit risk capital requirements and Pillar 2 regulations); 6 have fully implemented Basel 2.5 (Argentina, Indonesia, Mexico and Russia have either partially adopted it or have initiated steps to do so); and 8 have fully implemented Basel III risk-based capital regulations (Mexico and Russia are in the process of adopting a few elements of the capital framework). Four of them have published rules to adopt the Liquidity Coverage Ratio at the beginning of 2015, while the remainder are in the implementation process.

6 See the July 2014 Financial Stability Institute survey on Basel II/2.5/III implementation (http://www.bis.org/fsi/fsiop2014.pdf).

7 See http://www.bis.org/publ/qtrpdf/r_qt1409b.pdf. Moreover, EMDE-specific factors appear to explain the bulk of the variation in the slowdown of cross-border bank lending to those countries during the 2013 'taper tantrum' – see "Cross-border bank lending during the taper tantrum: the role of emerging market fundamentals" by Avdjiev and Takats (BIS Quarterly Review, September 2014, http://www.bis.org/publ/qtrpdf/r_qt1409g.pdf).

8 See "Impact and implementation challenges of the Basel framework for emerging, developing and small economies" by the Basel Consultative Group (BCBS Working Paper no 27, forthcoming).

9 Some EMDEs also note the need for coordination between home and host jurisdictions on the treatment and location of certain capital instruments across the parent bank and its subsidiaries.

of capital requirements;[10] and potential reduction in market-making and trading of EMDEs' sovereign debt securities by internationally active banks as a result of the implementation of Basel 2.5.

- On the liquidity side – limited availability of high quality liquid assets (HQLA) in certain markets and for certain types of market participants, which may lead to the hoarding of assets with adverse effects on domestic market liquidity and capital market development;[11] differences in the recognition of HQLA across jurisdictions, which may penalise the treatment of certain local assets of bank subsidiaries operating in host EMDEs when calculating LCR on a consolidated basis; the potential impact of liquidity requirements, combined with structural funding characteristics, on the availability and pricing of banks' long-term lending activities (e.g. infrastructure financing);[12] and the intensified competition for deposits that may be prompted by the calibration of outflow rates for different types of liabilities and off-balance sheet commitments.[13]

Some concerns have been expressed about potentially higher costs and reduced availability of credit and liquidity in financial markets in EMDEs. It should be noted that a reduction in leverage in the overall financial system is an expected outcome of reforms aimed at a more resilient financial system and the sustainable provision of finance over the economic and financial cycle. The FSB will continue to monitor for any signs that the areas of reform about which concerns have been raised are having an unduly large effect on EMDEs.

The FSB is also monitoring the impact of financial reforms on the supply of long-term investment finance. In its latest progress report,[14] it concluded that there continues to be little tangible evidence or data to suggest that Basel III or other regulatory reforms have had adverse consequences on the provision of such finance.

The BCBS continues consultations with EMDEs on the remaining elements of the Basel III framework. This work is mainly done though the Committee's Basel Consultative Group (BCG), which established a work stream to identify the impact of the Basel framework on

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[10] The FSB RCG for the Americas published a report in August 2014 on the regional effect on host countries of balance sheet consolidation and risk management practices by global banks (http://www.financialstabilityboard.org/wp-content/uploads/r_140822a.pdf).

[11] A related concern is that the limited market depth and high concentration of the domestic investor base in some EMDEs may create challenges for banks in ensuring adequate collateral given the requirements from different reforms (e.g. LCR, OTC derivatives and securities financing).

[12] In some EMDEs where there is a lack of high quality liquid assets, there is a concern that some banks might be incentivised to hold shorter-term assets to better match the maturities of assets and liabilities (rather than to extend the maturity of their liabilities) in order to comply with the Basel III liquidity framework.

[13] A recent IMF working paper based on data of over 2,000 banks in 128 countries found that a sizeable percentage of those banks in most countries would meet the minimum Net Stable Funding Ratio (NSFR) requirement, and that larger banks are more likely to face a shortfall against the requirement. See "The Net Stable Funding Ratio: Impact and Issues for Consideration" by Gobat et al (IMF working paper 14/106, June 2014, http://www.imf.org/external/pubs/ft/wp/2014/wp14106.pdf).

[14] See the FSB's "Update on financial regulatory factors affecting the supply of long-term investment finance" to G20 Finance Ministers and Central Bank Governors (September 2014, available at http://www.financialstabilityboard.org/wp-content/uploads/r_140916.pdf).

emerging, developing and small economies.[15] On the policy side, input from EMDEs has been taken into account when finalising several recent elements of Basel III (e.g. the leverage ratio, the Liquidity Coverage Ratio and the Net Stable Funding Ratio). On the implementation side, the BCBS continues to monitor and support the timely adoption of the Basel III standard, its quantitative impact on banks and the consistency of implementation among its members (including EMDEs).[16]

3. Policy measures for G-SIFIs and resolution regimes

EMDEs confirm the importance of policy measures for global systemically important banks (G-SIBs), but some have noted concerns about their implementation and potential future effects. In their responses, EMDEs emphasise that these measures will lead to more resilient financial systems and a more level playing field for non-G-SIBs.[17] They also point to the need to closely monitor potential effects of these reforms in their jurisdictions and to address resolution-related implementation challenges, such as:

- On the capital surcharge side – the potential for a reduction in the scale of activities and/or an increase in intermediation costs in certain market segments in which G-SIBs operate, particularly in those EMDEs whose domestic banking systems are largely foreign-owned; and possible asymmetries in the distribution of the benefits and costs across home and host jurisdictions of G-SIBs depending on where the additional capital will be held.
- On the resolution side – the need for adequate involvement of host jurisdictions in crisis management groups (CMGs) and in the design of group-wide resolution plans and strategies for G-SIBs; and the effects of total loss-absorbing capacity requirements in resolution for G-SIBs depending on the form they need to take and the bank's business model. Some EMDEs also point out that significant legislative changes and capacity building will be necessary to establish resolution authorities with the powers set out in the FSB *Key Attributes of Effective Resolution Regimes for Financial Institutions*.

These concerns remain qualitative in nature given the early stage of implementation, and depend on factors such as the importance of different G-SIBs in EMDEs and the market segments in which they operate.

Some of the challenges identified by EMDEs are being addressed in ongoing international policy, implementation and outreach work on G-SIFIs. On the policy side, to promote efficient processes for sharing relevant information among home and host

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15 See footnote 7. The BCG includes close to 20 jurisdictions that are not members of the BCBS, several regional groups of banking supervisors as well as the IMF, the World Bank and the Islamic Financial Services Board. In addition, in September 2014 representatives from Chile, Malaysia and the United Arab Emirates joined the BCBS as observers.

16 See http://www.bis.org/bcbs/implementation.htm.

17 The FSB RCG for Asia published a report in August 2014 on the impact of the SIFI framework on the Asian region (http://www.financialstabilityboard.org/wp-content/uploads/r_140822d.pdf). Using the Macroeconomic Assessment Group's methodology, the report found that the impact of the planned G-SIB capital surcharge on lending spreads for banks based in the Asian region was small.

authorities, the FSB published in October 2014 a new Annex to the Key Attributes on *"Information sharing for resolution purposes"*.[18] The FSB also developed, in consultation with RCGs, guidance on cooperation and information sharing arrangements between home and host authorities where G-SIFI hosted operations are locally systemic but the host authority is not represented in the firm's CMG. The guidance covers the sharing of information about the resolution strategy and plan for such firms, and will be finalised in 2015 following the public consultation.[19] On the implementation side, the FSB monitors the adoption of reforms to national resolution regimes by its members, and many of them (including several EMDEs) report that they are in the process of aligning their regimes with the Key Attributes.[20] To promote implementation of the Key Attributes in EMDEs, the FSB has conducted workshops with the RCGs for Asia and Sub-Saharan Africa. The FSB will continue to work with other international bodies to raise awareness and further the understanding in non-FSB jurisdictions of how the Key Attributes apply in EMDEs and how they can be appropriately implemented. The BCBS has also been monitoring changes to the capital and liquidity positions of G-SIBs via its quantitative impact studies, and it intends to monitor and assess the implementation of the higher loss absorbency and disclosure standard for G-SIBs starting in 2015.

The International Association of Insurance Supervisors (IAIS) intends to assess the effects of policy measures for global systemically important insurers (G-SIIs) once they are adopted. In July 2013, the FSB in consultation with the IAIS and national authorities identified an initial list of G-SIIs, while the IAIS also published a set of policy measures that will apply to those firms. Subsequent work by the IAIS has included the development of guidance to promote effective insurance supervisory colleges and by the FSB has included guidance on the development of resolution strategies and tools for insurers. While EMDEs have thus far not raised concerns over policy measures for G-SIIs, the IAIS and FSB intend to work with their members and to use their assessment tools and outreach mechanisms to identify any unintended consequences of these measures.

4. OTC derivatives market reforms

Those EMDEs that are members of the FSB are implementing the G20 commitments on OTC derivatives market reforms and stress the need for adequate cross-border coordination. Since a relatively large share of their OTC derivatives markets involve foreign counterparties (both dealers and other market participants), these jurisdictions rely on greater cross-border cooperation and information sharing to avoid potential duplication and inconsistencies in regulatory requirements. Jurisdictions, both in AEs and in EMDEs, will

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[18] See http://www.financialstabilityboard.org/wp-content/uploads/r_141015.pdf. The new Annex provides guidance on the design of legal gateways and confidentiality regimes to facilitate effective sharing of non-public information between domestic and foreign authorities for the purposes of carrying out functions relating to resolution, and also sets out provisions relating to information sharing that should be included in institution-specific cross-border cooperation agreements between the members of CMGs for G-SIFIs.

[19] See http://www.financialstabilityboard.org/wp-content/uploads/c_141017.pdf.

[20] See the FSB's progress report to the G20 on progress in reform of resolution regimes and resolution planning for G-SIFIs (November 2014, http://www.financialstabilityboard.org/wp-content/uploads/Resolution-Progress-Report-to-G20.pdf).

also need to address legal barriers to reporting of transactions to trade repositories and issues around access and information sharing where these inhibit cross-border reporting and authorities' access. One concern relates to access to central clearing, particularly in those EMDEs where the size of the market would not support a domestic CCP or local availability of client clearing for certain products.[21] Another concern is the nature of, and differences in, recognition/equivalence requirements among major financial centres, which can lead to protracted and time-consuming bilateral recognition processes between these jurisdictions and EMDEs. Some EMDEs feel a need for more clarity on these requirements or perceive them as more stringent than international standards, which can lead to loss of market access for their firms abroad and to the withdrawal of foreign firms from their domestic market. These issues are also relevant for a number of AEs. At the same time, recognition/equivalence processes for some EMDEs may tend to be more protracted because of their different starting point, i.e. the fact that comprehensive regulatory frameworks spanning prudential and business conduct standards on OTC derivatives are only now being implemented in these jurisdictions.

In the large majority of EMDEs outside the FSB, the impact of these reforms on their financial systems and economies is indirect and stems from potential spill-over effects. Jurisdictions that are not implementing the G20 reforms are nevertheless being impacted to the extent that derivatives users rely on cross-border financial institutions that are subject to these reforms in AEs. The concern is that capital and margining requirements (particularly for non-centrally cleared transactions), once implemented, may affect the cost and availability of finance for end-users in these markets.[22] The new international requirements are aimed at reflecting the higher risks of non-centrally cleared transactions and improving the broader resilience of these markets. However, some EMDEs outside the FSB express concerns that the application of requirements by AEs to cross-border financial institutions will *de facto* apply to domestic users in their own jurisdiction too. This is because, unlike in the case of many AEs, local financial institutions in those EMDEs often lack the technical sophistication and resources to act as replacements for foreign providers of OTC derivatives products. They also note that if firms in some EMDEs cease trading with financial institutions from jurisdictions where new requirements apply, this could potentially result in a reduction in choice and competition in these markets.

The FSB and its members are undertaking work that will help address some of these concerns.[23] In some instances, jurisdictions are engaging directly with one another to discuss issues and seek new understandings and agreements in resolving the identified issues; this may, over time, help alleviate EMDEs' concerns regarding the application of other

[21] In particular, authorities from these jurisdictions note that there may not be sufficient economic incentives for CCPs to provide services for their market participants, in light of the related costs (e.g. changes in operating hours for clearing and payment processing, product offerings, currencies for settlement, and eligible collateral for CCP margin payments). A related concern raised by some of these authorities is the possibility that these CCPs demand preferential terms from EMDEs in order to serve the domestic market, e.g. in terms of scope and duration of transactions that they may process or the currency and location of the default fund contribution and margin posted.

[22] For example, margin requirements for long-term transactions (e.g. interest rate and currency swaps) that currently are not centrally cleared could increase transaction costs, thereby making it difficult for end-users to hedge long-term contracts by using those derivatives.

[23] For more details, see the latest FSB progress report on the implementation of OTC derivatives reforms (November 2014, http://www.financialstabilityboard.org/wp-content/uploads/r_141107.pdf).

jurisdictions' rules in cross-border contexts. In other instances, SSBs (particularly the Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions (IOSCO)) and other international bodies are assisting this process by seeking to achieve international consensus on new standards and by monitoring consistent implementation of standards already issued. These include work to: address legal barriers to reporting to trade repositories and access to data held in these repositories; increase harmonisation and standardisation in trade reporting; finalise and implement international standards to bring more consistency in regulatory approaches; and increase cross-border coordination, including the ability to use deference where appropriate as a potential tool for addressing issues where existing regulatory approaches have the potential to result in gaps, duplication, inconsistencies or conflicts in cross-border regulation.[24]

5. Structural banking reform initiatives

Some EMDEs have also flagged the potential impact on their jurisdictions of recent structural banking reform initiatives in Europe and in the US, which are being implemented in addition to the internationally agreed reform agenda. The most far-reaching reforms are in jurisdictions that are home to G-SIBs, as well as host to substantial operations of G-SIBs. A broad aim of these reforms is to introduce a separation between certain 'core' banking activities – such as payments and retail deposit-taking – and the risks emanating from investment banking and capital market activities. The reforms have mostly taken the form either of functional separation of types of financial activities through outright prohibitions, 'ring fencing' or subsidiarisation; or of geographical separation via local subsidiarisation requirements for domestic operations of foreign banks.[25]

EMDEs generally support the overall objectives of the structural banking reforms as being consistent with the shared goal of ending too-big-to-fail, but they have some concerns about potential negative cross-border implications. The reforms aim to promote global financial stability by reducing systemic risks as well as the implicit government guarantee to too-big-to-fail institutions, resulting in more efficient market pricing of risk and more efficient allocation of capital. At the same time EMDE concerns include the possible impacts on the efficiency of cross-border groups and complications to their crisis management and resolvability, decreased liquidity of financial markets (including sovereign debt markets), regulatory arbitrage and leakage to the shadow banking system. In that respect, some EMDEs point to potential conflicts between international initiatives on cross-border recognition of

[24] The G20 Leaders at the September 2013 St Petersburg Summit agreed that "jurisdictions and regulators should be able to defer to each other when it is justified by the quality of their respective regulatory and enforcement regimes, based on similar outcomes, in a non-discriminatory way, paying due respect to home country regulatory regimes." See also the FSB report to the G20 on jurisdictions' ability to defer to each other's OTC derivatives market regulatory regimes (September 2014, http://www.financialstabilityboard.org/wp-content/uploads/r_140918.pdf) and the Report of the OTC Derivatives Regulators Group on cross-border implementation issues (September 2014, https://www.g20.org/sites/default/files/g20_resources/library/10%20Report%20of%20the%20OTC%20Derivatives%20Regulators%20Group%20on%20Cross-Border%20Implementation%20Issue_0.pdf).

[25] The main reforms are the 'Volcker Rule', the 'Swaps Push-out Rule', and the 'Foreign Banking Organisations Rule' in the US; the 'ring-fencing of core activities' and the approach to branches of non-European Economic Area banks in the UK; the European Commission's proposed EU reforms; and reform initiatives in Switzerland, France and Germany.

resolution actions and national reform initiatives that restrict the activities of banks' foreign subsidiaries.

Responding to a call by G20 Leaders at the St Petersburg Summit, the FSB, working with the IMF and OECD, has published a report examining the likely impacts of these reforms on other jurisdictions' financial systems and on global financial stability.[26] The report found that no adverse impacts have been observed to date. It also noted, however, that in many cases the details of reforms are yet to be fully specified or put into effect. Regulatory restrictions to banking structures in order to provide greater ex ante transparency and certainty to the market and authorities in a resolution scenario can have implications for the mobility of cross-border capital flows. Some fragmentation might however be an intended consequence of reforms that have the objective to reduce interconnectedness between intermediaries, including across borders. The materiality of its effects for global financial stability will only become apparent as these reforms are fully implemented.

The FSB, in collaboration with the IMF and OECD, will provide an update of their assessment to the G20 in 2016, expanding the analysis with data where available. The BCBS intends to take stock of jurisdictions' current and prospective treatment of cross-border branches and subsidiaries and report its findings to the FSB by end-2015.

6. Implementation support

Many EMDEs face capacity and resource constraints that hamper their ability to implement the internationally agreed reforms. Effective implementation of the global regulatory agenda can only take place if there are strong supervisory regimes that are adequately staffed with the appropriate levels of expertise. Several EMDEs have noted that hiring and retaining qualified staff, particularly those with technical skills that are in high demand, presents a significant challenge. The challenge stems partly from the scarcity of qualified individuals in those countries, and partly from the frequently more attractive remuneration and retention incentives in the private sector.

The FSB, IMF, World Bank and SSBs support the exchange of implementation experiences and lessons among EMDEs, and are working with authorities from those countries to analyse and address resource and capacity issues through various means. This support has been expanded in response to the G20 Leaders' request, in the 2013 St Petersburg Summit Declaration, for "*the IMF, the World Bank Group and standard setting bodies to step up their monitoring, analysis and assistance in this area*".[27]

The FSB's RCGs provide a forum to discuss the regulatory reform agenda and related implementation challenges in EMDEs. The six RCGs bring together financial authorities from 65 non-FSB members (including 46 EMDEs) and their counterparts in the FSB. Many of the discussions in RCG meetings revolve around the regulatory reforms and their

[26] See the Report to G20 Leaders on "Structural Banking Reforms: Cross-border consistencies and global financial stability implications", which was prepared by the FSB in collaboration with the IMF and the OECD (October 2014, http://www.financialstabilityboard.org/wp-content/uploads/r_141027.pdf).

[27] See https://www.g20.org/sites/default/files/g20_resources/library/Saint_Petersburg_Declaration_ENG_0.pdf.

implementation in an EMDE context. Several RCGs have organised workshops (e.g. on resolution regimes) and established working groups to study the potential effect of regulatory reforms in the region and challenges in implementation.[28] The RCGs have presented the working groups' findings to the FSB Plenary and published the reports on the FSB website.

The FSB will further strengthen the voice of EMDEs as part of its review of its structure of representation. The FSB will publish later this month the results of its review.[29] The review will respond to the increasing integration of emerging markets in the global economy and ensure that the FSB's work is informed by the best expertise in national jurisdictions, while maintaining the FSB's effectiveness as a decision-making body. One of the outcomes of the review will be to further strengthen the focus of the FSB on issues of importance to EMDEs and ensure that they are addressed as part of the FSB's global work.

The IMF and World Bank are providing capacity building and implementation assistance to EMDEs through several mechanisms. First, they have (jointly and individually) organised various seminars, workshops and courses for policy makers and practitioners in EMDEs to take stock of the regulatory reform initiatives, discuss the impact of the reform measures on their economies, identify emerging risks or challenges, and examine possible solutions given the regulatory and supervisory constraints. Second, they have offered technical assistance to EMDEs, both on a regional and individual basis, on strengthening supervisory capacity and implementation of the reforms, notably those relating to Basel III and OTC derivatives. The technical assistance extends from the development of strategies for the implementation of internationally agreed reforms – including prioritisation, sequencing and mitigation of adverse impacts – to assisting in the implementation itself.

In addition to the BCBS's standard-setting and implementation activities, it is reaching out and assisting banking regulators and supervisors in EMDEs through various mechanisms. The membership of the BCBS and the BCG already includes a number of larger EMDEs. The BCBS, jointly with the Financial Stability Institute (FSI),[30] organises high-level meetings and conferences around the world to discuss regulatory and supervisory policy issues, exchange information and share experiences; attendance at these meetings includes a large number of EMDEs. Input and views from EMDEs are also gathered through the BCG, which works on issues of interest for EMDEs such as financial inclusion.[31]

IOSCO, drawing on its broad membership, is assisting securities regulators in EMDEs to address implementation issues. Its support includes regular workshops and seminars to share expertise and enhance capacity; technical assistance, education, training and research, including development of data gathering exercises for specific regions; monitoring, via annual surveys, of the priorities and capacity building/resource needs of its EMDE members;

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[28] See footnotes 10 and 17.

[29] See the FSB report to the G20 on "Review of the Structure of FSB's representation" (November 2014, forthcoming).

[30] The FSI (http://www.bis.org/fsi/aboutfsi.htm) assists financial sector supervisors in EMDEs with the implementation of internationally agreed reforms through a range of channels, including conferences, high-level meetings, seminars and FSI Connect, the FSI's online information resource and learning tool.

[31] A range of practice papers is expected to be published by end-2014, which is based on submissions from nearly 60 jurisdictions; as a follow-up project, the BCG has begun discussing a work plan for drafting a guidance document on the Basel Core Principles and financial inclusion.

provision of guidance and support to EMDEs on relevant IOSCO Recommendations and Principles; and other measures (e.g. joint projects with IFIs) to promote the development of domestic capital markets in EMDEs. IOSCO has also designed an International Secondment Register which will be located on its website; through this register, IOSCO members will be able to share secondment offers and demands. In 2013, IOSCO set up a Capacity Building Resource Committee that is responsible *inter alia* for attracting financial and human resources to assist in the implementation of IOSCO's capacity building strategy and for the establishment of the IOSCO Capacity Building Development Fund. Support for EMDEs also features in the work of the IOSCO Assessment Committee.[32]

The IAIS assists EMDEs in the implementation of reforms in the insurance sector. The majority of IAIS members, which include over 200 supervisory authorities, come from EMDEs and contribute to the development of policy measures through an inclusive process. Through the work of its Implementation Committee, the IAIS discusses issues and challenges related to the observance of insurance standards. The Financial Inclusion Working Group under that Committee is charged with addressing specific issues for EMDEs and responding to questions on the proportional application of IAIS supervisory material. In late 2013, the IAIS adopted a strategic framework for the implementation of IAIS supervisory material, which includes strengthening regional engagement, contributing to implementation, and working with implementation partners to expand the tools available to insurance supervisors. As a key element in the monitoring of unintended consequences, the programme of regional engagement will provide a mechanism for EMDEs to identify impacts of IAIS supervisory material, including G-SII policy measures, and related implementation challenges. In addition, the IAIS is conducting thematic self-assessment and peer reviews that are designed to assess all areas of insurance supervision reflected in the Insurance Core Principles over five years; all IAIS members are encouraged to participate. This process contributes to understanding and observance of the Insurance Core Principles, and provides essential feedback to the standard setting and implementation activities of the IAIS.

[32] This includes: country assessments; translations of the assessment methodology for the IOSCO Objectives and Principles of Securities Regulation into other languages; and the launch of an electronic version of the methodology later this year.