

Press release

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FSB RCG for the MENA discusses SME financing, the use of SupTech and RegTech, and implementation of the Net Stable Funding Ratio

The Financial Stability Board (FSB) Regional Consultative Group (RCG) for the Middle East and North Africa (MENA) met in Istanbul today at a meeting hosted by the Central Bank of the Republic of Turkey.

Members of the FSB RCG MENA received an update on the FSB's work programme and deliverables for the G20 Leaders' Summit later this month in Buenos Aires, including evaluations of the effects of the reforms on infrastructure finance and on incentives to centrally clear over-the-counter derivatives, and a progress report on the FSB action plan to assess and address the decline in correspondent banking relationships. The FSB's work in 2019 and beyond will focus on (i) finalising and operationalising post-crisis reforms; (ii) monitoring the implementation and evaluating the effects of post-crisis reforms; and (iii) addressing new and emerging vulnerabilities in the financial system.

Turning to vulnerabilities and regional financial stability issues, meeting participants noted that, while global growth remains strong, the recovery is less balanced and financial conditions could tighten, particularly in emerging markets. For the MENA region specifically, members expect economic growth in oil exporting countries to rebound, while importing countries may remain challenged. The region's banking sector remains generally sound with improved liquidity positions, but non-performing loan levels are high in some countries. Credit growth is modest and could be further impacted by rising interest rates.

Members next considered financing to small and medium-sized enterprises (SMEs) and their role in the region's economic development. Although SMEs traditionally present more credit risk than large corporates, the level of risk in SMEs has declined in recent years, while credit and business conditions have improved. These positive developments, however, have not always translated into greater access to financing. Members discussed both financial and non-financial impediments to SME lending in the region. The FSB is conducting an evaluation of the effects of the G20 financial regulatory reforms on SME financing, and will publish a consultative paper by mid-2019 and a final report by end-2019.

The group discussed how technology can be leveraged to achieve supervisory and regulatory objectives (SupTech). They considered the potential uses of SupTech and how to facilitate innovation while at the same time maintaining effective oversight. They also exchanged views on how it could change supervision in the future and some of the challenges that technology might raise for financial sector supervisors, such as the skill sets that they will need, oversight of decentralised systems and distributed ledgers, and data protection. Members also

discussed the use of technology such as big data and machine learning to help financial institutions comply with regulatory requirements (RegTech).

Finally, members discussed implementation of the Basel Committee's net stable funding ratio (NSFR) and its effects on banks in the region. They reviewed the objectives and key elements of the NSFR, as well as implementation challenges such as those faced by banks when attempting to adjust their information systems to meet and report on the new requirements. Several jurisdictions in the region have either issued final rules for the implementation of the NSFR or are in the process of doing so.

The RCG for the MENA is co-chaired by Murat Çetinkaya, Governor of the Central Bank of the Republic of Turkey, and Abdulla Saoud Al-Thani, Governor of the Qatar Central Bank. Membership includes financial and regulatory authorities from Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Tunisia, Turkey and the United Arab Emirates.

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.¹ Typically, each Regional Consultative Group meets twice each year.

The FSB coordinates at the international level the work of national financial authorities and international standard setting bodies and develops and promotes 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 also conducts outreach with approximately 70 other jurisdictions through its six Regional Consultative Groups.

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.

¹ 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.