

## Press release

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### **FSB RCG for Asia discusses cross-border resolution, effects of the reforms, FinTech and RegTech, and efforts to reduce misconduct risk**

The Financial Stability Board (FSB) Regional Consultative Group (RCG) for Asia met in Kuala Lumpur today at a meeting hosted by Bank Negara Malaysia.

Members of the FSB RCG for Asia began by considering vulnerabilities in the global financial system. They exchanged views on the global financial system, noting in particular the high levels of debt. They observed that financial conditions have tightened, but remain supportive of near-term growth. Focusing on emerging Asia, members examined lending trends, comparing in particular, the current period with that immediately prior to the Asian financial crisis in 1997 and before the global financial crisis. They observed that the share of cross-border lending to Asia that is being undertaken by Asian banks is increasing, and considered the reasons for this trend and possible implications.

Members received an update on the FSB's current and planned activities, the intent of which are to reinforce the G20's objective of strong, sustainable and balanced growth. Its current work focuses on (i) a vigilant monitoring of emerging risks, including those related to crypto-assets; (ii) completion of the G20's financial reform priorities, including addressing the decline in correspondent banking relationships, reducing misconduct risk, enhancing the resilience and resolvability of central counterparties and the further development of market-based finance; (iii) pivoting to policy evaluation to ensure that the reforms are operating as intended, and to identify and deliver adjustments where appropriate; and (iv) optimising the FSB's work to maximise its effectiveness.

The meeting considered the resolution of large systemic banks and other financial institutions, particularly in a cross-border context. In this regard, RCG members discussed implementation in the region of the FSB's *Key Attributes of Effective Resolution Regimes for Financial Institutions*<sup>1</sup>, challenges they are facing, as well as information sharing arrangements and other cross-border arrangements such as memorandums of understanding.

Members turned their attention to the regulatory treatment of sovereign exposures and effects of the G20 reforms. They began by considering the Basel Committee's Discussion Paper on *The Regulatory Treatment of Sovereign Exposures*.<sup>2</sup> They discussed the role that sovereign exposures play in the banking system, financial markets and the broader economy, and the risks that they may pose. Against this backdrop, they reviewed the existing treatment of sovereign exposures in the regulatory framework and exchanged views on ideas put forth in

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<sup>1</sup> See [http://www.fsb.org/wp-content/uploads/r\\_141015.pdf](http://www.fsb.org/wp-content/uploads/r_141015.pdf).

<sup>2</sup> See <https://www.bis.org/bcbs/publ/d425.pdf>.

the Discussion Paper. Separately, members discussed how authorities can strike an appropriate balance between strengthening financial sector resilience and continuing to support effective financial intermediation.

Members discussed the role that FinTech and RegTech can play in improving the effective implementation of anti-money laundering and countering the financing of terrorism (AML/CFT) measures. Money laundering and terrorist financing risks are a concern in the context of several areas of the FSB's work, including its efforts to address the decline in correspondent banking and growth in crypto-assets. They discussed steps that the official sector could take to promote innovation that mitigates money laundering and terrorist financing risks and in particular, shared experiences with know-your-customer utilities.

The meeting concluded with a discussion of how governance regimes that clearly define and assign responsibilities to specific individuals within a firm, and then holding those individuals accountable for the outcomes of their responsibilities, may reduce the risk of misconduct. Members discussed the extent to which supervisory authorities should be involved in defining individual roles and responsibility within a firm and what methods are most effective to hold individuals accountable. This session drew upon the FSB's recently published paper on *Strengthening Governance Frameworks to Mitigate Misconduct Risk: A Toolkit for Firms and Supervisors*<sup>3</sup> and the discussion on strengthening individual responsibility and accountability contained therein.

Members also received a brief report on the results of a survey on de-risking in Asia conducted by the Executives' Meeting of East Asia Pacific (EMEAP).

The FSB RCG for Asia is co-chaired by Philip Lowe, Governor, Reserve Bank of Australia and Muhammad bin Ibrahim, Governor, Bank Negara Malaysia. Membership in the RCG Asia comprises financial authorities from Australia, Cambodia, China, Hong Kong SAR, India, Indonesia, Japan, Korea, Malaysia, New Zealand, Pakistan, Philippines, Singapore, Sri Lanka, Thailand and Vietnam.<sup>4</sup>

### **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.<sup>5</sup> 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.

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<sup>3</sup> See <http://www.fsb.org/wp-content/uploads/P200418.pdf>.

<sup>4</sup> The list of members of the Regional Consultative Group for Asia is available at: [www.fsb.org/about/organisation-and-governance/list-of-members-of-the-fsb-regional-consultative-group-for-asia/](http://www.fsb.org/about/organisation-and-governance/list-of-members-of-the-fsb-regional-consultative-group-for-asia/).

<sup>5</sup> 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.

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](http://www.fsb.org).