

Press release

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FSB RCG for Asia discusses FinTech, correspondent banking, macroprudential policies and financial market integrity

The Financial Stability Board (FSB) Regional Consultative Group (RCG) for Asia met in Sydney today at a meeting hosted by the Reserve Bank of Australia.

Members of the FSB RCG for Asia began by considering vulnerabilities in the global financial system, including complacency in global markets about risks and their potential impact on Asia. Members discussed equity market valuations and the growth of Japanese banks' overseas operations.

Members received an update on the FSB's current activities which focus on continued implementation of the agreed post-crisis policy reforms to support a level playing field and reduce regulatory arbitrage opportunities; and evaluating the effects of the reforms in order to inform adjustments, where needed, without compromising their objectives. The FSB also continues to monitor and address emerging vulnerabilities, where current areas of focus include misconduct risk, the withdrawal of correspondent banking relationships, FinTech and climate-related financial risk.

They next considered FinTech and the changes that it might bring to the financial sector. They shared their recent experiences in regulating virtual currencies, e-payments and FinTech credit based upon their own market developments, and the considerations of setting up sandboxes. They noted the need to balance financial innovation and financial stability through risk-focused, proportionate regulatory approaches.

Members turned their attention to challenges resulting from the withdrawal of correspondent banking and remittance service providers' access to the banking system. The decline in the number of correspondent banking relationships remains a source of concern because, in affected jurisdictions, it may impact the ability to send and receive international payments, or drive some payment flows underground, with potential adverse consequences on trade, growth, financial inclusion, as well as the stability and integrity of the financial system. Members discussed the reasons behind banks in the region terminating their relationships with remittance service providers and possible actions to address the problem. They also exchanged information on the application to correspondent banking in the region of recent anti-money laundering/combating the financing of terrorism guidance issued by the Financial Action Task Force and Basel Committee on Banking Supervision¹.

¹ See <http://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-Correspondent-Banking-Services.pdf> and <https://www.bis.org/bcbs/publ/d405.pdf>, Annex 2, page 23.

Members discussed the use of macroprudential policies to address the risks from the housing market, such as increasing household debt combined with rising housing prices, and an expansion of speculative activity. Using the macroprudential frameworks in Hong Kong and Malaysia as examples, they exchanged views on how to assess housing-related risks to banking stability, and the tools that are available to address such risks. They also shared ideas on the necessary conditions and appropriate timing to ease macroprudential measures.

The meeting concluded with a discussion of initiatives to strengthen financial market integrity. The first was the FX Global Code², a set of principles designed to promote the integrity and effective functioning of the wholesale foreign exchange market that was published in May 2017. The FX Global Code promotes a robust, fair, liquid, open, and an appropriately transparent market in which market participants are able to confidently and effectively transact at competitive prices and in a manner that conforms to acceptable standards of behaviour. The second area discussed was the role that a firm's culture plays in misconduct. Members considered cultural factors that can undermine the effectiveness of governance frameworks and lead to misconduct, and how can governance frameworks be used to manage those factors.

Members of the RCG considered the potential for changes to the member jurisdictions of the FSB RCG for Asia as part of the broader review by the FSB of membership of its six RCGs.

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.³

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.^{4,5} 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.

² See https://www.globalfx.org/docs/fx_global.pdf.

³ 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/.

⁴ See http://www.fsb.org/wp-content/uploads/r_120809.pdf.

⁵ 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.