

Remarks to the ASIFMA Board

Hong Kong, 24 May 2018

Remarks by Dietrich Domanski, Secretary General, Financial Stability Board

Thank you for inviting me this evening.

I am going to make some brief remarks mainly to give you an update on the key issues the FSB will be working on for the remainder of the year. This may serve as a background to our discussion.

Our agenda this year is markedly different from previous years. With the finalisation of Basel III last December, the new global regulatory framework is now largely in place. For authorities, this means that the emphasis is shifting towards the full, timely and consistent implementation of the reforms, and the evaluation of their effects. This shift is also visible in the agenda of the FSB: our work pivots from policy development to dynamic implementation.

The main focus of our work for the remainder of the year will be:

- Disciplined completion of the G20's outstanding financial reform priorities;
- Rigorous evaluation of implemented reforms, to ensure the reform programme is efficient, coherent and effective; and
- Vigilant monitoring to identify, assess and address new and emerging risks.

The first task is the disciplined completion of the outstanding financial reforms:

- One is operationalising our 2017 recommendations to address structural vulnerabilities from asset management. To this end, the International Organization of Securities Commissions will issue a consultation with proposals for developing comparable leverage measures for funds.
- Another is central clearing. The FSB will deliver to the Buenos Aires summit an assessment to determine whether there is a need for any additional guidance on financial resources to support CCP resolution and on the treatment of CCP equity in resolution.

The second area is our work on the post-implementation evaluation of reforms. The goal is to assess whether the G20 financial regulatory reforms are operating as intended, and to make policy adjustments, if needed, without compromising on either the original objectives of the

reforms or the agreed level of resilience. This should, of course, be an integral part of any effective policy process.

Two evaluations are currently underway. One is looking at the effects of the reforms on financial intermediation. The focus this year, during the Argentine Presidency, is on how reforms may have affected infrastructure investment finance.

The other evaluation is on the interaction of reforms on the incentives for market participants to centrally clear over-the counter derivatives. This is taking place in coordination with the relevant standard-setting bodies and in particular the Basel Committee on Banking Supervision's review of the effects of the leverage ratio on client clearing.

So as we undertake these evaluations we are in listening mode. I would be interested in discussing a number of issues:

- First, on our derivatives evaluation work. What impact do you believe the post-crisis reforms have had on the incentives for central clearing of over-the-counter derivatives? What have they meant for the way you do business? Of course across Asia there is great diversity in terms of the levels of market development, with notional amounts a small percentage of the global total and markets quite different to those in the US and Europe.
- Second, we may talk about infrastructure financing. A lack of infrastructure finance has been a long-standing issue for many countries in Asia. The FSB's evaluation focuses on the possible effects of regulatory reforms on the cost and availability of infrastructure finance. But to understand this, it is also helpful to understand the challenges you see for infrastructure finance across Asia. Where do you see the growth and where do you encounter impediments? Are these different to those that your colleagues in Europe and the US face?

Finally, I would like to get your views on emerging vulnerabilities. Identifying risks to global financial stability is an important part of our regular work. Such risks may relate to current economic and financial developments, but may also have to do with structural changes in the financial system. The financial stability implications of technological innovation is obviously one major theme in this regard. Our vulnerabilities assessments inform the policy discussions within the FSB, and the joint early warnings exercise with the IMF.

I am keen to hear as active participants in markets what risks you see in the next 12-18 months?

This is a fairly full agenda to get through in two hours.

I would note that you will have other opportunities to provide feedback. In early Q3 we will launch consultations on the FSB's two ongoing evaluations. We will also put out on a draft cyber security lexicon, which is meant to support communication between the private sector and authorities by establishing a common language on cyber risks. The consultation periods

will unfortunately be rather short – about a month each – so we can complete this work in time for the G20 Summit.

I would also like to thank those firms that have already contributed to the surveys we published for the infrastructure and derivatives assessments. I appreciate these requests can be difficult to complete and compete with a number of other priorities. Bu they are the basis for evidence-based policymaking and essential for the FSB's work.

I look forward to our discussion.