

Press release

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Financial Stability Board Reports on Improving Financial Regulation

The Financial Stability Board (FSB) is publishing today two reports submitted to G20 Leaders for their Pittsburgh Summit, which cover:

- [Policy measures for improving financial regulation](#); and
- [Progress in implementing the London Summit recommendations for strengthening financial stability](#).

The FSB and its members are taking forward a major programme of financial reforms based on clear principles and timetables for implementation that are designed to ensure that a crisis on this scale never happens again. The FSB welcomes the support of G20 Leaders for this programme.

Much has already been achieved, and much is underway that, when implemented, will create a more disciplined and less procyclical financial system that better supports balanced sustainable economic growth. However, policy development is not complete, and detailed implementation of the full set of needed reforms will take time and perseverance.

The reforms set out in the report "Improving Financial Regulation" cover the following key areas:

- *Strengthening the global capital framework for banks.* New rules will be set out by end-2009, calibrated in 2010 and phased in as financial conditions improve and recovery is assured.
- *Making global liquidity more robust.* A new minimum global liquidity standard for banks will be issued by end-2009, and measures that could mitigate cross-border liquidity problems at the national level reviewed.
- *Reducing the moral hazard posed by systemically important institutions.* Measures will be developed over the next 12 months that can be taken to reduce the systemic risks that these institutions pose.
- *Strengthening accounting standards.* Further work is encouraged to improve standards on valuation and provisioning and achieve a single set of high-quality global accounting standards.
- *Improving compensation practices.* The FSB is setting out in a separate report issued today implementation standards for the FSB compensation principles. (See separate [press release](#).)

- *Expanding oversight of the financial system.* Work is progressing to ensure that all systemically important activity is subjected to appropriate oversight and regulation, including relating to hedge funds and credit rating agencies.
- *Strengthening the robustness of the OTC derivatives market.* Standards will be strengthened and consistently applied to address systemic risks, including covering capital requirements to reflect the risks of OTC derivatives and further incentivise the move to central counterparties and, where appropriate, organised exchanges.
- *Re-launching securitisation on a sound basis.* The official sector must provide the framework that ensures discipline in the securitisation market as it revives.
- *Promoting adherence to international standards.* The FSB is developing a system of peer reviews of regulatory and prudential standards and of policies agreed in the FSB.

The FSB has also submitted today to G20 Leaders for their endorsement a charter formally establishing the FSB (covered in a separate press release), setting out its mandate and method of operation.

Notes to editors

The reports are available on the FSB's website, www.financialstabilityboard.org.

The FSB, which was re-established in April 2009 as the successor to the Financial Stability Forum (FSF), brings together national authorities responsible for financial stability in significant international financial centres, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. It promotes international financial stability through enhanced information exchange and cooperation in financial supervision and surveillance.

The FSB is chaired by Mario Draghi, Governor of the Bank of Italy. 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.

G20 Leaders' recommendations at the London Summit to strengthen financial stability can be found at http://www.g20.org/Documents/g20_summit_declaration.pdf and [http://www.g20.org/Documents/Fin_Deps_Fin_Reg_Annex_020409 - 1615_final.pdf](http://www.g20.org/Documents/Fin_Deps_Fin_Reg_Annex_020409_-_1615_final.pdf).

Previous FSF recommendations can be found on the FSB website.