

Press release

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Meeting of Financial Stability Board

The Financial Stability Board (FSB) met today in Rome. The meeting assessed vulnerabilities affecting the financial system, and made decisions needed to progress major initiatives to strengthen the resiliency of the financial system. The meeting also progressed work on a framework to establish Regional Consultative Groups to broaden the range of countries involved in the FSB's work.

Vulnerabilities in the financial system

The ongoing international programme of financial reforms is strengthening the robustness of the global financial system. However pockets of weakness in the banking system remain, and sovereign and banking risks are closely intertwined in some countries. Members noted the risks of sudden changes in funding conditions, credit losses and yield curves, and stressed the importance of credible fiscal consolidation programmes to lower financial system risks. The FSB emphasised the need to decisively press ahead with the repair and strengthening of weak banking systems, using the forthcoming rounds of stress tests to address expeditiously any weak points identified.

There are signs that the low interest rate environment, which has been necessary to support growth and financial sector recovery, may be leading investors to search for yield in more complex non-standard market segments that increase exposure to liquidity risks. Developments in exchange-traded funds, commodities and high-yield markets are examples that warrant closer surveillance by regulatory authorities.

In a number of emerging markets economies, rapid credit growth and portfolio inflows have raised the risks of asset price inflation and other financial imbalances. The FSB discussed macroprudential measures taken in a number of countries to reduce resulting financial system vulnerabilities.

Key financial regulatory reforms

Addressing systemically important financial institutions (SIFIs). The FSB discussed progress in work to identify global SIFIs (G-SIFIs) and approaches to assessing the added loss absorbency that such institutions should meet. It also discussed progress in work to enable the orderly resolution of such financial institutions. It agreed an accelerated timetable

and processes, including public consultation, to deliver the G-SIFI recommendations to the G20 Summit in November.

Reforming OTC derivatives markets. The FSB reviewed progress in the implementation of the recommendations set out in its [October report](#) covering standardisation, central clearing, exchange or electronic platform trading, and reporting to trade repositories. The FSB emphasises that all jurisdictions need to take immediate, concrete steps to ensure that the G-20 commitments can be implemented in an internationally consistent manner by the agreed end-2012 date. They noted the risk that the emergence of different models of trade repositories may lead to difficulties in cross-border sharing of data or aggregating data on a global basis unless steps are taken to ensure consistency.

The FSB welcomed the publication of the CPSS-IOSCO consultative report on harmonised principles for financial market infrastructures, covering payment systems, central securities depositories, securities settlement systems, and central counterparties (CCPs), and including guidance on trade repositories. Members also supported the conclusions of the Forum on CCP Access hosted by the CGFS, CPSS, and IOSCO in January 2011, which encourage derivatives CCPs to develop solutions to expand access to a broader set of participants, and to consider ways to develop links between CCPs, without sacrificing the rigour of CCP risk controls. Members welcomed the IOSCO report on trading of OTC derivatives on exchanges or organised trading platforms, and requested further analysis on the current market use of multi- or single-dealer platforms.

Commodity markets. The FSB discussed developments in commodities markets and related regulatory issues. It welcomed the ongoing work of IOSCO on Commodity Futures Markets. Reforms to commodity derivatives markets are an important part of overall OTC derivatives reforms. The FSB will consider next steps in this area in the light of IOSCO's final report on commodity financial markets in September 2011.

Shadow banking. The FSB approved the proposed approach by its task force to develop recommendations to strengthen the regulation and oversight of the shadow banking system. The FSB will consider initial draft recommendations at its next Plenary meeting in July and thereafter the recommendations for submission to the G20 in the autumn. The FSB will publish later this month a short background note on this work project.

Data gaps. The FSB approved proposals to progress work on a consistent template for improving the collection, and sharing among relevant authorities, of data on systemically important financial institutions. A consultation process will be undertaken to provide additional information on the legal aspects, as well as costs and benefits of alternative options. This will guide the decision on the final form and phased implementation of the common template. Preparatory work will also commence on strengthening data sharing arrangements and protocols within the official sector.

Compensation. The FSB finalised the terms of reference for its second thematic peer review of compensation practices. This second thorough peer review will assess the progress made by national authorities and significant financial institutions in implementing the FSB Principles for Sound Compensation Practices and their Implementation Standards, as well as the impact on compensation practices at financial institutions of national policy measures taken

to implement the Principles and Standards. The peer review report will be published by the G20 Summit.

Implementation monitoring. The FSB closely monitors implementation of internationally agreed policies to enhance financial stability, to ensure that it takes place in a full and consistent manner. In this regard, the FSB published on 1 April [detailed information](#) on national implementation of the FSB's and the G20's recommendations for financial regulatory reform.

International cooperation and information exchange initiative. The FSB reviewed the status of evaluations underway and agreed on the next steps in the [initiative](#). It will publish later in April a brief report summarising progress to date.

Regional consultative groups

The FSB discussed the operational framework for six FSB regional consultative groups, rolling out its [initiative](#) announced on 3 November 2010. The groups will cover the Americas, Asia, the Commonwealth of Independent States, Europe, Middle East & North Africa, and Sub-Saharan Africa. The regional groups will bring together FSB members and over 60 jurisdictions outside the FSB's membership, providing the opportunity to discuss the vulnerabilities affecting the regional and global financial systems, policy initiatives underway and planned to promote financial stability, and the implementation of these initiatives. The first meetings of the regional groups will take place later this year.

Notes to editors

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.

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, www.financialstabilityboard.org.

List of FSB Member institutions

Argentina

- Central Bank of Argentina

Australia

- Department of the Treasury
- Reserve Bank of Australia

Brazil

- Ministry of Finance
- Central Bank of Brazil
- Securities and Exchange Commission of Brazil

Canada

- Department of Finance
- Bank of Canada
- Office of the Superintendent of Financial Institutions (OSFI)

China

- Ministry of Finance
- People's Bank of China
- China Banking Regulatory Commission

France

- Ministry of Economy, Industry and Employment
- Bank of France
- Autorité des Marchés Financiers (AMF)

Germany

- Ministry of Finance
- Deutsche Bundesbank
- Bundesanstalt für Finanzdienstleistungsaufsicht (Bafin)

Hong Kong SAR

- Hong Kong Monetary Authority

India

- Ministry of Finance
- Reserve Bank of India
- Securities and Exchange Board of India

Indonesia

- Bank Indonesia

Italy

- Ministry of the Economy and Finance
- Bank of Italy
- Commissione Nazionale per le Società e la Borsa (CONSOB)

Japan

- Ministry of Finance
- Bank of Japan
- Financial Services Agency

Korea

- Bank of Korea
- Financial Services Commission

Mexico

- Ministry of Finance and Public Credit
- Bank of México

Netherlands

- Ministry of Finance
- Netherlands Bank

Russia

- Ministry of Finance
- Central Bank of the Russian Federation
- Federal Financial Markets Service

Saudi Arabia

- Saudi Arabian Monetary Agency

Singapore

- Monetary Authority of Singapore

South Africa

- National Treasury

Spain

- Ministry of Economy and Finance
- Bank of Spain

Switzerland

- Swiss Federal Department of Finance
- Swiss National Bank

Turkey

- Central Bank of the Republic of Turkey

United Kingdom

- HM Treasury
- Bank of England
- Financial Services Authority

United States

- Department of the Treasury
- Board of Governors of the Federal Reserve System
- Securities & Exchange Commission

European Central Bank**European Commission****International Financial Institutions**

- Bank for International Settlements (BIS)
- International Monetary Fund (IMF)
- Organisation for Economic Co-operation and Development (OECD)
- World Bank

International Standard Setting, Regulatory and Supervisory Groupings

- Basel Committee on Banking Supervision (BCBS)
- International Accounting Standards Board (IASB)
- International Association of Insurance Supervisors (IAIS)
- International Organization of Securities Commissions (IOSCO)

Committees of Central Bank Experts

- Committee on Payment and Settlement Systems (CPSS)
- Committee on the Global Financial System (CGFS)