



Colloque Bruegel-KIF conférence – 16 avril 2012 - Bruxelles

The role of the FSB in global standards setting

- ▶ **The Financial Stability Board (FSB) succeeded the Financial Stability Forum in 2009, with an expanded membership and a broader mandate.**
- ▶ **Strengthening further the FSB was one of the objectives of the French presidency of the G20. At the Cannes Summit in November 2011, G20 Leaders called for:**
 - **A stronger institutional standing for the FSB, with legal personality and greater financial autonomy while preserving the strong links with the BIS**
 - **A rebalancing of the FSB Steering Committee towards the executive branch of Governments and under-represented regions and financial centers (emerging markets)**
 - **Strengthening its coordination role vis-à-vis other standard setting bodies (SSBs) on policy development and implementation monitoring**
- ▶ **These reforms, which are supported by the European Union, will be implemented by June 2012**

The role of the FSB: policy review and the coordination of standards setting

- ▶ **The FSB is in a unique position to ensure coordination:**
 - **Role as an interface** between the G20 and the international standard setting bodies in the area of financial regulation
 - **A wide membership** including ministries of finance, central banks, national regulators and supervisors, international standards setting bodies, international financial institutions (IMF, World Bank, OECD)
- ▶ **A few illustrations of this important role:**
 - **Ensure timeliness:** the FSB monitors deadlines and publishes, since the Cannes summit, a scoreboard of progress in financial regulatory reform (http://www.financialstabilityboard.org/publications/r_111104hh.pdf)
 - **Avoid gaps and overlaps:** for instance, the FSB coordinates the work by IOSCO, the CPSS and the BCBS on OTC derivatives
 - **Undertake joint strategic reviews:** the G20 tasked the FSB in February to coordinate a study on the consequences of agreed regulatory reforms on emerging markets and developing economies
- ▶ **The FSB may itself set standards:** eg, the Key Attributes of Effective Resolution Regimes for Financial Institutions (Nov. 2011).

The role of the FSB: standards implementation

- ▶ **France and the EU support strong implementation monitoring:**
 - **Commitment by FSB members to undergo **Financial Sector Assessment Programs (FSAP)** by the IMF/World Bank and to publish their results;**
 - **The FSB monitors through **country peer reviews** the follow-up of FSAP recommendations (published this year: Switzerland and Canada)**
 - **Thematic peer reviews:** risk governance (ongoing); deposit insurance systems (February 2012); compensation practices (2011)
 - **Coordination framework for implementation monitoring:** ensure consistency of implementation mechanisms by the SSBs, IFIs and the FSB to provide political impetus and leverage peer pressure

- ▶ **The EU is well placed in terms of standards implementation:**
 - **Basel II.5**, which considerably reinforces capital requirements on market risks, was implemented on 31 December 2011 in the EU
 - **Basel III:** the EU is on track for implementation within the agreed timelines
 - **OTC Derivatives: EMIR**

IFRS and the related institutional/governance issues

- ▶ **Europe was one of the early major adopters of IFRS. Europe has played a key role when it decided, by resolution of July 19 2002, to adopt IFRS for consolidated accounts of listed companies in the European Union.**
- ▶ **The financial crisis showed the need to improve the governance of the IASB.**
- ▶ **Since 2009, the G20 leaders have called for a greater involvement of stakeholders in the standard setting process, and for the development of high quality accounting standards in order to contribute to financial stability.**

IFRS and the related institutional/governance issues

► Measures have already been adopted:

- The IASB has introduced a reform of its governance framework by creating a Monitoring Board whose members are public authorities (market regulators and the European Commission).
- The Monitoring board and the trustees have conducted two parallel reviews in 2010-2011, respectively focused on the reform of the governance of the IASB and on the definition of a strategy for the IFRS Foundation.
- Some measures proposed as part of these reforms, such as the proposal to link the membership of the Monitoring board with the mandatory application of IFRS goes in the right direction.

► But are these measures ambitious enough ?

IFRS and the related institutional/governance issues

- ▶ **Several areas for improvement are still possible:**
 - **In its work as a standard setter, the IASB should better reflect the business model of companies and the requirements of financial stability ;**
 - **At institutional level, while respecting the independence of the standard setting process, the IASB could better involve stakeholders in its work (especially regulators), and improve its accountability ;**
 - **The IASB should pay more attention to the consequences of its accounting standards on the economic and financial environment.**