



External Relations Department

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Governor SBP Mr. Ashraf Mahmood Wathra attends FSB meeting in London

The Financial Stability Board (FSB) met in London last week with Mr. Mark Carney, Governor of the Bank of England, in Chair to discuss current vulnerabilities, ongoing policy work and its work plan for 2017. Governor SBP Mr. Ashraf Mahmood Wathra represented FSB-Regional Consultative Group (RCG) of Asia as one of the Co-Chairs. Formed in 2011, the RCG Asia includes central banks and financial authorities of 16 jurisdictions. Governor SBP (along with Chief Executive Norman Chan of Hong Kong Monetary Authority) has been the co-chair of the FSB-RCG for Asia effective from July 1, 2015.

The meeting noted that financial system has continued to function well, despite bouts of uncertainty and risk aversion. Further, the global financial system is more resilient as a result of the regulatory reforms introduced following the 2008 financial crisis. The FSB emphasized the importance of completing the implementation of the agreed reform programme, including Basel III.

The FSB, in consultation with the Basel Committee on Banking Supervision (BCBS), the International Association of Insurance Supervisors (IAIS) and national authorities, approved the 2016 lists of identified global systemically important banks (G-SIBs) and insurers (G-SIIs), which was released on Monday, November 21, 2016.

The Plenary discussed the implementation to date of the Total Loss-Absorbing Capacity (TLAC) standard for banks, and reviewed progress of the work plan enhancing resilience, recovery planning and resolvability of central counterparties (CCPs). It also discussed the responses received to its public consultation on proposed policy recommendations to address structural vulnerabilities from asset management activities, published in June. The FSB will publish the final recommendations by end-2016.

On correspondent banking (CB), members discussed the draft progress report on the implementation of the FSB's four-point action plan to assess and address the reasons for decline in CB services. The report, which will be released by end-2016, will set out next steps for 2017 to maintain momentum in tackling this important issue.

The FSB members reviewed updates from the various workstreams to address misconduct in the financial sector. The Chair of Task Force on Climate-related Financial Disclosures (TCFD), Michael Bloomberg and his Special Advisor, Mary Schapiro presented an update to the Plenary on the industry-led TCFD's work. The presentation included a summary of the recommended voluntary disclosures and guidance developed by the TCFD, which will be released for public consultation in December 2016. The final report will be published by June 2017.

The FSB members, then, discussed the workplan for reporting on the implementation and effects of G20/ FSB reforms. The FSB members also talked about arrangements for undertaking a comprehensive review of the implementation and effects of over-the-counter (OTC) derivatives reforms as part of this work. They also discussed an interim report by the Committee on the Global Financial System (CGFS) and its study on repo market liquidity and the impact of possible drivers. The main findings from both studies will be incorporated in the third annual report to the G20.

The FSB agreed to undertake, by July 2017, an assessment of progress in transforming shadow banking into resilient market-based finance. This will include an assessment of the evolution of shadow banking activities since the global financial crisis and related financial stability risks, and adequacy of the policies and monitoring put in place by FSB members. The Plenary discussed the preliminary high-level findings from this year's annual monitoring exercise of the global trends and



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risks in the shadow banking system. The results will be published around end-2016 in the *Global Shadow Banking Monitoring Report*.

Members also reviewed progress on the FSB FinTech workplan, including recent stocktakes in conjunction with other international bodies on various topics. The FSB noted the potential of FinTech to enhance resilience, and also the need for remaining vigilant to associated risks including Cyber security; The FSB also agreed on a workplan to identify the supervisory and regulatory issues from the financial stability perspective.
