



External Relations Department

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RCG Asia meeting--Governor SBP for effective implementation of Macroprudential Policy Framework

Governor State Bank of Pakistan (SBP) Mr. Ashraf Mahmood Wathra emphasized on the need for implementing the macroprudential policy framework in line with international best practices to limit systemic risk facing the financial system during the meeting of Financial Stability Board (FSB) Regional Consultative Group Asia (RCG Asia). Governor Wathra, while sharing his views on macroprudential policy (MPP) and tools, highlighted that the MPP needs to be complemented by appropriate monetary, fiscal and other financial sector policies.

Governor, Wathra was co-chairing the 11th meeting of FSB RCG-Asia alongside Mr. Norman T.L. Chan Chief Executive of Hong Kong Monetary Authority. The meeting was held in Hong Kong SAR today on December 2, 2016. In July 2015, Governor Wathra was appointed as the co-chair of FSB-RCG Asia along with Mr. Norman T.L. Chan for a two-year term. The co-chairs are responsible for hosting RCG Asia meetings, conducting workshops, coordinating with the FSB Secretariat, and attending FSB Plenary meetings.

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. In addition to its own member countries, FSB, through six regional consultative groups (RCGs), conducts outreach with around 65 other non-FSB member jurisdictions. Formed in 2011, the RCG Asia includes central banks and financial authorities of 16 jurisdictions including Australia, Cambodia, China, Hong Kong SAR, India, Indonesia, Japan, Korea, Malaysia, New Zealand, Pakistan, Philippines, Singapore, Sri Lanka, Thailand and Vietnam.

The meeting also discussed vulnerabilities and financial stability issues covering high levels of US dollar denominated private sector debt levels, movement in exchange rates and changes in US monetary policy stance, and their potential implications for the region.

During the session on managing non-performing loans (NPLs), members shared their experiences how financial institutions in Asia are identifying, measuring, monitoring and controlling NPLs, and what legal, regulatory or other hurdles impede their resolution. As part of this discussion, Mr. Jameel Ahmed, Executive Director Banking Supervision Group, SBP briefed the participants on the Basel Committee's consultative document "*Prudential treatment of problem assets - definitions of non-performing exposures and forbearance*", in addition to sharing Pakistan's experience in managing problem loans.

The meeting also considered the impact of financial technology on retail payments systems, where members discussed how the proliferation of fintech is improving accessibility and convenience in retail payments, while highlighting increases in credit and operational risk. The members contemplated appropriate regulatory approaches to foster sound and secure retail payment systems while striking a balance between financial inclusion, customer convenience and financial stability.



External Relations Department

The meeting concluded with a session on De-risking and Correspondent Banking where members were briefed by the Financial Action Task Force (FATF) on their recently issued guidance on correspondent banking services. Members also considered solutions, including the need for greater clarity by regulators with respect to their expectations, the implementation by banks of risk-based anti-money laundering / combating the financing of terrorism assessments, the need for international organizations to continue their involvement on correspondent banking and cross-border cooperation among national authorities.

FSB has issued a detailed press release about the proceedings of the 11th meeting, which can be accessed on its website at www.financialstabilityboard.org
