

Press release

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Eighth Meeting of the Financial Stability Board Regional Consultative Group for Asia

Today, the Bangko Sentral ng Pilipinas (central bank of the Philippines) hosted the eighth meeting of the Financial Stability Board (FSB) Regional Consultative Group for Asia in Bohol, Philippines.

At their meeting, members of the FSB Regional Consultative Group for Asia began by reviewing the FSB's policy priorities and work plan. This was followed by a discussion of vulnerabilities and financial stability issues affecting Asia. Members exchanged views on growth prospects in many parts of the world. Though the sharp decline in oil prices should be positive for global growth, in some countries growth forecasts have been revised downward and lower oil prices were adding to disinflationary pressure. Against this backdrop there had been policy easing moves by a number of central banks. Actions by central banks to fight deflation, including the Bank of Japan's "Quantitative and Qualitative Monetary Easing", were also considered.

Members next discussed reforms to international bank regulatory standards and their impact on Asian banks and banking systems. Some members emphasised the need to carefully assess the impact on emerging market and developing economy (EMDE) banking systems of the FSB's proposed total loss absorbing capacity (TLAC) requirement. Given the current interest rate environment and taking into account the specific features in Asian banks and Asian markets, they began by focusing on how to effectively monitor and control interest rate risk in the banking book of Asian banks. They then considered the Basel Committee's recently issued consultative document proposing changes to the Standardised Approach to measure credit risk in the capital framework¹ and how it would affect Asian banks.

Implementation of global reforms to over-the-counter (OTC) derivatives markets was the subject of attention by members. Discussions on this issue built upon the outcomes of a two-day workshop on OTC derivatives reforms held immediately prior to this meeting and centred on the impact on Asia of the reforms' implementation in the US and Europe, cross-border implementation issues more generally, and the market infrastructure supporting derivatives markets in Asia.

Members stressed the need to consider individual national circumstances in the implementation of agreed international reforms while still maintaining consistency of outcomes and ensuring that the objectives of the reforms are achieved. Appropriate application of proportionality and sequencing of the reforms' implementation will be useful.

¹ See <http://www.bis.org/bcbs/publ/d307.pdf>.

Given capacity constraints that exist in some EMDEs, members highlighted the need for technical assistance with implementation of the reforms.

The next topic addressed by members was that of long-term investment in Asia. In particular, they considered trends in long-term investment and the potential impact on investment arising from financial regulatory reforms and other factors. In addition, the FSB Regional Consultative Group for Asia's informal study group on long-term investment briefed members on the results of a survey of efforts within the region to promote long-term investment.

Members concluded the meeting with a session focusing on the level of cooperation among Asian financial authorities and ways in which it could be strengthened. One element of cooperation that received particular attention was the sharing of information. Members expanded the discussion to also consider how the FSB Regional Consultative Group could enhance its cooperation with other regional bodies such as the Executives' Meeting of East Asia-Pacific Central Banks and the International Organization of Securities Commissions' Asia-Pacific Regional Committee.

The FSB Regional Consultative Group for Asia is co-chaired by Mr Masamichi Kono, Vice Minister for International Affairs at the Financial Services Agency and Mr Amando Tetangco, Governor, Bangko Sentral ng Pilipinas. Membership includes financial authorities from Australia, Cambodia, China, Hong Kong SAR, India, Indonesia, Japan, Korea, Malaysia, New Zealand, Pakistan, Philippines, Singapore, Sri Lanka, Thailand and Vietnam.²

Notes to editors

The FSB Charter stipulates that the FSB "should consult widely amongst its Members and with other stakeholders including private sector and non-member authorities. This process shall include engaging with the FSB Regional Consultative Groups and include an outreach to countries not included in the Regional Consultative Groups".³ The FSB established six Regional Consultative Groups⁴ to bring together financial authorities from FSB member and non-member countries to exchange views on vulnerabilities affecting financial systems and on initiatives to promote financial stability.

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. Through the six regional groups, the FSB conducts outreach with another approximately 65 jurisdictions.

The FSB is chaired by Mark Carney, Governor of the Bank of England. 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.

² The list of members of the Regional Consultative Group for Asia is available at: <http://www.financialstabilityboard.org/about/organisation-and-governance/list-of-members-of-the-fsb-regional-consultative-group-for-asia/>.

³ See: http://www.financialstabilityboard.org/wp-content/uploads/r_120809.pdf.

⁴ The FSB regional consultative groups cover the following regions: Americas, Asia, Commonwealth of Independent States, Europe, Middle East and North Africa, and Sub-Saharan Africa.