FSB FINANCIAL STABILITY BOARD

Press release

Press enquiries:
+41 76 350 8024

press@bis.org

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Seventh Meeting of the Financial Stability Board Regional Consultative Group for Sub-Saharan Africa

Today, the Bank of Tanzania hosted the seventh meeting of the Financial Stability Board (FSB) Regional Consultative Group (RCG) for Sub-Saharan Africa in Zanzibar, Tanzania.

At the meeting, members of the FSB RCG for Sub-Saharan Africa began by reviewing the FSB's work plan and priorities for the next phase of reform. The priorities are in three areas: full, consistent and prompt implementation of the agreed reforms; finalising the design of the remaining post-crisis reforms; and addressing new risks and vulnerabilities. The Group then discussed both the global and regional economic outlook and related vulnerabilities. They discussed developments in the region's financial sector, including the increasing importance of Pan-African banks, and vulnerabilities, such as limited economic diversification, low financial market depth and challenges associated with non-performing loans. Members exchanged views on possible policies to promote the development and growth of the region's financial systems.

With commodities being a major driver of growth in the region over the past decade, members then turned their attention to the impact of the sharp decline in oil prices. They considered the issue both for oil importing and for oil exporting countries, discussing the various macroeconomic and financial implications, and possible responses.

Most banks within the region use the Standardised Approach in the Basel Committee on Banking Supervision's Basel II capital framework to determine how much capital they must hold for credit risk. Members discussed the proposed revisions to the Standardised Approach[1], including proposals to reduce the reliance on external credit ratings in the capital framework.

Members considered the effects on the region of regulatory reforms. In particular, they discussed the impact on the region of a decline in correspondent banking services being offered by international banks, including as a result of legal risks arising from potential AML/CFT enforcement actions. Members welcomed the planned focus of the FSB on this issue. A loss of correspondent banking services could lead to financial exclusion, hinder the development of emerging market financial sectors, or risk driving cross-border financial transactions into the unregulated sector.

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1 The Basel Committee issued a consultative document *Revisions to the Standardized Approach to credit risk* on 22 December 2014 and is seeking comments by 27 March 2015.

The FSB RCG for Sub-Saharan Africa is co-chaired by Lesetja Kganyago, Governor, South African Reserve Bank and Rameswurlall Basant Roi, Governor, Bank of Mauritius. Membership includes financial authorities from Angola, Botswana, Ghana, Kenya, Mauritius, Namibia, Nigeria, South Africa and Tanzania, as well as the Central Bank of West African States (BCEAO) based in Senegal. Permanent observers include the Committee of Central Bank Governors of the Southern African Development Community, and the East African Community. The list of members of the Regional Consultative Group for Sub-Saharan Africa is available at: http://www.financialstabilityboard.org/about/rcgssa.pdf.

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".[2,3] At the Toronto Summit in June 2010, the G20 Leaders endorsed such a process by calling on the FSB "to expand upon and formalize its outreach activities beyond the membership of the G20 to reflect the global nature of our financial system".[4]

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 its six regional consultative groups, the FSB is able to develop global financial policy initiatives through a more inclusive process.

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 at: www.financialstabilityboard.org.

[2] See http://www.financialstabilityboard.org/wp-content/uploads/r_120809.pdf.

[3] The FSB regional consultative groups were established for the following regions: Americas, Asia, Commonwealth of Independent States, Europe, Middle East and North Africa, and Sub-Saharan Africa.

[4] http://epe.lac-bac.gc.ca/100/206/301/faitc-aecic/g20/2013-08-14/summit-sommet/2010/toronto-declaration-toronto1b0e.html?lang=eng