

**Framework for Post-Implementation Evaluation of the Effects of  
the G20 Financial Regulatory Reforms**

**Frequently Asked Questions**

**3 July 2017**

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# **Frequently Asked Questions on the Framework for Post-Implementation Evaluation of the Effects of the G20 Financial Regulatory Reforms**

This Frequently Asked Questions document complements the Framework for Post-Implementation Evaluation of the Effects of the G20 Financial Regulatory Reforms (“the framework”).

## **1. Objectives and scope of the framework**

### Q1: What is the purpose of the framework?

The framework serves as a guide for post-implementation evaluation work by the FSB and standard-setting bodies (SSBs). In particular, it aims to guide analyses of whether the G20 financial regulatory reforms are achieving their intended outcomes, and help identify any material unintended consequences that may have to be addressed, without compromising on the objectives of the reforms. Applying such a framework will inform structured policy discussions among FSB members and SSBs. Evaluations, if findings warrant it, could provide a basis for possible fine-tuning of post-crisis regulatory reforms, without implying a scaling back of those reforms or undermining members’ commitment to implement them.

### Q2: What is meant by post-implementation evaluation?

The focus of the framework is on post-implementation evaluation; that is, evaluating the effects of G20 financial regulatory reforms for which implementation is well underway or completed. The framework will cover ex-ante analysis only to the extent that it is necessary for post-implementation evaluation. This includes translating policy objectives, set out at the time of development of reforms (see for example Annex B of the framework), into observable and measurable metrics and comparing available ex-ante impact assessments with realised outcomes.

### Q3: To what reforms does the framework apply?

The framework is being designed with the post-crisis G20 core reform areas in mind, but it should provide flexibility to allow tailoring evaluations to other – including future – reforms, and the potential for individual jurisdictions to use it, if they desire. In particular, the core reform areas to which the framework will be applied are: (1) making financial institutions more resilient; (2) ending too-big-to-fail; (3) making derivatives markets safer; and (4) transforming shadow banking into resilient market-based finance. The framework can be applied both to individual reforms, as well as to cross-sectoral and cross-cutting issues stemming from the interaction and combined effects of those reforms, related to the key aspects of the functioning of the global financial system.

Q4: Effects can differ across markets, states of the world or jurisdictions and regions. How does the framework address the impact of reforms on different markets, jurisdictions and regions?

The framework acknowledges the many challenges of measuring the effects of reforms in general and notes that, where possible, evaluations should also consider *distributional* effects such as the allocation of benefits and costs across jurisdictions (including on emerging markets and developing economies where appropriate), sectors and end users. There are multiple research designs and econometric approaches that can be used to tackle this important issue (see question 10). Exploring differences in adjustment to reforms that were implemented at different times across jurisdictions, for example, can help to provide a better understanding of reform effects.

Q5: The framework specifically focuses on the effects of reform. Will the framework also look at the efficiency of reforms?

The analysis of benefits and costs may also involve a consideration of *efficiency* – namely, the extent to which reforms are working in a way that minimises net social cost for a given social benefit.

Q6: What is the role of the framework in making modifications to the G20 financial regulatory reforms?

The results of the evaluations will not contain any specific policy recommendations, but rather findings for consideration by the appropriate bodies. If their findings warrant, the SSBs and the FSB may recommend that a standard or policy in their respective areas of responsibility be considered for amendment, without compromising on the objectives of the reforms, in accordance with their established policy development processes. The final responsibility for deciding whether and how to amend a particular standard or policy remains with the body that is responsible for issuing that standard or policy.

## **2. Concepts and terms**

Q7: What are the different types of evaluations that will be undertaken by the FSB and SSBs under the framework?

Evaluations undertaken by FSB and SSBs may include analyses from three distinct but inter-related perspectives: 1) the effectiveness of individual reforms may be evaluated by comparing outcomes with the specific reform objectives, typically outlined in the policy document by the relevant SSB or the FSB; 2) the evaluation of the interaction and coherence among reforms would examine whether the combination of particular reforms has reinforced or impeded attainment of their specific reform objectives or led to other (e.g. beneficial or adverse) effects; and 3) the evaluation of overall effects, the most challenging of the three, would examine the extent to which a particular reform, individually as well as in combination with other reforms, has contributed to the broad G20 objectives of strong, sustainable and balanced growth.

Q8: What is meant by "living document"?

In designing policy evaluations, it is important to consider their inherent conceptual and methodological challenges. Addressing these challenges through robust evaluations will evolve with experience. Thus, the framework is a living document that will be enhanced as experience is gained and its roll-out that will take place progressively in the coming years. Such enhancements will build on methodological advances and experience gained from evaluations.

### **3. Evaluation approaches**

Q9: What is the approach to methodological challenges of policy evaluation?

The framework provides guidance on available tools (see question 10) that may be useful for policy evaluations and helps manage the methodological challenges of analysing a multitude of transmission channels and behavioural responses, accounting for complex interactions among regulatory and non-regulatory factors, estimating social benefits and costs (including long-term effects) and considering data gaps.

These challenges are not unique to financial reforms, and are relevant for policy development and evaluation in other areas (e.g. competition, tax, environmental, health, and labour-market policies). Addressing these challenges through robust evaluations will evolve with experience.

Q10: What are the tools that will be used for policy evaluations?

Evaluations of post-crisis reforms should address three main questions:

- (1) Did the reform cause the outcome?
- (2) Did the reform have broadly similar effects across relevant markets, states of the world, or jurisdictions and regions?
- (3) Did the reform achieve its overall objective?

It is important to match the available evaluation tools with their ability to address these questions. There is no “one-size-fits-all” approach. The preferred methodology(ies) will depend on the specific reform, the availability and quality of data, the timing and priority of the evaluations, the desired scope and depth of the evaluation, as well as the availability of data and analytical tools.

The tools identified as being useful and increasingly being employed for policy evaluations, include qualitative analysis, indicators and descriptive statistics, partial equilibrium analysis and general equilibrium analysis. Simpler indicators and descriptive statistics may be particularly useful to provide some insights for subsequent, more comprehensive and complex evaluations, such as those encompassing multiple reforms. Evaluations of major reforms and of interaction of reforms could be expected to employ, at some point, the most complex types of analyses.

Q11: What type of data will be used in the analyses?

The framework recognises that the availability of data is a critical element in any evaluation. The data used will depend on the type of evaluation and will be decided on a case-by-case basis. Generally, data needs should be addressed at the planning phase of an evaluation and described in the Terms of Reference. Some topics may be highly material but may face significant data gaps. In such cases, the design of the evaluation should include ways to enhance the availability and quality of data (e.g. through additional data collection efforts), or otherwise be adapted to take account of data availability, to enable a meaningful evaluation to take place.

#### **4. Operationalising reform evaluations**

Q12: What is a reasonable time frame for an evaluation?

The duration of each evaluation will be determined on a case-by-case basis and specified in the Terms of Reference. It will depend on a number of factors, such as the desired scope, depth and complexity of the analysis as well as the availability of data. Evaluations are expected to be time-intensive exercises. Providing a structured evaluation plan early on can contribute to more efficient time management.

Q13: How are evaluation topics selected and prioritised?

Evaluations of policies and standards are resource-intensive exercises, so only a small number of evaluations can realistically be undertaken each year. Having an effective and transparent system for the *selection, prioritisation and coordination* of evaluations is necessary in view of different implementation schedules and is instrumental to appropriately plan and allocate limited resources.

FSB members will submit evaluation proposals to the FSB for consideration. Proposals should provide: (1) an assessment of materiality of the reforms (the relative importance of the reform or cross-cutting topic); (2) an assessment of feasibility (capacity to carry out a meaningful evaluation, which is conditional on a variety of factors); and (3) supporting evidence on the effects of the reform(s) of interest. The FSB would review the proposals and recommend which of the proposed evaluations should be undertaken and how they should be prioritised.

Q14: How will the public be kept involved in the ongoing process of evaluation?

Engagement with stakeholders is important to provide the FSB with relevant feedback and to ensure accountability and transparency of the evaluation process. Public consultation and communication in the evaluation process will take three forms, all of which are subject to confidentiality frameworks, specific arrangements and FSB members' consent. First, once FSB members are satisfied with the Terms of Reference, information on the forthcoming evaluation on a selected topic would be published. Second, the draft report would be subject to public consultation prior to its final publication. Finally, the findings of the evaluation report would be made publicly available.

The evaluation process (outlined in the Terms of Reference) should include means for engagement with external stakeholders, thereby leveraging expertise from academics, think-tanks, industry and others. The processes should ensure quality and objectivity of results, including through academic outreach at an early stage to review such aspects as research design, empirical methods and execution.

Q15: Has the FSB identified the first set of regulatory reforms to which this evaluation framework will be applied? Which reforms are these?

Application of the framework will begin over the coming years. To this end, the FSB expects to discuss a preliminary schedule and list of prioritised topics for the first round of evaluations under the framework before the end of 2017.

The FSB, together with relevant SSBs, has agreed to carry out a review of the interaction of reforms on incentives to centrally clear, including margin and capital standards for non-centrally cleared derivatives and the Basel III leverage ratio, to be completed by the time of 2018 G20 Summit. The FSB expects this study to be an early application of the evaluation framework.