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Press Release

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FSB PLENARY MEETING IN HONG KONG

The FSC Vice Chairman Choo Kyungho attended the Financial Stability Board (FSB) plenary meeting held in Hong Kong from May 29 to May 30. At the meeting, financial regulators from 24 FSB member countries and international standard-setting bodies reviewed progress in financial regulatory reform and coordinated their opinions ahead of the Los Cabos G20 Summit to be held from June 16 to June 19.

KEY DISCUSSIONS

1. Vulnerabilities in the financial system

In the euro area, the adverse feedback loop between sovereign debt strains, weak economic growth and fragile banking systems has intensified. There has been a pull-back in cross-border financial activity. Against this backdrop, risks of adverse spillovers to global financial markets and economies have increased.

The FSB supports the work of European and national authorities to lower short-term risks and foster lasting confidence and stability, including completing the repair and restructuring of some banks as required. In addition, authorities agreed to work together to minimize the downside risks from the ongoing process of bank deleveraging.

2. Addressing systemically important financial institutions (SIFIs)

The FSB endorsed the International Association of Insurance Supervisors (IAIS) consultation paper that sets out a proposed methodology for assessing the global systemic importance of insurance companies.

The FSB evaluated progress in implementing its Key Attributes of Effective Resolution Regimes for Financial Institutions. FSB members reaffirmed the need for further work to establish international guidance on common terms for information sharing and on the handling of client assets in resolution.

3. Over-the-counter (OTC) derivatives

The FSB noted that substantial progress has been made in setting international standards, in advancing legislation and regulations by a number of jurisdictions. However, the FSB recognized that the current momentum should be maintained as much work remains to be done to complete the reforms by the end-2012 deadline agreed by the G20.



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4. Shadow banking

The FSB reviewed progress in regulating shadow banking areas such as MMF, securitization, securities lending and repo. The FSB will publish by end-2012 an initial integrated set of policy recommendations to strengthen regulation of shadow banking.

5. Legal entity identifier (LEI)

The FSB approved recommendations to support the establishment of a global LEI system that will provide a unique global identifier for parties to financial transactions. The recommendations will be submitted to the Los Cabos Summit. The proposals set out a governance framework to protect the public interest, while promoting active cooperation between the global regulatory community and the private sector in the implementation of the system.

6. FSB capacity, resources and governance

The High-Level Group published a draft report to strengthen the FSB's capacity, resources and governance. The FSB members agreed to submit the recommendations to the G20 Los Cabos Summit for endorsement that place the FSB on an enduring organizational footing with institutional standing, legal personality and greater financial autonomy, while maintaining the existing strong links with the Bank for International Settlements.

7. Implementation monitoring and adherence to standards

The FSB reviewed progress in the implementation of G20 reforms under its Coordination Framework for Implementation Monitoring to be reported to the Los Cabos Summit. The FSB members also approved progress reports in Basel III and compensation practices.

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