Recent International Initiatives to Promote Stability and Growth

A presentation to the ABAC Finance and Economics Working Group

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Agenda

- Regulatory reforms for the financial sector
- Macro-financial policies and coordination
- Global Architecture

Regulatory Reforms
Framework for Reforms

- Design
  - International Standard Setting Bodies (with oversight by FSB)
- Implementation
  - National authorities (Technical Assistance from IFIs – G20 Pittsburg Leaders’ Statement)
  - International cooperation (crisis management, supervisory colleges, etc.)
- Assessment
  - FSB peer review, IMF-WB FSAP, ROSC
Direction of regulatory reforms

- **Challenge is to strengthen the financial stability framework without compromising efficiency and market innovation.**

- **Key areas of reform**
  - Reforming regulatory frameworks (capital, liquidity, transparency, accounting...),
    - Compensation issues and structures
    - Risk management systems
    - Disclosure and accounting frameworks and practices.
  - **Handling systemic risks**
    - Identify systemically important institutions, markets and instruments (SIMI);
    - Extending the perimeter of regulation
  - **Improving crisis management**
  - **Filling information gaps**

Some key work in progress

- **Capital Adequacy, Liquidity**
  - BCBS Consultative Papers (Jan 2010)
- **Accounting**
  - Fair value accounting (IFRS 9)
  - Provisions and reserves (Exposure draft)
- **Systemically important institutions and markets**
  - US proposal to limit size
- **Assessment**
  - FSAP for U.S., China, Indonesia underway, second round FSAPs for others started.
  - FSB thematic peer review on compensation
- **Perimeter of regulation**
  - **US proposal to limit banks' activities**
- **Hedge Funds, Credit Rating Agencies**
  - National implementation of IOSCO principles
- **Financial Sector Taxation**
  - IMF to present report on options to G-20 in April 2010
  - **Some individual country moves underway**
- **Non-cooperative jurisdictions**
  - OECD Global Forum peer review (starting 2010)
- **Information gaps**
  - FSB-IMF Report with recommendations for improving data and information (Oct 2009)
Macro-financial policies

- Early Warning Exercises

- G20 Framework for Strong, Sustainable and Balanced Growth
  - G20 to conduct mutual assessment of members' medium-term policy framework
  - IMF to assist in analyzing consistency of country policies with the medium-term growth objectives
  - Series of interactions and discussions leading to November G20 summit

Global Architecture: Governance

- Wider membership for FSB (from FSF), expansion of BCBS membership (13→27), establishing a Monitoring Board of securities regulators for IASCF

- IMF quota and voice revision
  - A quota review to conclude by Jan 2011
**IMF Quota Shares**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Current (After 2008 review)</th>
<th>Calculated (existing formula)</th>
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<tbody>
<tr>
<td></td>
<td>Country</td>
<td>Quota share</td>
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<td>2</td>
<td>Japan</td>
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<td>3</td>
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**Global Architecture: International Monetary System**

- **Expanding IMF Lending Toolkit**
  - A more LOLR like facility?
  - Need for less insurance through reserve build up

- **Rethinking reserve currency**
  - Future of the Dollar
  - Role for SDR?
## Comparing IMF Programs

<table>
<thead>
<tr>
<th>Country</th>
<th>IMF Lending (US$ billion)</th>
<th>Ratio to Quota</th>
<th>As % of GDP</th>
<th>Total size of package as % of GDP</th>
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* Flexible Credit Line