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Asia-Pacific Financial Forum Roundtable on Financial Regulations

Overview of Key Global Regulatory Initiatives

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Overview

- Overview of key global regulatory initiatives, their timelines and impact on the Asia-Pacific
 - Objectives
 - Themes and challenges
- Our research project
- Suggested questions for discussion



- Liquidity coverage ratio (LCR)
- Net Stable Funding Ratio (NSFR)
- Timelines:
 - LCR in place on 1 January 2015 but starts at 60% and reaches 100% on 1 January 2019
 - NSFR to be introduced by 2018
- Impact– is it suitable for emerging markets in Asia?



- Leverage ratio:
 - measures the ratio of capital to debt
 - deals with the problem of excessive leveraging
- Disclosure requirement came into place on 1 January 2015
- Impact in terms of cost of credit
- Some markets are over-complying



- G-SIBs
- Total loss-absorbing capacity (TLAC)
 - Measure to address the “too big to fail” risk
- To come into effect on 1 January 2019
- G-SIBs that are headquartered in emerging markets not initially subject to the Common Pillar 1 TLAC requirement
- Asian banks:
 - reliance on deposit funding



- Risk-based global insurance capital standard (IAIS)
- Also, absorbency requirements similar to TLAC for G-SIBs
- By 2016
- Intention is to create a level playing field and reduce regulatory arbitrage – is it appropriate in Asia, particularly in emerging markets?



- Together with TLAC, an important measure to reduce the “too big to fail” problem
- Deals with the responsibilities, instruments and powers that national resolutions regimes should have
- Mixed take-up to date in Asia
- Challenges for cross-border regulatory cooperation



- Involves both foreign exchange benchmarks and interest rate benchmarks
- Intention is to reduce the incentives for manipulation and market malpractice
- Expected implementation in 2016
- Will the new reforms be sufficient or will regulatory change be necessary?



- Introduced to improve transparency, mitigate systemic risk and protect against market abuse
- Different jurisdictions at different stages of implementation
 - Implementation stretches into 2015 and beyond
- Challenges brought about by knowhow and resource constraints
 - Cross-border challenges



- FSB definition: ‘credit intermediation involving entities and activities outside the regular banking system’
- Two-pronged approach:
 - Monitoring
 - Strengthened oversight
- Regional challenges in terms of how shadow banking is defined and regulated – is it Asia’s problem?



- IOSCO Report on Cross-Border Regulation
 - Identifies different tools to regulate cross-border securities market activities
- Regional coordination in the area of funds passport initiatives
 - Can they serve as an effective model for regional coordination generally?



- UoM Project team:
 - Kevin Davis, Andrew Walter, Jikon Lai, Andrew Mitchell, Ian Ramsay, Andrew Godwin
- Focus is regional coordination
- Areas include Basel compliance, funds passport initiatives, shadow banking and bank resolution regimes
- Questions:
 - Is the existing architecture appropriate?
 - Should the existing bodies and mechanisms be strengthened or reformed in any way and, if so, how?



- Are the global standards appropriate or suitable?
 - does a “one size fits all” approach make sense?
- How should Asian regulators achieve an appropriate balance between regulation and economic growth/financial stability?
- What are the challenges for regional coordination and how might more effective coordination be achieved?

