

Document: AGFSCB 30-008
Draft: **FIRST**
Source: IMF
Date: 5 February 2010
Meeting: Melbourne, Australia

 Asia-Pacific Economic Cooperation

THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM
CAPACITY-BUILDING
A Public-Private Sector Initiative

First Meeting 2010
12 February 2010
The Park Hyatt Melbourne
Melbourne, Australia

Meeting Paper 7-C

Recent International Initiatives to Promote Stability and Growth

International Monetary Fund

Recent International Initiatives to Promote Stability and Growth

A presentation to the ABAC Finance and
Economics Working Group

ABAC I – Melbourne Thursday, February 11, 2010

Akira Ariyoshi
Regional Office for Asia and the Pacific
International Monetary Fund

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 Pittsburgh 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**

5

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
 - IMF/BIS/FSB Report (Nov 2009, follow-up June 2010)
 - **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
 - Joint Forum "Review of Differentiated Nature and Scope of Financial Regulation: Key Issues and Recommendations"
 - **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

(See <http://www.imf.org/external/np/pp/eng/2009/120209a.pdf>)

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

Rank	Current (After 2008 review)		'Calculated' (existing formula)	
	Country	Quota share	Country	Quota share
1	United States	17.7	United States	17.8
2	Japan	6.6	China	7.5
3	Germany	6.1	Japan	7.0
4	France	4.5	Germany	5.9
5	United Kingdom	4.5	United Kingdom	4.6
6	China	4.0	France	4.2
7	Italy	3.3	Italy	3.1
8	Saudi Arabia	2.9	Russia	2.4
9	Canada	2.7	Canada	2.4
10	Russia	2.5	Spain	2.2
11	India	2.4	India	2.2
12	Netherlands	2.2	Korea	2.2
13	Belgium	1.9	Brazil	2.0
14	Brazil	1.8	Netherlands	1.9
15	Spain	1.7	Mexico	1.9

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

Country	IMF Lending (US\$ billion)	Ratio to Quota	As % of GDP	Total size of package as % of GDP
<i>Asian Crisis</i>				
Thailand	4.0	5	2	9
Indonesia	11.2	6	4	16
Korea	21.1	19	7	19
<i>Current Crisis</i>				
Hungary	15.7	10	11	18
Ukraine	16.4	8	11	12
Iceland	2.1	12	12	(65)
Mexico*	47.0	10	6	...
Poland*	20.6	10	5	...
Colombia*	10.4	9	5	...

* Flexible Credit Line