Increasing the Impact of the FSB

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STRENGTHENING THE FINANCIAL STABILITY BOARD
G20/FSB Conference – Banco de Mexico, Bank of Canada, and CIGI
April 12-13 2012
Mexico City
High-Level Panel on the FSB—Motivation

- High-profile, critical mandate entrusted by G-20 leaders at the apex of the crisis
  - broadened mandate, enlarged membership, enhanced institutional capacity wrt FSF

- Substantial gap btw the IMF and the FSB/FSF in terms of literature, evaluative evidence, stakeholder focus

- FSB as a “black box”?
H-L Panel on the FSB—Inspiration

• Previous inspiring initiatives:

» New Rules’s High-Level Panel on IMF Board Accountability

» Fourth Pillar Report on IMF Governance Reform
H-L Panel on the FSB—Composition

• 14 Members:
  » serving in their individual capacity
  » from G20 and non-G20 countries
  » Geographically balanced
  » Diversity of backgrounds and experiences (fmr MoFs and Deputy PMs, leading academics and think-tank scholars—including CIGI’s—and civil society representatives)
H-L Panel on the FSB—Framework

- HL Panel financially and institutionally independent from the FSB (but greatly benefited from engagement with FSB)
- Housed in and led by the Brookings Institution
- Part of a broader undertaking on global financial regulation coordinated by New Rules for Global Finance
H-L Panel on the FSB—Starting Principles

• FSB as a trans-network or network of networks
  » attempts to over-compare it with other multilaterals (i.e. IMF, WB, and WTO) fails to capture its truly uniqueness

• FSB membership is multidimensional
  » national, regional, international organizations as well as standard-setting bodies (SSBs) to potentially bridge the gap resulting from national and sectoral fragmentation

• FSB as a “membrane” among its members
  » to foster a collective diagnosis of systemic financial threats
H-L Panel on the FSB—Trade-offs

• Trade-off btw learning and legitimacy
  » a smaller organization enhances the former, a larger one strengthens the latter

• Trade-off btw learning and compliance
  » Peer-review-based organization vs top-down, prescriptive approach with enforced decisions
  » Art. 16 implies ‘enforcement’ of decisions through peer-pressure
Recommendations on Mandate

1. The mandate of the FSB should cover all systemically relevant issues...whether or not the G-20 articulates them specifically.

2. The framework for FSB-IMF cooperation should be amended to include regulation of cross-border capital flows.

3. The FSB’s joint strategic reviews of the policy development work of the SSBs should be conducted according to a clear and regular timetable so as to ensure that the FSB has timely and ongoing input into the work of the SSBs.

4. The FSB should establish a working group to explore ways to simplify and rationalize the existing institutional patchwork of SSBs and other similar groupings.
Recommendations on Organization

5. The FSB should appoint a nominating panel broadly representative of its membership, and develop a procedure for selecting the chair (does lack of voting shares rule out contestability in leadership selection? See IMF IEO’s report).

6. The FSB should articulate the conditions under which the chair can or must be removed from office (e.g., malfeasance, conflict of interest, negligence).

7. In the longer term, if the FSB becomes more institutionalized, consideration should be given to introducing a full-time chair. Meanwhile, in the interim, every effort should be made to accommodate chairs that may come from regions other than Europe.

8. The FSB’s staff should be substantially increased and be directly hired without having to necessarily rely on secondments from members. The expansion of the staff must reflect the broad geographical and institutional diversity of the FSB’s membership.
Recommendations on Legal Personality and Accountability

9. The FSB should adopt the most favorable and flexible corporate form offered by domestic law in a convenient national jurisdiction.

10. The membership of the FSB’s regional consultative groups should be determined using a bottom-up approach through broad consultations with national authorities.

11. The FSB should develop a disclosure policy in consultation with its stakeholders.

12. The FSB should regularly submit itself to external and independent evaluations on well-defined areas of its mandate, work and organization to continuously align itself with international best practice standards.
H-L Panel on the FSB—Outstanding Issues

• Horizontal (country-based) vs. Vertical (member-based) constituencies
  » to reconcile legitimacy with effectiveness, given expanding membership and increased role of Steering Committee

• EU representation
  » 18 members including ECB, EC (1/3 of 54 country-related members); no institutional link with EBA or ESRB
H-L Panel on the FSB—Post Scriptum

- Regional Consultative Groups?
- Status of Governance Reforms?
- Follow up on the H-L Panel Report?
- Opportunity to have the Plenary/Steering Committee Engage with Stakeholders on issues/recommendations raised by the H-L Panel Report?
H-L Panel on the FSB—More Information

- High-Level Panel on the Governance of the FSB

- Background Paper

- Audio-Record & Transcripts of Launch Event
GOOD LUCK

• Thank YOU!