AFME comment on G20's decisions on financial regulation

The G20 has given a welcome update on progress on financial reform but there are still many unanswered questions.

The Association for Financial Markets in Europe (AFME) supports the work to achieve a robust but proportionate prudential regulatory regime. We welcome the G20's announcement of its decision to take forward the Basel Committee's recommendations. Developing the proposals has been a substantial piece of work for the Committee, against a challenging timetable. From what is already known, it is clear that the proposals will have a significant impact on the global financial system, which will feed through to the wider global economy. The recent decision to have a phased implementation for some aspects was highly welcome, but this will still be a significant challenge, both for the industry and regulators. It is therefore crucial that the Committee address as quickly as possible the many outstanding questions that remain, on detail and aspects of timing, so that the financial services industry can begin to make preparations for the new regime. The phased implementation will help but we would also like to see a schedule of periodic reviews to ensure that implementation is consistent across all jurisdictions and that that impact reviews are published. This will help to ensure that the new standards can be adjusted quickly to address any unintended consequences.

We are very pleased to see the G20's commitment to ensuring that the new financial regulatory framework is complemented with a more effective supervisory regime. AFME believes that enhanced supervision, under which supervisors have clear mandates, the independence to act and the appropriate tools and resources, is one of the cornerstones of a robust financial system. We commend the Financial Stability Board for its work in bringing forward these recommendations to the G20.

AFME believes that with such a regime in place to address the financial stability risks that are of concern to the G20 it should be unnecessary to designate certain firms as being globally or nationally "systemically important" in order to impose on them further regulatory requirements, in addition to more intensive supervisory oversight. However, given the G20's decision to do so, we call on the relevant bodies charged with bringing forward proposals in this area to guard against the potential unintended outcomes of this policy, in terms of the impact on the wider economy, and the barriers to entry it might create. Furthermore, as recognized by the Basel Committee, identifying SIFIs is not an easy task and invites moral hazard issues. We also note that the G20 has given national regulators the capacity to require supplementary prudential and other requirements on SIFIs and urge individual regulators to commit to taking a proportionate approach.

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Notes to Editors

AFME (Association for Financial Markets in Europe) promotes fair, orderly, and efficient European wholesale capital markets and provides leadership in advancing the interests of all market participants. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks, key regional banks, brokers, law firms, investors and other financial market participants.

AFME was formed on 1 November 2009 from the merger of LIBA (the London Investment Banking Association) and the European operations of SIFMA (the Securities Industry and Financial Markets Association). AFME participates in a global alliance with SIFMA in the US, and the ASIFMA (Asia Securities Industry and Financial Markets Association) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website, www.AFME.eu.