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Press Release

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GFMA comment on the G20 Summit

The Global Financial Markets Association (GFMA) today released the following statement from Simon Lewis, chief executive, in response to financial reform developments within the G20 Communiqué issued on 19 June 2012.

“We welcome the G20’s continuing focus on reforming the financial sector, which has already led to significant regulatory change, including robust capital and liquidity requirements for banks and a framework for an international resolution regime.

”We also welcome the commitment of the G20 leaders to maintaining a consistent and coherent global approach, which is becoming ever more important as leading countries and regions create an increasingly complex regulatory environment. As G20 ministers continue to implement the reforms necessary to ensure a robust global financial system, we would urge them to thoroughly assess the impact on economic growth of the numerous initiatives underway in several jurisdictions.”

Additional GFMA commentary on specific areas of financial reform:

- **Legal Entity Identifiers (LEIs)**

“The FSB should be commended for recognizing the need for a strong central control process to ensure integrity of information in the LEI database. GFMA fully supports the establishment of a global LEI system, which could dramatically improve systemic risk management in the global financial industry. However, if the Implementation Group is to comprise only regulators, then GFMA would like to see active interaction with industry experts to ensure the system is set up in a timely and effective way. GFMA supports the FSB call to launch the LEI system by the end of this year and to be independently operational by March 2013.

As the LEI system rolls out, we encourage the FSB and global regulators to utilize the industry-endorsed prototype LEI utility (as provided by DTCC and SWIFT). This utility operates on a cost-recovery basis and provides data that is freely available to all users, without redistribution or licensing fees.”

- **Compensation**

“GFMA is concerned about proposals to set legal caps on variable compensation since it believes that attempts by legislators to set a maximum ratio between fixed and variable compensation intrudes on the important role of shareholders to determine key questions on pay and commercial strategy.

Moreover, regulation should be designed to aid financial stability and economic growth. This proposal could introduce additional fragility to the European banking system by increasing banks' fixed costs. GFMA believes that this issue requires further debate and hopes that an opportunity for this will emerge from further negotiations. "

- **Strengthening the Financial Stability Board**

"GFMA strongly supports reinforcing the role of the Financial Stability Board which will allow it to play an enhanced role in co-ordinating and harmonizing global financial regulation. Given the FSB's enhanced role, we appreciate their recognition that there needs to be increased consultation and transparency with the private sector. This is particularly important as the growing complexity of international financial regulation could impact not only market participants, but also regulators and supervisors."

- **Capital Requirements**

"GFMA supports the strengthening of capital and liquidity requirements under the Basel III accord, and calls on the FSB to ensure the new framework is rolled out in a measured and consistent way around the globe and with consideration to the delicate balance between maintaining robust capital requirements and the ability for banks to support economic growth."

- **Oil Price Reporting Agencies (PRAs)**

"PRAs have a significant impact on derivatives and physical oil worldwide as they play an important price discovery role in oil markets and their published prices have a material impact on price formation in a market which includes financial activity. As such, we believe PRAs need to be subject to a clear and transparent regulatory framework that provides consistent treatment with similar price formation services or providers in other product areas. In addition, if PRAs are providing material execution services in a market and those services are financial in nature, they need to be subject to a regulatory framework that is consistent with those applied to other like services."

-ENDS-

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Notes:

1. The Global Financial Markets Association (GFMA) brings together three of the world's leading financial trade associations to address the increasingly important global regulatory agenda and to promote coordinated advocacy efforts. The Association for Financial Markets in Europe (AFME) in London and Brussels, the Asia Securities Industry & Financial Markets Association (ASIFMA) in Hong Kong and the Securities Industry and Financial Markets Association (SIFMA) in New York and Washington are, respectively, the European, Asian and North American members of GFMA. For more information, visit <http://www.gfma.org>.