2010 Seoul Summit and Future of Financial Supervisory Board (FSB) as the Fourth Pillar

Young-Cheol Jeong *

ABSTRACT

G-20 schedules Seoul Summit in Nov. 2010 two years after Nov. 14-15, 2008 Washington Summit adopted five principles and 26 action items. The most significant action item to be completed by March 2009 was to reinvent the FSF with expanded membership as the FSB -- the focal arena to find solutions to the crisis. It was accomplished through the charter at the Plenary Meeting in Jun. 2009. However, all the other pending matters were not moved forward as desired. London, Pittsburgh and Toronto Summits repeat the same story: the systematic risks needed to be worked out; new accounting standards needed to be established; macro-prudential policies needed to be monitored; early warning exercises needed to be developed; international cooperation and coordination needed to be expedited, etc. I argue Seoul Summit would be the right venue to establish the FSB as the international institute to design and implement the new international financial regulatory system. As the fourth pillar, the FSB should be able to coordinate ISSBs to the effect that more effective international standards are developed and standards are steered into international treaties.


Received February 28, 2010, Revised March 15, 2010, Accepted March 22, 2010

I. Introduction

Within a decade since a New International Financial Architecture has been discussed after the Asian Financial Crisis (“AFC”),¹ the global financial crisis (“GFC”) launched from the Wall Street hit the international financial community. This time, the focal venue for discussing immediate solutions and long term reform plan was not G-7 and the International Monetary Fund (“IMF”), but G-20 and the Financial Supervisory Board (“FSB”). G-20 is scheduled to have Seoul Summit in November 2010. FSB is 2009 reinvention of Financial Supervisory Forum (“FSF”) with a significantly enhanced mandate.² FSF was the invisible established in 1999 immediately after the AFC because the IMF failed to enhance cooperation in the area of financial market supervision and surveillance among national and international supervisory bodies and international financial institutions. Today the FSB has more members³ and more ambitious goals. Nonetheless, the FSB is still an inchoate, amorphous body to find its place through further discussions.⁴ Rather some “announceables” and numbers, G-20 Seoul Summit ought to be a place to draw a map for the FSB through which a set of immediate goals, action plans, and operational details are targeted for the construction of the continuing international regulatory reform. G-20 Seoul Summit in Nov. 2010 should be a landmark for the future international financial regulatory structure by at least formally establishing the FSB. FSB then should

2 Art. 2 of the FSB Charter (hereinafter the “Charter”).
3 Id., Art. 4 and Annex A.