

From the Financial Stability Forum to the Financial Stability Board

*Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)*

The Financial Stability Board grew out of the Asian financial crisis of 1997 and 1998. The crisis, which spread from Thailand to Indonesia, Korea and later to Russia and Brazil, showed that the existing arrangements for international cooperation in financial regulation were fragmented. Banking supervisors met in the Basel Committee, securities regulators in IOSCO and insurance supervisors in the newly founded IAIS, while the International Monetary Fund and the World Bank pursued their own surveillance and lending agendas. Nobody was responsible for seeing the financial system as a whole. In October 1998, the finance ministers and central bank governors of the G7 asked Hans Tietmeyer, then President of the Deutsche Bundesbank, to consult on new structures for cooperation among the national and international supervisory bodies and international financial institutions.¹

Tietmeyer delivered his report in February 1999. He recommended the creation of a Financial Stability Forum which would bring together, on a regular basis, the national authorities responsible for financial stability in the main financial centres, the international financial institutions, the international supervisory and regulatory groupings and the committees of central bank experts.² The G7 endorsed the proposal at their meeting in Bonn in February 1999. The Forum met for the first time in Washington in April 1999. Its first chair was Andrew Crockett, the General Manager of the BIS, and its small secretariat was located at the BIS in Basel. This choice of location was natural, since the BIS already hosted the Basel Committee and the committees of central bank experts that the new Forum was supposed to coordinate.³

The Financial Stability Forum remained modest in its means. It had no legal personality, no binding mandate and only a small staff. Its membership consisted of the G7 countries together with a few other

From the Financial Stability Forum to the Financial Stability Board

financial centres such as Australia, Hong Kong, the Netherlands, Singapore and Switzerland, alongside the international financial institutions and standard setters. In the years before 2007, the Forum worked on topics such as highly leveraged institutions, offshore financial centres and capital flows. It also compiled a Compendium of Standards that identified twelve key standards for sound financial systems.⁴ Its chairs after Crockett were Roger Ferguson of the US Federal Reserve and, from 2006, Mario Draghi, the Governor of the Banca d'Italia.

The global financial crisis of 2007 to 2009 transformed the Forum. In April 2008, the FSF published a report on enhancing market and institutional resilience which became one of the first coordinated international responses to the crisis.⁵ When the leaders of the G20 met in Washington in November 2008 and in London in April 2009, they decided to make the Forum the central coordinating body of the international financial reform agenda. The London summit declaration of 2 April 2009 announced that the Financial Stability Forum would be re-established as the Financial Stability Board, with a stronger institutional basis, an expanded membership including all G20 countries, Spain and the European Commission, and a broader mandate.⁶ At the Pittsburgh summit in September 2009, the G20 leaders endorsed the FSB Charter and designated the Board as the body to coordinate and monitor the implementation of the financial reforms they had agreed.⁷

The FSB Charter defined the mandate of the new body broadly. The Board was to assess vulnerabilities affecting the global financial system, promote coordination and information exchange among the authorities responsible for financial stability, monitor and advise on market developments, advise on best practice in meeting regulatory standards, undertake joint strategic reviews of the policy development work of the standard setters, set guidelines for supervisory colleges, support contingency planning for cross-border crisis management and collaborate with the IMF on early warning exercises.⁸ Members committed themselves to pursue the maintenance of financial stability, to maintain the openness and transparency of the financial sector, to implement international financial standards and to undergo periodic peer reviews, as well as an assessment under the IMF and World Bank Financial Sector Assessment Program.

1 Notes

1. G7 Finance Ministers and Central Bank Governors, Declaration of 30 October 1998, mandating Hans Tietmeyer to consider new arrangements for cooperation among supervisory bodies. See also the

- G7 Information Centre at the University of Toronto. To be verified. ↩
2. Hans Tietmeyer, International Cooperation and Coordination in the Area of Financial Market Supervision and Surveillance, report to the G7 Finance Ministers and Central Bank Governors, 11 February 1999. To be verified. ↩
 3. On the first meeting of the Financial Stability Forum in April 1999 and the chairmanship of Andrew Crockett, see FSF press releases (1999); FSB, "History of the FSB", on the FSB website. To be verified. ↩
 4. On the work of the Financial Stability Forum between 1999 and 2007, including its reports on highly leveraged institutions, offshore financial centres and capital flows (2000) and the Compendium of Standards, see the FSF reports archived on the FSB website. To be verified. ↩
 5. Financial Stability Forum, Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience, 7 April 2008. To be verified. ↩
 6. G20, The Global Plan for Recovery and Reform, London, 2 April 2009, and the accompanying Declaration on Strengthening the Financial System. To be verified. ↩
 7. G20, Leaders' Statement: The Pittsburgh Summit, 24–25 September 2009; FSB Charter as endorsed by the G20 in 2009 and amended in 2012. To be verified. ↩
 8. FSB Charter, Article 2 (mandate). The text of the Charter is published on the FSB website. To be verified. ↩

For general information only. This article does not constitute legal or tax advice, does not replace advice on an individual case and creates no lawyer-client relationship. It reflects the legal position as of September 2026.

Online version: helveticaregister.com/basel-from-the-financial-stability-forum-to-the-financial-stability-board