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THE GOVERNANCE OF THE FINANCIAL STABILITY BOARD

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This issues paper was prepared for the High-Level Panel on the Governance of the Financial Stability Board. For a list of the panel members and their recommendations for the FSB, please see the related recommendations document.

Abbrevations and Acronyms

AFSD	Asian Financial Stability Dialogue
ASEAN	Association of Southeast Asian Nations
BIS	Bank for International Settlements
FSB	Financial Stability Board
FSF	Financial Stability Forum
IFI	international financial institution
SSB	standard-setting body

INTRODUCTION

At the height of the 2007–9 international financial crisis and following the Group of Twenty (G-20) summit in London in 2009, a new body—the Financial Stability Board (FSB)—was established as a successor to the Financial Stability Forum (FSF), with an expanded mandate to formulate and oversee the implementation of regulatory, supervisory and other financial sector policies.[1] The FSB, which comprises an expanded membership, acts as a convening forum for national authorities responsible for financial stability in significant financial centers, central bankers, international financial institutions (IFIs), sector-specific international groupings of regulators and supervisors, and standard-setting bodies (SSBs).

Despite the importance of this recently established FSB, which has been described by U.S. Treasury Secretary Timothy Geithner as a new "fourth pillar" of the global economic governance architecture[2]—alongside the International Monetary Fund, the World Bank and the World Trade Organization—there is extremely limited knowledge as to how the FSB operates and is governed. Against this background, the objective of this paper is to review relevant contributions, internal as well as external to the FSB, in order to provide input into the deliberations of the High-Level Panel on the Governance of the FSB.

This initiative is highly topical. At their recent meeting in Washington in April 2011, the G-20 finance ministers and central bank governors "welcomed the preliminary proposals of the FSB to strengthen its capacity, resources and governance including representativeness and asked the FSB to put forward formal proposals at its July meeting for review at [the G-20's] next meeting."[3] Although completely independent of the FSB, the High-Level Panel's initiative aims to provide input into the process led by the G-20.

The High-Level Panel on the Governance of the FSB is an independent initiative coordinated by the Brookings Institution and funded by Connect U.S. Fund*, and is part of a wider research project to examine and promote efforts to encourage effective, inclusive, transparent and accountable global regulation of the financial system.

This paper is structured as follows. The second section provides a historical overview of the FSB; the third section reviews the FSB's mandate; the fourth section focuses on the FSB's decisionmaking and its broader organizational framework, including its financial arrangements; the fifth section reviews the FSB's accountability; the sixth section offers conclusions.

A BRIEF HISTORY OF THE FINANCIAL STABILITY BOARD

At the London Summit in April 2009, the G-20 leaders created the FSB as a successor to the FSF with the aim of strengthening financial supervision and regulation.[4] Unlike many other international organizations, the FSB is a unique body that acts as a trans-network of national authorities, IFIs and sector-specific organizations, with the objective of bridging the gap arising from national and sectoral fragmentation. Therefore, it is crucial to understand the fundamental nature of this singular organization in order to assess both its prospects and the governance: If it were to remain a trans-network, much of the responsibility for implementing its decisions would inevitably rest with its member organizations.

The FSF provided the direct foundation for the FSB in terms of its basic structure and mandate. The FSF was created in February 1999 by G-7 finance officials with the aim of coordinating the emerging international standards process, by bringing together for the first time representatives

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of most SSBs (i.e., the Basel Committee on Banking Supervision, Committee on Payment and Settlement Systems, International Association of Insurance Supervisors, International Accounting Standards Board, and International Organization of Securities Commissions), relevant international institutions and bodies (Bank for International Settlements, or BIS; International Monetary Fund; Organization for Economic Cooperation and Development; and World Bank), the Committee on the Global Financial System, central banks, finance ministries, the G-7 countries' regulatory and supervisory authorities, and the European Central Bank. To enable the FSF to accomplish its mission, it was given a very small secretariat.

The FSF was established on the basis of the findings of the Tietmeyer Report, which noted the dichotomy between the sector-specific approach followed in the area of supervisory practices and increasing global financial integration.[5] In fact, whereas national authorities or international regulatory bodies assess data on specific segments or on nationwide markets, there was no one entity with the information or the capacity to formulate a broader assessment of evolving risks. With the threefold aim of overcoming the separate treatment of microprudential and macroprudential issues, of bringing together the major IFIs and key national authorities focusing on financial sector stability, and of integrating emerging economies in this process, Hans Tietmeyer recommended the creation of the FSF. Its purpose was, in fact, "to ensure that national and international authorities and relevant international supervisory bodies and expert groupings can more effectively foster and coordinate their respective responsibilities to promote international financial stability, improve the functioning of the markets in order to reduce systemic risk."[6]

One of the first jobs undertaken by the FSF was to put together a compendium of existing international prudential standards. From these, the FSF then identified 12 standards to be promoted as worldwide priorities. The ability of the FSF to see these standards adopted was challenged early on by a basic legitimacy problem: The same countries whose practices were to benefit from this initiative were excluded from FSF membership. This legitimacy problem was exacerbated by the fact that developing countries also suffered very limited representation within many of the SSBs. As a result, the commitment of the latter to their goals was undermined.[7]

That the narrow membership of the FSF and the SSBs might create a legitimacy problem was in fact widely predicted when the FSF was created. An official proposal for a body such as the FSF was first put forth by a working group of the G-22, an informal group of developed and developing countries organized by the U.S. in early 1998 to respond to the Asian financial crisis. In its October 1998 report, the working group called for the establishment of the Financial Sector Policy Forum, characterized by a mandate and a structure very similar to those of the eventual FSF, except that the Financial Sector Policy Forum was to have boasted the "full inclusion of systemically important emerging markets."[8]

The October 1998 report of the G-22 working group—which predated the Tietmeyer Report—also recommended voluntary peer review as an important complement to the surveillance and monitoring role of the IFIs.[9] This recommendation was not ultimately incorporated in the FSF mandate, perhaps due to the greater propensity for the top-down concept, whereby advice should flow from the narrowly constituted FSF to developing countries, rather than for the two-way exchange envisioned by the peer review model.[10]

The Tietmeyer Report did suggest, albeit with caution, that over time the FSF's membership could be extended to "a small number" of additional countries, including Asian emerging economies. Later that year, Australia, Hong Kong, the Netherlands and Singapore were invited by the G-7 to join. According to Drezner (2007), the desire "to ensure control over the establishment and enforcement of common

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financial standards" was the primary reason for the narrow membership.

When the group of G-20 finance ministers and central bank governors was created in the late 1990s, some expected that it might coordinate the FSF's activities. This was, however, not endorsed at the first meeting and, until the recent global financial crisis, the body played a low-profile role.[11] The idea behind the establishment of the G-20 was, in fact, to bring together systemically important economies—as measured by their respective gross domestic products—while allowing for some broad regional representation. Instead, the vision behind the FSF was to gather major economies and financial centers with similar levels of development. In any case, the FSF did include some developing country representatives in its working groups, and it also held regional meetings that included nonmember countries in Africa, Latin America, the Asia-Pacific region, and Central and Eastern Europe.

It was not until the creation of the G-20 Leaders' Forum and their first summit in November 2008 that the issue of a broader membership began to be addressed more squarely. At that summit, the G-20 leaders endorsed the FSF's leadership role in coordinating international regulatory reform in light of the new financial crisis, but their endorsement came with a key condition: "The Financial Stability Forum must expand urgently to a broader membership of emerging economies."[12] When the creation of the FSB was announced in April 2009, its membership included all the initial members of the FSF and the rest of the G-20 countries, as well as Spain and the European Commission.[13]

The FSB was also made accountable to the G-20 leaders. At their first summit, the G-20 leaders had stated that "other major standard-setting bodies should promptly review their membership," and many did. Key SSBs (i.e., the Basel Committee on Banking Supervision, International Accounting Standards Board, International Organization of Securities Commissions, and Committee on Payment and Settlement Systems) upgraded their governance to include, or to strengthen, emerging country representation.[14] In April 2009, during the G-20 leaders' London summit, the creation of the FSB was announced. The G-20 members agreed that "the Financial Stability Forum should be expanded, given a broadened mandate to promote financial stability, and re-established with a stronger institutional basis and enhanced capacity as the Financial Stability Board."[15]

THE FSB'S MANDATE

The objective of the FSB, as laid out in Article 1, is "to coordinate at the international level the work of national financial authorities and international standard-setting bodies (SSBs) in order to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies." Article 2 sets forth the mandate and tasks of the FSB: (1) Assess vulnerabilities affecting the global financial system and regulatory, supervisory and related actions needed to address them; (2) promote coordination and information exchange among authorities responsible for financial stability; (3) monitor and advise on market developments and their implications for regulatory policy; (4) advise on and monitor best practices in meeting regulatory standards; (5) undertake joint strategic reviews of the policy development work of the international SSBs (in support of this mission, the SSBs will report to the FSB); (6) support the establishment of supervisory colleges; (7) support contingency planning for cross-border crisis management, particularly with respect to systemically important firms; and (8) conduct early-warning exercises in collaboration with the International Monetary Fund.

Unlike the multilateral financial institutions, the FSB lacks a legal form and any formal power, given that its Charter is an informal and nonbinding memorandum of understanding for cooperation adopted by its members In fact, Article 16 cautions that the "Charter is not intended to create any legal rights and obligations," putting the onus of the implementation of any decision on peer pressure rather than on the enforcement of legal obligations.[16] In an implicit acknowledgement of this fact, the Charter itself underscores the "collaborative" approach in Articles 1 and 2 of the FSB in pursuing its mandate.

The FSB performs five main tasks. First, at the request of G-20 leaders, finance ministers and central bank governors, the FSB prepares specialist reports on various themes. In so doing, the FSB acts as an implementation and monitoring body whose agenda is set by the G-20 in line with the pursuit of global financial stability.[17]

Second, the FSB provides for a peer review–based mechanism along the lines of the Organization for Economic Cooperation and Development's peer review process, so as to foster adherence to international standards by facilitating greater dialogue.[18] Incidentally, from the perspective of the SSBs, this entails a greater chance that countries will adhere to their standards. Article 5 of the Charter imposes certain "commitments" on its members: 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, using among other evidence IMF/World Bank public Financial Sector Assessment Program reports."

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Peer review is one way in which surveillance is thought to influence policy through a process that produces social pressures, which in turn shapes judgments as to whether or not to conform to a given standard. Peer review mechanisms rely to a great extent on the "back-and-forth" element between the organization and its membership at large, on the one hand, and the relevant member being reviewed, on the other hand. This is generally believed to enhance learning by means of dialogue and exchange, rather than on a prescriptive, top-down model of surveillance like, for instance, that of the IMF.[19] The means for addressing a noncomplying member, however, along with the consequences of noncompliance, are in need of clarification.

Peer reviews, which include both country and thematic reviews, are prompted by reports drafted by small teams of experts from FSB member countries and international bodies, with the support of the FSB Secretariat. The substantive peer review process is carried out by the FSB's Standing Committee on Standards Implementation. Upon approval of the review by the Plenary, the report is then released. Thus, the new peer review process gives the FSB—its Secretariat, its committees, and the Plenary—a far more central role in the compliance process than was the case with the FSF.

The third task of the FSB is to pursue a macroprudential mandate, insofar as it oversees the policy development work of the international SSBs and coordinates the alignment of SSB activities—a task that is more explicit and well defined in the case of the FSB than it was with the FSF.[20] In support of this task, the SSBs are required to report to the FSB in order to provide a broader accountability framework for their activities. In practice, whereas SSBs report to the FSB on their work, without prejudice to the SSBs' independence or to reporting arrangements already in existence, the FSB in turn conducts joint strategic reviews of the SSBs' policy development work to make certain that it is timely and coordinated, prioritized and mindful of gaps. So far, no joint strategic review has been finalized.

At the same time, the FSB's Charter states that "this process should not undermine the independence of the standard-setting process" (Article 5). Some scholars have warned that the latter "creates considerable ambiguity about this aspect of the FSB's mandate," highlighting the risk of a potential weakening of the international macroprudential agenda if the FSB is unable to play—and to enforce—its coordinating role with regard to SSB activities.[21]

The fourth task of the FSB is to perform an early-warning function, identifying incipient financial booms or potential systemic financial difficulties, following the mandate given by the G-20 to the FSB (and the IMF) to promote global financial stability and prevent a repeat of the errors preceding the international financial crisis.[22] As both the FSB and the IMF are to realize a new and better-coordinated international financial system, some have pointed out the challenges of coordinating their work, given their different locations, sizes and organizational cultures along with missing items in their cooperative framework.[23]

To date, there has been a division of labor between the FSB and IMF whereby the FSB chair leads on financial early warnings and the IMF leads on real and macroeconomic indicators. Their working methods differ substantially and, in turn, highlight specific FSB institutional features: The FSB relies on a pooling approach that builds on its own member assessment and its proximity to financial sector standard setters and regulatory bodies with an insider knowledge about the workings of financial markets. This work is mainly conducted by the Standing Committee on Assessment of Vulnerabilities (see the next section). In contrast, the IMF relies on a staff-led approach, whereby the assessment of vulnerabilities is conducted through an aggregation of country-desk preliminary assessments.

The FSB's fifth and final task, building on its earlier activities, is to perform a more active function in fostering compliance by all countries and jurisdictions not currently complying with international prudential standards. At the G-20 Leaders' Summit in April 2009, the FSB was asked "to develop a toolbox of measures to promote adherence to prudential standards and cooperation" with noncooperative jurisdictions. Again, in early September 2009, the G-20 finance ministers and central bank governors stated the commitment to "deliver an effective programme of peer review, capacity building and countermeasures to tackle NCJs [noncooperative jurisdictions] that fail to meet regulatory standards," calling on the FSB "to report on criteria and compliance against regulatory standards by November 2009." A few weeks later, at the G-20 summit in Pittsburgh, the G-20 leaders repeated their call to the FSB to report on progress by November and added that the FSB should also "initiate a peer review process by February 2010" vis-à-vis noncooperative jurisdictions.

Helleiner (2010b) notes that, while similarities with the Off-Shore Center initiative of 2000 are remarkable, one important difference is that the FSB and its members appear determined to retain more control of the process rather than to ask the IMF to take the lead, as they did after 2000. Moreover, there appears to be greater emphasis on the need to raise standards and to enhance voluntary compliance around the world (carrot vs. stick). However, the aim to foster compliance among noncooperating jurisdictions could be weakened if the FSB relies on its Plenary to serve as the ultimate judge of noncompliance. A better alternative would be for an expert panel (similar to the World Trade Organization's dispute settlement panels) to pass judgment. The panel's rulings could then legitimate collective or individual sanctions by FSB members, though this proposal is fraught with difficulties.

Against the backdrop of the broader and deeper mandate assigned by its members, the biggest challenge for the FSB is its own organizational capacity; given that it currently has a staff of approximately 20 members, one is inclined to question the proportion between the tasks assigned and the resources provided, notwithstanding the extensive involvement of FSB's members in the organization's activities. This is especially evident when the FSB is compared with, for instance, the IMF's unit dealing with financial stability issues, the Monetary and Capital Markets Department, which employs a staff of a few hundred.

DECISIONMAKING AND ORGANIZATION

Before describing the FSB's decisionmaking and organization, it is helpful, in order to put the FSB's institutional arrangements in perspective, to review how it works in practice. The FSB does not have policy levers to back up its mandate to promote collaboration and coordination among its constituent members; instead, the discharge of its mission takes place through a symbiotic relationship that it tries to nurture among its constituent members.

In practice, the FSB facilitates a collective assessment drawing on its membership. The resulting collective diagnosis prompts a set of responses that its different members address independently within the purview of their own mandates. Yet the FSB's value added is that typically such responses end up being different than they would have been if the FSB discussions had not taken place. Ultimately, the G-20 will assess the resulting output of this process.

The relationship between the FSB and SSBs highlights several peculiar aspects of how the organization works in practice. The FSB can be thought of as a "membrane," in the words of a key informant, that encourages interaction between national and supervisory authorities, on the one hand, and the SSBs, on the other, but in a controlled environment that shields the latter from political pressures. For instance, at the outbreak of the 2007–9 global financial crisis, a working group chaired by Mario Draghi formulated an early assessment on the nature of the crisis that built on the collective diagnosis by central banks, regulators, SSBs and international organizations and put forward a number of proposals to enhance market and institutional resilience.[24] The SSBs—and the other FSB members—built on that holistic diagnosis and went on assessing gaps and failures in their respective domains. In fact, participation by the heads of the SSBs meant that the working group's conclusions could be more easily implemented by standard setters.

Securities market regulators were initially less inclined to the idea that they should be involved in financial stability because they tended to give higher marks to investor protection and fostering orderly market price discovery. Since the 2007–9 crisis, they have realized the importance of setting standards for transactions involving sophisticated counterparts and, more broadly, the connection between market transparency and financial stability through, for instance, the need to ensure a fair and transparent evaluation of illiquid instruments.

As for accounting standard setters, discussions held within the FSB have been instrumental in drawing their attention to forward-looking provisioning and fair value accounting for nontraded items. Another example of the FSB's role in providing a cooperative venue where it can flag spillovers and prompt its members to follow up in their respective areas of expertise and/or jurisdiction is the interaction with the Basel Committee of Banking Supervision. The latter is a prudential regulatory body whose focus is limited to banks, whereas important segments of the financial markets—such as shadow banking, securities lending and over-the-counter-derivatives markets—do not fall under the exclusive mandate of any regulatory agency. This is exactly where the FSB, with its diverse membership, can potentially provide its greatest value added by filling the gaps or gray areas in the responsibilities of its constituent members.

The FSB's decisionmaking framework consists of the Plenary, the Steering Committee, standing committees, working groups, the chairperson, and the Secretariat (Article 6). Such a framework now leverages on a larger membership, including a number of emerging economies.

Membership

The membership process established for the FSB is wider in comparison with that foreseen for the FSF. Article 4 clarifies the nature of eligible members: "(a) National and regional authorities responsible for maintaining financial stability, namely ministries of finance, central banks, supervisory and regulatory authorities; (b) International financial institutions; and (c) International standard-setting, regulatory, supervisory and central bank bodies." Accordingly, there is no such thing as national representation; rather, the U.S. Treasury is a member alongside the Federal Reserve Board and the European Central Bank. Box 1 below includes the full list of FSB members.

The membership signifies a rather unique organization. Not only is it endowed with the potential to interconnect various SSBs but it also provides a platform for aligning both sectoral and country work (i.e., double alignment).

The European Union is altogether represented by 18 members, including the European Central Bank and the EU Commission—that is to say, one-third of the FSB's 54 national representatives, excluding the IFIs and the SSBs. After the international financial crisis of 2007–9, the European Banking Authority was established on January 1, 2011, following the creation of the European Systemic Board a few days earlier. Both regulatory agencies have been charged with the broader mandate to oversee the European financial system, though they have no institutional relationship with the FSB.

The Plenary

Article 7 states that "the Plenary is the decisionmaking organ of the FSB." Representation at the Plenary shall be "at the level of central bank governor or immediate deputy; head or immediate deputy of the main supervisory/regulatory agency; and deputy finance minister or deputy head of finance ministry. Plenary representatives also include the chairs of the main SSBs and committees of central bank experts, and high-level representatives of the IMF, the World Bank, the Bank for International Settlements (BIS) and the Organisation for Economic Co-operation and Development" (Article 8). The Plenary approves the work program; adopts reports, principles, standards, recommendations and guidance developed by the FSB; decides on the membership; appoints the chairperson; and decides on Charter amendments and on any other matter (Article 7). The Plenary meets at least two times per year, and extraordinary meetings may be held as needed.

The Plenary's decisionmaking operates under the basis of consensus (Article 7). Obviously, the FSB's expanded membership, while adding to the organization's legitimacy, can make its decisionmaking rather complex. The task of reaching a consensus in a body where country membership has doubled in order to include a number of emerging economies, and where the overall number of representatives has increased to 64, may be remarkably challenging in the absence of any majority rules. In this regard, the Plenary's decisionmaking is quite different from that of other governance bodies. In the case of, for instance, the IMF's Executive Board, which also claims to operate in a similar fashion, the consensus "for any decision is deemed to have been reached when Directors wielding the requisite voting power have signaled their agreement"[25] in line with the (simple or qualified) majority requirements required for all its decisions.[26]

The number of seats assigned to each member in the Plenary reflects the "size of the national economy, financial market activity and national financial stability arrangements of the corresponding Member jurisdiction" (Article 10). Currently, countries or economies with one seat in the Plenary are Argentina, Hong Kong, Indonesia, Saudi Arabia, Singapore, South Africa and Turkey; countries with two seats are Australia, Mexico, the Netherlands, South Korea, Spain and Switzerland; and countries with three seats are Brazil, Canada, China, France, Germany, India, Italy, Japan, Russia, the United Kingdom and the United States. Box 1 provides more details.

Standing Committees and Working Groups

The FSB's Plenary has the possibility of establishing standing committees and working groups in order to support the FSB in the carrying out of its missions (Article 11). Currently, the three standing committees are (1) Standing Committee on Assessment of Vulnerabilities; (2) Standing Committee for Supervisory and Regulatory Cooperation; and (3) Standing Committee for Standards Implementation. There is, moreover, the Resolution Steering Group. Moving forward, a new standing committee will be established with a mandate to assess the balance between responsibilities and tasks assigned to the organization, on the one hand, and the resources provided, on the other hand. Box 2 provides more information on standing committees and working groups.

According to Article 11, the Plenary, at the chair's recommendation, appoints the chairs of standing committees and working groups. The respective chairs, in consultation with the FSB's own chair, decide on the membership of standing committees and working groups "with due regard to the effectiveness, balanced representation and the mandate of the respective Standing Committee or working group. Membership is normally drawn from the Members of the Plenary" (Article 11). Standing committees and working groups report to the Plenary on their work programs.

It is understood that membership and mandates for standing committees will shortly be posted on the FSB's Web site. However, the criteria for selection, as well as the membership and terms of reference for working groups, will not.

The Steering Committee

The other body set forth in the FSB's Charter is the Steering Committee, which provides operational guidance between Plenary meetings to carry forward the directions of the FSB. The committee has evolved from a working group created within the FSF, to which representation from new members has been added. It now consists of central banks and supervisory bodies, as well as SSBs. In practice, this committee has considerable power to create working groups, to commission works from the standing committees and to perform joint strategic reviews of the policy development work of the international SSBs. The Plenary decides the composition of the Steering Committee at the proposal of the chair (Article 12).

Box 1. FSB Membership

Member Jurisdictions

Argentina (Central Bank of Argentina); **Australia** (Department of the Treasury and Reserve Bank of Australia); **Brazil** (Ministry of Finance, Central Bank of Brazil and Securities and Exchange Commission of Brazil); **Canada** (Department of Finance, Bank of Canada and Office of the Superintendent of Financial Institutions); **China** (Ministry of Finance, People's Bank of China and China Banking Regulatory Commission); **France** (Ministry of Economy, Industry and Employment, Bank of France and Autorité des Marchés Financiers); **Germany** (Ministry of Finance, Deutsche Bundesbank, Bundesanstalt für Finanzdienstleistungsaufsicht); **Hong Kong Special Administrative Region of China** (Hong Kong Monetary Authority); **India** (Ministry of Finance, Reserve Bank of India and Securities and Exchange Board of India); **Indonesia** (Bank of Indonesia); **Italy** (Ministry of the Economy and Finance, Bank of Italy and Commissione Nazionale per le Società e la Borsa); **Japan** (Ministry of Finance, Bank of Japan and Financial Services Agency); **Korea** (Bank of Korea and Financial Services Commission); **Mexico** (Ministry of Finance and Public Credit and Bank of Mexico); **the Netherlands** (Ministry of Finance and Netherlands Bank); **Russia** (Ministry of Finance, Central Bank of the Russian Federation and Federal Financial Markets Service); **Saudi Arabia** (Saudi Arabian Monetary Agency); **Singapore** (Monetary Authority of Singapore); **South Africa** (Ministry of Finance); **Spain** (Ministry of Economy and Finance and Bank of Spain); **Switzerland** (Swiss Federal Department of Finance and Swiss National Bank); **Turkey** (Central Bank of the Republic of Turkey); **the United Kingdom** (HM Treasury, Bank of England and Financial Services Authority); **the United States** (Department of the Treasury, Board of Governors of the Federal Reserve System and Securities and Exchange Commission); **the European Central Bank**; and **the European Commission.**

International Financial Institutions

Bank for International Settlements, International Monetary Fund, Organization for Economic Cooperation and Development, and World Bank.

International Standard-Setting, Regulatory, Supervisory and Central Bank Bodies

Basel Committee on Banking Supervision, Committee on Payment and Settlement Systems, Committee on the Global Financial System, International Accounting Standards Board, International Association of Insurance Supervisors, and International Organization of Securities Commissions.

The duties of the Steering Committee include (1) monitoring and guiding the progress of FSB's ongoing work; (2) promoting coordination across and commission work from the standing committees and other working groups; (3) ensuring an effective information flow to all members; (4) conducting, for the consideration of the Plenary, joint strategic reviews of the policy development work of the international SSBs; and (5) undertaking, in consultation with the Plenary, any other work necessary for the FSB to fulfill its mandate (Article 13).

Although the Plenary is the formal decisionmaking body, in practice, the Steering Committee plays a very influential role. Following the enlargement of the FSB's membership, the committee's size has increased, and thus organizational power has increasingly shifted to the committee, which shapes and in effect manages the FSB's

Box 2. The FSB's Standing Committees and Working Groups

"The Standing Committee for Vulnerabilities Assessment will assess and monitor vulnerabilities in the financial system and propose to the FSB actions needed to address them. Its findings will be the basis for the FSB's vulnerabilities deliberations, and will provide input for the Early Warning Exercises. It will be chaired by Jaime Caruana, General Manager of the Bank for International Settlements" (FSB 2009b).

"The Standing Committee for Supervisory and Regulatory Cooperation will address coordination issues that arise among supervisors and regulators, and will raise any need for policy development that arises in this regard. It will set guidelines for and oversee the establishment and effective functioning of supervisory colleges, and will monitor and advise on best practice in meeting regulatory standards with a view to ensure consistency, cooperation and a level playing field across jurisdictions. It will maintain a link with work on contingency planning for cross-border crisis management at major financial institutions and advise on crisis management issues more broadly. Adair Turner, Chairman of the UK Financial Services Authority, will chair the Committee" (FSB 2009b).

"The Standing Committee for Standards Implementation will prepare the FSB's planned peer reviews of its members, which are an obligation of membership; and will report on members' commitments and progress in implementing international financial standards and other initiatives. More broadly, the Committee will propose a framework and discuss progress in strengthening adherence to prudential regulatory and supervisory standards by relevant jurisdictions. Tiff Macklem, Associate Deputy Minister of the Department of Finance of Canada, will chair this Committee" (FSB 2009b).

The working groups reporting to the Standing Committee for Vulnerabilities Assessment are (1) Analytical Group on Vulnerabilities; (2) Task Force on Shadow Banking; and (3) Expert Group on Shadow Banking. The Working Group on Compensation was disbanded in September 2011.

The working group reporting to the Standing Committee for Supervisory and Regulatory Cooperation is the one on Supervisory Intensity and Effectiveness.

The working groups reporting to the Standing Committee on Standards Implementation are (1) Expert Group on Non-Cooperative Jurisdictions; (2) Compendium of Standards Working Group; (3) Implementation Monitoring Network; (4) Compensation Peer Review Team; (5) Australia Peer Review Team; (6) Canada Peer Review Team; (7) Switzerland Peer Review Team; (8) Deposit Insurance Peer Review Team; and (9) Working Group on Experience with Peer Reviews.

The working groups reporting to the Resolution Steering Group are (1) Cross-Border Crisis Management Group; and (2) Basel Committee Cross-Border Resolution Group.

Finally, other working groups are (1) OTC Derivatives; (2) Credit Rating Agencies; (3) Data Gaps; (4) Macro Prudential; (5) Consumer Financial Protection Consultative Group; and (6) Emerging Market Regulatory Issues.

agenda. This highlights the need for greater clarity in the criteria underpinning its composition and for timely and transparent reporting to the rest of the membership. Although not explicitly set forth in the Charter, the FSB Secretariat has clarified that the Steering Committee makes decisions by consensus (IMF 2010). Currently, the FSB is reassessing the composition of the committee to include representation from finance ministries.

The Chair

In the FSB's own governance, the chair has a key role. He or she oversees the Steering Committee, the Plenary and the Secretariat (FSB 2009c), and represents the FSB externally (Article 14). In addition, Articles 11, 12 and 13 grant the chair the possibility to make suggestions on the leadership and composition of standing committees, working groups and the Steering Committee. Under Article 15, the chair also proposes the appointment of and guides the FSB's secretary-general. Thus, the chair fulfills a fundamental strategic role and shapes much of the organization.

According to Article 14, the chair is appointed by the Plenary from among the members for a term of three years and can be reelected only once.[27] He or she serves on a part-time basis, like the chairs of other bodies (e.g., the Basel Committee on Banking Supervision and the International Organization of Securities Commissions) without legal personality, is not an employee and does not earn any remuneration. Although the chair is drawn from among the members, he or she "owe[s] the duty entirely to the FSB and to no other authorities or institutions" (Article 14). Reflecting the very recent establishment of the FSB and owing to the central banking culture of discretion and informality that permeates the institution, there appear to be no set rules for the selection process of the chair. The latter has been a concern in several international organizations, which over time have attempted to strengthen their respective procedures with a varying degree of success.

A study by the IMF's Independent Evaluation Office has surveyed the selection process for electing the heads of a number of multilateral organizations—including the BIS, International Monetary Fund, Organization for Economic Cooperation and Development, United Nations, and World Trade Organization—and has found that their selection procedures typically involve (1) a clear timetable setting out the various stages of the process; (2) a job definition and agreed-on list of competencies required; (3) a transparent process for seeking nominations; (4) the establishment of a small panel or group charged with developing short lists and advising on candidates, and with the appointment of facilitators to help steer the process of reaching consensus; (5) a requirement for candidates to submit résumés, make presentations or be interviewed; and (6) some explicit provision for ensuring that the need to reflect the diversity of the membership can be taken into account, in the decision or in successive decisions.[28]

A comparison with the informal procedures followed for electing the chair of the Basel Committee on Banking Supervision offers additional insights. After the prospective applicants made known to the facilitator their interest in the position, the prominent central banker who facilitated the selection of the new chair consulted bilaterally with members using a three-pronged approach: (1) an understanding of members' preferences regarding suitable candidates; (2) an awareness of the key strategic objectives that the regulatory body would need to fulfill; and (3) an indication of those candidates who would be most likely to steer the organization toward the accomplishments of its strategic tasks. This process required several iterations between the facilitator and the members until a convergence on the successful candidate could be reached.

On the basis of interviews with key informants, the election of the FSB chair is facilitated by the outgoing chair, who bilaterally discerns the availability of each member to elect a prospective candidate. Those key informants have underscored that, because members have no voting shares, the election must necessarily take place by consensus, as well as rule out any possibility for contestability among eventual candidates. Yet a comparison with other organizations, which also claim to decide by consensus, highlights the feasibility of a more structured process with greater transparency and contestability.

The Secretariat and Secretary-General

A full-time secretary-general and Secretariat—hosted at the BIS in Basel—support the FSB (FSB 2009c). Though recently enlarged, the Secretariat currently only has a staff of 19, which should increase to 20 by the end of 2011. The secretary-general directs the Secretariat and is appointed by the Plenary at the proposal of the chair (Article 15). The main responsibilities of the Secretariat are (1) to support the activities of the FSB, including its standing committees and working groups; (2) to facilitate cooperation between members and between the FSB and other institutions; (3) to ensure efficient communication with members and others; (4) to manage the financial, material and human resources allocated to the FSB; (5) to maintain the records, administer the Web site and deal with the correspondence of the FSB; and (6) to carry out all other functions that are assigned by the chair or the Plenary (Article 15).

The secretary-general and the Secretariat staff owe their duties entirely to the FSB and to no other institutions. Staff members are generally temporarily reassigned from member countries or organizations; staff members on loan from other organizations (BIS, International Monetary Fund and World Bank) continue to be paid by these organizations, whereas those from member countries are temporarily on the BIS payroll.[29] The practice of relying exclusively on temporarily reassigned staff reflects the FSB's lack of legal status. And the inevitable turnover associated with temporarily reassigned staff makes it hard to build an institutional memory, especially with respect to the complex nature of the processes relating the FSB to its partner and constituent organizations.[30]

The FSB is designed to be a networked organization, fostering relationships and partnerships between many diverse kinds of organizations (many of which themselves are network based). If the whole is to be larger than the sum of its parts (as the FSB's founders hope), a sizable Secretariat is needed at the center to help manage this complicated context. The staff must also be permanent in order to foster the accumulation of an institutional memory, including about process issues related to the fostering of these various relationships with partner organizations.

Furthermore, though the FSB is a member-driven organization—much more so than the IMF or even the Organization for Economic Cooperation and Development—one could still argue that the modest size of its resources implies that, in practice, to pursue its objectives, it needs to rely on the substantial resources of its member countries, member organizations and member IFIs. To the extent that this is the result of an underresourced organization rather than a deliberate strategic choice to closely involve its members, it may undermine the ability of the FSB's own staff to provide confidence to members to vet and ensure a quality-control mechanism to filter members' input. This implies a risk that the larger organizations and IFIs, and the national authorities from the larger countries—which also influence the work programs of noncountry members of the FSB—will wield much of the initiative and analytical firepower, and thus will continue to shape the FSB's agenda and consensus to their advantage. Clearly, this would not be in the best interests of the collective action in the pursuit of global economic and financial stability.[31]

REFLECTING THE VERY RECENT ESTABLISHMENT OF THE FSB and owing to the central banking culture of discretion and informality that permeates the institution, there appear to be no set rules for the selection process of the chair.

If the staff were to be expanded, its geographical diversity would be crucial to ensure that those FSB members excluded from the G-7-dominated FSF gain more "buy-in" to the new institution. Moreover, ensuring institutional diversity would make it possible to counteract the fact that the FSB is located in Basel, along with any impressions that might arise that a central bank culture was dominating the organization.[32]

ACCOUNTABILITY

Accountability implies that "some actors have the right to hold other actors to a set of standards, to judge whether they have fulfilled their responsibilities in light of these standards, and to impose sanctions if they determine that these responsibilities have not been met."[33] Therefore, accountability presupposes a set of actors that recognize their obligation to act consistently with accepted standards of behavior and the expectation that they will be sanctioned by the power wielders if they fail to do so.

This definition, straightforward as it may seem, does not lend itself to being easily operationalized in the context of global institutions—and all the more so with regard to the FSB. For one thing, the FSB has no legal status, and thus may have difficulty holding its members accountable, given that its resolutions are not legally binding. However, if the FSB were to acquire legal status, this could provide the impetus for the organization and its members to focus on a set of rules and procedures that would clarify important aspects of accountability. Therefore, it is useful here to consider the options for establishing the FSB as a legal entity.

Options for Establishing the FSB as a Legal Entity

One option for establishing the FSB as a legal entity would be for it to become a "full-fledged" international organization with the status of subject of international law.[34] This would require the signing of a treaty by member states, which would in turn imply a necessary change to the nature of the FSB membership. Rather than consisting of regulatory bodies, central banks, SSBs, and international organizations, as it does currently, its membership would only be for states themselves. Each member state could then designate the appropriate regulatory authority to represent it in the new international organization. Although international organizations may join other international organizations, the SSBs would thus find themselves in a difficult situation. SSBs such as the International Organization of Securities Commissions and the International Association of Insurance Supervisors, which are incorporated under domestic law, would have difficulty signing an international treaty. Those such as the Basel Committee on Banking Supervision, which are not incorporated under domestic law, might be able to avail themselves of the international organization status of the BIS to join the new organization.

As a formal international organization, the FSB would have a clear international legal status. As such, it would itself be subject of international law, independent of its members. This formal standing would grant the FSB all the privileges and immunities enjoyed by other international organizations, subject to the terms of its founding treaty. Member states' liability for FSB debts would be limited. At the same time, however, the founding treaty of the FSB would need to be ratified by its member states under their respective domestic legal processes—which could be slow and unpredictable in some countries. The identity of the national members would also need to change—from the regulatory authorities to the state itself. Adding new national members, then, would require accession to and ratification of an existing treaty, which could involve political uncertainty.

An alternative option would be for the FSB to consider incorporation under the domestic law of a particular country, most likely as some sort of tax-exempt nonprofit entity. Depending on the form adopted, the members of the FSB would become shareholders/members in the new corporate entity. The FSB would be subject to the reporting and registration requirements applicable to that corporate form.

The advantage of this approach would hinge on the relative agility of the underlying process; the corporate form is fairly flexible, making it possible—according to the jurisdiction of incorporation—to create subsidiaries or regional bodies with different categories of shareholders/members. A domestic law process could impose more rigorous reporting requirements on the FSB than those it might adopt for itself as an international organization. Depending on the corporate status adopted, liability for FSB members could be limited. The disadvantage of the corporation is that its staff would not benefit from tax immunity or immunity of any kind, though this could possibly be negotiated with the state of incorporation. It is also possible, depending on the country of incorporation, that FSB members/shareholders might as such acquire obligations under domestic law, although this could also be negotiated with the state of incorporation. The FSB itself would likewise not benefit from tax immunity, though it could have tax-exempt status.

In any case, even if the FSB were to establish a legal identity for itself, that would not necessarily imply that the FSB would find it desirable to leverage any enforcement power vis-à-vis its constituents. In fact, it is difficult to conceive of such powers ever being discharged, if they were available; the FSB's trans-network nature implies that it operates through learning and peer pressure, by providing a framework wherein mutually beneficial discussions take place among its members. It is left to the members, then, to decide how the sense of such discussions would need to shape the institutional work program.

Another possibility is obviously for the FSB to continue its current arrangement as an unincorporated entity. In a way, this is the easiest option in that it requires no action by members, and the FSB would continue to depend on an "affiliation" of some sort with an existing entity, namely, the BIS. One clear advantage of this arrangement is that the FSB could evolve and explore options regarding membership and relations with nonmembers without being constricted by a legal form. Conversely, the fact that the FSB has no legal status (either international or under some country's domestic law) would prevent it from negotiating agreements with its members, suppliers, and host state, while keeping it dependent on the BIS and its member states for budgetary allocations and staff hiring. Its ability to conclude agreements with other entities, including the IMF and SSBs, would be limited, thereby diluting incentives to establish appropriate governance arrangements to encompass and engage its broader membership and stakeholder community.

Engaging External Stakeholders

With reference to the FSB's external stakeholders, there are three broad groups that the it could engage to strengthen its accountability—nonmember countries, the private sector, and overall civil society. Regarding the first group, nonmember countries, though the FSB's membership now includes several more members, its membership is, by design, far from being universal—unlike the implementation of its standards. This tension is implicitly acknowledged in the Charter, whereby Article 3 makes clear that, in the development of its strategic plans, principles, standards and guidance, the FSB shall consult widely among both its members and also with other stakeholders, including nonmember authorities (Article 3). The aim is to leverage on regional outreach activities to broaden the circle of countries engaged in the work to promote international financial stability. In line with those provisions, "regional consultative groups will be established to bring together financial authorities from FSB member and nonmember countries to exchange views on vulnerabilities affecting financial systems and on initiatives to promote financial stability."[35] Therefore, at the FSB Plenary's meeting of July 18, 2011, "the FSB finalised the operational framework for the six FSB Regional Consultative Groups that it plans to set up, covering the Americas, Asia, the Commonwealth of Independent States, Europe, the Middle East and North Africa, and Sub-Saharan Africa. The first meetings of the groups will take place later this year."[36]

The regional membership will be initially selected by FSB members of the same region and approved by the Plenary. Overall, 66 new countries will be included in six regional groups, each of which will have two cochairs, one chosen by the nonmembers and the other chosen by the FSB members in the group. The term of these cochairmanships will be two years. The institutional membership of the regional groups will mirror that of the FSB by including central banks, supervisory and regulatory authorities, and ministries of finance. Representation in the regional groups will be at the same level as in the FSB Plenary (i.e., the central bank governor or immediate deputy, the head or immediate deputy of the main supervisory or regulatory authority, and the deputy finance minister or deputy head of the Finance Ministry). The regional groups will decide the number of representatives from each country that will participate in the regional meetings, and which IFIs and other international bodies to invite to the meetings.[37] Countries represented in the regional groups will be expected to pursue the maintenance of financial stability, openness and transparency; to implement international financial standards; and to undergo periodic international assessments, including the Financial Sector Assessment Program. FSB documents discussed by the Plenary will be shared with the regional groups, and the groups will be invited to propose policy issues that could be discussed by the Plenary. Papers prepared by the regional groups will be introduced at meetings of the Plenary by the member cochair.[38]

A problem with this approach is that, although nonmember countries do have direct access to all FSB Web site published reports, and even some indirect access through the bodies that are FSB members, they may not consider this to be sufficient involvement in the formulation of the standards, codes and best practices with which they are expected to comply. Another potential problem is that nonmembers will only have access to the FSB work that the SSBs publicize,[39] which will likely remain confined to consensus documents, despite the fact that the consensus-reaching process is per se a vital part of the flow of information. There is a learning curve not only within committees and between national authorities of varying degrees of experience but also inherent in the process of sharing information and analyses.[40]

In Africa, the FSB could engage existing regional economic groupings—the Southern African Development Community for Southern Africa, the East African Community for Eastern Africa, and the Economic Community of West African States for West Africa—in the membership for the African regional consultative group. This would have the advantage of engaging nearly all Sub-Saharan Africa, and the FSB's work would gain legitimacy in all the countries that are members of these regional groupings.

East Asia may be moving toward establishing an Asian Financial Stability Dialogue (AFSD) under the Association of Southeast Asian Nations' ASEAN+3 process.[41] So far, there has never been a meeting of ASEAN+3 finance ministers together with the respective central bank governors. This will happen for the first time in 2012 and is expected to continue thereafter. If representatives from regulatory bodies and SSBs were asked to join, this could then become the East Asian regional group equivalent to the FSB, although the AFSD's agenda might not necessarily match that of the FSB completely, because there would surely be issues of specific interest to the East Asian region.

These ongoing developments raise the strategic and operational latitude that the regional bodies will have in practice. Clearly, relying on strong advisory and technical resources dedicated to these groups would be key to effectively underpinning their roles. In a way, this is analogous to the need for a strong secretariat to support the FSB at the central level. However, establishing strong secretariats for the various regional groups would be like expanding the overall FSB process; it would become more global but also more challenging to manage. Whether this is feasible or desirable is an issue to be carefully considered. Ownership of the regional groups is, however, not up for discussion. With no ownership, the establishment of such groups would only prove ineffective in the longer run and might induce the establishment of initiatives independent of the FSB, as the AFSD will most likely be.

Beyond nonmembers, a second group the FSB could engage is, of course, the private sector, which is immediately affected by the FSB's deliberations. Article 3 of the FSB's Charter does, in fact, recognize the private sector as a primary stakeholder, together with nonmember authorities. In spite of this, the FSB has so far not developed a framework for engaging this group, partly on account of the tiny size of the FSB staff. The risk is that powerful actors within this group might lobby national authorities and try to indirectly affect the FSB's deliberations. This could become an area where significant progress could be achieved.

Finally, the third group is overall civil society. Given that the impact of the FSB's work falls well beyond that of the institutional or financial sectors, civil society does have a stake in what the FSB does. Along these lines, Helleiner suggests that "to balance financial industry influence, the FSB should also foster consultation with societal groups beyond the financial industry, as well as with national legislators and non-financial officials."[42] Donnelly also cautions that "parliaments are not involved, academic counsel is not provided for and there is no formula for direct contact between the Board and the private sector."[43]

Other international organizations, which historically have been less inclined to cooperate with external stakeholders, have recently shifted their approach. For instance, the International Monetary Fund has requested global consultations with civil society on IMF governance reforms through its "four-pillar" process. As later recognized by its then–managing director, those consultations were beneficial in providing momentum for a number of reforms that were successively enacted.[44]

In a way, the case for engaging external stakeholders is even more compelling for the FSB, because it was intentionally established to have a restricted, rather than a universal, membership. Enhanced transparency is likely to become a key factor that the FSB's stakeholders will increasingly demand from it if they are to be able to provide input in a timely way in its deliberations. For instance, each working group or task force could post on the FSB's Web site its own terms of reference, list of members and public contact person, as well as material on which to seek public consultations. Likewise, the FSB's Plenary members could make themselves available to their national private sectors, civil society organizations and parliaments so as to strengthen the outreach and the scope for consultations about FSB activities.[45]

CONCLUSION

This paper has reviewed the available evidence on the governance of the FSB. The main issues that have emerged can be summarized as follows:

1. The FSB is a trans-network organization. Any attempt to compare it with multilateral organizations such as the International Monetary Fund, World Bank, or World Trade Organization, does not fully capture the uniqueness of this newly established organization.

2. The FSB has a multidimensional membership—including national, regional and international organizations as well as SSBs—to enable it to potentially bridge the gaps resulting from the national and sectoral fragmentation of financial regulation.

3. The FSB discharges its mandate by functioning as an ideal "membrane" among its own constituents to enhance learning and to foster a collective diagnosis of systemic financial threats. This learning function, however, may produce a tension with the FSB's compliance function, especially if the FSB were to enforce decisions among its members.

4. To enhance its learning function, the FSB needs to work as a relatively small organization. This poses a trade-off with its legitimacy, given that its deliberations are intended to be applied to both members and nonmembers. The challenge is to reconcile the "systemic" nature of its mandate and restricted membership with the broader accountability required from its universally applicable standards.

5. The FSB's governance arrangements reflect, to a large extent, the central banking dimension of its membership, which leaves considerable room for greater transparency and accountability. In light of its expanded mandate, the FSB may have considerable impact on international regulatory efforts. Symmetrically, this raises the need to develop broader and more effective ways to enhance its accountability vis-à-vis its widening stakeholder community.

6. In many respects, the FSB has inherited the governance framework of its previous incarnation—the FSF, a relatively small body until the international community tasked it with playing a major role in addressing the weaknesses exposed by the 2007–9 global financial crisis. Although the FSF evolved into the FSB, with an enlarged membership and an expanded mandate, its governance has not evolved as fast as its prominence in the current international financial system. To reflect its expanded and still-increasing role, more modernization is needed.

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ENDNOTES

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2. Press Briefing by the U.S. Treasury Secretary at the margins of the G-20 Summit in Pittsburgh, September 2009.

3. For the text of the communiqué, see http://www.g20.org/Documents2011/04/G20%20Washington%2014-15%20April%202011%20-%20final%20communique.pdf.

4. G-20 (2009). See Sobel (2009) for the FSB's role in the broader international regulatory efforts.

5. Tietmeyer (1999).

6. G-7 (1999).

7. See Helleiner (2010a).

8. G-22 (1998, x).

9. "Peer review process based on surveillance by IFIs to assess the quality of national financial sector supervisory regimes" (G-22 1998, 48).

10. See Helleiner (2010a).

11. See Drezner (2007).

12. G-20 (2008).

13. G-20 (2009b).

14. See Helleiner (2010a) for more details.

15. G-20 (2009b).

16. In other words, the "FSB is still 'soft voluntary codes,' not a Financial WTO Hard Rules, which are enforced by Treaty" (Sheng 2009).

17. Baker (2010).

18. International standards include those developed by the FSB itself—such as Principles for Cross-Border Cooperation in Crisis Management, April 2009; Principles and Implementation Standards for Sound Compensation Practices, September 2009; and Principles for Reducing Reliance on CRA Ratings (October 2010); and Mortgage Underwriting Principles, currently being drafted.

19. See Lombardi and Woods (2008); Momani (2006).

20. The SSBs currently members of the FSB are the Basel Committee on Banking Supervision, the International Organization of Securities Commissions, the International Association of Insurance Supervisors, the Committee on Payment and Settlement Systems, and the International Accounting Standards Board. To these bodies, the Committee on the Global Financial System can be added.

21. Helleiner (2010a, 30).

22. For the text of the memorandum setting the cooperative framework between the FSB and the International Monetary Fund, see http://www.financialstabilityboard.org/publications/r_081113.pdf. The agreement between the IMF and the FSB states that surveillance of the global financial system is the responsibility of the IMF, whereas the development of supervisory and regulatory policies and standards is the major responsibility of the FSB (in coordination with standard-setting bodies). The implementation of such policies is, in turn, the responsibility of national authorities. Both the FSB and the IMF collaborate in the elaboration of early warning exercises. Implementation is also subject to two different review processes: peer reviews in the context of the FSB (and reviews of compliance by nonmembers) and surveillance done by the IMF and the World Bank through the Financial Sector Assessment Program and through the Reports on the Observance of Standards and Codes. A major missing item in the current agenda of cooperation relates to cross-border capital flows—a recognized source of global financial instability on which no international cooperation has been agreed. Although the IMF has no mandate over national authorities in this area, as countries have no commitment to capital ac-

count convertibility under the IMF's Articles of Agreement, it has, nonetheless, exercised strong influence on individual countries to overhaul regulations. In turn, some prudential regulations may have implications on cross-border flows, particularly those relating to currency mismatches in portfolios of financial institutions (or their clients). See the memo by Jose Antonio Ocampo produced for the High-Level Panel.

23. See Momani (2010).

24. See FSF (2008).

25. Woods and Lombardi (2006, 494).

26. In the section of the IMF's By-Laws devoted to the Executive Board, it is stated that "the Chairman shall ordinarily ascertain the sense of the meeting in lieu of a formal vote" (C-10) and that "there shall be no formal voting in committees and subcommittees. The Chairman of the committees or subcommittees shall determine the sense of the meeting" (C-11).

27. At the present time, the FSB chairperson is Mario Draghi, governor of the Bank of Italy.

28. See IEO (2008).

29. See IMF (2010).

30. The latter point was raised by Eric Helleiner in one of his memos for the High-Level Panel.

31. See Schinasi and Truman (2010).

32. See related memo by Eric Helleiner for the High-Level Panel.

33. Grant and Keohane (2005, 29).

34. This subsection draws on Danny Bradlow's memo submitted to the High-Level Panel.

35. FSB (2010, 1).

36. See the press release at http://www.financialstabilityboard.org/press/pr_110718.pdf.

37. FSB (2010).

38. Ibid.

39. Some SSBs, like the International Organization of Securities Commissions, have a wider membership than the FSB. Thus, some FSB nonmembers may contribute and receive feedback through the relevant SSB. Other SSBs, like Basel Committee on Banking Supervision and Committee on Payment and Settlement Systems, however, do not.

40. See Schinasi and Truman (2010).

41. See Kawai (2011). ASEAN+3 includes the Association of Southeast Asian Nations member countries plus China, Japan and South Korea.

42. Helleiner (2010b, 18).

43. Donnelly (2011, 18).

44. For more details, see http://www.new-rules.org/about-new-rules/publications/118-report-on-the-civil-society-fourth-pillar-consultations-with-the-international-monetary-fund-on-reform-of-imf-governance. New Rules for Global Finance, a partner organization for the current project, chaired those consultations. The author of this Issues Paper was a participant. For an assessment on the global consultations by the then–managing director, see http://www.new-rules.org/news/program-updates/309-letters-from-the-managing-director-of-the-imf-on-imf-reform-and-the-fourth-pillar.

45. See the memo by Jo Marie Griesgraber for the High-Level Panel.