



# ***The G20 in 2019: Financial Sector Priorities***

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Shunsuke Shirakawa

Vice Commissioner for International Affairs

Financial Services Agency, Japan

***Where are we in the history of the G20?***

***What are the goals of the Japanese presidency?***

# G20's First Decade

2008: Global Financial Crisis

2009: The third G20 Leaders' summit in Pittsburgh  
Blueprint of the post-GFC regulatory reforms



## More capital and liquidity

- Basel 2.5
- Basel III
- Basel III finalization

## No more "too big to fail"

- SIFI surcharge
- TLAC
- RRP
- Resolution regimes

## OTC derivatives

- Central clearing
- Margin requirements
- Trade repositories
- Trading platforms

## Shadow banking

- Securitization
- Repo-market
- MMF
- Banks' links to shadow banking

End-2017: The post-GFC reform agenda largely completed

Pivoting to implementation and evaluation of effects

Monitoring and addressing emerging risks and vulnerabilities

# The G20 in 2019 and beyond

Pivoting to implementation and evaluation

Monitoring and addressing emerging risks and vulnerabilities

**Full, timely and consistent implementation**

## Evaluation of effects

- Central clearing
- Infrastructure finance
- **SME finance**
- TBTF reforms

## 2019 Priorities

**Addressing market fragmentation**

**Technological innovation**

- Crypto assets
- Decentralized financial technologies

**Financial inclusion in an aging society**

## Roadmap to Fukuoka and Osaka

January 17	Symposium on demographic changes and macroeconomic challenges	Tokyo
January 17-18	Deputies' meetings	
April 2	Roundtable on AML/CFT issues relating to financial innovation	Washington, D.C.
<b>April 11-12</b>	<b>Ministers' and Governors' meetings</b>	
June 7	Symposium on aging and financial inclusion	Tokyo
June 8	Seminar on financial innovation	Fukuoka
<b>June 8-9</b>	<b>Ministers' and Governors' meetings</b>	
<b>June 28-29</b>	<b>Leaders' summit</b>	Osaka

## ***Market fragmentation***

# Market fragmentation (1)

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- Leaders' statement (Pittsburgh Summit, 2009):  
“We are committed to take action at the national and international level to raise standards together . . . in a way that ensures a level playing field and avoids fragmentation of markets, protectionism, and regulatory arbitrage.”
- Leaders' declaration (Buenos Aires Summit, 2018):  
“We will . . . through continued regulatory and supervisory cooperation, address fragmentation.”
- There are, however, concerns that some markets may have become fragmented along national lines due to inconsistent, overlapping or incompatible regulations or supervisory practices.
- Some market fragmentation is intended and can have a positive effect on financial stability.
- Trade-offs between the benefits of increased cross-border activity and a need to tailor domestic regulatory frameworks to local conditions should be considered.



We focus on regulatory and supervisory market fragmentation which has negative impact on financial stability and market efficiency.

## Market fragmentation (2)

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- Potential sources of market fragmentation driven by regulatory and supervisory measures:
  - ✓ Inconsistencies in both the timing and substance of the implementation of international standards
  - ✓ Extraterritoriality or location policies of national rules
  - ✓ Incompatibilities between home and host regulatory/supervisory requirements
- Examples where supervisory and regulatory policies may give rise to market fragmentation:
  - ✓ Cross-border trading and clearing of OTC derivatives
  - ✓ Banks cross-border management of capital and liquidity
  - ✓ Sharing of information across borders
- Pursuing possible approaches to address market fragmentation in the following phases:
  - ✓ Development of international standards
  - ✓ Domestic rulemaking in each jurisdiction
  - ✓ Deference and recognition of foreign regulatory framework
  - ✓ Cross-border supervisory cooperation between authorities



***Technological innovation***

# Technological innovation

## *Crypto-assets*

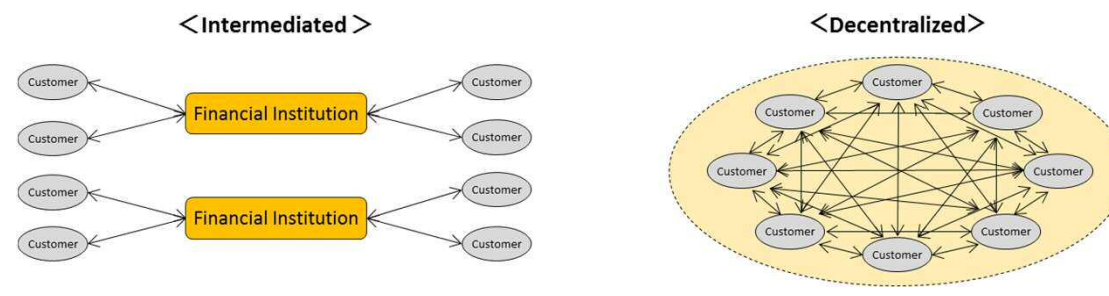
Crypto assets are borderless by nature. Can national regulators effectively address the challenges?

- *AML/CFT*
- *Directory*
- *Platforms*

## *Decentralized financial technologies*

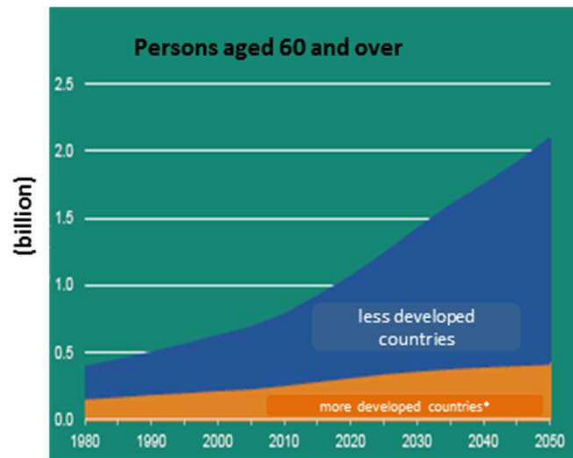
Public authorities have overseen financial systems mainly by regulating and supervising intermediaries.

How will they oversee financial systems where decision making and responsibilities are distributed among diverse stakeholders?

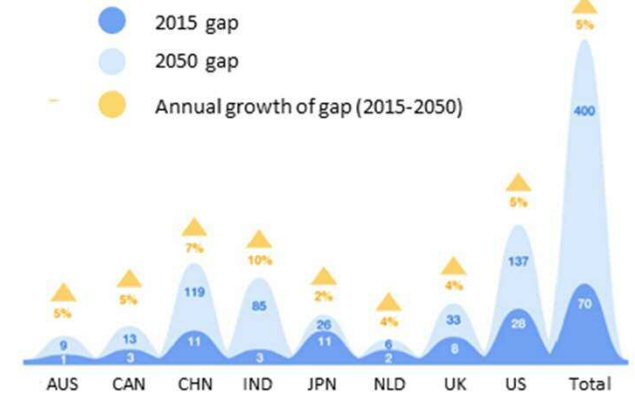
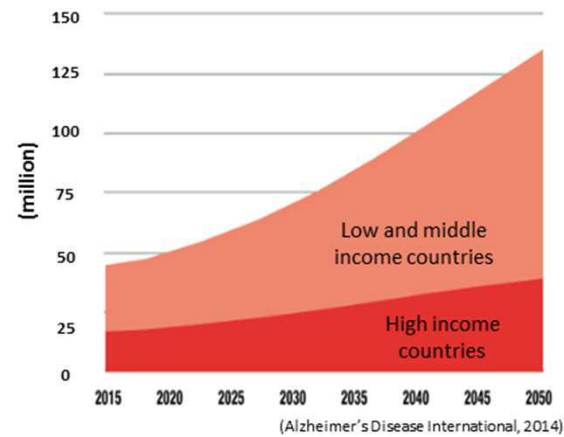


## ***Aging and financial inclusion***

# Aging and financial inclusion



\*EU, North America, Australia, New Zealand and Japan (UN, 2017)



(WorldEconomicForum, 2018)

- Globally, two billion people will be 60 or over by 2050.
  - In Japan, there will be half a million people over 100.
  - Globally, there will be 130 million people with dementia in 2050.
  - In Japan, about 200 trillion yen will be held by those with dementia in 2030.
- There will be an estimated retirement savings gap of US\$400 trillion by 2050 for these eight countries alone.