The G20 in 2019: Financial Sector Priorities
Global Markets Advisory Committee Meeting in D.C., April 15, 2019

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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

Full, timely and consistent implementation

Evaluation of effects
- Central clearing
- Infrastructure finance
- SME finance
- TBTF reforms

Addressing market fragmentation

Monitoring and addressing emerging risks and vulnerabilities

2019 Priorities

Addressing market fragmentation

Technological innovation
- Crypto assets
- Decentralized financial technologies

Financial inclusion in an aging society

Monitoring and addressing emerging risks and vulnerabilities
# Roadmap to Fukuoka and Osaka

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<th>Date</th>
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<tr>
<td>January 17</td>
<td>Symposium on demographic changes and macroeconomic challenges</td>
<td>Tokyo</td>
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<td>January 17-18</td>
<td>Deputies’ meetings</td>
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<td>April 2</td>
<td>Roundtable on AML/CFT issues relating to financial innovation</td>
<td>Washington, D.C.</td>
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<td>April 11-12</td>
<td>Ministers’ and Governors’ meetings</td>
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<td>June 7</td>
<td>Symposium on aging and financial inclusion</td>
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<td>June 8</td>
<td>Seminar on financial innovation</td>
<td>Fukuoka</td>
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<td>June 8-9</td>
<td>Ministers’ and Governors’ meetings</td>
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<td>June 28-29</td>
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<td>Osaka</td>
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Market fragmentation
Market fragmentation (1)

- 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)

• 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
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.