GUIDE TO DIFFERENT BANKING BOARDS

Playing by the rules

With so many standards-setting boards, it can be difficult to know which entity is responsible for the agendas and standards that will reduce risk and protect banks' resilience. Here, we offer a guide to some of the main boards globally, including their core areas of focus and main responsibilities.

Financial Stability Board (FSB)
Established during the 2009 G20 Pittsburgh Summit as a successor to the Financial Stability Forum, the FSB is an international body that monitors and makes recommendations relating to the global financial system.

The FSB's predecessor, the Financial Stability Forum was set up in 1999 following a proposal from the then Bundesbank President, Hans Tietmeyer, partly as a response to the Asian crisis.

The FSB coordinates the efforts of 24 national financial authorities and international standard-setting bodies to harmonise regulations and react to challenges.

The functions of the FSB include monitoring the international financial system for vulnerabilities and identifying the actions needed to address them. It also coordinates and promotes the exchange of information between the various authorities.

The FSB comprises representatives of central banks, finance ministries and supervisory authorities from the G20 countries as well as Hong Kong, the Netherlands, Spain, Singapore and Switzerland; the European Central Bank, the European Commission and all committees and organisations with a major role in global financial stability analysis and regulatory debate.

Basel Committee on Banking Supervision (BCBS)
The BCBS is an international committee that was formed in 1974 by central bankers from the G10 countries. At the time, these countries were working towards building new international financial structures to replace the recently collapsed Bretton Woods system – a collective international currency exchange regime that lasted from the mid-1940s to the early 1970s.

The BCBS is, according to the Bank for International Settlements (BIS), the "primary global standard setter for the prudential regulation of banks and provides a forum for regular cooperation on banking supervisory matters". It also exists in order to develop standards for banking regulation and help national banking and financial markets supervisory bodies move towards a more consolidated approach when it comes to resolving regulatory issues.

The BCBS is headquartered in the offices of the BIS in Basel, Switzerland, and has two representative offices in Hong Kong and in Mexico City, as well as Innovation Hub Centres around the world.

Its 45 members comprise central banks and bank supervisors from 28 jurisdictions. Member countries include Australia, Argentina, Belgium, Brazil, Canada, China, France, Germany, Hong Kong, India, Indonesia, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, Russia, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

Office of the Comptroller of the Currency (OCC)
The OCC is an independent bureau of the US Department of the Treasury. It charters, regulates, and supervises all national banks, federal savings associations, and federal branches and agencies of foreign banks.

Founded through the National Currency Act of 1863, the OCC oversees several areas including capital, asset quality, management, earnings, liquidity, sensitivity to market risk, information technology, compliance, and community reinvestment.

Congress does not fund OCC. Instead, funding is from national banks and federal savings associations, which pay for examinations and processing of their corporate applications.

European Central Bank (ECB)
Headquartered in Frankfurt am Main, Germany, the ECB is the central bank for the Eurozone and has been responsible for conducting monetary policy for the euro area since 1999, when the euro currency was first adopted by some EU members.

The ECB manages the euro, keeps prices stable and implements EU economic and monetary policy. It is the central bank of the 19 EU countries that have adopted the euro and promotes cooperation between national central banks.

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The ECB is also the EU body responsible for banking supervision. In conjunction with national central bank supervisors, it operates what is called the Single Supervisory Mechanism (SSM) to ensure the durability of the European banking system.

European Banking Authority (EBA)

The EBA is an independent EU authority. That said, it is accountable to the European Parliament, the EU Council and the European Commission. It was established in 2010 by the European Parliament, replacing the Committee of European Banking Supervisors (CEBS).

The EBA is part of the European System of Financial Supervision (ESFS), which comprises the national supervisory authorities and the three European supervisory authorities for banks, securities markets and insurance corporations (EBA, ESMA, EIOPA, respectively), the European Systemic Risk Board (ESRB), and the Joint Committee of the European Supervisory Authorities.

The EBA is tasked with working with the EU member states' national supervisory authorities to ensure an effective and coherent level of regulation and supervision in the European banking sector.

Reserve Bank of India (RBI)

The RBI, the central bank of India, was established in 1935 by the Reserve Bank of India Act. It was originally privately owned but was nationalised in 1949. It is headquartered in Mumbai and has offices throughout the country.

The RBI formulates and implements the government's monetary policy, issues bank notes and coins, manages the country's international payments and its FX market, acts as an investment bank for the central and state governments, and maintains the accounts of, and extends credit to, commercial banks.

A central board of directors headed by a governor oversees the bank. In addition, four local boards, headquartered in Mumbai, Kolkata, Chennai, and New Delhi, advise the central board on regional issues and represent the interests of regional banks. All members of the central and local boards are appointed by the government for terms of four years.

Australian Prudential Regulation Authority (APRA)

On 1 July 1998, the Australian Government established the APRA as an independent statutory authority after an inquiry into the Australian financial system.

Today, it continues to supervise institutions across banking, insurance and superannuation, and is accountable to the Australian Parliament.

The APRA promotes financial system stability by working closely with the Australian Treasury, the Reserve Bank of Australia and the Australian Securities and Investments Commission.

It's role is to protect the Australian community by establishing and enforcing legally binding standards that apply to these APRA-regulated entities.

The organisation supervises banks, credit unions, building societies, general insurance and reinsurance companies, life insurance, private health insurance, friendly societies, and most of the superannuation industry.

Financial Services Agency Japan (FSA)

Based in Tokyo and formed in 2000 from a department of the Prime Minister's office, the FSA is the chief regulator of Japan's financial services industry, responsible for maintaining its stability and integrity.

The FSA was established under the jurisdiction of the Financial Reconstruction Commission and following the reorganisation of Japan's central government ministries. Because of this, the FSA, which is written 金融庁 in Japanese, and pronounced 'Kinyucho', became an external entity of the Cabinet Office.

It has a commissioner and reports its activities to the country's Minister of State for Financial Services.

The FSA is mandated to oversee the banking, insurance and securities and exchange industries and is also charged with protecting market participants from fraud and money laundering.

Its responsibilities include handling planning and policymaking regarding the country's financial system, supervision of private sector FIs, development of rules for trading in markets, development of business accounting standards, supervision of CPAs and auditing firms, and compliance of rules in financial markets.

Financial Conduct Authority (FCA)

The FCA is the regulator of the FS sector in the UK and is responsible for the functioning of its financial markets.

It was established on 1 April 2013 and assumed the responsibility for the conduct and relevant prudential regulation from the Financial Services Authority (FSA), which was abolished after the 2008 financial crisis and due to the perceived regulatory failure of the banks.

The FCA aims to ensure honest and fair markets by protecting both consumers and the financial markets and by promoting competition. It is an independent financial regulator and sits within the purview of the Treasury and Parliament. As an independent public body, it charges fees to the firms that it regulates.

The FCA also uses criminal, civil and regulatory enforcement powers to protect consumers and act against firms and individuals that are not authorised. The FCA's warning list, meanwhile, highlights firms that are suspected to be unauthorised and operating without the FCA's permission.

Prudential Regulation Authority (PRA)

Together with the FCA, the PRA is a successor regulator to the Financial Services Authority (FSA).

As part of the Bank of England, the PRA is responsible for the prudential regulation and supervision of around 1,330 banks, building societies, credit unions, insurers, and major investment firms.

It creates policy for the firms it regulates to follow and implement through the PRA Rulebook, and its rules require financial firms to maintain sufficient capital and have adequate risk controls in place. It also supervises firms, ensuring that it has a comprehensive overview of their activities so t it can intervene if they are not being run in a safe and accountable manner.

The Prudential Regulation Committee (PRC) makes the PRA's most important decisions, chaired by the Governor of the Bank of England (BoE). Five members are BoE staff, including the governor and four deputy governors. The PRC has a majority of external members, including the Chief Executive of the FCA and six others, selected for their experience and expertise in financial services.

National Financial Regulatory Administration (China) (NFRA)

The NAFR was established on 18 May 2023 – opening a new chapter on financial regulation in China.

It replaces the former China Banking and Insurance Regulatory Commission (CBIRC) and will also take over certain financial consumer/investor protection responsibilities from other regulators.

The watchdog now oversees all aspects of China's US$57tn financial sector apart from the securities market, which continues to be regulated by the China Securities Regulatory Commission (CSRC). It is hoped this will help reduce regulatory overlap, especially at the level of local government.

The reform came about after unprecedented regulatory scrutiny of several private enterprises over the past couple of years – following years of non-restrictive regulatory approach.

The NAFR also took over the responsibilities of the People's Bank of China's for daily supervision of financial groups (for example, financial holding companies) and responsibilities for the protection of financial consumers, as well as the CSRC's responsibilities for the protection of investors.

Monetary Authority of Singapore (MSA)

Created in 1971 to coordinate the city's rapidly developing financial sector, the MAS is, in effect, the country's central bank and chief financial regulation-setter and supervisor. It also works with the financial industry to develop Singapore as a dynamic international financial centre.

MAS promotes sustained, non-inflationary economic growth through the conduct of monetary policy and close macroeconomic surveillance and analysis. It manages Singapore's exchange rate, official foreign reserves, and liquidity in the banking sector.

The authority meets twice a year – in April and October – to set an exchange rate policy, which it uses as a tool of economic growth.

The policy is set by a board of directors, which is headed by its managing director, who is appointed by a chairman. As well as advising the government on financial law and regulation, the MAS also oversees and enforces them. CB

To learn more about the role of standard setting bodies, watch our webcast *How are standard setting bodies changing banking for good? The view from standard setting bodies.*