

Web Box 3.2 IMF–Financial Stability Board meeting on financial turmoil and policy responses

Officials from central banks, finance ministries, and financial supervisory and regulatory agencies from a large group of advanced and emerging market economies convened at IMF headquarters in October 2008 to discuss the financial turmoil and policy responses to it. U.S. Treasury Secretary Hank Paulson led off the meeting, cohosted by IMF First Deputy Managing Director John Lipsky and Financial Stability Board (FSB) Chairman Mario Draghi, Governor of the Bank of Italy. Twenty-six nations were represented, as were ten financial and development organizations in addition to the IMF and FSB.

“Our discussions today provided an opportunity to review the main challenges and risks faced among mature financial markets and to analyze the impact and key transmission channels to emerging markets,” the First Deputy Managing Director stated. “This session will contribute to the ongoing process of drawing lessons from the current turmoil and strength-

ening cross-border coordination, while deepening the relation between advanced and emerging market authorities.” Mr. Draghi noted that in April 2008, the FSB had launched an articulated plan to build a more resilient financial system that “draws on a joint diagnosis and an intensive collaborative effort of the main international supervisory, regulatory and central bank bodies and national authorities in key financial centers. The guiding principles underlying the recommendations in this plan are to re-create a financial system that operates with less leverage, is immune to the set of misaligned incentives at the root of this crisis, where prudential and regulatory oversight is strengthened, and especially where transparency allows better identification and management of risks. These recommendations are now being implemented by the same authorities that have formulated and agreed them, and the FSB is closely monitoring the implementation progress.”