

# PANEL SESSION

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# Tackling issues raised in G20 Fukuoka

Issues raised in G20 Fukuoka by Japan	Follow-up action
Global financial market fragmentation due to regulatory inconsistency and overlap among countries	Concrete measures to <b>facilitate mutual recognition of regulations among countries</b> , and to <b>address jurisdictional ring-fencing of international banks' capital and liquidity</b>
Regulatory implication from financial innovation	<b>Dialogues among various stakeholders</b> including authorities and engineers: <b>multi stakeholder approach</b>
Crypto-asset: Compiling a directory of regulators and a guidebook for supervision	Considering <b>responses to a new concept related to crypto-assets</b>



# Addressing Negative Effect of Market Fragmentation

- Since the global financial crisis, financial regulatory reforms have been largely put into place.
- There are, however, concerns that some markets may be fragmented along jurisdictional lines.
- The 2019 Japan G20 Presidency proposed addressing market fragmentation as one of its priorities.
- The Financial Stability Board (FSB) and the International Organization of Securities Commissions (IOSCO) submitted the reports on market fragmentation at the June G20 Fukuoka meetings.
  - Japan led discussions at the FSB and IOSCO, for example:
    - ✓ by chairing the FSB's "Workshop on Market Fragmentation"; and
    - ✓ by co-chairing IOSCO 's group to examine market fragmentation in wholesale securities and derivatives markets
- At the June G20 Osaka summit, Leaders welcomed the work on market fragmentation, and expressed a commitment to address its unintended, negative effects, including through regulatory and supervisory cooperation.

## **FSB Report on Market Fragmentation (4 June, 2019)**

This report lays out approaches and mechanisms that may enhance the effectiveness and efficiency of international cooperation, and help to mitigate any negative effects of market fragmentation on financial stability. It also identifies several areas for further work.

### Next steps

- Deference processes in derivatives and securities markets
- Jurisdictional ring-fencing and pre-positioning of financial resources by international banks
- Regulatory and supervisory communication and information sharing
- Market fragmentation as part of the evaluation of reforms

## **IOSCO Report on Market Fragmentation & Cross-border Regulation (4 June, 2019)**

IOSCO examined market fragmentation in wholesale securities and derivatives markets.

### Next steps

- Discussing the Affiliate Members Consultative Committee's report at the IOSCO Board on an annual bases
- Discussing cross-border regulatory issues on a regular basis (e.g. the annual meeting of the IOSCO Asia-Pacific Regional Committee(APRC) and the European Commission and ESMA)
- Strengthening supervisory cooperation (e.g. sharing existing MoUs and equivalent determinations with members)
- Exchanging information about approaches to cross-border regulation and considering any good or sound practices regarding deference tools

# Financial Innovation (International Works)

Short-term challenges:  
Crypto-assets

International coordination

**FSB** “Crypto-asset regulators directory” (April 2019)

Consumer and investor protection and market integrity

**IOSCO** “Issues, Risks and Regulatory Considerations Relating to Crypto-Asset Trading Platforms—Consultation Report” (June 2019)

**FSB** “Crypto-assets - Work underway, regulatory approaches and potential gaps” (June 2019)

AML/CTF

**FATF** the amendment to the text of Interpretive Note in relation to virtual asset financial activities and virtual asset service providers (June 2019)

**G20/IMF/FATF** Special Joint Session: Financial Innovation and AML/CFT - opportunities and challenges. (April 2019)

Mid- and long-term challenges

Structural shift in financial system

**G20** High-level Seminar on Financial Innovation. (June 2019)  
• Opportunities and Risks of Financial Innovation  
• Multi-stakeholder Governance for a Decentralized Financial System

**FSB** report on decentralized financial technologies (June 2019)