

22nd Annual International Conference on  
Policy Challenges for the Financial Sector

# Managing Financial Stability During Structural Change and Transition

WORLD BANK  
INTERNATIONAL MONETARY FUND  
FEDERAL RESERVE SYSTEM

May 31 - June 2, 2023  
Washington, D.C.

*Financial sector regulators and supervisors are currently beset by twin challenges—responding to an uncertain economic outlook with greater risk of financial instability and maintaining focus on longer-term priorities. As the world moved past Covid challenges, a series of shocks have led to high geopolitical tension, global economic uncertainty, inflation, and financial and commodity market volatilities. Economic prospects of emerging markets and developing economies have been adversely impacted, not only by these shocks, but also by the policy tightening response in advanced economies, which has resulted in high external borrowing costs. These conjunctural challenges, combined with structural changes that will have a lasting impact on the global financial system, will be shaping supervisory work programs in the months and years ahead.*

**Wednesday, May 31, 2023**

**Venue: Federal Reserve Board, Martin Building, 2001 C Street, NW, Washington, D.C.**

11:00 – 1:15	<b>Registration</b>
1:15 – 1:30	<b>Welcoming Remarks &amp; Introduction of Keynote</b>
	Arthur Lindo, Deputy Director, Supervision & Regulation Division, Board of Governors of the Federal Reserve System
1:30 – 2:00	<b>Keynote Address</b>
	Governor Philip N. Jefferson, Board of Governors of the Federal Reserve System
2:00 – 3:30	<b>Session 1: Addressing Challenges of Rising Risks – Historical Parallels and New Developments</b>
	Financial conditions continue to tighten globally, exacerbating pre-existing vulnerabilities. In many emerging markets, weaker currencies and wider dollar-funding spreads have increased external borrowing costs, while in advanced economies, tighter financial conditions have been driven by inflation, higher interest rates, and lower corporate valuations. In most jurisdictions, the public sector has cushioned the impact of the pandemic at the cost of deteriorating fiscal positions. Market liquidity has deteriorated across some key asset classes and is squeezing the most vulnerable emerging markets. The housing market is showing signs of overheating in several regions of the world and nonbank financial intermediation (NBFi) has grown considerably, representing almost half of global financial assets, and raising systemic risk concerns. <i>Given these various risks and developments, what should be the priorities for managing financial stability during this challenging time? How has the focus shifted? Are some approaches more appropriate than others? Are there lessons learned from the past that are applicable today?</i>



	<p><u>Moderator:</u> Mr. Michael Kiley, Deputy Director, Financial Stability Division or Director of International Finance, Board of Governors of the Federal Reserve System</p> <p><u>Panelists:</u></p> <p>Mr. Douglas Elliott, Partner, Oliver Wyman</p> <p>Ms. Meghan Neenan, Managing Director and North American Head of Nonbank Financial Institutions, Fitch Ratings</p> <p>Mr. Brent Neiman, Assistant Secretary, International Finance, U.S. Department of the Treasury</p> <p>Mr. Eric Parrado, Chief Economist, Inter-American Development Bank</p>
3:30 – 4:15	<b>Group Photo</b> (Martin Building Front Steps)
4:15 - 4:30	<b>Coffee Break</b>
4:30 – 6:00	<b>Session 2: Completing Basel III Implementation and Proportionality Considerations</b>
	<p>Recent international financial market and institutional developments reinforce the need for implementation of finalized Basel III reforms in internationally active banks and proportionate implementation for others. Banks may experience unexpected, adverse, and rapid shifts in their asset and liability compositions or cost-related impacts, making the implementation of well-calibrated prudential requirements paramount. Governors and Heads of Supervision at the Basel Committee on Banking Supervision recently reaffirmed that full, timely, and consistent implementation of Basel III is fundamental to a sound and properly functioning banking systems that can support economic recovery and growth on a sustainable basis, and to foster a level playing field for internationally active banks. For similar reasons, appropriate steps should be taken in fostering frameworks for other banks, following the High-level Considerations on Proportionality published by the Basel Committee last year. <i>What is the status of Basel III implementation efforts in the jurisdictions? How do authorities apply proportionality in Basel III implementation? What are the key challenges and issues with implementation (e.g., in stress testing, capital buffers, prudential treatment of certain asset classes, and sovereign-bank nexus)?</i></p>
	<p><u>Moderator:</u> Arthur Lindo, Deputy Director, Policy, Supervision &amp; Regulation Division, Board of Governors of the Federal Reserve System</p> <p><u>Panelists:</u></p> <p>Mr. Makoto Minegishi, Deputy Director General, Financial System and Bank Examinations Department, Bank of Japan</p>



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	<p>Ms. Elsie Addo Awadzi, Deputy Governor, Central Bank of Ghana, and member of the BCBS Consultative Group</p> <p>Ms. Joanne Marsden, Deputy Secretary General, Basel Committee on Banking Supervision</p> <p>Ms. Karen Braun-Munzinger, Deputy Director General, Banking and Financial Supervision, Deutsche Bundesbank</p>
6:00 -7:00	<b>Reception Hosted by the Federal Reserve Board – Terrace Level</b>



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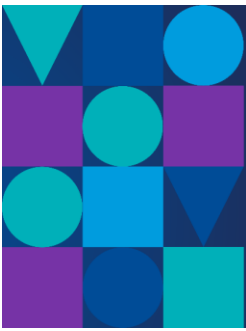
**Thursday, June 1, 2023**

**Venue: International Monetary Fund**, Headquarters Building 2, Conference Hall 2,  
1900 Pennsylvania Ave NW, Washington, D.C.

9:00 – 9:30	<b>Check-in and Light Breakfast</b>
9:30 – 9:45	<b>Welcoming Remarks and Introduction Keynote</b>
	Tobias Adrian, Financial Counsellor and Director, Monetary and Capital Markets Department, International Monetary Fund
9:45 – 10:15	<b>Keynote Address</b>
	Andrea Enria, Chair of the Supervisory Board, Banking Supervision, European Central Bank
10:15 – 10:40	<b>Coffee Break</b>
10:40 – 12:30	<b>Session 3: Maintaining Operational Resilience under Evolving Technologies</b>
	The application of technology in financial systems introduced benefits across the board along with new risks. Until recently, the operational risks faced by banks came predominantly from vulnerabilities related to the swift adoption of the most recent technologies, increased dependency on technology infrastructure, and growing reliance on third/fourth-party providers. However, further advancements in digital services including in payments and the growing significance of large technology providers take these challenges to a new level. Furthermore, additional threats to the stability of financial systems, including cyber-attacks, have evolved, and supervisors view operational resilience and cybersecurity as key priorities for supervisory strategies. International standards have responded with a number of initiatives, which are expected to be reflected by supervisors. <i>Where do you see the most relevant threats for operational resilience? How are operational resilience priorities changing over time? Do you see any major gaps in international regulatory frameworks? How has the role of supervisors developed over time?</i>
	<u>Moderator:</u> Mr. Jay Surti, Division Chief, Financial Supervision and Regulation Division, Monetary and Capital Markets Department, IMF
	<u>Panelists:</u>
	Ms. Chuchi G. Fonacier, Vice-Governor, Bangko Sentral ng Pilipinas
	Ms. Solange Berstein Jáuregui, Chairwoman, the Comisión para el Mercado Financiero, Chile



	<p>Mr. Ray Diggs, Deputy Associate Director, Operational Resilience, Board of Governors of the Federal Reserve System</p> <p>Mr. Csaba Kandrács, Deputy Governor, the Magyar Nemzeti Bank, Hungary</p>
12:30 – 1:45	<b>Luncheon (Conference Hall 1)</b>
1:45 – 3:15	<b>Session 4: Assembling Puzzle of Climate Risk Supervisory Tools &amp; Approaches</b>
	<p>As financial risks are increasingly influenced by climate change, the prudential framework needs to be adjusted to ensure that financial institutions are well-equipped to weather climate-related shocks and to provide financing for the required transition to a low-carbon and sustainable economy. International standard setters are deeply engaged in efforts to incorporate climate-related risks in the prudential framework. Similarly, supervisors are developing and implementing innovative approaches for their toolboxes while tackling conceptual challenges. Supervisors and regulators are facing increased pressure and expectations from their stakeholders, including rating agencies, investors, and the public, to address management of climate-related financial risks. <i>What are the priorities of these supervisory and regulatory initiatives? Do we need amendments to the prudential framework to reflect climate risk differentials? Which tools or approaches have the potential to overcome conceptual challenges? How can new supervisory approaches and tools be steered? What information is needed to support their further development? How should supervisory outcomes be communicated?</i></p>
	<p><u>Moderator:</u> Mr. Ilias Skamnelos, Practice Manager, Finance, Competitiveness, and Innovation Global Practice, World Bank</p> <p><u>Panelists:</u></p> <p>Mr. Rafael Del Villar Alrich, Director, Environmental and Social Risks Analysis and Policy, Banco Central de Mexico</p> <p>Ms. Hiba Zahoui, Director, Bank Al Maghrib, member of the DGFS Steering Committee</p> <p>Mr. Simon Dikau, International Network for Sustainable Financial Policy Insights, Research and Exchange</p> <p>Mr. Kevin Stiroh, Senior Advisor, Chair of Task Force on Climate Risk, Board of Governors of the Federal Reserve</p>
3:15 – 3:30	<b>Coffee Break</b>



3:30 – 5:15	<p><b>Session 5: Reflecting Issues of Crypto Asset Exchanges to Stem Risks</b></p>
	<p>Crypto assets are a fast-evolving market which could reach a point where it could present a risk to financial stability. While banks’ direct exposures to crypto assets remain limited, albeit growing, the degree of interconnectedness across the financial system is becoming substantial. Episodes of recent market stress, including the collapse of a large platform, highlighted (1) weaknesses in business models, risk management, governance, and consumer/investor protections; (2) concerns regarding the carbon footprint; and (3) increased cyber risk. These developments prompted international standard setters to develop international guidelines to mitigate these risks, including the FSB’s ‘<i>Regulation, Supervision and Oversight of Crypto-Asset Activities and Markets</i>’ and BCBS’s ‘<i>Prudential treatment of crypto asset exposures</i>’. Discussions on supervisory topics center around the licensing/authorization of crypto asset service providers, establishing strict prudential requirements and a globally harmonized approach, and avoiding ineffective, uncoordinated national responses. <i>What developments in banking sectors and financial systems can be expected in the near term? How will the outcome affect banking supervisors? Should banking supervisors’ step in now or wait for the outcome of international initiatives? How can international and cross-border efforts be better coordinated to address crypto asset related risks?</i></p>
	<p><u>Moderator:</u> Mr. Loic Chiquier, Senior Adviser, Finance, Competitiveness, and Innovation Global Practice, World Bank</p> <p><u>Panelists:</u></p> <p>Ms. Rosario Celedón, Financial Policy Division, Banco Central de Chile</p> <p>Ms. Valerie Szczepanik, Securities and Exchange Commission, USA</p> <p>Mr. Sabih Behzad, Global Head of Digital Assets and Currencies Transformation, Deutsche Bank</p> <p>Mr. Chris Brummer, Agnes Williams Sesquicentennial Professor of Financial Technology, Georgetown University, USA</p>



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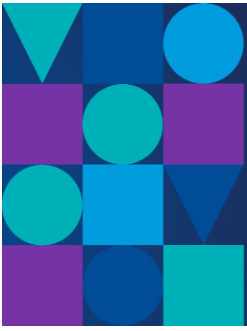
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**Friday, June 2, 2023**

**Venue: World Bank**, Main Complex Building, Room MC 13-121.

1818 H Street, N.W. (corner of 18<sup>th</sup> and H Streets), Washington, D.C.

9:00 – 9:20	<b>Check-in and Light Breakfast</b>
9:20 – 9:40	<b>Welcoming Remarks</b>
	Loic Chiquier, Senior Adviser, Finance, Competitiveness, and Innovation Global Practice, World Bank
9:40 – 10:00	<b>Keynote Address</b>
	Pablo Saavedra, Vice President, Equitable Growth, Finance, and Institutions (EFI), World Bank Group
10:00 – 12:00	<b>Session 6: What’s Next for Policymakers and Supervisors? (Concluding Session)</b>
	<p>External factors are contributing to the structural transformations of financial systems more than ever. The period of prolonged low interest rates that followed the Global Financial Crisis and recently ended with a surge in inflation had generated a search for yield, pushed risks beyond the regulatory perimeter, and increased leverage—especially in lightly regulated and unregulated sectors. Accelerating digitalization in core banking services brings opportunities and risks. Technological innovation may offer better financial services, but it also increases operational risk and resilience concerns. Finally, climate change brings to the fore the importance of climate-related financial risks, demanding changes in business strategies and risk management priorities that will ultimately impact the balance sheets of banks and the composition of economic activities. <i>What impacts from these structural transformations can we expect over the near to medium term? How do these issues factor into supervisory and regulatory priorities (e.g., supervisory program updates, regulatory and legal changes, reorganization of supervisory structures, emerging priorities in capacity building)? How will these factors become embedded in supervisory practices?</i></p>
	<p><u>Moderator:</u> Ms. Marina Moretti, Deputy Director, Monetary and Capital Markets Department, IMF</p> <p><u>Panelists:</u></p> <p>Mr. Arthur Lindo, Deputy Director, Policy, Supervision &amp; Regulation Division, Board of Governors of the Federal Reserve System</p> <p>Mr. Jay Surti, Division Chief, Financial Supervision and Regulation Division, Monetary and Capital Markets Department, IMF</p>



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	<p>Mr. Ilias Skamnelos, Practice Manager, Finance, Competitiveness and Innovation Global Practice, World Bank</p> <p>Mr. Loic Chiquier, Senior Adviser, Finance, Competitiveness and Innovation Global Practice, World Bank</p>
12:00 – 12:15	<b>Closing Remarks</b>
12:15 – 1:15	<b>Reception</b> (registered participants & invitees only)
	<p>World Bank Main Complex Building Room MC 13-121 1818 H Street, N.W. (corner of 18th and H Streets) Washington, D.C.</p>