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Statement by

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Board of Governors of the Federal Reserve System

before the

Committee on Financial Services

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Chairman McHenry, Ranking Member Waters, and members of the Committee, thank you for the opportunity to discuss the Federal Reserve Board's (Board) engagement with international organizations on supervisory and regulatory matters.

The Board participates in various international forums in support of its statutory responsibilities of supervising and regulating financial institutions and fostering financial stability. In a globally interconnected financial system, financial shocks can quickly propagate across national borders, and the Board seeks to promote the stability of the U.S. financial system by supporting strong and consistent minimum regulatory standards and sound supervisory practices for financial institutions globally. Engagement with international organizations also has been an effective and efficient means for understanding and sharing information on global financial risks, as well as an opportunity for the Board to help shape international standards and recommendations to the nature and needs of the U.S. financial system. It is also important to note that these standards and recommendations are not binding on any jurisdiction or member, including the United States and the Federal Reserve. Any changes to the regulations that apply to U.S. firms would be proposed by the Federal Reserve and go through our usual public notice and comment process.

In support of its goal to enhance the strength, stability, and resilience of the financial system, the Board actively participates in the following supervision and regulation-focused standard-setting bodies:

- The Basel Committee on Banking Supervision (BCBS) was established in 1974 to enhance financial stability by improving the quality of banking supervision worldwide. It also serves as a forum for regular cooperation among its members on bank supervisory matters. Chair Powell and Vice Chair for Supervision Barr represent the Board on the

Group of Central Bank Governors and Heads of Supervision (GHOS), the body governing the BCBS.

- The Financial Stability Board (FSB) promotes global financial stability by coordinating the work of national financial authorities and international standard-setting bodies, as well as sharing information on supervisory and regulatory practices. Vice Chair for Supervision Barr represents the Board at the FSB.
- The International Association of Insurance Supervisors (IAIS) promotes effective and globally consistent supervision of the insurance industry. The Board is represented at the IAIS at the staff level, and this work is overseen by Vice Chair for Supervision Barr.

In addition, the Board is represented at the staff level on the working groups of these organizations. The Board is also a member of the Network for Greening the Financial System (NGFS). Although the NGFS is not a standard-setting body, Board staff participate in its working groups to understand how other central banks are approaching climate-related financial risks.

Each international group that we participate in has a unique organizational structure and purpose and holds regular meetings. The nature of the Board's participation varies accordingly by group. The Board promotes U.S. interests by participating in the main groups and subgroups and has leadership roles on major issues. As part of this work, we coordinate with other U.S. participants, such as the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Securities and Exchange Commission, the Department of the Treasury, the Federal Insurance Office, and state insurance commissioners.

These international groups are consensus-driven organizations—participants seek to reach a common understanding around material issues and consider what policy choices could

help to address those issues. Although it can be challenging to work through complex issues, this approach serves as a check on potentially undesirable policy recommendations. As with any other process, alternative viewpoints emerge and dissenting opinions are voiced. Before standards or recommendations are finalized, they are often subject to public consultation, and the comments inform any final decisions. Staff from the Board engaged in these groups consult regularly with Board principals to ensure any final recommendations or standards align with the Board's policy goals. Once standards or recommendations are finalized, it is then up to individual members to implement any changes, as appropriate, in their respective jurisdictions.

While the Board participates in these organizations, it is under no obligation to adopt any standards or recommendations that are developed. When the Board makes decisions about policy, it does so on the basis of its own domestic statutory mandates and responsibilities, and in accordance with U.S. administrative law, importantly, including an opportunity for public comment on the proposal. The Board does not implement standards or recommendations that are beyond the scope of our mandate or are otherwise not appropriate for our banks and our financial system.

The Board is committed to transparency in its own work and is supportive of transparency by the international organizations in which it participates. The international organizations in which the Board participates publish information to keep the public informed of their work. The Board supports efforts by international organizations to regularly publish this information—including annual workplans and meeting summaries—and to subject work products such as proposed international standards and supervisory principles to public comment.

Congressional oversight is an important feature of the U.S. regulatory framework. Congress has an oversight role for the Board's activities, including its participation in international organizations, and we welcome that oversight.

Thank you. I am happy to answer any questions you may have.