

We welcome the steps outlined in the reports from the international regulatory bodies to reduce risks to payment and settlement systems. We encourage the Committee on Payment and Settlement Systems to continue to work with industry groups that seek to offer risk-reducing multi-currency services.

We agree to introduce, where necessary and appropriate, legislative measures to ensure the enforceability of sound netting agreements in relation to insolvency and bankruptcy rules to reduce systemic risk in international transactions.

Encouraging the Adoption of Strong Prudential Standards in Emerging Economies

Strengthening financial systems in emerging economies will reduce the risks of financial and macroeconomic crises that can impose substantial costs on domestic economies and have potential contagion effects in regional and international markets. In response to the G-7, the G-10 formed a working party to identify and analyze factors that promote financial stability in emerging economies and to outline a concrete strategy to strengthen financial systems in such economies.

Key Areas of Progress

The working party, which included representatives of emerging market economies, international regulatory bodies, and the international financial institutions, made significant progress:

- The working party issued for wider discussion a report recommending a strategy comprising: development of an international consensus on the key elements of sound financial systems; formulation of sound principles and practices by international regulatory bodies; use of market discipline and market access to provide incentives for their adoption; promotion by the IMF, World Bank and others of the adoption and implementation of such principles and practices.

The international regulatory bodies and the BIS have made significant contributions:

- In cooperation with 15 key developing countries, the Basle Committee released a consultative paper on "Core Principles for Effective Banking Supervision," and an accompanying Compendium providing more in-depth guidance on supervisory issues.
- The Basle Committee in October 1996 also issued a report setting out a framework for improving and facilitating the supervision of cross-border banking, which was endorsed by supervisors of 140 countries.
- In the last year, the BIS expanded its membership to include representatives from emerging market economies. IOSCO made changes to its organizational structure to increase the representation of emerging markets. The IAIS formed a special committee to promote the development of emerging insurance markets by establishing principles and offering training programs.